YOUTH UNEMPLOYMENT IN EU: A PRESSURE TO AVOID LONG TERM SOCIAL EMPOVERISHMENT

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Abstract
The paper looks at the empirical evidences (factual data), that unemployment in the young generation in the European Union in 2016 the life of citizens, the welfare and state of national economies, as well as the supra-national aggregations (the markets). In June 2016, the youth unemployment in EU was at 18.5% while this average points that in some countries like Greece and Spain, 1 out of 2 people under 25 years old is still unemployed(Eurostat, 150 and 155/2016). The paper looks at the relationship between youth unemployment and European economic policies, as people aged below 25 in 2008-2009 and that are below 35 today need to have a long term and productive job. I will point out some solutions that come in a wide consensus to address the problem. For this reason, to create jobs today is a must for economies. The article analyses statistical data from official EU publications, synthesizes the main findings, employing methodologies such as CBA ("cost-benefit analysis") from social and economic viewpoint and "as is – to be" analysis, looking at empirical evidence of social trends, demographics and social statistics methods (i.e. EU unemployment). In regards to policy implications, interlink between financial and labour markets should point to the need for structural reforms and the possible solutions.

Keywords
Education, ISLM model, labour market, monetary measures, retirement, youth unemployment.

"When you are old and grey and full of sleep,
And nodding by the fire, take down this book,
And slowly read, and dream of the soft look
Your eyes had once, and of their shadows deep;"
By William Butler Yeats[1],
"When You Are Old",
"The Countess Kathleen and Various Legends and Lyrics" (1892)

1. FACTS UPON UNEMPLOYMENT IN EU

It is not by chance or coincidence that I chose the words of Irish poet W.B. Yeats as an introduction to the theme chosen for this topic. Ireland, as member of Euro Area, has been hardly hit by the financial crisis sparked in 2008, and at the midst of downturn in 2012, youth unemployment stood abruptly at 31.3%, according to Central Statistics Office of Ireland (2016). It is an enduring measurement of the economy which proves hard to diminish. After 8 years, Ireland recorded half of the height in youth unemployment: 15.3% (Eurostat June 2016).

1.1. The figures of unemployment today

According to the figures published by Eurostat[2] on July 29, 2016 reporting for June 2016, it is estimated that around 21,000,000 people were unemployed, out of which almost 16,300,000 were in Euro Area (EA) (close to 78%). Four

[1] The Irish poet won the Noble Prize for Literature in 1923, on which occasion he acknowledged the recognition as "part of Europe's welcome to the Free State". Irish Free State was established in 1922 by secession, under Anglo-Irish Treaty. Only later, by the Constitution of 1937, the name changed to Ireland (note of author).

[2] Eurostat (ec.europa.eu/eurostat) uses the definition of International Labor Organization: "The unemployed comprise all persons of working age (15 to 74) who were: a) without work during the reference period, i.e. were not in paid employment or self-employment; b) currently available for work, i.e. were available for paid employment or self-employment during the reference period; and c) seeking work, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment. For purposes of international comparability, the period of job search is often defined as the preceding four weeks, but this varies from country to country." Source: http://www.ilo.org/

unemployed people being in the Monetary Union out of five people unemployed in EU is a heavy toll on economies, especially because the new jobs creation needs to be supported by electronic money and paper banknotes.

1.1.1. *Unemployment in Euro Area*

In EA19 the unemployment rate (month over month and year on year) stood at 10.1% (stable from previous month and well down from June 2015 figure of 11%). (Eurostat 2016, 150)

1.1.2. *Unemployment in European Union*

Even though unemployment rate in EU28 stood at 8.6% in June 2016, it is still high and reflects discrepancies in absolute size and relative percentages. Overall, in EU28, it stands out that Spain and Greece are absolute "champions" to this indicator, posting 19.9% respectively 23.3%, high above the next follower – the newest member Croatia (13.2%). The latest figures reported: Spain 4,500,000 and Greece 1,100,000 represent 27% of EU28 total unemployed persons and 34% of EA19 total unemployed persons (Eurostat 2016, 150). The consequences of these numbers are reflected directly into the welfare of the states and their citizen's lives and have the potential to spiral up, as real Gross Domestic Product (GDP) will be lower than full potential, companies will record lower turnovers and will decrease prices to sustain cash flows and can cut jobs further. This can lead to a higher deflation and unemployment on short term and to state subsidies and allowances for the people dependant on public financial aid on the long term, revealing a potential pressure on the state pension system.

1.1.3. *Youth Unemployment in European Union*

EU28 has around 90,000,000 people aged 15-29 (17% of total population) and this age interval is significant for transition from education to employment. There are 3 age sub-segments of young individuals: between ages of 15-19, the majority is

in education, between 25-29 years old the majority is working or eligible for work, while people between 20-24 are distributed among work and education.
Youth unemployment rate reported by Eurostat in August 2016 – at 18.5% – is calculated and reflected for 15-24 years old persons. Because not all young people are looking for a job, the share of unemployed in total population of that age is lower, at above 9%.
Although youth unemployment rate can be considered a threat to future economic development at the current level of 18.5% in EU28, it is not of immediate impact, because under 25, people usually still attend a form of higher education, although at least a part of them that are considered by statistics as eligible for work. The problem with this average is directly reflected again in Spain and Greece where the rates are 45.8% and 47.4% as of June 2016. For people under 25 willing to work and not finding work, 1 out of 2 young people (eligible for work) is jobless. To understand the impact of these two countries, let's consider the latest figures reported: Spain and Greece have 800,000, representing 19% of EU28 youth unemployed and 28% of EA19 youth unemployed (Eurostat 2016, 155).
A disturbing fact: looking closely at people 15-29 of age, that are neither in employment nor in education, the unemployment rate increases considerably: 6.3% for 15-19 segment, 17.3% for 20-24 segment and 19.7% for 25-29 segment (Eurostat, August 11, 2016). Exceeding the three age intervals, the rate remains high at 19.4% for the next age subsegment 30-34 (Eurostat, September 1, 2016). Italy records 31.1% in 20-24 youth unemployment, while Greece is at 26.1%, closely followed by Croatia (24.2%), Romania (24.1%), Bulgaria (24%) and Spain and Cyprus (each 22.2%). According to the released publication by Eurostat, even though between 2016-2015 the proportion of young people aged 20-24 who were neither in education nor in employment remained relatively constant, the average hides the fact that in 18 states the situation deteriorated. The states mentioned (Italy, Spain, Greece) recorded an increase in youth unemployment by more than +9%.
For the purpose of this debate, to conclude upon facts, at least 1 out of 5 people aged 25-34 is unemployed and eligible for work, looking to obtain a job (to average 19.7% and 19.4% average youth unemployment rates, compared to 8.6% average unemployment rate in EU28). The concentration can be seen all over the South of Europe: Spain, Italy, Greece, Cyprus, Bulgaria, Romania, Croatia. It takes a toll on wealth and income redistribution for the societies in each country

