

"Europe 2020" Strategy - support for the development of the employment strategy in Romania

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Abstract. *The labour market in Romania is facing some imbalances arising from the negative demographic trends, legislative instability, poor correlation between the educational programs with the labour market, low labour productivity. That is why employment policies and strategies must be developed taking into account the other strategies and macroeconomic policies and also the strategies of the European Union. In this regard "Europe 2020" Strategy is a landmark and support for the development of a healthy and sustainable economy. Based on the pillars of "Europe 2020" Strategy and from the analysis of the specific indicators, the paper presents Romania's situation in the labour market and suggests several solutions to relaunch employment.*

Keywords: "Europe 2020" Strategy, employment strategy, labour market in Romania

JEL Codes: E24, J08

1. Introduction

"Europe 2020" Strategy aims to be a mechanism for coordination of the social, occupational, educational, energetic and research policies related to the competence of the national governments. It aims three ways of economic growth: smart economic growth, which involves developing an economy based on knowledge and innovation; sustainable economic growth, by promoting a competitive economy, with low carbon emissions and efficient use of resources and inclusive economic growth, which includes promoting an economy with high level of employment, generating social and territorial cohesion.

On the other hand, "Europe 2020" Strategy supports the current economic crisis overcoming, which has caused and continues to cause effects in various sectors of the economy, affecting jobs and employment policies. Given the large and lasting impact of the current economic crisis on the labour market, employment policies and their application play an important role in responding to the crisis.

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. These objectives define the position which the EU has to occupy in 2020 in terms of some major parameters. However these objectives are translated into national targets for each Member State to be able to follow its evolution.

Thus, to achieve the objectives and parameters followed through "Europe 2020" Strategy actions are common: both at European and national level.

2. The objectives of "Europe 2020" Strategy on employment

"Europe 2020" Strategy launches a new vision for Europe's economy over the next decade, based on an enhanced coordination of the economic policies to generate economic growth and increased employment

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that would help the economic and financial recovery of the Union. The new strategy focuses on the following key areas: knowledge and innovation, a more sustainable economy, high employment and social inclusion.

With regard to employment, "Europe 2020" Strategy aims at achieving as the main objective a 75% employment rate for people aged from 20 to 64. It also aims at achieving economic, social and territorial cohesion through ensuring the autonomy of citizens through high levels of employment, investing in skills development, fighting poverty and modernizing labour markets and training systems and social protection in order to help citizens anticipate and manage change.

And the other targets set by "Europe 2020" Strategy influence and are influenced by occupational policies. For example the improvement of the educational level can contribute to a better insertion in the labour market and to the adaptation to new changes and requirements that arise in training skills area. Increasing the share of the green economy also means the creation of green jobs, so it requires the adaptation to new skills in this area. Improving the conditions for research and development so that the combined levels of public and private investment to reach 3% of GDP represent a support of employment growth and especially of labour efficiency growth. Increasing performance through research, by using information and communication technologies makes innovative ideas generate growth and quality jobs. But all these must be related to entrepreneurship, finance, and must be focused on user needs and market opportunities.

Thus, all "Europe 2020" Strategy goals are interconnected. Ensuring higher levels of education favours employability and the registration of progress in increasing the employment rate of labour force contributes to poverty reduction. A greater capacity for research - development and innovation in all economic sectors, combined with a more efficient use of resources will improve competitiveness and accelerate job creation. Investment in cleaner technologies with low carbon will protect the environment and create new business opportunities and jobs. The European Commission highlights the role of universities and of science and technology graduates in creating the necessary innovation for continued economic success. In addition, education is also considered to be the policy tool for social inclusion, since the skills that individuals develop allow them to participate meaningfully in economic and social discourse. (Rogojanu, Badea: 2011)

The Commission considers that the key drivers of EU 2020 should be thematic, focused on the following priorities: creating value by basing growth on knowledge, empowering people in inclusive societies, creating a competitive, connected and greener economy.

To help achieve these objectives in the field of employment, the European Commission supports projects such as:

- „*An Innovation Union*“, to improve the access to finance for research and innovation so as to guarantee the possibility of transforming the innovative ideas into products and services that create economic growth and jobs.

- „*Youth on the Move*“, to enhance the performance of educational systems and to facilitate insertion of youth in the labour market. Young people under 30 represent a fifth of the EU population, being strongly affected by rising unemployment. In this sense the stimulation of the modernization agenda of higher education, the exploration of ways to promote entrepreneurship through mobility programs for young professionals, the recognition of non-formal and informal learning, the support through adequate employment programs for young people are aimed.

