

## **ROMANIA ACHIEVING THE EUROPE 2020 STRATEGIES**

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### **Abstract:**

*The shift from physical capital growth based on endogenous growth (based on human capital, knowledge and innovation, R&D) is one of the solutions to increase the economic performance of Romania and the countries of the European Union. Therefore, Romania should promote overall 2020 strategy targets and national development targets subsumed European document. I believe that Romania's economy has not reached its potential, is poorly structured and application of pro-cyclical policies have deepened the country's gap with the EU average. This article has as main objective the education system compatible with the labor market, thus showing how that can reduce the dropout rate, this resulting in sustainable economic growth based and higher education levels.*

*Another problem of the Romanian economy treated in this article, is the solution to combating poverty and this can be achieved by the state providing a minimum pension, in case of pensioners and developing those areas that can generate jobs.*

**Keywords:** Europe 2020 sustainable growth, combating poverty, social exclusion.

**JEL classification:** F43, O47, Q56, R11.

## **1. Introduction**

Romania as EU member assumed overall 2020 strategy targets and national development targets subsumed European document. Thus, although we have a new strategy, a new document on which to base public policy, it is important to analyze the situation of Romania at the moment we are in and also its ability to schedule domestic policy agenda and context on which 2020 strategy should be applied.

Perhaps the biggest challenges are the prioritization process, the correlation of which assume that the priorities for allocating resources. This process is deficient in the context in which Romania has to fulfill some clear targets and budgeting is done in a more traditional manner, based on allocations from the previous year, without discussion or debate on the importance of policy interventions planned the requested resources.

With the economic crisis, decisions are usually short-term effect of the system, especially in Romania, requiring a quick response from the Government to the changing situations. Although we are at a turning point in which the constraints are clear, precisely in this period should be considered medium-term impact, so that interventions implemented does not lead to irreversible harm to compromise the objectives of the 2020 Strategy undertaken by Romania.

Planning national policies still tend to be autistic Romania to the European context we belong, we schedule the internal politics without policy coordination mechanism integrating with European relevance. In reality, at this point, the differences between the "National Agenda" and "European Agenda" are invisible and commitments that take the state in relation to the European Union should be incorporated into national policies to ensure their implementation.

Europe 2020 represent growth strategy proposed by the EU for the next 10 years (proposed in 2010) establishing as priorities obtaining the highest level of labor employment, productivity and social cohesion. For this were established five major objectives: employment (75% of the population aged 20-60 years) research and development (3%), climate change and energy (a 20% reduction in emissions of greenhouse gas emissions compared to 1990, increasing the share of renewable energy and energy efficiency by 20%), education (reducing drop to below 10%, increasing the share to over 40% of graduates for those aged 30-34 years) and social exclusion (reduced by at least 20 million people suffer from poverty and social exclusion).

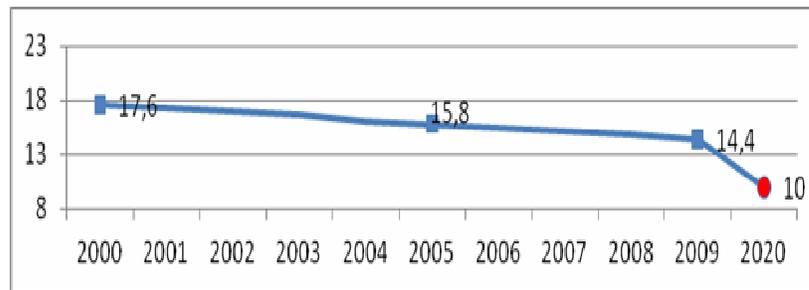
Romania has taken this strategy, making these some national targets so that is desired employment rate of 70%, accounting for 2% of GDP to be paid to research and development, reducing carbon dioxide emissions up to

19%, 10% energy efficiency, reducing the share drop to 11.3% and a reduction in population at risk of poverty or social exclusion by 580 000.

**2. The methodology used to achieve the national strategy to reduce dropout rate**

Educational objective at EU level is to reduce early school leavers from 15%, as it is currently to 10% and increasing the share of the population aged between 30 and 34 years to graduate from 31% to at least 40 % (see fig. 1).