and it creates a problem for EU, not for the costs today, but for greater costs in the future. These people do not have incomes, do not pay for healthcare and pensions and will find increasingly difficult to access jobs. The time span of this lagged problem: at least 30 years from now.
According to Madalina Mihalache (Head of the European Parliament's Representative Office in Bucharest) in a declaration from 2013: "The International Labour Organisation estimates implementation costs for the Eurozone to stand at 21 billion euros per year. It may seem a lot, but these numbers must be compared with the costs of unemployment benefits and the lack of activity of the jobless youth (Leşcu and Palcu 2015). Given that 7.5 million young people are unemployed in Europe at present, and are not engaged in any sort of education or training, the European Foundation for the Improvement of Living and Working Conditions (EUROFOUND) has estimated that economic loss to society for not integrating NEETs is estimated at 150 billion euros per year". Rovana Plumb, the former Labour Minister, said in the same interview for Radio Romania International, that the European Commission assigned around EUR 470 million to Romania for 2015-2018. The aid is provided for employers offering jobs to young people, consisting of a subsidy of EUR 200 and EUR 113 for each young employee hired continuously for minimum a year. Employers should maintain young employees for minimum 18 months, only after that time they can benefit from a cut in social security contributions for 24 months.
European Youth Forum, in a policy paper (European Youth Forum 2014, 166) approaches youth employment for improving the working conditions and the number of new jobs created, as young people have been adversely affected by the onset of financial crisis in 2008, aiming to address youth unemployment by education, quality internships and job opportunities. Youth unemployment is double the rate of unemployment in EU. Although attention has been given to young people unemployed facing discrimination and disadvantages in relation to labour market (EC Document on a Proposal for a Council Recommendation on Establishing a Youth Guarantee 2012, 729), policy responses to date have been little coordinated, partly effective and insufficient. As a result, youth unemployment crisis could be felt in Europe for the long term. The cost of youth unemployment, in terms of lost tax contribution and social welfare payments, is estimated to have been around €153 billion in 2011, equating to around 1.2% of the EU's total GDP (Massimiliano Mascherini et al. 2012).

European Youth Forum, University of Bath and GHK Consulting assessed the impact of non-formal education in the youths employability and showed that among the six 'soft skills' mostly demanded by employers, five of these are developed through involvement in youth organisations. These skills are: communication, team work, decision-making, organisational skills and self-confidence (Manuel Souto-Otero et al. 2013). Youth Employment Initiative under the 2014-2020 Multiannual Financial Framework budgeted EUR 6 billion for addressing youth unemployment. Persistently high youth unemployment shows there is a structural problem in labour market. However, the problem will persist and EUR 6 billion is not enough at all. According to Eurofound, in 2013, the cost of 7.5 million young people (15-29) who are not in education, employment or training (NEETs) has been estimated to be more than EUR 153 billion a year, or 1.2% of EU GDP (ETUC 2013).

1.1.4. *Trends in youth unemployment within EU28*

People aged 15-24 usually registered an unemployment rate that is significantly higher than the general rate of all ages eligible for work, at least double or more than double. The youth unemployment rate sharply dropped up to the value of 15.2% at the beginning of 2008, remaining the lowest recorded rate in EU. The financial crisis impacted young people in the first place, the job losses raised the rate to a maximum of 23.8% in 2013.
The high level of this indicator proves that young graduates of high-schools and universities have difficulties to obtain a job in the present economic environment, because of a set of factors contributing to this persisting structural gap in labour market: insufficient skills required by employers, inexperience and limited expertise, limited access to guarantees for securing new jobs, a mismatch between educational curricula and employers' needs, inadequate mobility and vocation for entrepreneurial endeavours, just to name a few causes. In the report "Framework of Actions on Youth Employment" (European Social Partners 2013) revisited in 2014, 2015 (European Social Partners 2015) and 2016 (European Social Partners 2016), national social partners, public authorities and other stakeholders act together to achieve four priorities: learning, transition, employment and entrepreneurship. The final evaluation will be conducted for the year 2017. In addition, young people are more likely to be hired with temporary contracts

which could be a solution for some of them, but for others, they could be stuck in a succession of short term and/or limited-hours contracts.

1.2. Understanding the policies

It is a related spiral between the phases of economic cycles, the abundance or scarcity of money and the reflection in price of money (interest rate) with a direct consequence on returns (yields) and job creation or contraction in an open economy. Simply stated, when cheap money (at low interest rates) floods the economy, a part is transferred into investments (job creation) and a part in consumption (that gets back to companies via the turnovers, into profits and expansion). But when investments turn unprofitable (errors in value assessment or in appraisal of fair market value) in an economy, the loss of valued investment and the lack of resources to repay initial investments, translate into loss of money. Consequently, scarcity of money affects jobs, consumption is cut and turnovers decrease, leading to the contraction of economic activities.
John Maynard Keynes argued that at this stage of onset of economic crisis, it is the easy way to print money and distribute them cheaply in an economy in order to boost consumption (demand side measures) to trigger job creation (supply side measures), since jobs loss is a structural problem that is difficult to manage on short term. Jobs cannot be created overnight (Jahan et al. 2014).

1.2.1. *The Keynesian Theory and IS-LM Model (Hicks-Hansen Model) / IS-LM-BoP (Mundell Flemming Model)*

Although the macroeconomic theory of J. M. Keynes (1936) is generally known and acknowledged to be practically applicable in job creation objective, it is not in the scope of the present debate to detail the economic models and their improvements, but appeal to them, in order to explain why the EU, through the European Central Bank, targets cheap money at any cost[1] to boost economic

[1] ECB launched in 2012 the Outright Monetary Tranzactions (http://www.ecb.europa.eu/press/pr/date/2012/html/pr120906_1.en.html). Mario Draghi,

development and reduce unemployment by financial investments, rather than push states to create directly public jobs with high costs.

In Hicks-Hansen model of an open economy, there is a direct relation between "Investments" and "Savings" (IS) and "Labour" and "Money" (LM) as liquidity preference under free trade and resource optimization reflected in the Balance of Payments (BoP) which stands for the allocation of flows of money. Because IS-LM model took into account only a closed economy (autarky), Mundell-Flemming model explains why in an open economy the monetary policies are not independent but correlated. Managing economic development by fiscal policy (taxes) and monetary policy (interest rate and foreign exchange rate), one cannot have fixed exchange rates, free capital movement (transfer of efficiency by price of money – interest rate and taxation) and uncorrelated decision for monetary policies (the case of EU28, EA19 where currencies fluctuate in range to EUR, interest rates follow EUR reference rate and fiscal policies are independent but guided by 2 significant benchmarks – public debt and fiscal deficit).

Investments and savings are a part of income generated via labour, translated into money as mean of development for job creation. The intersection of IS and LM graphic lines shows the equilibrium and what policies should be approached to boost Real Gross Domestic Product (National Income in terms of the price of money i.e. the level of interest rate in an economy). Liquidity under this model and the quantity of money should be seen taking in account the preference for liquidity under economic uncertainties.

