

The social impact of the financial crisis and Troika agreement in Romania

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Macroeconomy and socio-economic context: 2008 - 2012

Romania, which joined the European Union on 1 January 2007, began the transition from Communism in 1989 with a largely obsolete industrial base and a pattern of output unsuited to the country's needs. The country emerged in 2000 from a punishing three-year recession thanks to strong demand in EU export markets. Domestic consumption and investment fueled strong GDP growth, but led to large current account imbalances. Romania's macroeconomic gains have only recently started to spur creation of a middle class and to address Romania's widespread poverty. As a result of the global financial crisis, Romania's GDP fell more than 7% in 2009, prompting Bucharest to seek a \$26 billion emergency assistance package from the IMF/EC/World Bank. Drastic austerity measures, as part of Romania's IMF-led agreement, generated a 1.3% GDP contraction in 2010. The economy returned to positive growth in 2011 due to a strong export performance, but in a deflationary environment caused by bountiful crops and weak domestic demand. In March 2011, Romania and the IMF/EC/World Bank signed another 24-month precautionary stand-by agreement, worth \$4.9 billion, to promote compliance with fiscal targets, progress on structural reforms, and financial sector stability¹.

Following the severe downturn in 2008–09, the Romanian economy has undertaken a large adjustment to restore macroeconomic stability. Significant progress has been made in reversing large external and internal imbalances. Sustained fiscal consolidation, mainly achieved through spending constraints of the wage bill and public pensions, has resulted in a significant reduction of the fiscal deficit. Growth resumed in 2011 and annual inflation has declined to record lows earlier in 2012. Unemployment remains high, but labor market reforms have contributed to a better-functioning labor market and a recovery in employment².

According to CIA World Factbook and to IMF Public Information Notice 12/122 from October 23, 2012 these are the main lines of Romania's evolution under the Troika institutions' supervision: if we consider the structural evolutions from this country we can observe, as Figure 1 shows, a positive impact and a recovery from the 2009's sudden economic decline.

¹ CIA World Factbook, accessed at

<https://www.cia.gov/library/publications/the-world-factbook/fields/2001.html#ro>

² International Monetary Fund, 2012, *IMF Executive Board Concludes 2012 Article IV Consultation with Romania*, Public Information Notice (PIN) No. 12/122, October 23, 2012, accessed at <http://www.imf.org/external/np/sec/pn/2012/pn12122.htm>

On the other hand, the international loans were treated by the National Bank of Romania and by Romanian Government as a safety measure for preventing the financial speculation against national currency and not as an investment instrument able to stop Romania's economic tailspin. In consequence the social results of Romania's agreement with IMF - EC and World Bank are still expected. If we consider, for example, the evolution of unemployment rate since November 2009 to May 2012 there is a quasi-stable seasonal fluctuation around 7 - 7.5% which depends on Romanian market's ability to adapt to the new global context and do not represent a national policy or a developing trend like that from 2007 - 2008 when unemployment decreased 1% in one year (see Figure 2). Also, the large and increasing number of Romanians that live and work in EU countries as temporary migrants keeps the unemployment rate to a constant level³ as Europe and not Romania undertake the unemployment flow⁴.

