

# ROMANIA'S GOAL WITHIN EUROPE'S 2020 STRATEGY

A. DUMITRESCU<sup>1</sup>      I. TACHE<sup>2</sup>

**Abstract:** *This paper analyzes the targets of the Romanian state according to Europe's 2020 Strategy. Being a new Member State, Romania's targets for 2020 are lower than those of the older members. Even like this, using Eurostat indicators and the Report of World Economic Forum, our purpose is to present a comprehensive view of these differences in target levels and to explain why Romania can't catch up with its older counter parts until 2020.*

**Key words:** *Europe 2020 Strategy, Romania's macroeconomic indicators, new EU members.*

## 1. Introduction

Europe 2020 and the National Strategy aims to connect Romania to the new philosophy of development, adopted by the European Union and widely shared globally, that of sustainable development. Romania still needs to overcome significant gaps relative to the other Member States of the European Union, while seeking to absorb and implement the principles and practice of sustainable development in the context of globalization. Europe 2020 and the National Strategy sets specific objectives for moving, within a reasonable and realistic timeframe, toward a new model of development that is capable of generating high value added.

This paper will try to present a comprehensive view of these differences in target levels and to explain why Romania can't catch up with its older counter parts until 2020.

## 2. Europe's 2020 General Strategy

Europe 2020 is the EU's growth strategy for the coming decade.

In a changing world, EU wants to become a smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion.

Concretely, the Union has set five ambitious objectives - on employment, innovation, education, social inclusion and climate/energy - to be reached by 2020.

Each Member State has adopted its own national targets in each of these areas. Concrete actions at EU and national levels underpin the strategy. [1]

### 2.1. Europe 2020 targets

To measure progress in meeting the Europe 2020 goals, **5 headline targets** have been agreed for the whole EU.

The 5 targets for the EU in 2020 are:

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<sup>1</sup> PhD. Student, Faculty of Economic Sciences, *Lucian Blaga* University of Sibiu.

<sup>2</sup> Dept. of Economic Sciences and Business Administration, *Transilvania* University of Braşov.

1. Employment
  - 75% of the 20-64 year-olds to be employed.
2. R&D
  - 3% of the EU's GDP to be invested in R&D.
3. Climate change / energy
  - Greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990,
  - 20% of energy from renewables,
  - 20% increase in energy efficiency.
4. Education
  - Reducing school drop-out rates below 10%,
  - At least 40% of 30-34-year-olds completing third level education.
5. Poverty / social exclusion
  - At least 20 million fewer people in or at risk of poverty and social exclusion.

Europe 2020, a strategy for jobs and smart, sustainable and inclusive growth, is based on five EU headline targets which are currently measured by eight headline indicators.

## 2.2. Europe 2020 priorities

### Smart growth

Smart growth means improving the EU's performance in:

- **education** (encouraging people to learn, study and update their skills);
- **research/innovation** (creating new products/services that generate growth and jobs and help address social challenges);
- **digital society** (using information and communication technologies).

### Sustainable growth - for a resource efficient, greener and more competitive economy

Sustainable growth means:

- building a more competitive low-carbon economy that makes efficient, sustainable use of resources;
- protecting the environment, reducing emissions and preventing biodiversity loss;

- capitalizing on Europe's leadership in developing new green technologies and production methods;
- introducing efficient smart electricity grids;
- harnessing EU-scale networks to give our businesses (especially small manufacturing firms) an additional competitive advantage;
- improving the business environment, in particular for SMEs;
- helping consumers make well-informed choices.

### Inclusive growth – a high-employment economy delivering economic, social and territorial cohesion

Inclusive growth means:

- raising Europe's employment rate – more and better jobs, especially for women, young people and older workers;
- helping people of all ages anticipate and manage change through investment in skills & training;
- modernising labor markets and welfare systems;
- ensuring the benefits of growth reach all parts of the EU.

### Economic governance

The crisis exposed fundamental problems and unsustainable trends in many European countries. It also made clear just how interdependent the EU's economies are. Greater economic policy coordination across the EU will help us to address these problems and boost growth and job creation in future.