In the present state of the economy of EU, considering high unemployment rate and weak, below expectations GDP growth, in an environment of close to zero or negative interest rates[1], it is clear that the preference for liquidity is high and only investments with high risk-adjusted yields are chosen as alternative to

president of ECB, gave "whatever it takes" speech in 2012 (https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html) and announced in June 2014 the start of Asset Purchase Programme (https://www.ecb.europa.eu/press/key/date/2014/html/sp140911_1.en.html) and in 2015 expanded it (https://www.ecb.europa.eu/press/pr/date/2015/html/pr150122_1.en.html).

[1] see EURIBOR (//www.euribor-rates.eu/) the London Interbank Offered Rate among prime rank banks for EUR currency, as independent pricing of money, or EUR key reference rate (https://www.ecb.europa.eu/stats/monetary/rates/html/index.en.html) set by European Central Bank).

stashed money. The effect of multiplication by increasing the number and the value of investments that generate positive returns (the difference between borrowing money at low interest rate and generating returns with higher yields) lead to a raise in GDP (economic growth) and translates into wages increase and job creation as part of economic development (welfare of a society). Falling interest rates favour an increase in the implementation of planned investments.

ECB is aiming to boost access to cheap money at the historically lowest key interest rate for Euro currency, implementing Quantitative Easing mechanism (the "Expanded Asset Purchase Programme" to increase the monetary mass) and buying sovereign bonds to release liquidity to national banks and in the end to commercial and retail banks, in order to finance business and create jobs. Cheap money is an incentive for spending and investing (demand side measure) and not for saving without return. Increased monetary mass favours the prime objective: inflation around 2% (which, by the way, ECB missed for the past years, as the rise in unemployment led to the exact opposite: deflation). Deflation means that merchandise is cheaper and the turnovers of companies decrease (quantity sold multiplied by falling prices). Companies will produce less and will adjust costs, the quickest and easiest measure being to cut jobs. The perspective of losing the job is an incentive for people to cut consumption and push further the pressure on companies. The economic activity is shrinking and it is obvious why monetary measures (boost investments and access to cheap abundant money) are the preferred to support investments for future economic development.

Another way J. M. Keynes addressed the recession problem was to increase government spending (when financial markets are imperfectly functional) and allow to spend more than what a country can produce (Keynes, 1936). This can be achieved by assuming a budget deficit (short term debt) or by taking loans from private and public lenders on long term (public debt) (Keynes 1993, 53). The fiscal and monetary policies are complementary one to the other. When the government spends, the national bank should control the quantity of money and inflation. When interest rates are low and inflation is controlled (cheap investments), the fiscal authorities should collect taxes and make reserves for future spending. This is called anti-cyclical approach.

The EU does not have all the instruments to manage flow of money. This is for a number of reasons: there are only 19 countries in the monetary union; there is no fiscal union, central banks from all over EU coordinate, but governments are

constraint to maintain public debt below 60% (in EA19, the public debt is above 90%) and fiscal deficit below 3%, a discipline that failed (Eurostat a 2016); the structural fiscal deficit should not exceed 0.5% or for some industries 1%. Austerity measures imposed by fiscal discipline at state level, means all the pressure for cheap money is on ECB and the system of European central banks.
To draw a conclusion, the effective way to support job creation is to promote investments by providing quick access to cheap money and favour consumption at the same time. The first instrument used as monetary measure is interest rates. Lower interest rates decrease the cost of borrowing and encourage people to spend and invest and at the same time, reduce exchange rate and make exports more competitive. This increases aggregate demand and should also lead to an increase in Gross Domestic Product and reduce unemployment. Sometimes, lower interest rates may be ineffective in boosting demand and central banks may resort to Quantitative Easing (asset-purchasing in exchange for money) attempting to increase money supply and boost aggregate demand.

2. WHY REDUCING YOUTH UNEMPLOYMENT IS A PRIORITY IN EU

It is estimated by European Central Bank (March 2016) that people aged 16-34 lost 5% of household income in real terms (taking into account the inflation rate) over the last 8 years. The problem is that young families have been hit hard twice, because they were most exposed to losing jobs (shortest period of employment, the least work experience, the last to come in a company, etc.) and because in the past 8 years they were not able to build assets for financial independence (short period of time, low wages for beginning of career jobs, need for consumption and not saving, etc.). In difficult economic times, young unemployed people are the most exposed to hardships (European Central Bank a 2016).
The deprivation of economic means of subsistence for young people aged under 35 leads to mistrust in EU institutions, in society, generates frustrations and

social inadequacy, leads to revolt and rebellion[1], poses a pressure on state support for unemployment. Insufficient and inadequate nourishing will be the cause to healthcare problems and illnesses will break families and menace the foundation of EU values.

These jobless people under 35 years old will make transition to middle age of life without a source of income, will not be able to create a financial independence at old age and will be a disaster for the pension systems in every country.

The cause for this problem is that in every country, the labour market is organized in such way to protect the persons with more work experience, well-paid work contracts and who enjoy a double shield: syndicates and labour law. In such a system, youth are hired on temporary contracts, in internships, in practice stages and get laid off first in economic downturn. Usually, they have the lowest payments. In such a social system, wealth distribution creates inequalities and consumption is misbalanced, affecting future economic growth. Knowing that young people are the first to leave, employers have a tendency to allocate investments for skills development to older employees. This way, abilities to be fit for the demands of competitive labour market fall on the next age segment. Lacking training and development on the job, the young generation is more likely subject to stay for longer on lower wages, prolonging the slow economic growth.

The main role of European Central Bank is to control inflation by maintaining the stability of prices[2]. The prices are the transfer mechanism of money in exchange for property or ownership of goods and services. When prices are stable, they favour equitable redistribution of wealth. A deflation in EU is impacting distribution of monetary resources. Negative interest rates erode capital and

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[1] See articles in the press about social protests and uprising in Greece (http://edition.cnn.com/2016/05/09/europe/greek-debt-crisis-fourth-bailout/), Ireland (https://www.theguardian.com/science/head-quarters/2016/mar/15/economics-as-a-morality-play-austerity-protest-in-ireland), Portugal (http://www.bbc.com/news/world-europe-21644385) and Spain (http://www.telegraph.co.uk/finance/financialcrisis/9413107/Spanish-protests-over-new-austerity-measures.html), due to austerity measures implemented by fiscal policy.

[2] ECB: Our role - “Our main aim is to maintain price stability, i.e. to safeguard the value of the euro. Price stability is essential for economic growth and job creation – two of the European Union’s objectives – and it represents the most important contribution monetary policy can make in that area.” (http://www.ecb.europa.eu/ecb/tasks/html/index.en.html)

sever the incentive for saving, the message being that it is more of value to spend today than save and receive less than the nominal saving after one year.
To make a point, ECB aims at raising economic growth in a context of price stability and solid financial system supervised. This is a solution on the short term. On the long term, the growth is achieved based on what the economy can generate. The greatest potential lies with the young people under 35, for technology skills, IT savvy, inventions, innovations and skills, the factors for motivation and agility with the digital economy.