- „*An agenda for new skills and jobs*“, to modernize labour markets and empower citizens by developing their skills throughout life to increase employment and a better matching of supply and demand in labour matters, including professional mobility. Citizens must be prepared in accordance with labour market needs to adapt to changing labour market and contribute to increasing labour productivity and

employment rate. This initiative has a broad field of application that includes, besides creating competencies and flexicurity, the quality of jobs, working conditions and job creation.

- *"The European platform to combat poverty"*, to ensure social and territorial cohesion, so that the benefits of growth and jobs to be distributed fairly, and people experiencing poverty and social exclusion to be given the opportunity to lead a dignified life and play an active role in society. The EU also supports economic growth favourable to inclusion through projects and investments in regional development field by which it reduces disparities between regions.

These projects are helpful in overcoming certain problems which the EU is currently facing such as: economic crisis, demographic change, poverty in employment, skills adaptation to changes imposed by globalization, technology development and creating a green economy.

As a result of demographic changes, labour is in decline, with major long-term implications on the active population, which must support a number of increasingly more inactive people. Employment rate is low, especially among women (63% versus 76% among men, age range 20-64 years) and older workers (55-64 years: 46%, compared to 62% in the U.S. and Japan). On the other hand, young people have been severely affected by the crisis, knowing an unemployment rate of over 21%.

In terms of skills about 80 million people have basic or low skills and do not benefit from life-learning programs, as much as people with higher education.

By 2020, 16 million jobs will require a high level of qualification, while the number of jobs that require fewer capabilities will decline by 12 million. EU studies results show a considerable shift in labour demand towards skilled workers implying that future jobs will become more knowledge and skills-intensive. Most projected increases are expected for high-skilled non-manual occupations, such as management, professional and associate professional jobs. Technicians and associate professionals (including physical, engineering, life science, health and teaching associate professionals) have the highest potential for job creation in the next decade, followed by professionals (such as physical, mathematical and life-science engineers, health and teaching professionals) and legislators, senior officials and managers.

New jobs requiring new skills will be created. Transition between jobs, between training and jobs will have to be managed. This is where flexicurity should be deployed to the full. The challenge is to find the best way to enhance on the one hand, the flexibility of labour markets both on work organisation and on labour relations, and on the other hand, the security provided by life-long learning and appropriate social protection. Life-long learning needs to be much more accessible and universities should be more open to non-typical learners.

Before the crisis, 80 million people were threatened by poverty, and now the number of people who have a job has increased, but they do not earn enough to escape poverty (8%). Having a job is probably the best safeguard against poverty and exclusion. But alone it does not secure a reduction in poverty levels or social inclusion. Modern social security and pension systems, adapted to the crisis and to the ageing of the European population, will be needed to provide an adequate level of income support and coverage to those temporarily out of work. Therefore, "Europe 2020" Strategy and other programs of the European Commission aim at increasing labour market participation and reducing structural unemployment. It is also essential to implement the principles on flexicurity and on supporting the citizens in acquiring new skills that allow them to adapt to new conditions and potential career change.

In the EU, the European Commission aims to combat poverty, reduce social exclusion by providing specific support from the Structural Funds, particularly from the European Social Fund and the development and implementation of programs aimed at promoting social innovation among the most vulnerable groups, in particular by making available for the disadvantaged communities certain education and training forms and some innovative employment opportunities.

The necessary efforts to implement "Europe 2020" Strategy should include actions at the national level. Thus, to support European projects and initiatives Member States must:

- make efficient investments in education and training systems at all levels;
- enhance the openness and relevance of education systems through the establishment of national qualification frameworks and through better targeting of learning outcomes to labour market needs;
- facilitate the employment of young people through integrated actions that include guidance and counselling;
- implement their national flexicurity measures, reduce labour market segmentation and facilitate occupational mobility;
- boost the implementation of the European Qualifications Framework, by establishing national qualification frameworks;
- ensure the acquisition of competencies necessary for further learning and labour market integration and their recognition, including in non-formal and informal learning;
- develop partnerships between education and work environment, especially through planning of education and training offers;
- define and implement measures aimed at the specific situation of high risk groups;
- fully develop their social security systems to ensure an adequate level of income support and access to healthcare.

In order to achieve "Europe 2020" Strategy the European strategy on employment has an important role. In line with the objectives of the "Europe 2020" Strategy, the *European Employment Strategy* aims at creating more and better jobs throughout the European Union. *The European Employment Strategy* offers the Member States a framework to exchange information, to discuss and coordinate policies on employment. Annually in this respect the European institutions and national governments (through the Employment Committee) present guidelines for national policies in employment, in order to establish common priorities and goals; national reports that describe policies on employment and a report made by the European Commission, including recommendations to national governments.

3. Measures taken by Romania in the employment field starting from "Europe 2020" Strategy

Romania, as EU member state, has assumed the general goals of the Strategy 2020 as well as the national development targets subsumed under the European document. In this respect, the National Reform Programme and a series of regulations governing directly or indirectly decision-making and the planning process were developed, establishing institutional procedures and roles. The National Reform Programme is the instrument through which Member States implement the "Europe 2020" Strategy.