The new EU economic governance is based on three main blocks:

### A reinforced economic agenda with closer EU surveillance.

This includes agreed policy priorities and targets as part of the Europe 2020 strategy; additional commitments taken by Member States participating in the Euro Plus Pact; tighter EU surveillance of economic and fiscal policies as part of the Stability and Growth Pact and through new tools to

tackle macro-economic imbalances; and a new working method – the European semester – to discuss economic and budgetary priorities at the same time every year.

#### Action to safeguard the stability of the euro area.

In 2010, the EU responded to the sovereign debt crisis by setting up temporary support mechanisms for its Member States, which will be replaced by the permanent European Stability Mechanism (ESM) in 2013. These support measures are conditional on rigorous fiscal consolidation and reform programs and are

developed in close cooperation with the IMF. [6]

#### Action to repair the financial sector.

#### 3. Romania's specific 2020 targets

For the five headline targets, there are 11 indicators. The paper will present only one representative indicator for each headline.

Each indicator will be presented in a chart with five series for the years 2007, 2008, 2009, 2010 and 2020 (target), comparing Romania's lower indicators with that of Poland, France, Germany, Netherlands and Sweden.

#### 3.1. Employment rate age group 20-64

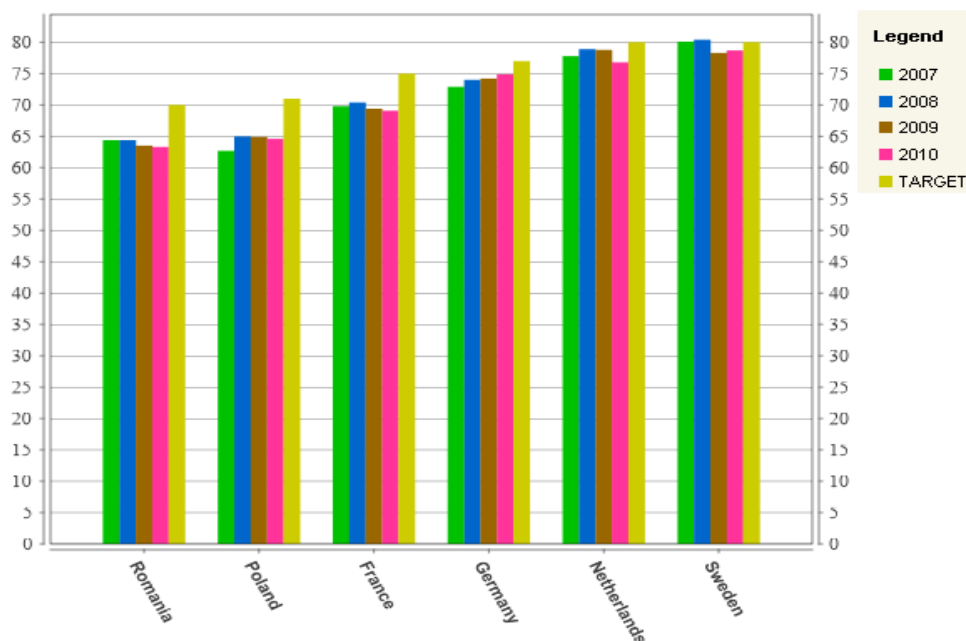


Fig. 1. Employment age rate group 20 – 64  
Eurostat, *Structural Indicators*, 2010

In 2007, the labor resources of Romania (people between 20 and 64 years of age) amounted to 15.05 million persons, with an increase of about 100 thousand over the year 2002. The rate of employment, in 2007, was 58.8%, showing no significant variation compared to the figures for 2002, but still well below the target of 70% set in

the Lisbon Strategy for the European Union in its entirety for the year 2010. [4] In terms of quality, however, progress has been significant: the number of employed persons grew by almost 500 thousand in 2007 against 2002, with a corresponding reduction of the people engaged in farming. The share of persons with higher

(university) education in total employment grew from 11% in 2002 to more than 14% in 2007, while the number of high school graduates rose from 62.9% in 2002 to about 65% in 2007. This was duly reflected in the steady growth of labor productivity.