2.1. Jobs creation in European Employment Strategy as part of "Europa 2020" Strategy

There are 22 years since the European Council of Essen in December 1994 proposed an integrated strategy for employment. Member states needed to draft multiannual employment programmes and to report progress to the European Commission. *"The European Council urges the Member States to transpose these recommendations in their individual policies into a multiannual programme having regard to the specific features of their economic and social situation. It requests the Labour and Social Affairs and Economic and Financial Affairs Councils and the Commission to keep close track of employment trends, monitor the relevant policies of the Member States and report annually to the European Council on further progress on the employment market, starting in December 1995"* (European Council 1994). The Amsterdam Treaty (European Communities 1997) proposed a comprehensive set of measures regarding employment in EU and today,the European Employment Strategy (ETUC 2013) based on four pillars: employability, entrepreneurship, adaptability and equal opportunities. Today, the European Employment Strategy is part of the larger "Europa 2020" strategy (European Comission a 2016) and is implemented through the European Semester, in 4 steps: the employment guidelines (priorities and targets for employment policies proposed by the Commission), the joint employment report which assesses employment situation in Europe and the implementation of the Employment Guidelines and analyses a scoreboard of key employment and social indicators, the National Reform Programmes and Country reports.
The purpose is to encourage people to remain in active work or to actively look for a new job, focusing on a life-cycle approach to work, on continuous learning

and professional development, on incentives to match job providers with job seekers and ensuring equal opportunities.
"Europa 2020" targets employment charted pathways for youth to diminish unemployment rate for people under 25 and under 35 of age, matching and adapting education systems to requirements of labour market, affordable childcare to allow reinsertion of young people in work field, on reducing gaps in gender payments and allowing young people to receive fair payment for same work results as other categories. For young unemployed persons, measures comprise offering jobs, apprenticeship, trainings, re-qualifying in other professions or other equivalent employability measure.
The latest report from September 2016 (ETUC 2016) issued by European Social Partners[1], all 21 monitored countries have provided support within the Framework of Actions for Youth Employment, however each one of them set individual targets and took specific steps to achieving them. This can be well seen in the centralized country report.

2.1.1."An agenda for new skills and jobs"

In November 2010, the European Commission issued a communication to the attention of the main European institutions (Parliament, Council, Economic and Social Committee and Committee of the Regions) entitled "An Agenda for New Skills and Jobs: A European Contribution towards Full Employment" (European Commission b 2016). That was a strong signal for two key points: first, that one year after the onset of financial crisis, awareness regarding unemployment was present as main topic of discussion among European institutions, sprung out from the need to adapt to a new economic paradigm. Second, it responds to the correlated need for action at European level for "full employment", acknowledging that Keynesian policies were desired to support jobs creation and match the need for new skills.The 4 key priorities focus on: the dysfunctions existing at that time in labour markets confronted with premature retirement and

[1] ETUC (The European Trade Union Confederation, including EUROCADRES/CEC Liaison Committee), BUSINESSEUROPE (The Confederation of European Business), UEAPME (European Association of Small and Medium-sized Enterprises), CEEP (The European Centre of Employers and Enterprises providing Public Services)

social exclusions (leading to a human capital loss), on supporting the New Economy (digitalization and automation that require new skills from the workforce and these new skills can be taught in Educational Systems and trained "on the jobs" by continuous formation provided by employers), improving working conditions and supply side policies aiming at jobs creation and supporting the public and private sectors to ask for labour. This main initiative is founded on all states of EU using all instruments necessary to achieve an employment rate of 75% by 2020 (for people aged 20-65). Remember that according to Eurostat, in June 2016, unemployment rate in EU was 8.6%. Also according to the data released by Eurostat in August 2015 for 2014, EU had an employment rate of 65%. (please, do not make the confusion that unemployment rate + employment rate = 100%, as not all unemployed people are included – e.g. exclusions refer to people below and above working age, people that are unemployed and do not want to work, people who are willing to work and cannot find a job and are not eligible for unemployment aid support, etc.). These four priorities (functional labour markets, skilled workforce, jobs quality and jobs creation) are translated into 13 actionable key measures to address the factors generating the distortions.

Vulnerable social groups were exposed to unemployment, so reducing the division among sub-groups and decreasing fragmentation of mono-specialization jobs helps transition to new skills and jobs. It is based on flexible social security components ("flexicurity") and can be implemented through flexible and reliable work contracts, active policies for labour market to enhance the legal framework, a "life-long learning" orientation and reliable social security systems to ensure financing sources for the present (educational system to support new skills, labour market institutions to provide state aid support for unemployed, healthcare system costs coverage for the non-contributing members of society) and for the future (retirement systems to pay for a pension and ensure financial independence at over 65 for people exposed today to long-term unemployment) (http://ec.europa.eu/priorities/adequate-and-sustainable-social-protection_en).

Full employment supports economic growth and economic development. Although heavily disputed by economists worldwide, empirical "Phillips curve"[1] reflects well enough the level of 4-5% unemployment rate (http://www.econlib.org/library/Enc/art/lfHendersonCEE2_figure_036.jpg) as being the "reference" level at which an economy is at "full employment" and maximizes long term durable economic growth, at around 2% inflation rate (NAIRU is non-accelerating inflation rate of unemployment), economic growth rate being situated at around 3-4% (Ball and Mankiw 2002). Post-crisis, the trend in economic development shows that the companies oriented towards efficiency, achieved by automation and digitalization, creating a strong demand for IT sector and IT tech-savvy workforce. Naturally inclined, young people have the most skills in this field, however, the strong demand put a pressure on educational systems in each country. For example, in Romania, most jobs offering are for the open positions of IT hardware, IT software, Internet, E-commerce, but closing the gap from skilled applicants to vacancies needs a lot of bridging between educational system and labour market, requiring time for adjustments(http://www.bestjobs.ro/cautare/locuri-de-munca+IT/ignore/cmt, and https://www.ejobs.ro/). Also, it requires support for training on the job and continuous formation. The benchmark is 15% of all adults to take part in "life-long learning" (EU Council 2009).

Recognition for professional skills took a leap forward in 2012 when ESCO classification (European Skills, Competences and Occupations) harmonized the links between labour markets and educational systems, supporting education for employability, while Small and Medium Enterprises Performance Review aims at better including entrepreneurship into EU policies for economic development. The validation of competences is proven by the European Skills Passport and partnerships between business environment and education system is encouraged through "knowledge alliances".

Although there is the "free movement" of workforce as one of 4 main pillars of Common Market, in practice people are not as willing and at ease to move in another place, across borders or within the same country. Encouraging multi-lingual development and learning, reforming the European Employment

[1] Phillips curve reflects the relationship between the rate of inflation and the unemployment rate. It was first presented by economist A.W. Philips analyzing Price movements and uneployment from 1861 to 1957 in United Kingdom. The two índices (inflation and unemployment) should be negatively correlated in most economic conditions, helping policies makers to choose the adequate measures to impact one or the two índices. (note of author)

Services and supporting migration policies for labour markets, EU is aiming at bringing close together people with skills and employers.
Better working conditions means to use collateral policies to enhance labour market legal framework: healthcare and safety policies.
Supporting jobs creation is the hardest task: to recover the lost workplace for all previously employed and making the process of finding a job less bureaucratic is on the agenda. GDP growth can come from a simpler hiring process and focusing on the New Economy (research and development) can lead to an increase on long term.
The vehicle to implement these initiatives is the European Social Fund.

