

**REDUCING URBAN - RURAL ECONOMIC GAPS.
CASE STUDY ROMANIA**

STANEF Mihaela Roberta¹

Academy of Economic Studies, Bucharest, Romania

Abstract

The paper underlines that both the incentive and the concrete design of strategies/procedures are powerfully triggered by the environment of the program meant to reduce the gaps, i.e. the individual restricted rural structure circumstances. The transferability of 'good practice' is given to a partial extent only. However, this paper provides a fine indication of 'what can be done' and, in spite of the heterogeneity of European rural areas and the recognized types of social capital initiatives, the comparative study of the various approaches allows for the elaboration of some general recommendations to be followed when appealing in rural progress policy design based on social capital.

Keywords: *Europe 2020 Strategy, urban and rural areas, labor market, economic gaps, rural policy.*

JEL classification: *R00, R11, R20, R23, R28*

1. Introduction

In an effort to recognize possible similarities and variations between these regions, this paper searches key aspects of quality of life from an urban–rural point of view, specifically – income and deficiency; accommodation; employment and education; work–life balance; access to work, school, family,

¹ *Title/position: assistant professor, Ph.D., e-mail: stanefroberta@yahoo.com*

friends and services; and individual well-being indexes. The study not only reveals motivating answers about quality of life from an urban–rural angle but also raises significant issues for policymakers, mainly in relative to some of the poorer European countries.

So, as to increase competitiveness and raise participation levels, mainly for the low skilled, and in line with economic policy guideline, Member States must review tax and benefit systems and the capacity of public services to give the necessary sustain. Member States must increase labor force participation throughout policies to encourage active ageing, gender equality and equal pay and labor market integration of young people, disabled, legal migrants and other vulnerable groups. Member States must also get rid of barriers to labor market entry for newcomers, sustain self-employment and job creation in areas including green employment and care and promote social innovation both rural and urban areas.

2. Quality of life indicators and urban–rural discrepancy

The implication of the EQLS data alongside the array of aim, usually nationally derived, statistical data available for analyzing social issues in the EU and for informing the development of policy, has been argued in some of the earlier analytical reports started from the EQLS.

However, there are some precise latent advantages that should be mentioned in relative to the study of urban–rural discrepancies.

The EQLS data are also able to search other questions relevant to quality of life, but not fully captured in purposes statistical data. Such subjects include those connecting to the strength of the family and social networks (e.g. frequency and type of contacts), sense of community, and social identification with, experience of and attitudes to civic commitment. Once more, these topics are pertinent not only to the quality of life and welfare of individuals and families, but also to social solidity.

This paper involves the difference among urban and rural areas. It searches two spatial magnitudes: urban–rural disparities and how these vary involving countries and groups of countries.

The study based on this geographic framework reveals that in western and northern Europe, there is little proof of important urban–rural disparities.

As an alternative, it is in the poorer states of eastern and southern Europe that urban–rural differences are most marked; in relation to most of the indicators, this disparity involves a lower level of perceived welfare and quality of life in rural areas. So, policy considerations concerning urban–rural differences will be most pertinent in these countries.

In relation to the units of study used in this paper, two points should be bear in mind. To begin with, while the social policy dimension concerned with variations and differences among individuals and households within geographical units is not clearly an element of this analysis, it is an central implicit part; this is because the reference point for subjective evaluation of relative lack and related issues will normally be comparisons with other individuals and households within the country or area.

Secondly, while the characterization of countries as a geographical unit refers to fixed, managerially defined limits, the geographic categories of rural and urban used in this paper are based on an exact data source and convention which are at variance with the definitions used in other datasets.

One key advantage that the EQLS data might get to an analysis of urban–rural discrepancies is the possible for the quality of life approach to look at certain extensively held views: first, that the basic, non-material character of rural life recompense for what may be the material reward of urban life; and second, that in contrast with urban areas, quality of life and subjective well-being will be higher in rural areas than might be projected based purely on the proof of objective indicators of material welfare.