This program should include: a medium-term macroeconomic scenario, the paths to achieve national "Europe 2020" targets, addressing macro-structural barriers to economic growth and employment, as well as

priority measures to achieve targets and eliminate obstacles through setting the timetable to implement these measures and related budgets.

Assessments made by the European Union, on the provisions and procedures necessary for the implementation of the European policies conclude that Romania has a solid legal framework to develop public policies and necessary programs.

However, there is a discrepancy between the achievement of these normative acts and their implementation. Problems arise because there is little communication and coordination between departments dealing with national and European policy making, increased bureaucracy, reduced transparency in government policy development, waste in public expenditure, management issues in setting and achieving the pursued priorities.

Therefore an integrated approach to planning policies is required. On the one hand, relevant European policies directly affect us and on the other hand only by knowing the domestic context and promoted or planned policies can the government formulate coherent country positions. (Dinu, 2010)

According to the National Reform Program, Romania has established the following national targets for Europe 2020 Strategy, in employment:

<i>Indicator</i>	<i>EU 27 objectives (Europe 2020 Strategy)</i>	<i>Objectives Romania</i>	<i>The current situation registered in Romania</i>
<i>Employment rate of population aged 20-64 years</i>	75%	70%	63,5%
<i>Investment in research and development (% of GDP)</i>	3%	2%	0,48%
<i>Early school leaving (%)</i>	10%	11,3%	16,3%
<i>The rate of population aged 30-34 years graduate of a form of tertiary education</i>	40%	26,7%	16%
<i>Reduction of population at risk of poverty or social exclusion (number of persons)</i>	20.000.000	580.000	9,1 million people at risk of poverty and exclusion 3.9 million people at risk of poverty

Table 1: *The objectives of the Europe 2020 Strategy for Romania* (Source: National Reform Program, April 2011 & European Commission, Eurostat, 2011)

It is important to know Romania's position currently in relation to targets to be achieved in 2020 to identify the most important gaps and to develop measures and remedies to reduce these gaps.

In 2010, in Romania, the employment rate for the age group 20-64 years was 63.3%; it was low compared to the rate in the previous years due to the current financial and economic crisis. Thus a gap is recorded compared to the EU 27 average of 5.3 percentage points. According to forecasts, the gap between the national level and the community level will continue in 2020, but it will register a slight decline from 5.3 percentage points to 4.8 percentage points.

The difference between the employment rate registered in Romania and the EU 27 average reported to the target established by the "Europe 2020" Strategy is shown in the chart below. It is noted both for Romania and the EU a decrease in the employment rate from the end of 2007 due to the economic crisis. Although the decrease is stronger in the EU, Romania has employment rates below the EU average, moving away from the target of the "Europe 2020" Strategy (the employment rate 75%).

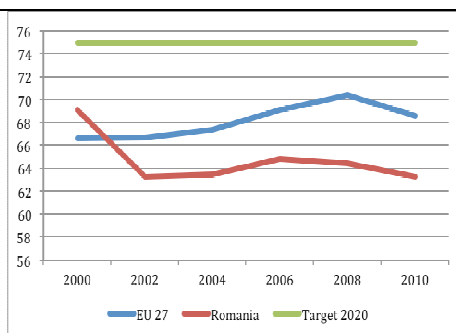


Figure 1. *Employment rate (%), age group 20-64* (Source: Eurostat 2011, <http://epp.eurostat.ec.europa.eu/>)

The highest employment rate for working age people has been recorded among higher education graduates. As the levels of education decrease, also the employment decreases, which justifies the role of investment in education. At the same time, the unemployment rate among young people (15-24 years) increased both in the EU 27 and in Romania (22.1%), which requires special attention in developing employment policies and programs to support youth labour market insertion.

According to the analyzed indicators there are major differences between the levels registered in Romania and the targets imposed by the "Europe 2020" Strategy. Investment in research and development in Romania is currently only 0.48% of GDP, compared to 2% the target to be reached in the next 10 years. There are also significant gaps in leaving school early indicators, the level of tertiary education and the number of people in poverty risk / poverty / exclusion.

The successful implementation of the "Europe 2020" Strategy depends on the subordination of the common EU policies and the national ones (structural and macroeconomic adjustment) to the goals of the "Europe 2020" Strategy; of ensuring the coordination among the National Reform Programmes and National Convergence Programmes (stability), the monitoring of achieved progress and the identification of blockages in real time and adverse effects in real time.

Achieving the national targets can be affected by the occurrence of four risk categories: blockage, vulnerabilities, uncertainties and lags.