2.1.2."Youth on the move"

This strategy is part of the larger frame "Europe 2020" Strategy that aims at inclusive and sustainable growth. Bringing out the potential of young people as integral part in jobs creation objective, it sets forth the directions for action: mobility, labour market inclusion and the qualitative education matching labour markets requirements.
It has been estimated that by 2020 "35% of all jobs will require high-level qualifications, combined with a capacity to adapt and innovate, compared to 29% today" (European Commission 2010). Another study, "MORE" (European Commission 2010) finds that EU has a shortage of researchers in all labour force, making a top priority in "Europe 2020" that, at least 40% of the workforce aged 30-34 should have finalized tertiary education studies.
The main guidelines are: encouraging life-long learning process, provide and facilitate access to higher education, support mobility and study exchange programmes ("Youth on the Move" website, "Your first EURES job" initiative, "Erasmus for young entrepreneurs" etc.) and improvements in employing young people (creating an access portal "European Vacancy Monitor"). All these initiatives aim at building resources to fight youth unemployment and, at the same time, encourage workforce resource allocation when and where it is needed most. The New Economy is based on knowledge and information and it is vital to support new competences creation in young people of work age. Consequently, also the vocational education needs to benefit from new

technological developments and better respond to partnerships with business environment.

As it also happened in United States of America in the 1998 crisis (Geier 2015), the New Economy (Munteanu 2002) was the key to encourage consumption and boost production, requiring investments and jobs creation. Keep in mind that "internet" went public and expanded from 1994-1995. It became a new environment for marketing, servicing and distribution channel for companies. It required adjustments for companies to a new paradigm, access to new technologies of communication and encouraged entrepreneurship. Of course, a lot of start-up companies were launched, but very few survived the euphoria-growth post 1998 (the "dot-com" crisis).

This lesson of the past is teaching all that the New Economy has the capability to sustain economic growth and restart the economic mechanisms to get out of an economic crisis, changing the phases of the economic cycles. The lesson, however, is that technology alone, cannot sustain durable economic growth. Today it is associated with knowledge and information sharing (Information Technology, or simply stated, IT).

"Youth on the Move" agenda, in chapter 3, is aiming at "promoting the attractiveness of higher education for knowledge economy", in accordance with "Europe 2020" benchmark of 40% rate of higher education for the age segment 30-34. It specifically sets a relevant benchmark for costs – public allocation and budgetary execution: 2% of GDP. Take into account that the educational systems, budgets and policies are in the competence of every member state. Universities are encouraged to promote economics-based management, to be autonomous and self-finance them from various sources of funding, to establish public-private partnerships, especially for research, IT and technologies, business and economics, to ensure a better match for graduates and insertion in active labour market field. The European Union is supporting the goal through European Institute for Innovation and Technology and Marie Curie Actions, but also facilitating the dialogue between private (business) sector and universities within the "EU Forum for University Business Dialogue".

This programme is also shedding light on continuous improvement of professional competences for young students and future employees, by cross-border learning and employment mobility, as the largest part of mobile people are aged 25-34. Collaboration among institutions, recognition of diplomas and accessing funds are critical to support mobility and process from education to employment. For example, the usage of instruments such as European Credit Transfer and Accumulation System (ECTS), European Qualifications Framework for Life-long Learning (EQF), European Credit System for Vocational Education and Training (ECVET), Youthpass (to be: Youth on the Move Pass) and Europass (to be: European Skills Passport) are of significant importance.

Mobility is, in the ultimate end, a process by which the human resource / the human capital is distributed when and where is most needed and valued, the correcting force being the labour market requirements and conditions, maximizing individual benefices and improving life conditions, leading to increased economic efficiency and effectiveness and contributing, not only to economic growth, but to durable economic development. A real life example is the process by which IT and Medical Faculty graduates in Romania choose to work abroad (the need for skilled workforce exists in Romania too, however the determinants are the differentials existing in repayment value of human capital, labour conditions and environment, differentiated taxation, opportunities for future professional development and so on). Beyond this example, in general, there is a huge potential, as Public Employment Services (PES) could provide support for eligible young people and connect business environment to recruiting people at EU-wide level. Only approximately 12% of people know about PES and around 2% used it (Eurobarometer 337 2010).

As shown before, there are a lot of young graduates that are neither in education nor in training and not working (NEET), and this category is at risk of fast decreasing chances to get hired and start the first job. The average is around 20% but this value hides differences (see maximum values in Southern European Union and Central and Eastern European Union, Greece exceeds 30%) (Eurostat b 2016). The options are limited: re-educate / re-train / re-qualify, provide state support in social benefits combined with facilities for employers to create incentive for hiring, provide the safety net of healthcare, mobility and living support and encourage entrepreneurship and individual liberal professions to be exercised.

The vehicle to implement this strategy is the European Social Fund.

For both programmes, according to the European Socuial Fund each year it is estimated that around 1/3 of the 10 million people supported by the ESF each year are young people and that 2/3 of the budget (EUR 75 billion) plus national co-financing budgets are directed each year for young people to find jobs (European Social Fund website 2016).

Securing the future jobs for young graduates is key to relieving pressure on retirement systems in the longer future, as every people engaged in an economic activity should contribute to the retirement plan and provide financial independence sources to support the living costs, without dependence to state-support social aids.
These programmes are key components for European Union's future welfare and prosperity, in a new economic paradigm, based on the development of Knowledge Economy and Information Technology.

2.2.Jobs creation linking Monetary Policy with Labour measures and Education systems

2.2.1.ECB and the labour market modelling

Empirical evidence reflected in the statistics of unemployment in all countries across EU shows there is a need for better managing the consequences of 2008 crisis, in terms of modelling strategies from The European System of Central Banks (ESCB), to sustain financial actions to aim at labour market effects. To retract unemployment, financial investments should create new jobs, being the easy way for central banks to distribute new money to markets, at low interest rates, raising inflation and consumption. It is less expensive to supply money today, than later pay the expensive social bill of impoverished old people with no money at retirement age (financially dependent on a state subsidy or public allowance).
In the study paper "Labor Market Modelling in the Light of Financial Crisis" released by European Central Bank, it is found that the negatively correlated "production" and "unemployment" duo can be a reliable indicator of the trend phase in which the economy is and macroeconomic data is showing the efficiency of monetary measures taken (European Central Bank b 2016). According to the authors of the study, the unusual money market measures as financial disruption on normal financial conditions, affect directly the labour market (demand side), instead of pushing the capital markets (supply side), generating a gap and a slow response in boosting employment.