Focused investment in human capital

development can produce an estimated employment rate for the population aged between 20 and 64 of more than 62% in 2013 and continue on an upward trend in the following period (up to 64-65% in 2020).

### 3.2. Gross domestic expenditure on Research and Development

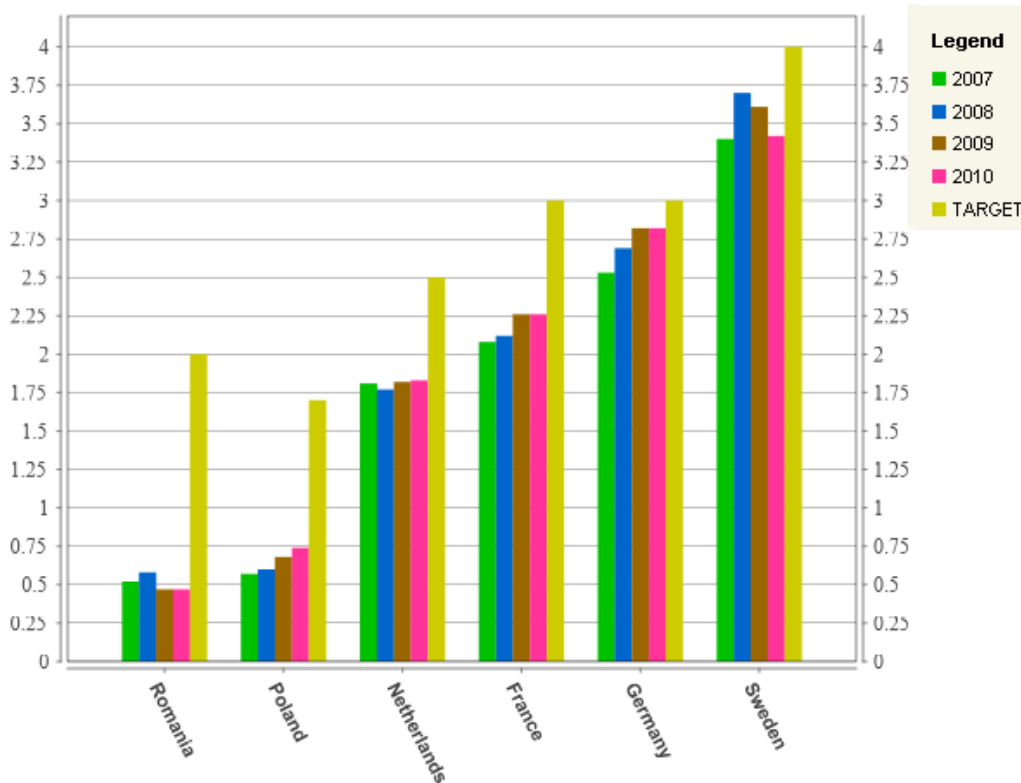


Fig. 2. Gross domestic expenditure on R&D  
Eurostat, *Structural Indicators*, 2010

The research and development sector in Romania suffered probably the most from the collateral damage inflicted by transition to a market economy. Deficiencies already evident in the 1980s were exacerbated over almost 15 years by chronic under-financing (three times less than the EU average as a percentage of GDP) and belated restructuring of that sector leading to the drastic reduction of the number of active researchers (by some

30%, i.e. 2.6 researchers per 1.000 employees, compared to the EU average of 7.8) simultaneously with an increase in their average age (64% over 40 years of age). The survival strategies dictated by the penury of resources gravely diminished the attractiveness of a research career, which led to the massive migration of highly-performing researchers to other sectors of the economy or abroad; at the same time, the influx of young talent dried

up as a result of poor remuneration and lack of clarity and transparency about the prospects of professional advancement. [5]

The persistence of this situation had an unfavorable impact on the maintenance and development of the research infrastructure as well as on international collaboration even in those fields where the existent performance and equipment placed Romanian research in a competitive position at European level. Consequent to this combination of factors, the number of

researchers relative to the population of Romania now represents only a third of the EU average. From a qualitative point of view, the number of scientific studies produced by Romanian researchers and quoted in leading international publications as well as the number of Romanian patents registered or submitted for registration in Romania or overseas are very low (ranking 69th worldwide), much below the current potential.