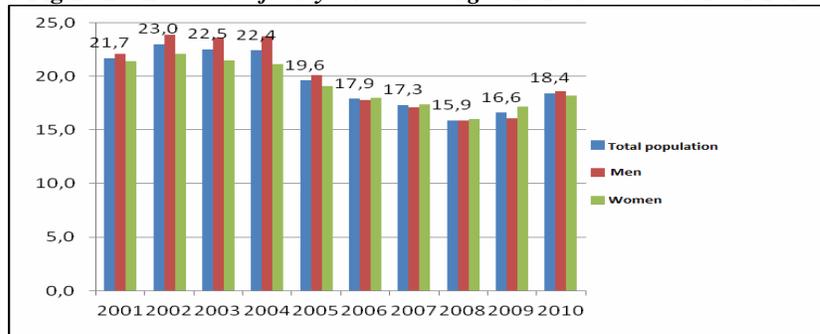
**Figure 1 – Early dropout rate in EU27**



Source: data gathered by authors (www.eurostat.ro)

Early dropout rate has a downward slope during the years 2000-2009, ranging from 17.6% in 2000 and 15.8% in 2005 to a value of 14.4% in 2009 (see fig. 2).

**Figure 2 – Evolution of early school leaving in Romania between 2001-2010**



Source: data gathered by authors (www.eurostat.ro)

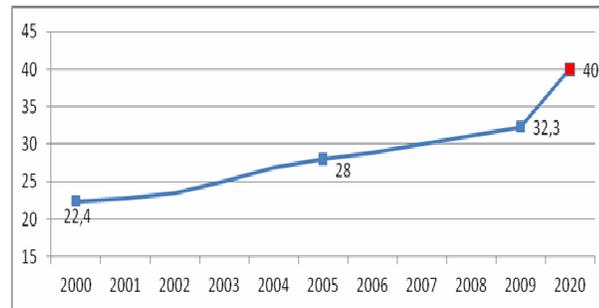
Early school leaving rate is calculated as the share of population aged 18-24 years, which followed more than lower secondary education and not included in any form of education or training, the total population aged

18-24 years, the indicator expressing the proportion of population with low levels of education and training.

Early school leaving rate recorded during 2001-2009 a significant decrease of about 5% compared to 2001, with an average annual decrease of 2.3%. Compared to 2002, when it recorded the highest rate of early school leaving, the indicator was reduced in 2010 by 4.6 percentage points.

Regarding the rate of people with postgraduate studies at European level it is observed an increase from 22.4% in 2000 to a rate of 32.3% in 2009, then an increase of about 1% per year which shows that it is easy to achieve the 40% target for 2020 (see fig. 3).

**Figure 3 – Evolution of tertiary education in EU**



Source: data gathered by authors (www.eurostat.ro)

Romania is not in a very good situation regarding this indicator. Despite continued growth, it stands at less than half the amount proposed at European level in Europe 2020. In the future it is expected that after making arrangements regarding compatibility term "tertiary education" to improve the situation (see Table 1).

**Table 1 Comparative RO-EU regarding 30-34 age population with tertiary education**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
UE 30-34	22,8	23,5	25,0	26,9	28,0	28,9	30,0	31,1	32,3	33,6
Romania 30-34	8,8	9,1	8,9	10,3	11,4	12,4	13,9	16,0	16,8	18,1

Source: data gathered by authors (www.eurostat.ro)

The national target for the share of R&D expenditure in GDP is about 67% of the Europe 2020 target. Given the starting point and the

economic, institutional and cultural field, assumed target is ambitious but hardly feasible (see Table 2).

Although the national target is very optimistic view of the situation before the adoption of this target in Romania, even in the optimistic scenario it also reaches about 73% of the European average target.

**Table 2. R&D expenditure share in GDP**

	2010	2013	2015	2020	Total relative variation	Average annual rate
<b>Pessimistic scenario</b>	0,49	0,7	1	1,8	1,31	13,9
<b>Realistic scenario</b>	0,49	0,85	1,3	2	1,51	15,1
<b>Optimistic scenario</b>	0,49	0,9	1,45	2,2	1,71	16,2

Source: data gathered by authors (www.eurostat.ro)

The Memorandum approved by the Government on the share of R&D expenditure in GDP, we opted for a realistic strategy, or 2% of GDP, compared to an average of 3% of GDP set in the 2020 strategy.