Indeed, the economies of EU countries should come out of this cycle. Today, due to Quantitative Easing[1] mechanism in place from ECB, liquidity is flooding the money markets, especially in Euro Area directly and all across EU indirectly. This excess of liquidity, instead of getting to companies for investments and jobs creation, mainly stayed in the money market system as cash, driving the price of money, i.e. interest rates to zero levels or below zero levels ("money for free"?), leading to deflation or low levels of inflation ("crawling inflation"). When prices of goods go down and money lose value, the turnover of companies decrease and, in spite of low cost of investments, profits decline or turn into actual loss. When this paradox persists (no satisfactory growth, despite access to liquidity), companies adjust to the "new normal" conditions (falling prices, excess liquidity, low cost of capital and new technologies) by affecting the human resource (cut the high cost of human labour resource, to increase efficiency and sustain the lower level of prices). When employees face the perspective of jobs downsizing or change, consumption is reduced and prices go down further, leading to another cycle of cutting production, inventories and workforce from the employers. To break this chain, ECB aims at turning liquidity from QE mechanism into working capital loans for companies. The flow gets entangled at commercial banks level that have the skills, tools and incentive to take on lending risks in their balance sheet, provided that they comply with capital requirements and non-performing loans ratios in conjunction with risk-weighted assets. Commercial banks should not substitute their own liquidity with ECB liquidity provided through QE. The banking system in European Union recovered partially and differently from the financial crisis and the need for restructuring is also present in the banking sector (the one who should support and be the backbone of economic recovery and unemployment decrease, is also announcing unemployment: Deutsche Bank (Schuetze 2016), ING Bank (Sterling 2016), etc.).

The European Banking Authority recently released the results of the stress test conducted in 2016, analysing 51 banks and covering 15 EU and EEA countries holding approximately 70% of banks' assets (European Banking Authority 2016). Even if the purpose is to provide an image of how banks would perform in dire financial conditions, not having a reference level below/above which to refer to

[1] The official name is "Expanded asset purchase programme"

banks as losers/winners, the outcome is that there is a number of banks, some with systemic regional influence that need to improve Core Equity Tier 1 capital (CET1 as per the regulations issued by Bank for International Settlements / Basel Committee on Banking Supervision (http://www.bis.org/bcbs/index.htm?m=3%7C14) in the agreements of Basel II in place today and Basel III (www.bis.org/bcbs/basel3.htm?m=3%7C14%7C572) currently with transitory gradual calendar of implementation and final deadline of implementation March 2019). Starting from 2015, the banks should keep a minimum ratio CET1 per Risk Weighted Assets of 4.5%. In EU, this is transposed in legislation (http//www.eba.europa.eu/regulation-and-policy/implementing-basel-iii-europe), by Capital Requirements Regulation (CRR – EU Regulation 575/2013) and Capital Requirements Directive (CRD 4 - Directive 2013/36/EU), along with Bank Recovery and Resolution Directive (BRRD - DIRECTIVE 2014/59/EU) and Deposit Guarantee Schemes Directive (DGSD - DIRECTIVE 2014/49/EU). In order to strengthen the financial environment, the Single Rulebook (http://www.eba.europa.eu/regulation-and-policy/single-rulebook) unites all 4 documents for a "resilient, transparent and efficient banking sector".

Let us take a close look at the Expanded Asset Purchase Programme set up by the European Central Bank for private and public sectors securities. To release liquidity on the financial markets through the money market, the ECB cannot simply "print" money. ECB needs to sell the asset called "money" and buy other assets (third covered bonds, asset-backed securities, public sector securities and private sector securities – usually bonds). Yes, it is an exchange: ECB pays the price in cash for the tradable assets (debt instruments and capital instruments, as well as derivatives). The average value of monthly purchases by ECB is around EUR 80 billion (https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html), targeting also the long term refinancing operations and what is actually does is to de-stress the leveraged countries (mainly buying sovereign debt, partly to give time and liquidity to make structural economic adjustments to finance investments through the financial sector and create new jobs). As of October 2016, the total purchase is EUR 1306 billion out of which, the public sector purchase represents 81%.

In this programme, due to country ratings (http://www.tradingeconomics.com/country-list/rating) and Credit Default Swap[1] values[2], no Greek assets have been purchased by ECB (balance sheet restrictions for countries rated "below investment grade") while Spanish t-bills are in 4th position (after Germany, France and Italy on 3rd position). In Greece, unemployment rate is the highest at 23.3%, youth unemployment is 47.4% and the Public Debt is 177% in 2016, while in Spain the rates are 19.9% and 45.8% and 99% and in Italy the value for the age group of 20-24 in youth unemployment is the highest rate: 31.1% at a Public Debt of 133% (Eurostat, 2016).

ECB's QE should be effective to combat economic downturn. Since launching in 2015, almost 2 years passing it is a too-short timeframe to tell. ECB released in September 2016 an "early assessment", looking on the monetary mechanism of transmission and how it works delivering the necessary liquidity to financial markets. What it does not cover is the second part, from financial private institutions, further to companies and the third chain, to employees. The study, though, points out that some improvement in the macroeconomic environment can be seen: it "analyses the effects of the European Central Bank's expanded asset purchase programme (APP) on yields and on the macroeconomy, and sheds some light on its transmission channels. It shows, first, that the January 2015 announcement of the programme has significantly and persistently reduced sovereign yields on long-term bonds and raised the share prices of banks that held more sovereign bonds in their portfolios." The effect of the programme is "the removal of duration risk and the relaxation of leverage constraints for financial intermediaries." (Andrade 2016).

Under these circumstances, the EU needs to re-think the labour market models, after the worsening conditions in post-crisis unemployment and the slow recovery of labour occupation relative to national production (as measured by Gross Domestic or National Product index). According to empiric Okun's law the relation illustrates the quarterly changes in unemployment and production. The empiric observation is that for every 1% increase in unemployment there is an approximate value of 2% drop in real GDP compared to potential GDP. This empiric negative correlation has been reflected also in EU. GDP and employment

[1] For more information, please see http://www.investopedia.com/terms/c/creditdefaultswap.asp

[2] For more information, please see http://www.cnbc.com/sovereign-credit-default-swaps/

dropped significantly in all countries post-2008, but for countries such as Ireland, Spain, Portugal, Italy and Greece, the impact has been the hardest, due to high debt levels (long term public debt compared to GDP exceeded significantly 60% level[1]). A positive aspect is the following: stimulating employment with monetary measures creates a frame for a regular and predictable evolution. Should the financial environment deteriorate due to unforeseen factors, employment will be affected. At least, economic growth measured by GDP should strengthen, to become robust, in order for unemployment to decrease and economic development set-in.

The European System of Central Banks uses the Quarterly Projection model (developed by International Monetary Fund as a semi-structural model to reflect the current conditions in EU, next to Financial Frictions models to aim at job-full recoveries (ECB Paper 2016, 175).

The Quarterly Projection model in EU implies that financial factors are very important to explain labour market trends in the post-crisis period, with support of structural reforms. The Financial Frictions model is useful to explain that hurdles in transferring funds persist mainly at financial intermediation institutions' level and not at end-beneficiaries of funds' level.