### 3.3. Energy intensity of the economy

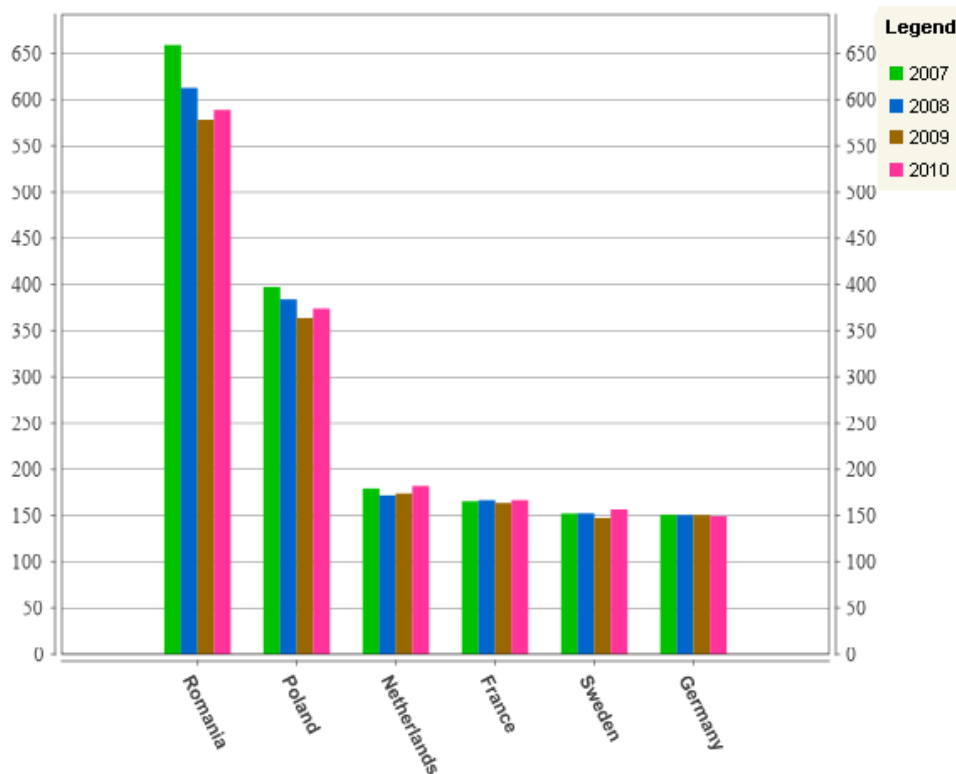


Fig. 3. Energy intensity of the economy  
Eurostat, *Structural Indicators*, 2010

The national objective for 2020 is to ensure the efficient and safe operation of the national energy system; to attain the current average levels of energy intensity and energy efficiency of the EU; to fulfill Romania's obligations in accordance with the EU legislative package on climate

change and renewable energy and with international targets following the adoption of a new global agreement on that subject; to promote and implement measures for adaptation to the effects of climate change and to observe the principles of sustainable development.

