Competitiveness of Romanian Regions in the Spatial Structure of the EU

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Abstract. In the last years, in order to enhance the competitiveness of the regions, researchers and decision makers alike attribute a special role to supporting entrepreneurial activity, strengthening the SME sector, attracting foreign working capital into the local economy, but also to the territorial concentration of R&D centres. Within the present study, I have considered all relevant economic factors, which might influence competitiveness, having at the same time an impact on the position of the Romanian regions within the economic structure of the European Union. In the study have managed to prove that Romania is in a rather disadvantaged situation in the case of the three main elements, with a significant impact on the competitiveness of regions: the GDP per capita, the employment rate and labour productivity. Only the Bucharest-Ilfiov region is in a more favourable position, but its development level remains far behind the central regions of the EU.

1. Introduction
The political and economic changes that have incurred at the end of the 1980s have brought about considerable changes in the territorial structure of the post-socialist countries (in Romania as well), making the reorientation towards the west possible once again. The first steps have mainly been represented by the integration into Western European and North-Atlantic economic, political and defense systems, contributing at the same time to spreading democratic principles and increasing the degree of globalization in the area. Due to the positive impact of western societies the macro-economic and social conditions of these countries have been significantly improved, although the goal of achieving rapid economic growth has in most cases overshadowed the objectives of social equality and economic and territorial cohesion, contributing thus to the alarming increase of territorial disparities. As we know, the long-term presence of the phenomenon can lead to the rapid break-away of peripheral, disadvantaged areas, resulting in increased social tensions and constrained development paths. Unfortunately, though, despite the ever increasing number of strategies, development plans elaborated for different territorial levels in order to deal with these processes, backed by an impressive financial support for fostering economic growth in less developed regions [1, 2, 3] territorial inequalities have continued to increase more and more.

In addition to examining the economic structure of Romanian regions, this paper tries to delimit regions which have best been able to adapt to the changing socio-economic conditions and which form - or may form - the stable poles of competitive Romania.
2. The concept of competitiveness

The definition of the concept of competitiveness has gained a significant role in today's international literature. The term “competitiveness” is one of the most commonly used concepts in economics, although it is not precise enough, meaning that there is no generally accepted definition of competitiveness. Perhaps this also explains the fact that there have been more and more differing positions in the debate about the interpretation of the concept in this field and there are actually a number of definitions out there. The World Economic Forum, which has been measuring competitiveness among countries since 1979, defines it as “the set of institutions, policies and factors that determine the level of productivity of a country”. Others are subtly different but all generally use the word “productivity”. While from the microeconomic point of view, competitiveness means the positioning of companies-, the ability to hold up in a market competition, at macro level it can be explained as a competition between national economies [4]. According to Lengyel, by defining the concept of regional competitiveness, first of all we must specifically distinguish ‘the regional aggregation level between micro- and macro-level’. Therefore, microeconomic competitiveness (the competitiveness of companies and industries in the region) becomes meaningful in the elaboration of development strategies for functional regions, while in the case of macro-level competitiveness interpretations, statistical regions can represent the examined territorial units [5]. From a geographic, economic as well as a regional approach, "competition always means winners and losers: winners are successful regions" [6]. Actually, the socio-economic situation in Romania during the post-transition period can also be interpreted based on the above concept: areas which have successfully adapted to the changing socio-economic conditions represent today’s winning regions, while the areas which have been unable to overcome the negative effects of the economic downturn and the restructuring processes have become the so called losing regions.

The relevance of the increased awareness on the role of competitiveness as well as the process of delimiting competitive regions is also underlined within the fifth and sixth Cohesion Report of the European Union, setting objectives to boost and equalize the competitiveness level of European regions, increasing at the same time social and economic cohesion.

3. The methodology of measuring regional competitiveness

According to the standard definition, competitiveness represents “the ability of companies, industries, regions, nations and supranational regions to maintain a relatively high income and high level of employment while being exposed to international (global) competition” [5]. According to this definition, two basic categories of competitiveness measurement are presented: labour productivity and employment rate, which can also be complemented by the evolution of regional GDP per capita. Based on other evaluations, the components of competitiveness include political, economic, social, environmental and infrastructure elements. The Global Competitiveness Index is based on three main components (basic requirements, efficiency enhancers, innovation and sophistication) which encompass twelve pillar including the institutional system, infrastructure, macroeconomic environment, health and education, labour market efficiency, health and education, innovation, and so on. These lead to an efficient, innovation-oriented and competitive economy.

The present paper relies on the analysis of economic factors, examining the relations between the regions of Romania and their position in the wider European spatial structure.

4. The analysis of competitiveness

The analysis of regional competitiveness can generally lead to three economic categories, with the following relationship between them [5]:

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\text{Regional development} = \text{Labour productivity} \times \text{Rate of employment} \tag{1}
\]
According to this formula, regional competitiveness could be explained as economic growth achieved under high labour productivity along with a high employment rate. Although regional competitiveness, as a complex concept, has no single indicator, the author will examine regional competitiveness, based on the GDP per capita, employment and labour productivity.