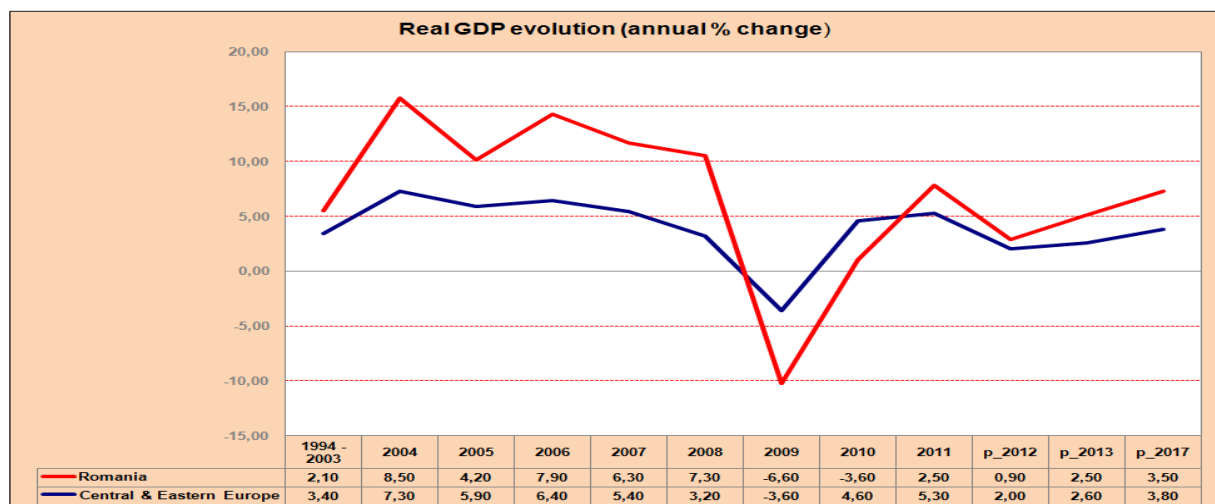


Figure 1. Real GDP evolution Romania compared with Central and Eastern Europe countries average. Source: IMF data 2012⁵

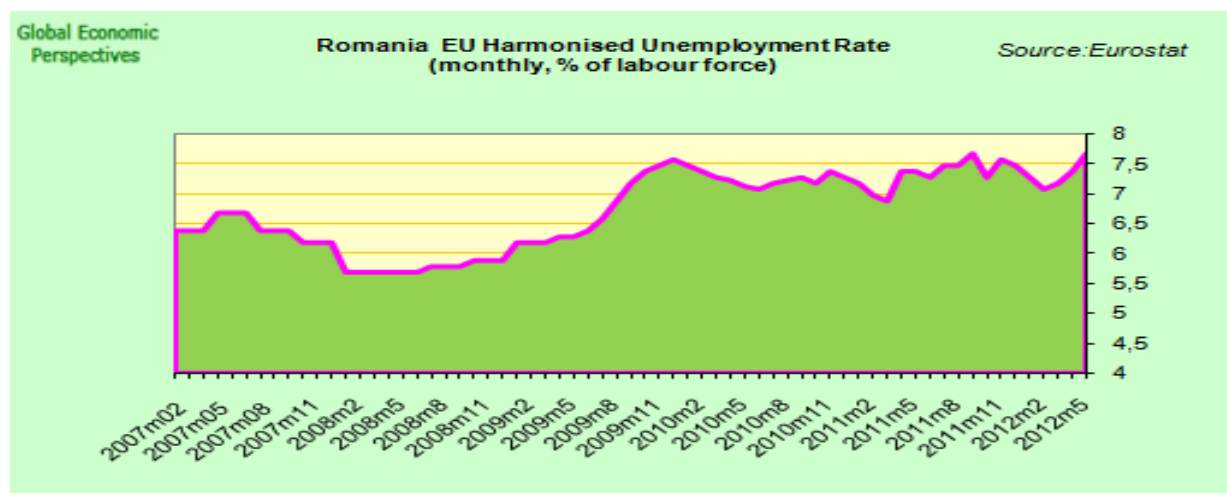


Figure 2. Evolution of unemployment rate Feb 2007 - May 2012. Source: Eurostat data apud Edward Hugh⁶, 2012.

³ At 1st January 2011 there were 969,000 Romanians registered as resident in Italy and on 1st January 2012 there were 896,000 Romanians registered as residents in Spain.

⁴ According to World Bank. 2012. *World Development Report 2013: Jobs*. Washington, DC: World Bank. DOI: 10.1596/978-0-8213-9575-2. , p. 373: 11,5% of Romanians were emigrants in 2010.

Other experts estimates that there are up to three million migrants, which represents about 13 per cent of the population (Nesporova and Popova, 2010 apud Robert Kyloh, *Labour reforms in Romania*, in The global crisis: causes, responses and challenges Geneva, International Labour Office, 2011).

