

Social and economic cohesion in Romania: an overview

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Abstract. Firstly, this article examines the main theoretical framework of social and economic cohesion. Secondly, our study present the real cohesion aspects, involving Romania as a member state of the European Union regional development policy as a whole, highlighting aspects of economy, population, market, workforce, education, including the context of economic crisis.

Keywords: social cohesion, economic cohesion, regional policy.

1 Introduction

Discussion of economic, social and territorial (the newest aspect of cohesion) in the context of the European Union brings to the fore the idea of solidarity between EU regions on a large scale (regions that may or may not exceed the limits of a Member State). Social and economic cohesion has been defined by many authors who presented problematic issues as a whole, however, concerns in particular the development unit, which allows suppressing or reducing disparities between EU regions.

This article is structured as follows. The following section details the broader context of cohesion policy which is promoted by the European Union, emphasizing the financial aspects that can support such a regional policy. The third section presents the impact of cohesion policy on the main indicators characterizing the Romanian economy, describing them in a comparative analysis, globally and regionally. Conclusions appear in the final section.

2 European Union cohesion policy

According to European Parliament’s site, “The EU’s regional policy began in 1975 with the creation of the ERDF, although solidarity mechanisms such as the ESF and the EAGGF have existed since the Treaty of Rome. This policy has been financed by several instruments including the ERDF, the Delors

I package, the Delors II package and Agenda 2000; its aim is to reduce differences between regional development levels” (European Parliament).

Enlargement to 27 Member States in January 2007 brought the following news:

- In terms of territories, the European Union increased by 25%;
- EU population grew by over 20%, reaching over 496 million people;
- Added value, however, was about 5%
- Average GDP per capita in the EU declined by more than 10%;

All elements above stresses the negative economic impact, of reducing the average values of the presented indicators, indicators that demonstrate the increasingly need for more funds to support the development of Union region, that generate wealth and welfare of citizens of Member States in the future.

The redistributing funds to areas that require financial support for their own development is achieved through two channels: Structural and Cohesion Funds, instruments aimed to supporting the EU regional policy.

“There are two Structural Funds: the European Regional Development Fund (ERDF) is currently the largest. Since 1975 it has provided support for the creation of infrastructure and productive job-creating investment, mainly for businesses; the European Social Fund (ESF), set up in 1958, contributes to the integration into working life of the unemployed and disadvantaged sections of the population, mainly by funding training measures.”(Kesner-Skreb, M.(2010))

Cohesion Fund was established in 1993-1994 (to help Greece, Spain, Portugal and Ireland). The main function of this Fund is to assure the financial support of Member States with a GDP per capita below 90% of average GDP per capita of the Union focusing on the financing of environmental objectives and trans-European networks associated to transport infrastructure. Recourse to such resources, however, is conditioned; Member States must ensure that the criteria implemented by the Treaty of Maastricht are respected. Each grant application receives approximately 85% of its funds needs. "Projects have selected and Implemented by the beneficiary Member States, Which is Also Responsible for Their monitoring and financial management" (Pociovălisteanu D. Dobrescu, E.M., 2009).

Cohesion policy should promote a performance-oriented route. These programs should be based on identifying a limited number of priorities policies (concentration) with a clear vision of how they will be made and on how their implementation will contribute to economic, social and territorial cohesion of the regions or Member States concerned.

Table 1: Trend in the allocation to the structural funds

	1988-1992 (EU 12)	1993-1999 (EU 12 – EU 15[*])	2000-2006 (EU 15 – EU 25[**])	2007-2013 (EU 25 – EU 27[***])
EU budget (billions of euros)	481	683	687	862
Structural Fund budget (billions of euros)	111	208	213	308
Structural Fund budget compared with the EU budget (%)	24%	31%	31%	35.7%

Source: http://www.europarl.europa.eu/parliament/expert/displayFtu.do?language=en&id=74&ftuld=FTU_4.5.1.html

* Accession of Austria, Finland and Sweden in 1995. Accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia in 2004. Accession of Bulgaria and Romania in 2007.

** Accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia in 2004. Accession of Bulgaria and Romania in 2007.

*** Accession of Bulgaria and Romania in 2007.

3 Social and economic cohesion in Romania

In the regional economy, the funding policy cohesion in the period 2000 - 2006 created 1 million jobs in EU companies, and offered perhaps a contribution of up to 10% to the regional GDP of EU-15. As the various studies show, it has tended to intensify trade and net exports contributing countries, which helps compensation for their contribution to the funding policy. Therefore, simulations of the macroeconomic models show that the net impact of cohesion policy was the GDP increasing across the EU (Nuță F., 2011).

Table 2: Population indicators

	Average total population	Population density	Population growth
	1000 inh.	inh./km ²	Average annual % change
	2007	2007	2000-2007
EU 27	496,371	115	0.4
Romania	21,538	94	-0.6
Macroregiunea unu	5,249	78	-0.6
Nord-Vest	2,726	81	-0.6
Centru	2,523	75	-0.7
Macroregiunea doi	6,552	97	-0.4
Nord-Est	3,724	103	-0.4
Sud-Est	2,829	91	-0.5
Macroregiunea	5,533	157	-0.5

trei			
Sud - Muntenia	3,297	99	-0.7
București - Ilfov	2,236	1,272	-0.3
Macroregiunea patru	4,203	70	-0.8
Sud-Vest Oltenia	2,277	80	-0.8
Vest	1,926	61	-0.8

Source:http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

Economic growth per capita is related to changes occurring in the population, employment and productivity. Because the period 2000 - 2007, population growth was very low in most regions, its impact on regional growth was modest and even negligible in the EU.

As shown by the above table, Romania has an important contribution in terms of number of additional people present in the EU, but the density is below average area. The phenomenon of population aging that characterizes our country shows that the percentage of annual population change is negative, the average EU being positive.

Table 3: Economy indicators (1)

	GDP per head (PPS)	GDP per person employed (euro)	GDP growth	The Lisbon Index
	Index, EU27 = 100	Index, EU27 = 100	Average annual % change	Average score between 0 and 100
	2007	2007	2000-2007	2008
EU 27	100	100	2.2	69.8
Romania	42	24	6.1	31.1
Macroregiunea unu	41	25	6.3	25.5
Nord-Vest	40	24	6.9	28.2
Centru	42	27	5.8	22.7
Macroregiunea doi	30	17	5.0	25.7
Nord-Est	27	15	5.0	30.5
Sud-Est	34	21	4.9	17.3
Macroregiunea trei	58	31	6.5	40.7
Sud - Muntenia	34	19	6.4	31.2
București - Ilfov	92	49	6.6	48.8
Macroregiunea patru	40	23	6.4	30.8
Sud-Vest Oltenia	33	19	5.0	31.1
Vest	48	28	7.7	29.0

Source:http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

The development in EU-12 regions has led to a pronounced reduction in regional disparities the GDP per capita over the Union. However, the disparities remain pronounced with levels below one third of the EU average in 7 regions of Bulgaria and Romania and with levels above 50% higher than the EU

average in 19 regions (Boariu, A., 2010). The fact that regional disparities in the EU fell has not prevented the growth of the disparities in a number of Member States, especially in the EU-12. For example, coefficient of variation in Romania increased from 15 in 1995 to 44 in 2007, reflecting the relative concentration development in one or two regions, particularly in capital regions.

Table 4: Economy indicators (2)