It would thus share R&D spending in GDP to grow 4 times, with an average annual rate of between 13.9 and 16.2 depending on the scenario where we fit. This is an important effort that involves not only the figures for the volume of public and private spending, but also the quality regarding structure of expenditures.

Despite considerable gap between Romania and the EU in this respect, our country has set an ambitious target for 2011-2020 as being included among Member States in the state of catching up. The speed at which they produce recovery process innovation offsets modest place occupied by Romania between Member States in this respect.

In this context of rapid recovery and character falls ambitious national target for the share of R&D expenditure in GDP during the period covered by the Europe 2020 strategy.

For faster accumulation of human capital, linking education level and demographic trends, sustained investment is needed to increase rapidly as the share of higher secondary education in the 20-24 age groups.

Also, increasing the rate of participation in higher education and the enrollment rate of adults in lifelong learning programs can compensate for shortages of skilled labor for a competitive knowledge-based economy and sustainable. In addition, in terms of quality, it is imperative to improve the quality of compulsory education.

Coordinating the orientation of the target on education returned the Ministry of Education, Youth and Sports. Working group for setting

objectives (GSLO-4) were part of the institutions and public authorities involved in the development and administration of policies and strategies that are associated substantiation and achieve the target of reducing the rate of early school leaving or increase graduation rate of higher education.

Goal programmed path to achieve the scenarios is given in the table below (see Table 3).

**Table 3. National goal for early school leaving**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Absolute variation	Relative variation	Average annual relative rate
<b>Pessimistic scenario</b>	17,3	16,9	16,5	16,1	15,7	15,3	14,9	14,5	14,1	13,7	13,4	-3,9	-22,54	-2,52
<b>Realistic scenario</b>	16,3	15,8	15,3	14,8	14,3	13,8	13,3	12,8	12,3	11,8	11,3	-5	-30,67	-3,60
<b>Optimistic scenario</b>	16	15,4	14,8	14,2	13,6	13	12,4	11,8	11,2	10,6	10	-6	-37,5	-4,59

Source: data gathered by authors ([www.dae.gov.ro](http://www.dae.gov.ro), document GSLO-4, p.7.)

The national target reaches Europe 2020 values only optimistic scenario. Based on realistic scenarios in 2020 is expected to reduce early school leaving rate up to 11.3%, so the fulfillment of national goal as 87% to Europe.

Romania aims to be as close as possible to the nominal value set by Europe 2020 taking into account the relatively small gap, so easily removed, which in 2009 was 2.2 percentage points between Romania and EU27. In 2010 the gap had more than doubled to 4.3 percentage points, but given the fact that the indicator could be decreased in the past 10 years by more than 6 percentage points in the next decade will not be very difficult to recover about 7 percentage points if the effort will be considerably greater than in the past.

Goal for the share of population in the 30-34 age groups with tertiary education in the total population in the group referred to by GSLO-4 was based on three scenarios.

On this indicator, even in an optimistic scenario, the nominal national target will be only 75% of the target set for the EU average. Thus, the established and approved national target in a realistic scenario represents about 67% of the Europe 2020 target, as shown in the table below (see table 4).

**Table 4. National target for the share of population in the 30-34 age groups with tertiary education**

	2010	2020	Absolute variation	Relative variation
<b>Pessimistic scenario</b>	17,33	24,6	7,27	41,95
<b>Realistic scenario</b>	17,61	26,74	9,13	51,85
<b>Optimistic scenario</b>	17,88	29,93	12,05	67,39

Source: data gathered by authors (www.dae.gov.ro, document GSLO-4, p.6.)

Reaching a share of only 67% of the target set in the European strategy is a completely bad situation and makes Romania to make a modest contribution to this goal.

However, Romania will be able to improve the situation expected if regulatory instability in education will be removed shortly, this is the main problem that causes the growth strategies of the output quality of education is still fragile.

The problem of tertiary education as well as relative poverty reduction is one dimensional, so that the program will achieve the target values depend not only on measures taken strictly educational services but also the measures taken in other economic and social areas.

Coordinating the foundation for poverty reduction target is assigned to Ministry of Labor, Family and Social Protection. Possible developments of poverty reduction in the period 2011-2020 were based on three scenarios in which the poverty rate projections had the waypoints years 2013 and 2015.