According to the impact study which was conducted with a view to maintaining a fair balance among the efforts to be made by the EU Member States in order to meet the target to reduce unilaterally, by the year 2020, the greenhouse gases emissions by 20% against the emissions levels of 1990, the non-ETS sectors in Romania (sources outside the emissions trading scheme)

comprising smaller emission sources in the fields of energy, manufacturing industries, transport, construction, farming, waste management, etc. might benefit from a 19% increase of the allocated quota for greenhouse gases emissions compared to the level of 2007. [3]

### 3.4 Early leavers from education and training by gender

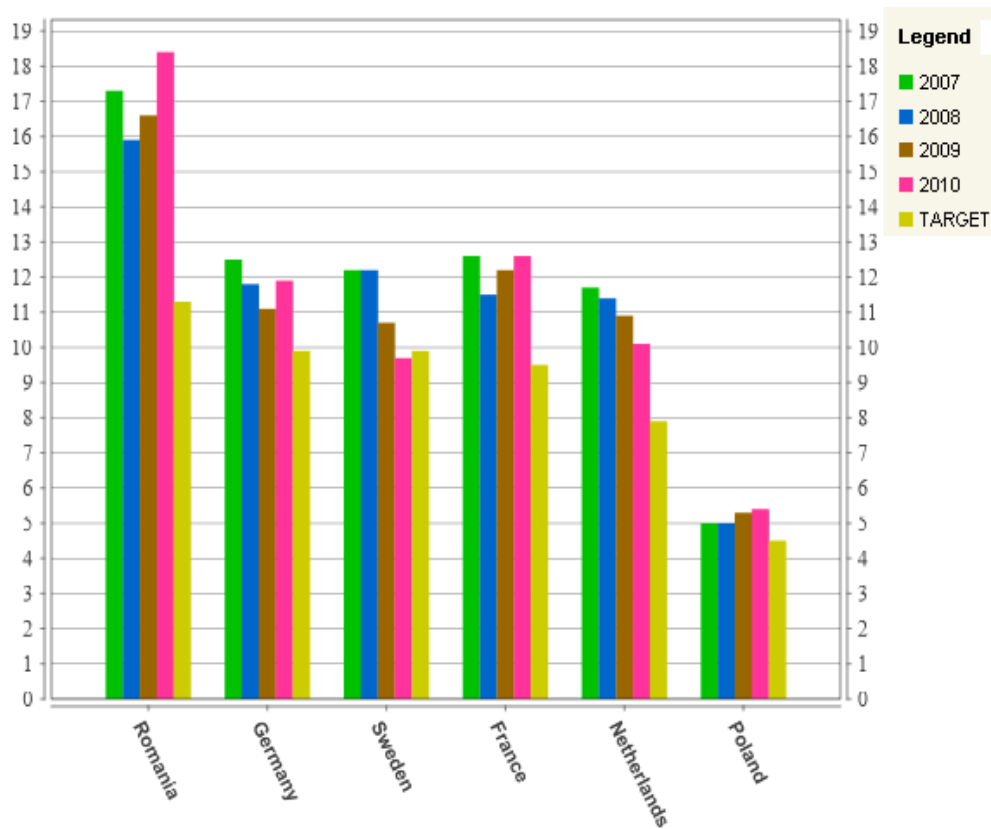


Fig. 4. *Early leavers from education and training by gender*  
Eurostat, *Structural Indicators*, 2010

The early school leavers also represent a target for the Europe 2020 Strategy. The percentage of the population aged 18-24 with at most lower secondary education (and no further education or training) is targeted to decrease below 10%. In 2008, the share of early school leavers was 14.9% in the EU and 15.9% in Romania.

The new European strategy acknowledges the importance of a good education system, and it sets targets for reducing early school leavers to fewer than 10% and the percentage of younger persons with tertiary education who should be over 40%. Romania is not very close to the European target for early school leavers, with 16% of students dropping out

of the education system, but the trend is descending, from 23% in 2003, therefore if progress continues at the current speed,

Romania should have no problem in reaching the desired value.