	Employment in Agriculture	Employment in Industry	Employment in Construction	Employment in Trade, Transport	Employment in Financial Intermediation	Employment in Other Services	R&D expenditure	R&D expenditure in the business enterprise sector (BERD)
	% of total employment	% of total employment	% of total employment	% of total employment	% of total employment	% of total employment	% of GDP	% of GDP
	2007	2007	2007	2007	2007	2007	2007	2007
EU 27	5.6	19.4	8.2	24.6	12.6	29.2	1.9	1.2
Romania	28.8	23.5	8.0	19.6	4.4	15.8	0.5	0.2
Macroregiunea unu	20.8	30.7	7.8	21.0	3.4	16.2	0.3	0.1
Nord-Vest	25.9	26.4	7.2	20.4	3.2	16.8	0.4	0.1
Centru	15.2	35.4	8.5	21.6	3.7	15.6	0.2	0.1
Macroregiunea doi	39.6	18.1	7.5	16.9	2.9	15.0	0.3	0.1
Nord-Est	47.8	15.2	6.2	13.9	2.7	14.3	0.4	0.1
Sud-Est	27.7	22.4	9.3	21.2	3.3	16.1	0.2	0.1
Macroregiunea trei	20.3	20.4	10.2	23.9	7.4	17.8	1.0	0.5
Sud - Muntenia	33.3	23.6	9.6	15.8	4.0	13.6	0.4	0.4
București - Ilfov	1.5	15.8	11.0	35.6	12.3	23.8	1.3	0.5
Macroregiunea patru	33.0	27.3	5.8	16.6	3.5	13.8	0.2	0.1
Sud-Vest Oltenia	44.8	20.1	4.7	13.9	3.1	13.3	0.2	0.1
Vest	18.1	36.3	7.2	20.0	4.0	14.4	0.3	0.1

Source: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

Population with a high rate of income poverty risk (less 60% of median national available income) show striking differences from one country to another, varying from one in four (in Romania) to one of ten (Czech Republic).

Promoting active inclusion and poverty reduction means to invest in education, training and skills upgrading the labor markets, systems training and education, and health and social services to sustain people to restraint the regions disparities.

Table 5: Labor market indicators

	Employment rate, ages 20-64	Female employment rate, ages 20-64	Employment rate, ages 55-64	Unemployment rate	Female unemployment rate	Youth unemployment rate	Long-term unemployment
	(% of population, aged 20-64)	(% of population, female aged 20-64)	% of population, aged 55-64	% of active population	% of female active population	% of active population, aged 15-24	% of unemployed
	2008	2008	2008	2008	2008	2008	2008
EU 27	70.5	63.0	45.6	7.0	7.5	15.6	37.2
Romania	64.4	57.3	43.1	5.8	4.7	18.6	41.3
Macroregiunea unu	61.8	55.7	36.9	6.1	4.8	18.3	36.5
Nord-Vest	61.6	57.2	39.9	3.8	2.8	13.5	30.0
Centru	62.0	54.0	33.7	8.5	7.0	22.6	39.6
Macroregiunea doi	63.5	57.0	48.8	5.6	4.5	17.2	42.5
Nord-Est	66.1	62.7	56.4	4.5	3.5	14.0	38.9
Sud-Est	60.2	49.8	40.0	7.2	6.1	21.7	45.7
Macroregiunea trei	67.1	58.5	40.9	5.4	4.9	18.8	43.2
Sud - Muntenia	66.4	57.0	47.0	6.8	6.5	19.4	47.8
București - Ilfov	68.2	60.3	32.2	3.4	2.5	17.4	29.3
Macroregiunea patru	65.3	58.3	45.6	6.1	4.6	21.1	42.8
Sud-Vest Oltenia	65.4	58.7	53.2	6.5	4.6	21.7	39.5
Vest	65.2	57.9	36.7	5.7	4.5	20.4	47.7

Source:http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

Unemployment has declined significantly between 2000 and 2008. “Since 2008, unemployment has increased dramatically in many Member States, particularly in Spain and the Baltic states, where they recorded average rate of about 20% in early 2010” (Breska von, E., 2010).

Within a generation, women have achieved and exceeded the level of education attained by men. In almost all EU regions, more women than men aged 25-34 years have higher education, while in case women aged 55-64 years, the phenomenon is similar only in minority regions.