⁵ Coping with high debt and sluggish growth, *World Economic Outlook 2012*, October, accessed at <http://www.imf.org/external/pubs/ft/weo/2012/02/index.htm>

⁶ Edward Hugh, 2012, Romania Economy Watch, accessed at <http://romaniaeconomywatch.blogspot.de/>

Before crisis, the significant economic performances of Romania were supported by a favourable international economic conjuncture, with a robust growth of world economy, effervescent international trade, high prices of goods and international financing with relatively low costs. The globalization process, the increasing economic and financial interdependences, the relocation of production, liberalization of the movement of goods, services and labour, constituted for Romania both economic development opportunities and vulnerabilities, observable since 2009 when Romania looked totally unprepared to a global economic decline. A strong domestic economic crisis, marked by severe reduction in economic activity in all sectors, and rapid deterioration of all economic parameters characterised this country from 2009⁷. As shown in „*World Development Report 2013: Jobs*” the impact of the 2008–09 crisis varied across developing countries but some, such as the Baltic countries, the Kyrgyz Republic, Mexico, Romania, Russia, South Africa, and Turkey, had absolute declines in employment⁸.

Another long term consequences for the Romanian budget are indicated in Figure 3 and in Table 1 where we can observe the increasing tendency of government dept and of gross external dept since 2008. As about Gross National Income (GNI) per capita (PPP \$) that declined from 12,369 in 2007 and 12,844 in 2008 to 11,046 in 2011⁹.

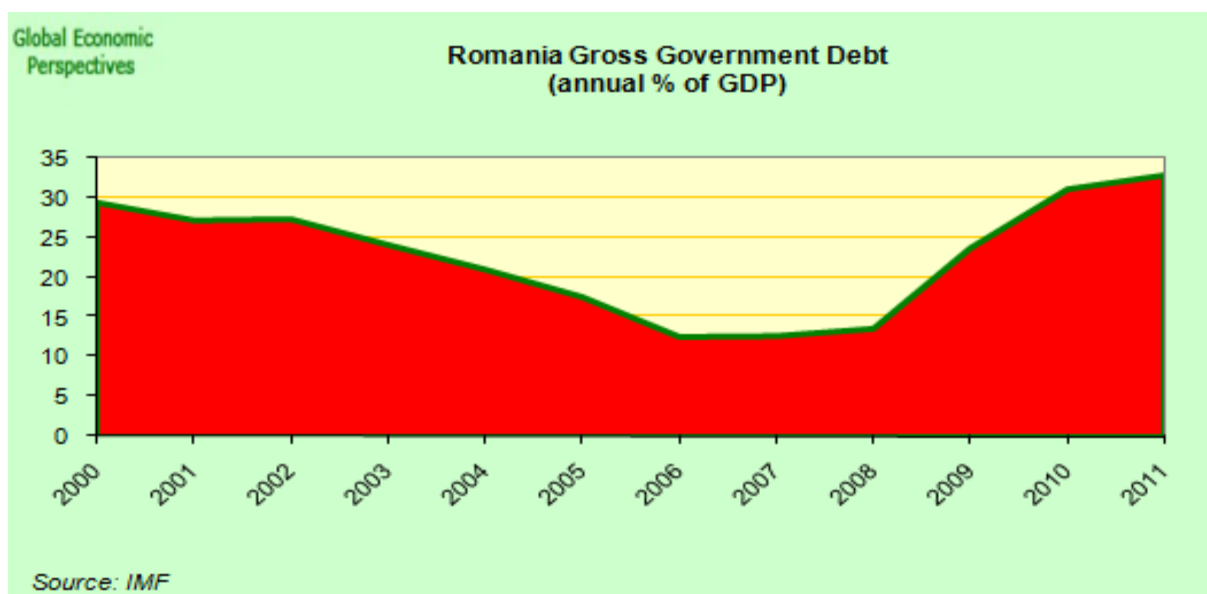


Figure 3. Gross Government Debt evolution 2000 - 2011. Source: IMF data *apud* Edward Hugh¹⁰, 2012.

Balance of payments ♦	2008	2009	2010	2011*	2012*	2013*
Current account balance	-11.6	-4.2	-4.4	-4.4	-3.7	-3.8
Gross external debt	51.8	68.6	74.5	72.1	71.1	69.1
Gross public debt (direct debt only)	11.8	21.7	28.2	30.2	32.0	32.0
Gross public debt (including guarantees)	13.6	23.8	31.2	33.0	34.6	34.5

* Estimations. ♦ All numbers represent % of GDP.

Table 1. Balance of payments Romania 2008-2013. Source: International Monetary Fund, 2012.