There is certainly some proof of factors that may make up for rural inconvenience. For example, lower monetary profits in rural areas of poorer country groups may be equalize by the self-provision of food, which is a factor not typically recorded in other data. However, there is little proof that general levels of life fulfillment are higher in rural areas.

Lately EU policy has lacked compassion to urban–rural relations and gaps.

On the other hand, the interdependencies among these two regions now have a new political salience and are likely to turn into even more vital with the emergence of territorialized growth policy (Bengs and Schmidt-Thomé, 2005), so underlining the weight of policies such as InterReg for addressing the interdependencies of urban–rural associations.

3. Implications for EU rural policies

A main result of the EQLS data analyzed is that the perceived quality of life in many domains seems to be worse in rural areas than in urban areas in the poorer Member States (EU6 Low), and mainly in the acceding and candidate countries (ACC3) of southern and eastern Europe. In distinction, there are few variations between rural and urban areas in the more rich EU Member States of northern and western Europe. This ruling uncovers a major dispute for the EU's rural and agricultural policies in devising ways to improve these shortcomings in rural areas of the poorer Member States.

A double challenge emerges from these findings. One dimension of this challenge involves finding ways to support stronger rural economies and quality of life in rural areas of the poorer countries, because the CAP investments are directed towards agriculture rather than rural development. So, the question is whether it is possible to reduce these disparities within poorer countries mainly through agricultural policy measures only. The second, territorial dimension of the challenge concerns the fact that current support under the CAP goes principally to the wealthier regions of the richer countries of northern and Western Europe, with the least sustain going to those very areas identified as having a lower perceived quality of life (Shucksmith et al, 2005).

One more cause of regional and national differences relates to the rough allocation of RDR funds (based on historical spend) in the EU, together with the co-financing necessities for Pillar 2 spending. Under the Agenda 2000 agreement, the RDR allocated only modest funds for the period 2000–2006 and this will remain the case for 2007–2013. In the meantime, countries with questionably the greatest environmental and rural development needs stay underfunded (Baldock et al, 2002; Dwyer et al, 2002).

The EU Commission has maintained that its reforms of the CAP since 2003 have required making it well-matched with the EU's cohesion objectives and its regional policies. But, when Shucksmith et al (2005) modeled the impacts of these suggestions, they completed that the latest reforms will do nothing to take away the inconsistency between the CAP and cohesion policy,

if not they are accompanied by exact national priorities aimed at specific local program accomplishment.

So, rural areas of the poorest countries have the lowest perceived quality of life in Europe. Yet, it appears from current research that events under the CAP lend very little support to these areas, as an alternative focusing on rural areas in the wealthy core of Europe.

Some suggestions could be offered on how the CAP might add more effectively to the economic and social development of these rural areas in the poorest countries of southern and eastern Europe. Such efforts would require greater FEOGA² expenditure to be constant to broader rural development activities targeting the poorer rural areas of Europe, and less to be spent on market hold up in ways that at present favor the wealthy rural regions with larger farms and supported products.

It is vital that these territorial measures contain support for rural society development, working with and building the capacity of individuals and groups within their communities. Local improvement agencies should priorities collective action that is comprehensive when offering grants and other support, and should smooth the progress of new arenas for contact and collective learning.

Stability with cohesion objectives could also be improved through allocating the RDR budget to Member States according to their relative needs for rural development and environmental management, as proposed in the *Mid-term review of the CAP* (European Commission, 2002). A paper by Mantino (2003) illustrated a diversity of ways in which this might be achieved at regional level, using subjective criteria suggested by the Commission in the first draft of the MTR proposal (agricultural area, agricultural employment and GDP per capita) and previously used for SAPARD allocations in the then candidate countries, as well as different environmental criteria.

In conclusion, bigger spending under the CAP on a LEADER-type approach is suggested, if territorial cohesion is to be pursued in rural areas of the poorest countries in Europe. The EU initiative LEADER was introduced in 1991 as a pilot project, to stimulate innovative approaches to rural

² The European Agricultural Guidance and Guarantee Fund or *Fonds Europeen d'Orientation et de Garantie Agricole*.

development at local level, particularly in the most underdeveloped rural areas.