In an international context, Romania’s **GDP per capita** reaches one of the lowest values in comparison to the EU-28 average. While in some well developed areas like Inner London, Luxembourg or Brussels, where the GDP per capita exceeds the EU average by 250-500%, in Romania the value of this indicator was only 57% in 2015. In this context only the values of the capital, Bucharest, reach 136% of the average, while the North-East region - which represents one of the country’s least developed areas – barely reaches 34% of the EU average. Overall, among the new member states Romania slightly surpasses its southern neighbor, Bulgaria, but not in the case of all regions: one of the poorest areas in a Romanian, Central and Eastern European and a European Union context remains the Moldavian region or the North-East Development Region. In this comparison, the GDP per capita of the North-East Region is about 13 times smaller compared to that of Inner-London which represents the most developed area in the whole European Union. In the case of the two member states, a relatively high GDP per capita can only be observed in the capital regions (Bucharest-IIfov and Sofia), however, these levels still have not managed to reach the values of less developed regions of the core areas, pointing out significant differences in this sense. Nevertheless, before the global economic and financial crisis and nowadays as well, the highest rate of economic growth has been achieved by the least developed regions of the EU: in 2016 Romania had an average economic growth rate of 4.2%, in Malta it has reached 3.9% while in Poland, Slovakia and Latvia it has been situated between 3.1 and 3.5%, meaning that the majority of traditionally more developed western European regions (from France, Germany, Italy or Holland) have been surpassed in the case of economic growth rate.

Another indicator of regional competitiveness is the **employment rate**. In Romania, the employed population accounts for 61.4% of the working-age population (2015), which, following a longer-term trend, represents a decline of more than 10%. At regional level, the rate of the employed population aged 15-64

![Figure 1. GDP per capita (2015)](source: Eurostat [7])
reaches the average only in the North-East-, North-West- and Bucharest-Ifov regions, in the rest of the regions varying between 56-59%. With the exception of the capital region, where the larger share of the employed population can be explained by the new jobs created as a result of massive foreign direct investments, in the less developed regions the higher employment rates are attributed to the greater share of agricultural workers. This is also highlighted by analysing the employment rate at settlement level, ie. the employment rate of the rural population is higher in less developed regions, while in the more developed urban areas (North-West, Central and Bucharest) the highest rate of employment can be found in the tertiary sector, similar to international trends.

In the European Union context, the employment rate in Romania shows a relatively good position in comparison to certain regions in Italy (Sicily, Calabria, Campania) or France, but as we could observe, the relatively high rate of employment in Romania does not come together with a high value of GDP. This can also be attributed to the fact that the high rate of employment in Romania is mainly due to the high share of agricultural workers, which is a consequence of the economic transformation and the aggravation of forced migration. However, this only allows a kind of subsistence rather market production, so in regions where agriculture is predominant, the value of GDP is low. The main problem in Romania lies in the low level of the service sector which could be the driving force behind economic growth and competitiveness.

Accordingly, the 2004 and 2007 accessions have greatly influenced the average occupation levels of the population in the EU. While before 2004 the proportion of the population working in agriculture and the service sector was 3.6% respectively 69.6%, after the two accessions the rate of employees in the primary sector has increased to over 5.8% while the weight of the tertiary sector has shown a slight decrease (to 66.3%). The highest share of agricultural workers could be found in peripheral regions, ranging from Latvia, Lithuania and Poland to Romania, Bulgaria, Greece and to western parts of Portugal.

![Figure 2. Rate of workers employed in the main economic sectors (2015)](source: Eurostat [7])

A complete reverse tendency can be observed in the territorial distribution of people working in the tertiary sector, representative of the EU core area. On the other hand, we cannot omit the role of industry, as some sectors such as automotive manufacturing and electronics can be competitive both nationally and internationally. In this respect, Romania has a valuable potential, which in the future may increase the competitiveness of certain regions. Actually, a country’s development level is not determined only by sectorial restructuring but rather the competitiveness of micro-level economic units and companies [8].
The third important indicator of competitiveness is **labour productivity**. Although the value of this indicator has increased in all regions, the rate of increase was higher in the more developed areas (Bucharest, West, North-West). However, from this point of view only the capital region shows a relatively favourable position, but is still far behind more developed areas like Inner-London. The difference is further increased if we compare extreme values: the difference between the highest and the lowest labour productivity rate rises to 13 times (between the Inner London and North-Eastern Region).

Romania's biggest problem continues to be a low level of labour productivity, which can mostly be attributed to the high share of agricultural workers. The high unemployment rate, low level of entrepreneurship, the slow privatization of large industrial companies and the difficulties related to industrial restructuring have had a negative influence on regional competitiveness. This can also be attributed to the lack of infrastructure, territorial accessibility and the lack of adequate transport systems. Although Romania has long traditions in tertiary education, in some regions the low proportion of the population with a university degree overshadows the economic success of these areas.

![Figure 3. The relationship between labour productivity and employment rate](source: Eurostat [7])

Although the above analyses have already pointed out Romania's disadvantageous position within the EU context, this fact is further emphasized by the World Competitiveness Report published annually by the World Economic Forum. Although Romania surpasses Bulgaria according to these calculations, it still lags far behind the more developed EU countries.
5. Conclusion

The inequalities of the economic space can be greatly influenced by adequate interventions aiming to create a more homogenous spatial structure and bring about territorial cohesion. In this sense, from the concepts drawn up in the Regional Development Plans, the priorities should be the sections regarding infrastructure, human capital and the labour market. Recent analyses have also pointed out, that the most severe social dysfunctions following the revolution were those related to unemployment. Making the business environment more attractive, support given to SMEs, the development of the R&D sector along with the establishment of an information society, utilizing the touristic potential and the improving the chances of the rural population could contribute to the diminution of inequalities not only in certain historical regions, but also at the level of the whole country. In the near future, territorial planning and regional policies, the cooperation between local, regional and nationwide institutions should have a much more significant role in diminishing inequalities, so that Romania (and its historical regions) can become a more competitive and more dynamic part of the European Union.

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