⁷ Vigar, I (2009) *apud* Paul-Bogdan Zamfir, *The global financial crisis, where does place Romanian economy in EU?*, Annals of the University of Petroșani, Economics, 10(1), 2010, 371-378.

⁸ World Bank. 2012. *World Development Report 2013: Jobs*. Washington, DC: World Bank. DOI: 10.1596/978-0-8213-9575-2, p. 61.

⁹ Human development reports 2009, 2010, 2011 accessed at <http://www.undp.org/content/undp/en/home/librarypage.html>

¹⁰ Edward Hugh, 2012.

The next sequence of this paper analyses the manner in which these macro-consequences influence aspects of people's life like consumption (see Table 2) and increase the social disparities within Romanian society (see Table 3).

Income distribution and social inequality

Data from the National Statistical Institute indicate clearly a transformation of households' budgets between 2008 and 2011. Food spending increased from 40,9% to 41,7%, the utilities spending increased from 15,6% to 16,3% while the spendings on education, leisure activities, communications, hotels and restaurants decreased slowly¹¹. While these declines clearly indicate an average net income lowering the subjective perception of crisis differs across social classes.

The presence of the crisis is a certainty for all, though the intensity with which its effects are felt differently between income categories, activity line and age. Romanians with medium-high and high income feel the crisis more on emotional level, they are more mindful of what happens with their money - rather than changing their consumption behavior, while the medium to low income segment was visibly affected by the crisis, which has reduced their financial stability and the comfort of everyday life. A significant part of the working people have had their financial situation affected by the crisis, primarily as a result of a drop in additional income (bonuses, commissions etc.) and secondarily due to delays in salary payments¹².

Household's revenue structure	2005	2006	2007	2008	2009	2010	2011
Monthly average revenues (lei)	1212,2	1386,3	1686,7	2131,7	2316,0	2304,3	2417,3
% of revenues represented by money	79,6	80,7	81,1	83,1	83,7	83,9	81,7*
% of revenues obtained as objects and social benefits	3,1	3,3	3,1	3,1	2,6	1,9	1,8
% of consumption obtained from own resources	17,3	16,0*	15,8	13,8	13,7	14,2*	16,5*

Table 2. Households' revenue structure evolution. Source: INS 2008¹³, INS 2012¹⁴

Distribution of household income or consumption by percentage share: lowest 10% and highest 10% (in 2008)	3,3%		24,5%	
Distribution of household income or consumption by percentage share: lowest 10% and highest 10% (in 2009)	3,4%		23,5%	
Gini Coefficient (perfect equality =0% and inequality 100%)	2008	2009	2010	2011
	31,2		33,3	31,2

Table 3. Evolution of inequality indicator. Source: Eurostat, CIA Factbook, INS 2012.

As about income and social inequality the disparity between the 10% richest people and the 10% poorest is evident. The last category is located mainly in three regions of Romania (South

¹¹ Institutul Național de Statistică, 2012, *Romania în cifre 2012*, București: Editura „Revista Română de Statistică”.

¹² Niculae Sabin Mihai, Paul Marinescu, Sorin Toma, The impact of the economic crisis upon Romanian consumer behaviour, *Annals of the University of Oradea: Economic Sciences*: 1(2):1117-1121.

¹³ Institutul Național de Statistică, 2008, *Romania în cifre 2008*, București: Editura „Revista Română de Statistică”.

¹⁴ Institutul Național de Statistică, 2012.

- East and South West Oltenia - 10% of region's population; North-East - 11% of region's population), in the rural areas. The ethnic group of Roma people is overwhelming the "poor" category being disadvantaged in terms of life chances, education access and human development capital.

Human Development Report 2010 indicates as a representative case the group of Romanian Roma population. Around the world, groups identified by location, ethnicity, gender and other characteristics often face systematic disadvantages that indicate differences in opportunities between groups of people who should have equal chances. These are also referred to as horizontal inequalities. As example, the HDI for Roma people in Romania is well below the national average and similar to Botswana's—despite Romania ranking almost 50 places higher than Botswana in the HDI. The Roma people's income is a third the national average, and their infant mortality rates are three times higher¹⁵.