Of all the measures under the CAP, Shucksmith et al (2006) concluded that the LEADER program was the most triumphant in support the poorest, declining rural regions of Europe and thus holds the most possible for promoting territorial cohesion.

The gradualist proposals of the EU Commission for the period 2007–2013 will allow the LEADER model to be applied on a wider scale by Member States that wish to do so. However, even if the Commission argues that ‘for the EU as a whole, persistence and consolidation of the LEADER approach will be safeguarded’ (European Commission, 2004), the reduction in the overall funding of Pillar 2 threatens the continuation of the LEADER program in many countries. This program offers a real chance to build capacity and well-being in the poorest rural areas of Europe.

4. Implications for EU urban policies

Relatively less notice is given here to discuss the implications of urban–rural differences, uncovered in the EQLS, for EU policies involving to urban areas. This is mainly for the reason that the results lift fewer questions for urban areas. In most of the domains quality of-life indicators in urban areas were equal to or better than those in rural areas. Even the assumption that initially proposed a amount of urban inconvenience were not borne out by the data, as this can be deduced from the respondents’ subjective assessment of unemployment, nor was there any believable evidence in the data of higher non-material inconvenience experienced by urban residents, which lowered their levels of life satisfaction as compared with rural areas, even in the most affluent countries.

On top, it is clear that there is appreciation in EU policy of the vital importance of cities to economic development within a knowledge-based economy (European Commission, 2005c). Certainly, this does not mean that urban troubles do not exist, but rather that they typically involve inequalities within urban areas and, in particular, the presence of urban deprivation and social exclusion within neighborhoods. It is central to accentuate that these differences are masked in the cumulative data for urban areas used in this

analysis. The fact that the analysis does not expose urban troubles in relation to quality of life indicators does not mean that they do not exist at neighborhood level.

The EU has known the significance of addressing inequality and exclusion within cities. As the URBAN program did not continue beyond 2006, the kinds of action funded under the URBAN and EQUAL initiatives were included in the operational programs of the Cohesion Funds.

There has, however, been an ancient worry that the refocusing of funds on the NMS could be to the detriment of de-industrializing cities and urban regions within the EU15 in particular, and of poor neighborhoods and groups within these areas. Once more the mixture of convergence and economic competitiveness may work beside some urban areas of this kind. Even as some declining urban areas in the wealthier countries may succeed in reinventing themselves economically, others may not and could reflect the rural areas in the poorer countries, losing out in the developing model of EU subsidy.

5. Types and examples of precise actions that can reduce urban-rural differences

The idea of social capital is quite new, complex and vague. Particular social capital initiatives for development of job creation in rural areas are hardly ever implemented or introduced at the planned policy level, but somewhat are realized in the form of tangible projects or procedures at local stage.

The social capital initiatives recognized can be grouped into the subsequent types, a number of which are characterized by cross-regional or cross-national collaboration:

- Partnerships among authorities (government, social partners, NGOs) of diverse administrative levels for combined policy growth;
- Public-private collaborations for joint policy growth³;
- Public-private collaborations for empowering rural ventures;
- Creation and/or support of traditional business clusters, mainly in rural areas where companies abstain from collaboration;

³ When referring to public-private partnerships, it needs to be acknowledged that the meaning of 'private' is ambiguous since many 'private actors' (particularly NGOs) are funded by public money.

- Creation and/or sustain of business systems for the joint allocation of rural goods;
- Creation and/or sustain of business systems focusing on local sole selling propositions⁴, i.e. building on local production/service ethnicity;
- Creation and/or sustain of business systems for growing the local tourism sector, i.e. building on natural and/or cultural resources;
- Creation and/or sustain of business systems encouraging employment in the region, mainly with a precise focus on individual target groups;
- Creation and/or sustain of systems aiming the labor market incorporation of the local inhabitants, mainly with a specific focus on individual target groups.

What all these diverse types of proposals have in common is the setting up or use of social networks as an instrument to carry out joint actions for the advantage of the individual local community. This takes into account the information that social capital merely exists when it is shared by diverse citizens and, then, can contribute to a more competent use of other types of assets.