### 3.5 People at-risk-of-poverty or social exclusion

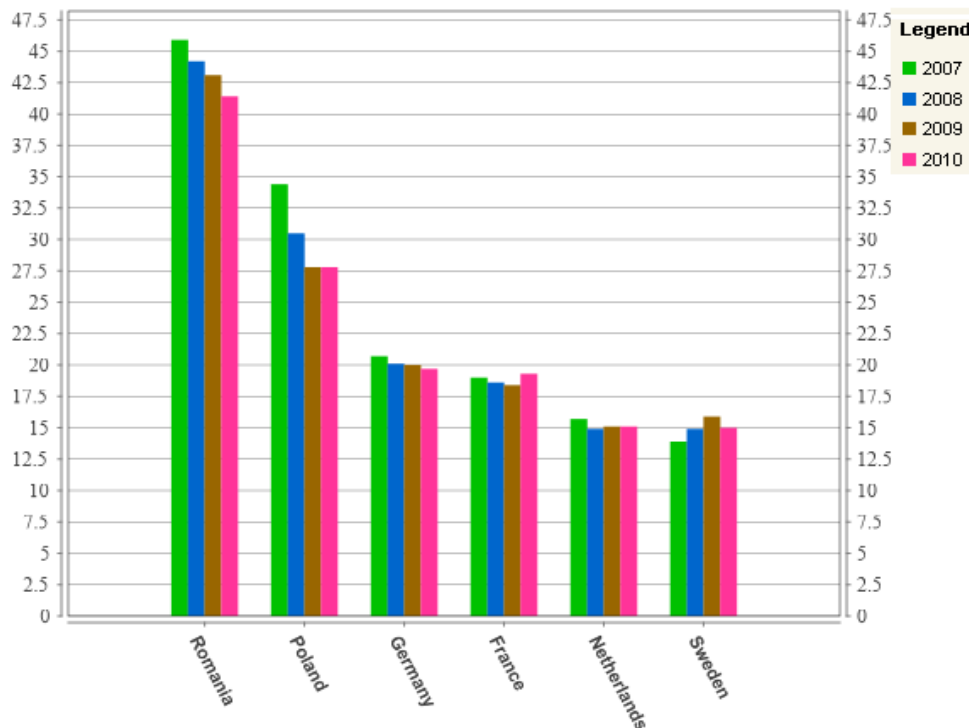


Fig. 5. *People at-risk-of-poverty or social exclusion*  
Eurostat, *Structural Indicators*, 2010

The fight against social exclusion is one of the EU's social policy goals. The target set in Europe 2020 Strategy aims that 20 million less people should be at risk of poverty by 2020. Measured as the share of persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers), the indicator reaches 23% in Romania, the second highest in the EU.

A very sensitive indicator is the inequality of income distribution, measured as the ratio of total income earned by the top 20% of the population

(with the highest income) to that earned by the bottom 20% of the population (with the lowest income).

Romania has a very high degree of income inequality. Part of it can be explained by the flat tax fiscal policy.

### 4. Conclusions

As presented in the figures above, Romania's indicators for the first four years of European Union membership, show a large disparison between itself and the other EU members. Although EU 2020 strategy strives at high targets, these cannot be equal for all members because of current discrepancies. Even so Romania's

lower targets for 2020 still seem rather difficult to attain, considering the current indicators and the measures Romania has taken so far.

For Romania, the most problematic targets of the Europe 2020 Strategy are those related to the “smart growth” objective. Our investments in research, development and innovation are very low; increasing both public and private spending on these activities is directly related to the model of development that Romania will embrace after the economic crisis. If we return to a consumption-led growth companies will not feel the pressure to innovate and public money will continue to be spent ineffectively in these domains. We recommend the creation of an independent national council on research, comprising business and academic representatives, which would allocate the public money for RDI. When a country faces budgetary constraints, it is of paramount importance that the limited funds available are spent wisely.

The objective regarding “sustainable growth” will also need substantial efforts from the Romanian authorities. It would be recommended the creation of a public holding company comprising only the producers of energy from renewable sources, as a mean to increase awareness on this subject and to create positive synergy and coordination effects.

Regarding the “inclusive growth” objective, in addition to promoting growth

as a means to increasing employment, Romania needs policies targeted at improving the labour supply incentives of some special categories of workers: the youth, older workers, and females. Such measures would include more flexible work arrangements, such as part-time and temporary contracts, improved job search assistance and counselling, and targeted programs, including job subsidization, where needed.

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