Access to jobs and market opportunities is also socially determined being related to birth circumstances like gender, ethnicity, and parental educational attainment or political affiliation, or to attributes like educational attainment and age. Data from 29 countries in Europe and Central Asia indicate that inequality across groups based on circumstances and attributes varies between 3 and 20 percent. The share of inequality attributable to circumstances is substantial in most cases, contributing to more than half of the overall inequality while circumstances at birth contribute the most to inequality in Azerbaijan, Uzbekistan, Georgia, Turkey and Albania. In these countries, such factors contribute the most to inequality in access to jobs. Romania (and also Armenia, Albania, Bulgaria) are examples of country where education plays an outsized role in creating inequality¹⁶.

Poverty indicators

If we consider that in Romania the access to higher education is „a privilege” of those located in urban areas, specially in big cities with universities we'll explain why 75% of the poor people are located in rural areas. Also, the most vulnerable groups being children, teenagers and the elderly.

In an interview from 2010, Cătălin Zamfir, director of the Institute for Quality of Life Studies declares that "poverty reduction has never been part of Romanian strategies in the last twenty years. There were no clear, focused programmes with such an objective. As a consequence, we are witnessing a serious deterioration on the labour market and great difficulty for people to integrate into society". As for the future, he says the neo-liberal strategies professed by the country's elite would never have the objective of bridging the social gap. As a consequence, the country's hopes of achieving the EU's poverty reduction goals are "unrealistic," he said. Now, at political level, the absence of measures to tackle poverty is striking. Large-scale social assistance programmes cannot be implemented, because funds are missing and constraints on public spending have been imposed through the stand-by agreement with the IMF. Public investment programmes in sectors such as infrastructure, which could, in theory, bring to life the labour market, have failed and the absorption level of EU funds remains below expectations¹⁷.

The Romanian economy experienced an economic boom during 2003-08, associated with the process of accession to the EU, leading to rapid gains in poverty reduction. Growth averaged over 6.5 percent per year during that period, reaching over 7 percent in 2008.

¹⁵ United Nations Development Programme, 2010, *Human Development Report 2010. The Real Wealth of Nations: Pathways to Human Development*, Palgrave Macmillan, p. 75.

¹⁶ World Bank. 2012. *World Development Report 2013: Jobs ...*

¹⁷ *Romania says poverty reduction is 'impossible target'*, "EurActiv Romania" reports published 22 April 2010, updated 05 May 2010. Accessed at <http://www.euractiv.com/enlargement/romania-says-poverty-reduction-impossible-target-news-468172>

Absolute poverty declined from 35.9 percent in 2000 to 5.7 percent in 2008. A large part of the domestic absorption boom was driven by private investment: with EU accession prospects becoming more certain, capital flows, particularly foreign direct investment, were attracted by perceptions of lower investment risk that made Romania a favourable investment location. Sharp increases in asset prices and rising collateral values added a self-reinforcing momentum to the absorption boom. **Growth was highly successful in reducing poverty for the large majority of the population.** The rapid growth witnessed over most of this decade has led to a dramatic decline in absolute poverty to 5.7 percent in 2008. The number of absolute poor fell from 2.1 million in 2007 to about 1.2 million in 2008. Poverty remains concentrated among vulnerable groups, in particular in rural areas where 75 percent of the poor are found. Besides rural areas, children, in particular those of large families, the youth, the Roma, the unemployed and the self-employed (especially in agriculture), are at higher risk of poverty¹⁸.

Having 40.3% people at risk of poverty or social exclusion in 2011¹⁹ and 21,1% of population below poverty line in 2010, Romania is one of the European “champions” of poverty and social exclusion. As we’ll see next almost all analysis and descriptions of exclusion and social risks in Europe have as case studies Romanian population.

For example, if discuss about unemployment the lowest regional employment rates were generally found in southern regions of Spain (also Ceuta and Melilla) and Italy, and in the French overseas regions, while one or more regions in Belgium, Hungary, Malta, Poland and **Romania** also reported relatively low rates (60 % or lower) of employment²⁰.