Even if ECB is using QE heavily, as explained, the low cost of capital (money) is reflected between ECB and financial intermediaries. The second level, from financial intermediaries to end-beneficiaries, involves high or higher lending risks and the cost of risk is reflected three times: country risk, financial institution's risk and end-borrower's risk. The cost of risk is a premium or price transferred to the end-user as interest rate, fees and commissions. This margin spread is taxed differently from one country and institution to another. Particular conditions across EU reflect the price of capital differently in each country, for each institution and for each company and person. It is about sustainable and durable fund transfers. For some countries, companies and individuals, capital is more expensive due to higher risks and this is linked to the need for accessing the capital particularly for them (Ireland, Greece, Portugal, Spain, Italy, and so on). This is a stress for asset valuation and reflection in banks' balance sheets, as such margin turns into a prerequisite for higher rate of returns on their capital (see Basel), which in turn prompts for high yield investments and an increased

[1] Index introduced by Maastricht Treaty of EU

caution on burdening balance sheets to avoid the decrease of their net worth. So, cheap capital from ECB and close-to-zero interest rates does not mean it comes cheap for the end-beneficiaries, actually it is expensive and expensiveness differs, making economic recovery and employment improvement harder for some countries compared to others.
This explains why economic development, employment and youth employment are evolving quite differently, even if QE is beneficial for the entire EU, not just for Euro Area. Capital is an asset subject to financial cost while labour is a flow. An expensive capital subject to financial frictions, so financial institutions claim return on capital. To rebuild equity capital, companies can substitute labour and production with financial investments. Labour-capital optimization links vacancies to need for production development. The market value of a company is given by the value of productive assets, labour being a factor of production. However, the Financial Friction model uncovers the correlation and not causation between employment and production.

2.2.2.Labour Market Policies

The responsible with the Labour Market Policy in EU is European Commission's Directorate General for Employment, Social Affairs and Inclusion[1]. The interventions are made by governments acting to address a very specific problem: getting from unemployment towards work for the disadvantaged social groups: the unemployed, the people at high risk of involuntary job loss and the inactive people.
The labour market policies are of three kinds: services, measures – called active policies (training, employment incentives, supported employment and rehabilitation, direct jobs creation usually in the public sector and SME start-ups incentives) and support (unemployment subsidy and early-retirement

[1] It defines the Labour Market Policies as "Public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria and which can be distinguished from other general employment policy interventions in that they act selectively to favour particular groups in the labour market"

compensations) (http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy).

By far, the active policy with the highest impact and allocated resources is usage of employment incentives, usually for the private sector as having the highest potential for jobs creation and, at the same time, addressing the cause of unemployment, to solve the effect on the long run. Although an indirect approach, it still gets to the same bottom line: aim at using financial resources today, in the form of diminishing or eliminating fiscal financial obligations – taxes reduction, subsidies and others – to release cash net in a company and stimulate to hire people from targeted groups.

Regarding what has been done for employees at risk of losing jobs, the following measures were adopted / implemented: support for low waged workers to maintain the job (permanent support schemes), financial compensation for short term work (wage subsidies) and fiscal reduction for minimum wages (social contribution decrease).

The most important measures are the Employment Incentives that are aimed at bringing unemployed people back into the work field, being an active policy to support new jobs creation (mainly in private sector, but the public sector could also benefit). The Employment Incentives are targeted measures for helping disadvantaged categories of unemployed persons, are offered on an "ex-temporis" basis in a timeframe designed to be effective and relies on conditionality of employers to meet certain criteria regarding the newly employed for which they have been granted fiscal stimulus, financial subsidies, reductions in social expenses – all of which contribute to making a non-expensive cost with labour force.

For instance, in April 2012, the European Commission launched the "Employment Package" (European Commision 2012) to improve the employability of disadvantaged groups, (young people being with the highest potential in productivity increase) and the European Council recommended that "Youth Guarantee" (EU Council 2013) to be targeted and should make use of subsidies for wage and recruitment, promoting that "all young people under 25 – whether registered with employment services or not – get a good-quality, concrete offer within 4 months of them leaving formal education or becoming unemployed. The good-quality offer should be for a job, apprenticeship, traineeship, or continued education and be adapted to each individual need and situation" (European Commission on Employment, Social Affairs and Inclusion).

The reverse is that Employment Incentives could lead to inadequate public spending if poorly designed or implemented. The negative effects could mean money spent on jobs that would have been created regardless of the policy existing or not, a structural change in recruitment and work force due to hiring certain people and a loss in productivity due to supporting substitution in work experience in companies (a switch effect) and impacting the net social benefit (lower incomes for more jobs could mean a decrease to total income base on due social taxes paid to which adds up the public spending, increasing pressures on stretched budgetary expenditures allocated for active labour market policies).

According to European Commission's Labour Market Policy Database latest data published on November 18, 2015, budgetary expenditures on such active policies represent 0.5-3% of GDP in EU. Employment incentives represent in average 17% (EUR 13 billion), being distributed largely (90%) on recruitment incentives while the rest of 7.7% is for employment maintenance and 2.3% for job rotation and job sharing schemes. There is still, a difference between allocation and actual spending. The largest proportion of spending allocated resources is recorded in countries such as Greece (46%, 3725 EUR / participant) and Italy (48.4%, 4515 EUR / participant), Sweden (49.1%, 16524 EUR / participant) and Cyprus (72%, 7210 EUR / participant). The absolute value of the budget can make a difference in impact: a large budget, even if it is used in a small percentage can make a difference, while in countries with low budget, even if half is used, the impact can be limited (see Italy and Greece compared to Sweden) (http://ec.europa.eu/eurostat/web/labour-market/labour-market-policy/database).

In what regardsthe efficiency of active labour market policies, according to the study "Do Payroll Tax Cuts Raise Youth Employment?", the effect of tax reduction reflected as estimated cost for a newly created job is with 300% higher than the cost of recruiting an average paid worker (Egebark and Kaunitz 2013, 27). Direct wage subsidies and simplification of work-related bureaucracies in the hiring and workforce management tend to become the most attractive measures to employers. There is also the risk of overlapping with other schemes, duplicating the costs and measures for the same effect. To ensure efficiency of labour market policies, subsidizing for certainty of secure jobs creation and occupation means to target pre-job training stimulation, pilot period, internships, all addressing real skills needs in workforce, that result in a good return for investment value, thus avoiding higher costs of social assistance by a net jobs creation effect in the private sector.

2.2.3.Education and Employment: leading European young people to work

Taking into account that youth unemployment more than doubled over the past decade, this segment of population is willing to find a job, is actively looking to get employment and this demand is not met by the offer of employment. At the same time employer companies claim having difficulties in the recruitment process, as they can hardly find young people with the skills and prior work experience they require.

In order to match the education system with labour market requirements, the effect of young graduates unemployment is the consequence of a triple combination of factors: lack of jobs creation due to lack or asymmetric and inadequate allocation of investment capital, lack of skills desired by the companies actively posting job vacancies and not matching them with the post-graduate people because of inappropriate design (McKinsey 2012) of curricular and extracurricular activities in the educational system and third, the resistance to change and the lack in adaptability of educational services and labour market due to missing coordination and insufficient cooperation between educational system and mainly private sector companies (but to some extent also public sector companies).