6. Developing a skilled workforce answering to labor market requirements, encouraging job quality and lifelong learning in order to reduce urban-rural gaps

Member States ought to encourage productivity and employability through a sufficient supply of knowledge and skills to equal current and future demand in the labor market. Education and attractive vocational training have to be complemented with real incentives for lifelong learning, second-chance opportunities, guaranteeing every adult the chance to move one step up in their qualification by targeted migration and integration policies. Member States should build up systems for recognizing acquired competencies, eliminate barriers to occupational and geographical mobility of workers, promote the acquisition of transversal competences and creativity, and center their efforts

⁴ Unique Selling Proposition (USP) refers to an inimitable competitive advantage (e.g. best quality, lowest price).

particularly on sustaining those with low skills and rising the employability of older workers, as at the same time improving the training, abilities and experience of highly capable workers, as well as researchers.

Member States' hard work to reduce poverty must be intended for promoting full contribution in society and economy and extending employment opportunities, making full use of the European Social Fund. Hard work must also focus on ensuring equal opportunities, counting through access to reasonable, sustainable and high quality services and public services and particularly health care.

Member States must take efficient anti-discrimination actions. Just as, to fight social exclusion, give power to the people and encourage labor market participation, social protection systems, lifelong learning and active inclusion policies must be enhanced to create opportunities at various stages of people's lives and protect them from the risk of elimination.

Social security and pension systems have to be reorganized to guarantee that they can be fully deployed to ensure sufficient income support and access to healthcare — consequently providing social cohesion — as at the same time remaining financially sustainable. Benefit systems have centered their attention on ensuring income security during transitions and reducing poverty, especially between groups most at risk from social segregation, such as one-parent families, minorities, people with disabilities, children and young people, elderly women and men, legal migrants and the homeless. Member States have to actively support the social economy and social innovation in sustaining of the most vulnerable.

7. Inclusive growth – a high-employment economy bringing economic, social and territorial cohesion

Inclusive growth equals to empowering people through high levels of employment, investing in skills, struggling with poverty and modernizing labor markets, training and social protection systems subsequently to help people expect and manage change, and build a cohesive society. It is as well necessary that the benefits of economic growth extend to all parts of the Union, counting its furthest regions, therefore increasing territorial cohesion. It is about ensuring access and opportunities for all throughout the lifecycle.

Europe needs to make full use of its labor potential to face up to an ageing population and rising global competition. Policies to encourage gender equality will be required to boost labor force participation consequently adding to growth and social cohesion.

Europe should act:

- Employment: Due to demographic change, our workforce is about to shrink. Only two-thirds of our working age population is currently employed, compared to over 70% in the US and Japan. The employment rate of women and older workers are particularly low. Young people have been severely hit by the crisis, with an unemployment rate over 21%. There is a strong risk that people away or poorly attached to the world of work lose ground from the labor market.
- Skills: About 80 million people have low or basic skills, but lifelong learning benefits mostly the more educated. By 2020, 16 million more jobs will require high qualifications, while the demand for low skills will drop by 12 million jobs. Achieving longer working lives will also require the possibility to acquire and develop new skills throughout the lifetime.
- Fighting poverty: 80 million people were at risk of poverty prior to the crisis. 19 million of them are children. 8 per cent of people in work do not earn enough to make it above the poverty threshold. Unemployed people are particularly exposed.

Action under this priority will require modernizing, strengthening our employment education and training policies and social protection systems by increasing labor participation and reducing structural unemployment, as well as raising corporate social responsibility among the business community. Access to childcare facilities and care for other dependents will be important in this respect. Implementing flexicurity principles and enabling people to acquire new skills to adapt to new conditions and potential career shifts will be key. A major effort will be needed to combat poverty and social exclusion and reduce health inequalities to ensure that everybody can benefit from growth. Equally important will be our ability to meet the challenge of promoting a healthy and active ageing population to allow for social cohesion and higher productivity.