Potential vulnerabilities of the successful implementation of "Europe 2020" Strategy for Romania may result from: the appearance of an inter-strategic paradox, because the implementation of the objectives of "Europe 2020" Strategy can lead to compromising the real economic convergence; moving the focus from targets to actions to implement the objectives, i.e. through understanding the means as purpose (replacing purpose pursuit with following the means of achieving the goal), which represents an error of strategic nature; excessive empowerment of objectives, by conserving their nature, i.e. an objective is considered in itself, without the possibility of its conversion, once turned into a means of achieving another goal. (Dinga, 2011)

Therefore, national coordination, inter-sector planning and a real prioritization process are needed in order to really implement this European document.

4. Conclusions and priorities for action

A successful implementation of "Europe 2020" Strategy in Romania involves taking decisive actions that are focused on the following priorities:

a) improving labour market operation

In this respect, it should be aimed at reducing structural unemployment, the adoption of certain flexicurity policies, and strengthening of labour market institutions.

In terms of structure, a chronically high unemployment is an unacceptable loss of human capital, which discourages workers and leads to their premature withdrawal from the labour market and to social exclusion.

Flexicurity policies are the best tools for the modernization of labour markets. At the same time they must be adapted to the post-crisis context, to accelerate the pace of reform, to reduce labour market segmentation, to support the equality between women and men.

Labour market institutions must be strengthened to ensure that workers benefit from transitions between jobs, occupations, sectors of activity. Ensuring the profitability of transitions is essential to provide workers the necessary security to accept and to cope with mobility adequately.

Finally, implementation and governance should improve policy coordination and involvement of social partners and other relevant partners.

In terms of the coordinates above, Romania has made progress in terms of labour market performance, but still must act by improving the legislation, combating undeclared work, promoting equality between women and men. It is also necessary to facilitate the transition from unemployment to employment by anticipating changes in employment and applying active measures to improve employment.

b) better employment training, learning and continuous vocational training

In the present context competent workforce is needed able to contribute and adapt to the changes imposed by the new technologies, by the requirements of sustainable development and by reaching the knowledge economy. The investment in education and training systems, the anticipation of skills needs, the services of accordance and orientation represent fundamental factors in increasing productivity and competitiveness, accelerating economic growth and increasing employment.

Skills are the key element for Europe's economic and productivity growth and for job creation. Life-long learning is the key element to ensure good transition between jobs and occupations, and in avoiding long-term unemployment leading to loss of human capital. The digital economy also offers new opportunities for distance learning as part of a life-long approach to learning and for forms of communication that are changing the world of work, shrinking distances and making long distance work a real possibility in an increasing number of jobs.

In order to develop tools in the field of qualifications, Romania aims at completing the National Qualifications Framework as well as the Classification of Occupations. At the same time it provides support for continuous training, courses and counselling. It should be continued the promotion of labour force adaptability to new labour market requirements, to the current economic development and to the technology development. We need to define and effectively implement an integrated model of education for the labour market. A profound and essential reform of the education system, with the achievement of a coherent life-long learning network, by various educational institutions and forms, requires a joint effort of the state and of the private environment to support changes made.

c) stronger policies to promote job creation and labour demand

It is not enough to ensure that people remain active and accumulate the necessary skills to obtain a job; the economic development must also be based on economic growth able to generate employment. Appropriate conditions should be performed to create more jobs, including in companies that work with high skills and business models based on intensive research and development. Selective reductions of non-wage labour costs or well targeted employment subsidies can be incentives for employers for the purposes of recruiting long-term unemployed people and other workers who are departing from the labour market. Policies that facilitate the use of key sources of job creation and promoting entrepreneurship and self-employment are also essential to increase employment.

In order to create more jobs, a more entrepreneurial culture needs to take hold in Europe and in Romania, with a more positive attitude towards risk-taking and a capacity to innovate. Self-employment

should become a real option for those who may have recently lost their job. But this will require removing disincentives, such as the unequal treatment of the self-employed under most social security systems and disincentives to move to other Member States because of lack of portability of social and pension rights.

d) increasing the quality of jobs and working conditions

There is no compromise between quality and quantity of employment: high quality jobs are associated with an equally high labour productivity and employment participation. Working conditions and physical and mental health of workers should be considered in order to meet the needs of this professional career, characterized by numerous transitions between jobs and by new forms of work organization.

These priorities must be complemented by actions to coordinate macroeconomic policies, reviving scientific research and innovation, development of partnerships between business, universities and research institutes.

In conclusion, the success of the implementation of the “Europe 2020” Strategy in Romania depends on:

- the adoption of the “Europe 2020” Strategy as central document to realise the economic policy,
- promoting an integrated planning system that would bring together the national policies with the European policies in terms of unit coordination;
- setting priorities and implementing concrete measures in order to apply them.

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