Table 6: Age structure indicators

	Population aged 0-14 years	Population aged 15-64	Population aged 65+	Population aged 25-64 with low educational attainment	Population aged 25-64 with medium educational attainment	Population aged 25-64 with high educational attainment	Population aged 30-34 with high educational attainment
	% of total population	% of total population	% of total population	% of population, aged 25-64	% of population, aged 25-64	% of population, aged 25-64	% of population, aged 30-34
	2007	2007	2007	2008	2008	2008	2008
EU 27	15.8	67.3	16.9	28.5	47.2	24.3	31.1
Romania	15.2	69.9	14.9	24.7	62.5	12.8	16.0
Macroregiunea unu	15.5	70.6	13.9	23.5	64.7	11.8	14.3
Nord-Vest	15.6	70.5	13.9	25.1	62.8	12.1	14.3
Centru	15.4	70.6	14.0	21.8	66.8	11.4	14.3
Macroregiunea doi	16.7	68.7	14.6	29.0	60.7	10.3	12.1
Nord-Est	17.9	67.6	14.5	28.3	60.7	11.1	12.3
Sud-Est	15.1	70.2	14.7	29.9	60.8	9.4	12.0
Macroregiunea trei	13.7	70.6	15.7	21.4	61.9	16.7	21.9
Sud - Muntenia	14.9	68.4	16.7	27.9	63.6	8.6	9.1
București - Ilfov	12.0	73.8	14.3	12.6	59.7	27.7	37.9
Macroregiunea patru	14.6	70.0	15.5	24.1	63.1	12.8	15.8
Sud-Vest Oltenia	14.8	68.9	16.3	25.5	61.8	12.8	13.6
Vest	14.3	71.2	14.4	22.6	64.6	12.8	18.3

Source: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

EU has the highest values of life expectancy worldwide. Consequently, the average age and proportion of population aged 65 years is also the highest rates in the world. This has implications for health services and on employment. An increase in the proportion of elderly population implies an increasing demand for health care and related services.

Table 7: Education indicators

	Early school leavers aged 18-24 (people with at most lower secondary education and not in further education or training)	Participation of adults aged 25-64 in education and training, 2008
	% of population aged 18-24	% of population aged 25-64
	avg 2007-2009	2008
EU 27	14.0	9.3
Romania	16.6	1.5
Macroregiunea unu	14.0	1.5
Nord-Vest	13.3	1.4
Centru	14.8	1.6
Macroregiunea doi	17.8	1.6
Nord-Est	16.2	1.8
Sud-Est	19.4	1.4
Macroregiunea trei	16.9	1.5
Sud - Muntenia	18.4	1.3
București - Ilfov	10.8	1.7
Macroregiunea patru	15.0	1.4
Sud-Vest Oltenia	15.6	1.3
Vest	13.1	1.4

Source: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion5/index_en.cfm

Europe 2020 objective to increase the percentage of people aged between 30 - 34 years with higher education or equivalent to 40% was achieved in less than one of six regions, and most other regions will have to significantly increase their capacity and number of the young people remaining in education to achieve this goal by 2020 (Chirilă, C., Chirila, V., Turturean, C., 2010). The objective of Europe 2020 on "early school leavers" of more than 10% of youth aged 18 to 24 years without further education after primary school was achieved in one of four regions, but this objective will require substantial efforts in many regions, particularly in Malta and in the 17 regions of Spain and Portugal where the rate is still over 30%.

Inflows of foreign direct investment have registered an average of 4.6% of EU GDP in 2004-2008, and outflows of FDI stood at 6.1% of GDP. Thus, the EU has invested more beyond its borders than foreign companies invested in the EU. Net inflows amounted on average to over 5% in Romania.

Bulgaria and Romania have posted significant as main recipients of remittances of elsewhere in the EU." In 2008, they amounted to 5.7 billion euro or 4.2% of GDP in Romania and 1.5 billion euro, ie 4.5% of GDP in Bulgaria. Thus, remittances are an important source of income for households in the two countries" (Breska von, E., 2010). Over 80% in remittances were sent to Romania from Italy (2.5 billion) and Spain (2 billion euro), and about 55% to Bulgaria from Germany (450 million) and Greece

(425 million). Remittances have grown rapidly in Romania in 2004-2007, registering about 1 billion per year. But because of the crisis remained unchanged in 2008 and declined sharply in 2009.

4 Conclusion

Structural and institutional reforms are important to obtain a maximum cohesion impact. But the pulse of reform in the last decade has been relatively slow, which affected the impact of "practical" politics. Europe 2020 set a new framework that must adapt cohesion policy. A key aspect of it will be to establish closer links between planning and implementation policy and macroeconomic objectives and structural reforms and institutional pursued.

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