8. Case Study – Romania

After 2005, we can notice that the urban unemployment reduces and starting with the year 2009 it can be observed a boost due to the economic crisis and its impact on the Romanian economy.

The Romanian job market has lost over two million people in the past few years due to emigration. Large Diaspora communities have formed in Spain and Italy, while EU jobs in Brussels also attract young Romanians. In the spring, Labor Minister stated that while the EU's target is 75%, Romania is nearer 50%. Women, young people and the over-45s are particularly struggling to find jobs.

However, one area of work that is not counted in the country's employment figure is subsistence farming. 30% of Romanians work in agriculture and this includes those who focus mainly on growing enough food to feed their families.

Table 1: Unemployment rate in urban and rural Romania (gender and area)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gender												
M	6.5	7.4	7.7	7.1	8.9	7.5	7.7	7.7	8.2	7.2	6.7	7.7
F	6.1	6.2	6.4	5.9	7.7	6.4	6.9	6.4	6.1	5.4	4.7	5.8
Area												
Urban	9.2	10.3	11.2	10.4	11.2	9.5	9.5	8.8	8.6	7.7	6.8	8.1
Rural	3.5	3.5	3.1	2.8	5.4	4.3	6.2	5.2	5.6	4.9	4.6	5.4

Source: Bulletins of the National Institute of Statistics, various issues, period 1998-2009.

Inter-regional factor mobility is recognized to be an important route to encourage economic growth and efficiency gains. EU enlargement with Romania and Bulgaria forces both countries to develop their regional policies and to stimulate their economic development. One of the central issues of economic development is an efficient interregional migration that contributes to the decrease of regional income disparities by reallocation of labor from low productivity to high productivity regions. It can be achieved by improving the employment opportunities, real wages and economic and social

circumstances of diverse regions. At the moment, it seems that the efficiency and welfare (as measured by output) gains from inter-regional labor mobility in Romania have been quite restricted.

Unemployment effects are missing and that wage effects are principally the influence of low wages in donor regions. To reduce these counter-intuitive results, I think that the inter-regional migration decisions are in part the results of the de-collectivization of Romanian agriculture. It has provided rural economic opportunities, while high rates of urban unemployment have reduced urban economic opportunities. In result, it was some major return migration from urban to rural areas, which may have incidentally implicated interregional relocation.

This means that, while controlling for differences in each direction of migration and each year, the depicted pattern of migration becomes characterized by pull effect rather than push effect, based on rational income decisions. This repercussion is very important, as it stresses the fact that as the massive reform of the Romanian economy gets under way, the effects of many other socio-economic factors such as housing, health amenities and human capital turn out to be significant areas of future inter-regional migration research.

More recent and relevant data of internal migration in Romania would be a good way forward to model an extension of the standard economic models that include significant socio-economic conditions which could influence migration decisions.

9. Conclusions and recommendations

- Encouragement of the role of youth in rural areas requires more attention and funding to territorial RD within the RDR.
- Young people entering farming will also experience individualization, so will need leadership and support, perhaps through RDR and a broadened New Entrants Scheme.
- Partnerships have become an essential factor in RD, and much more could be done to engage young people. CEC should fund research to learn lessons of LEADER and fund the piloting of ground-breaking ways of involving rural youth.

- Evaluations of youth policies must reveal their impact on youth unemployment in rural areas.
- In preparing young people for uncertain non-linear youth transitions, flexible and creative support structures are needed which can address each young person's individual and various needs. This should include employment, welfare, education, training, careers and guidance services.

Cohesion policy is being refocused on the NMS, but there is a predisposition to direct funds to cities as areas of greatest potential. This risk is neglecting the rural areas where living standards are lower. Such strategies will encourage the out-migration of rural youth.

- The challenge is to build up a coordinated policy in relation to young people which encourages balanced territorial development of rural and urban areas of the NMS.
- Centralization of services deteriorates issues of remoteness, accessibility and migration for young people in rural EU.

As the European Union slowly begins to emerge from the economic crisis, member-state governments now face the tough task of reviving their job markets and getting people back into work in the coming years, against a backdrop of an EU employment target of 75% for the year 2020.

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