If we consider the GDP per inhabitant in PPPs (purchasing power parities) as a measure of poverty in Europe’s regions we can observe there were 68 regions with an average GDP per inhabitant that was 25 % or more below the EU-27 average. A total of 20 regions were concentrated in six of the EU-15 Member States and the remaining 48 regions were in Member States that joined the EU in 2004 or 2007: all of these 12 Member States except for Cyprus and Malta had at least one region below this level. Among these regions there were 22 regions where the average GDP per inhabitant was at most half the EU-27 average, and these regions were found in Bulgaria, Hungary, Poland, Romania and Slovakia. Around 38.5 million people (equivalent to 7.7 % of the EU-27 population) lived in 22 regions whose GDP per inhabitant in PPPs was 50% of the EU-27 average or less²¹.

According to EU data, the *relative poverty rate* in Romania fluctuated between 2000-2007 with an upward trend during 2003-2006, and hit its peak in 2006 (18.6%). In 2007, about 18.5% of Romanian citizens were considered to be in poverty. Eurostat data for 2008 indicate that 76% of Romanians (compared to 37% of the EU 27) could not afford a week's holiday away from home. 49% could not afford a personal car and 19% could not afford to eat meat, chicken or fish every other day (the average EU figure is 9%, 30% for Bulgarians, 23% for Latvians, 26% for Hungarians, 21% for Poles and 29% for Slovaks). Romania, Bulgaria, Hungary and Latvia have the highest level of material poverty. In 2008, 17% of the EU population was exposed to material privation, with the highest rates in Bulgaria (51%), Romania (50%), Hungary (37%) and Latvia (35%)²².

¹⁸ European Commission, 2011, Europe 2020 targets: poverty and social exclusion. Active inclusion strategies, accessed at http://ec.europa.eu/europe2020/pdf/themes/25_poverty_and_social_inclusion.pdf

¹⁹ International Monetary Fund, 2012.

²⁰ Publications Office of the European Union, 2012, Eurostat regional yearbook 2012, p. 70.

²¹ Publications Office of the European Union, 2012, p. 18.

²² European Commission, 2011, Europe 2020 targets: poverty and social exclusion. Active inclusion strategies, accessed at http://ec.europa.eu/europe2020/pdf/themes/25_poverty_and_social_inclusion.pdf

On the other hand, the absolute poverty rate declined in Romania from 35,9% (47,8 in rural areas and 25,9 in urban areas) in 2000 to 5,7% in 2008 (9,8 in rural areas and 2,3 in urban areas). After the hit of global crisis the absolute poverty increased again.

While the percentage of the population at risk of poverty or social exclusion is above 40 % in Bulgaria (41.6%) and **Romania (41.4%)**, it ranges between 38.1% and 29.9% for Latvia, Lithuania, Hungary and Ireland, remains above the EU average for Poland, Greece, Spain, Portugal, Italy and Cyprus and falls below 20% for 10 Member States (Germany, France, Slovenia, Denmark, Luxembourg, Finland, Austria, the Netherlands, Sweden and the Czech Republic). 16.4 % of the EU's population is *at risk of poverty*, meaning they live in a household with an income below 60 % of the national median income after social transfers (this indicator is primarily a measure of relative income poverty). The highest at-risk-of-poverty rates are observed in Latvia (21.3 %), **Romania (21.1 %)**, Bulgaria (20.7 %) and Spain (20.7 %), and the lowest in the Czech Republic (9 %), the Netherlands (10.3 %), Slovakia (12.0 %), Austria (12.1 %) and Hungary (12.3 %)²³.

8.5 % of EU workers are currently at risk of poverty, with above-EU average rates in Romania, Greece, Spain, Lithuania, Poland, Luxembourg, Portugal, Latvia, and Italy. In-work poverty is in most cases linked to low skills, low wages, precarious employment and low work intensity, as well as the presence of children. Those on temporary contracts and in part-time work are also particularly at risk of in-work poverty²⁴.