If we refer to the 2010 data, the performance realistic scenario is not sufficient to meet the target assumed by Romania in the poverty rate. The estimated number of people living in poverty will be reduced by 677,000 people by 2020 compared to 2010, representing a decrease of 14.83% of the number of people living in poverty compared to 2010; this reduction is still far below the average of 25% at EU level (see Table 5).

**Table 5. National target on relative poverty reduction**

Scenario	Optimistic scenario		Realistic scenario		Pessimistic scenario	
	2010	2020	2010	2020	2010	2020
Year	2010	2020	2010	2020	2010	2020
Total population	21435	20800	21435	20800	21435	20800
Poverty population	3901	3120	3901	3224	3923	3328
Relative poverty rate	18,2	15	18,2	15,5	18,3	16

Source: data gathered by authors (www.dae.gov.ro, document GSLO-4, p.7-8.)

As the Europe 2020 target of reducing poverty by 25% relative to the number of people who fall into relative poverty that Romania, even the optimistic scenario, in which they propose a reduction of 20%, which means in absolute terms, a reduction by 781,000 persons compared to 3.901 million people in 2010, not within the strategic objective of the European Union.

In the pessimistic scenario, the estimated number of people living in poverty will be reduced by 595,000 people by 2020 compared to 2010, representing a decrease of 12.56% of the number of people living in poverty than in 2010.

### 3. Recommendations

Educational objective is another major risk of jams in both reducing dropout and increasing population aged 30-34 with tertiary education. On the one hand, due to the high degree of poverty, young people aged 18-24 are taken away from instruction and is oriented towards economic activities on the other hand those in rural areas who would like to continue studies do not have the necessary school infrastructure. To a great extent these blockages can occur even in the second sub-objective. A huge number of people giving up further tertiary education because of inhomogeneous distribution of educational institutions in the territory, but also the weakness of the educational system in terms of skills training for the labor market. Most weaknesses in the education system are of an institutional nature. The disincentives pay teachers significantly reduce both professional performance and their stability. Under these conditions, especially in rural areas there is amateurism phenomenon by substituting teachers. Failure rapidly increasing standard of living in families that are at risk of early school leaving is one of the major uncertainties in achieving this. In this case the state should intervene more actively in keeping young people in the educational activity. In terms of population aged 30-34 with tertiary education, the lack of a clear economic and social model of Romania for the period 2012-2020 is reflected in the lack of a clear and general predictions of higher education, which may lead to less graduates. However, the effects

of investment in school infrastructure and the effects of income growth on growth opportunities in tertiary education enrollment are other issues that may delay the performance of these goals and hence the assumed objective of Romania.

Major bottlenecks to reduce the poverty rate are objective and aims to maintain disparities between urban and rural areas on the one hand and between central and peripheral urban on the other. A blockage that we already face in this objective is the high percentage of Rroms people in the absolutely poor, although strategies are ongoing dedicated social inclusion of Rroms. In the reduction of the poverty rate must avoid confusion with social inclusion. Social support should be seen only as a temporary solution and local as preliminary step to achieve social inclusion. Another vulnerability is the inadequacy of initial and vocational training to labor market needs. To avoid this vulnerability, we need to develop the capacity of the initial educational and training appropriate to meet labor market needs. Achieving this goal is uncertain given that the absorption capacity of structural funds likely to develop social infrastructure is low and the aging population is growing. To remove this uncertainty, institutions absorption of structural funds should be restructured immediately to a radical measure. At the same time be restructured and the social security system so that it can effectively meet the social welfare needs institutionalized elderly without family support.

#### **4. Conclusions**

Romania is interested that Europe 2020 strategy to become a successful example of EU action. In the current context marked by economic and financial difficulties, the strategy provides relevant solutions for growth. Lines of development and the assessment provided by it can promote further integration of European economies.

The problem of reducing the number of people in a state of relative poverty is a cross-sectional problem, just not enough social or institutional support measures, but it takes a set of measures come from several sectors such as educational measures (leading to increased proficiency), such as fiscal measures (tax deductibility or tax systems differentiated), labor market measures (leading to flexicurity) and social assistance (which lead to better focus State support for people who are in real need of this support).

Without these measures belong to several government policies, Romania will fail to meet even pessimistic scenario corresponding value in reducing the population is below the poverty level.

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