To look at these three factors affecting the process of young graduates transiting from education towards employment, it is important to see the obstacles, the particular sub-groups most affected and what is to do to manage the issue.

In 2014, an EU conducted study (McKinsey 2014) covering around 5300 young people, 2600 companies and 700 postsecondary education providers in 8 countries (relevance: coverage of 73% of unemployed young people in France, Germany, Greece, Italy, Portugal, Spain, Sweden and United Kingdom), plus 100 programs in 25 countries to sustain pertinent and relevant examples of what could work for Europe, revealed that although there are young people looking for work, employers tend to keep older people working for a longer period and not bear heavy training cost and risk of fast job-migration to competitors with young employees.

According to the results of this study (74% of education providers strongly feel that graduates are fully prepared for work while 38% young graduates felt the same way and only 35% of companies concurred to that – two almost divergent and separate dimensions: education and labour), the biggest problems in recruitment were found in the countries with the highest youth unemployment (Greece, Italy, Portugal, Spain).

The obstacles faced by unemployed youth are significant also: opaque access to information of continuing their studies to build up skills, the high cost of subsistence and learning (books, internet facilities and IT equipment, tuition fees and taxes, etc.), mismatched skills expectations and results, access to jobs counselling, all leading to tensions accumulating in around 80% of young graduates unemployed, not being able to find enough opportunities to acquire job-required skills due to weak education and poor access to relevant and complete information. The same asymmetrical information is also applicable to transparency of labour market information[1].

Mirroring the conclusions, from job candidate's perspective, 10% are high achievers and 10% followers of high achievers, while below the line remaining unemployed, the 30% disillusioned, the 20% strugglers and 15% dreamers fill the gap to unemployment. Another 15% of persistent youth actively look for jobs. At the same time, from employer's perspective, 20% are the renowned companies with great brand and market awareness attract the desired employees with the right skills, being willing to invest in training, 25% say recruitment is difficult but they heavily invest in new employees to secure skills via training and partnerships with specialised companies, 35% do internally the required trainings to build up capabilities in new employees, while 20% are disengaged, knowing there is a need for training in their workforce, but in the future, not acknowledging the consequences in the present moment (McKinsey 2014, 4). This

[1] In the paper "The Market for Lemons" published in 1970 in the publication Quarterly Journal of Economics, the author George Akerlof introduces the concept of "moral hazard", i.e. the risk of taking a decision not knowing all the information relevant. For the labour market, the asymmetrical information as "moral hazard" is to affect work productivity on an employer, by paying a higher wage to a lesser skilled employee, not being able to fully assess expertise and competence in real life and substituting information with "education grades", basically relying on somebody else's prior judgment upon knowledge instead of skill. In 2001, George Akerlof, Michael Spence and Joseph Stiglitz were joint-recipients of Nobel Prize for Economics.

mirroring of matching young unemployed with employers is best seen in Greece, where it is recorded the highest rate of youth unemployment and the highest dependence on small businesses as source for jobs creation.

The actions that can be taken on immediately are simple and not costly to implement: focus educational systems on modules of learning, to build skills, partnership protocols concluded between students' associations, educators and potential employers for a closer cooperation and communication, counselling advice starting from 15 years of age as young people face the major decision in life to focus on vocational or academic path, implementation of practice stages for future profession, transitory periods of temporary jobs, internships, business simulators and programmes to replicate at low cost and low risk the real working environment and labour market conditions, better communication channels to circulate information among countries, companies, educators and young people, forecasting vacancies for professions, labour market trends, tools to survey employers' satisfaction as well as newly employed people's satisfaction and not in the last place enhance and facilitate mobility to transfer capabilities according to the efficient resources allocation principle.

3. CONCLUSIONS

Today, 1 out of 5 people aged 25-34 and eligible for work is unemployed, but this average is also revealing maximal values in Southern Europe – in Greece and Spain 1 out of 2 young people aged 25-34 is unemployed.

Cost estimation as in economic loss for not integrating young people that are unemployed and not in education nor in training is supposed to be at least EUR 150 billion / year. The best strategy to support jobs creation is Keynesian types policies promoting investments (the public sector and central banks) to boost private sector loans and favour households consumption.

Young people aged 25-34 are the most exposed at losing the jobs and not obtaining a new one, being the hardest segment hit by financial hardship. The factors are the shortest period in the current job before contract termination, the least work experience accumulated and the least financial capital accumulated due to short time low wages at the beginning of their career and their immediate need for consumption at this life stage.

"Europe 2020" integrated strategy for employment targets employment charted pathways for this age segment combined with other active policy measures for jobs creation. "An Agenda for New Skills and Jobs" and "Youth on the Move" target new knowledge and abilities i.e. for the digital economy and automation of processes in information technology, functional labour markets, recognition of skills, jobs quality and jobs creation, while mobility encourages efficient workforce resources allocation, life-long learning and access to education, being designed to bring future welfare and prosperity (economic development, not only growth).

ECB and the System of European Central Banks encourage and directly target jobs creation, in an economic environment where interest rates are close to zero to support investments via lending and the Expanded Assets Purchasing Programme is generating liquidity in economies, to help companies rebuild equity capital and create new jobs. Capital is an asset, labour is a flow.

The EC's Directorate for Employment, Social Affairs and Inclusion intervenes to support employability, especially for disadvantaged groups: young people unemployed, or working but at risk of involuntary job loss, women, unemployed over 50 years old, etc. The Active Labour Market Policies include employment incentives for companies (recruitment, maintenance and job rotation and sharing) to support good-quality jobs offer for young people unemployed (full time or part time jobs, trial period, apprenticeship, traineeship or continued education). The cost is infinitely less of what paying the deferred social bill over the next 30 years would be for these young under 35 years old would be.

The educational system in each country should match the requirements of labour market, to be designed in close cooperation with the private sector. The discrepancy is revealed in a study conducted by McKinsey: 3/4 of educators believe graduates are prepared for work, while 1/3 of employers and graduates feel the same (McKinsey 2014, 5). Managing the asymmetrical information is key to respond to the situation in a cost-effective way: design modular learning, private sector-academia-students partnerships, counselling, communication channels and clear career pathways, innovation in employment and employability ways, etc.

Young people are the future of Europe. Overcoming unemployment challenge is the key to the future of wealth accumulation and social progress.

ACKNOWLEDGEMENTS

1. The purpose of this article is to analyse public data and information. All this information is available from public sources in a complete form and according to specified methodology and can be accessed and seen in the sources indicated for reference. Therefore, it is not in the scope of the article to reproduce tables and charts, but to use the relevant data to answer to questions about causes, effects, time, locations, impacts, costs, responsibilities, actions, benefits.
2. This article focuses on a very specific subject (unemployment and youth unemployment in EU) and takes into account a multi-disciplinary approach (social, educational, financial, economic, political as in policies and demographic). Being a broad topic, it needs future observation, analysis and in-depth survey on all coordinates. It remains open for further development.

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