Although one of the poorest country in Europe, Romania's social protection expenditure per capita is the lowest in the EU, and spending on poverty-targeted programs is low in proportion to GDP and to needs; it has actually declined in recent years. Only a few safety net programs perform well, while the overall system of social assistance cash benefits performs less well than in other EU countries in reaching the vulnerable and in providing them with adequate protection. Most of the social assistance benefits have a low adequacy, representing only 10-20 percent of the minimum wage, and cover less than 30 percent of the household consumption of the poorest beneficiaries. The total social assistance benefits are not cost effective from a poverty reduction perspective: 13 RON are spent for 1 RON reduction in the poverty gap (not taking into account administrative costs). Leakages and inequity in social assistance programs are high: only 17 percent of the social assistance benefits reach the poorest quintile, 29 percent of the poor are excluded from the system and half of the funds spill to the wealthier quintiles. Spending on poverty targeted programs has decreased relative to GDP in recent years. Well-targeted programs such as the Guaranteed Minimum Income Program (GMI) or income-tested family allowances are underfunded, leaving out 60 percent of the rural poor and 77 percent of the urban poor²⁵.

The implementation of the joint **EU-IMF-World Bank programme** contributed in many ways to the attainment of Europe 2020 targets in Romania, in particular in the areas of R&D, employment and poverty/social exclusion. A number of programme policy measures are expected to help reduce the number of people at risk of poverty or exclusion. For example, the conditionality of the programme includes policy commitments related to the introduction of a means-tested social assistance system that could better target the most vulnerable parts of the population. The law, in force since January 2012, seeks to streamline social benefits and improve the efficiency of social protection. The European Commission was also consulted on the increase in the minimum wage that took place during the programme²⁶.

²³ World Bank, 2009 accessed at http://siteresources.worldbank.org/ROMANIAEXTN/Resources/275153-253883114942/CPS0913_Country_Context.pdf

²⁴ World Bank, 2009.

²⁵ European Commission, 2011, Europe 2020 targets: poverty and social exclusion. Active inclusion strategies, accessed at http://ec.europa.eu/europe2020/pdf/themes/25_poverty_and_social_inclusion.pdf

²⁶ European Commission, 2012, *Assessment of the 2012 national reform programme and convergence programme for ROMANIA, Accompanying the document recommendations for a COUNCIL RECOMMENDATION on Romania's*

Labour market reform & active labour market policies

The labour force participation rate and the employment rate in Romania are well below the EU average. Of particular concern is the extremely low employment rate for young people, especially as there is a high level of migrants among them. This trend began in the 1990s with the disappearance of jobs and low domestic wages. The abolition of the national collective agreement that established minimum wages and labour standards may accelerate the migration of young workers and discourage domestic job search²⁷.

Another factor depressing the employment rate is the high level of average hours worked. Actual weekly working hours for full-time employees in Romania exceed 41 on average, by far the largest in the EU-27 countries (according to European Foundation for the Improvement of Living and Working Conditions). This is often overlooked by observers who call for labour reforms to boost the employment rate. In fact, overall labour utilization in Romania, taking into account both the employment rate and average hours worked, is only slightly below that of the United States and above that of many EU countries²⁸.

In the lead-up to the recession of 2008 Romania faced a critical skill shortage problem. The skill mismatches and other structural problems in the labour market have been further exacerbated by a dramatic decline in public resources for employment policies, from 0.7 per cent of GDP in 2003 to just 0.3 per cent in 2008 due to declining payroll taxes. As part of this process, the budget for active labour market policies (ALMP) was slashed from a low 0.1 per cent of GDP in 2003 to a mere 0.03 per cent in 2010. The expenditure on ALMP in Romania is roughly one-tenth of average EU spending²⁹.

Finally, the main reason why Romania continues to lag well behind the per capita income levels achieved in most other EU countries and other advanced economies is the low level of productivity in the economy (output per hour worked). This remains a critical problem despite impressive productivity growth from a low base over the last decade³⁰.

On the other hand, the amendments on the labour legislation proposed on the IMF stand-by agreement with Romania, in particular those related to a wider use of fixed term contracts, are expected to help make labour markets more flexible, thus contributing to a potentially higher employment rate over the medium term³¹. Such a measure seems compulsory since in the last years in countries such as Greece, Hungary, Ireland, Italy, Latvia, Portugal and Romania, the employment situation did not improve and temporary and precarious employment actually increased³².

2012 national reform programme and delivering a Council opinion on Romania's updated convergence programme, 2012-2015, Brussels, 30.5.2012 SWD(2012) 325 final.

²⁷ Robert Kyloh, *Labour reforms in Romania* ...

²⁸ Robert Kyloh, *Labour reforms in Romania* ...

²⁹ Robert Kyloh, *Labour reforms in Romania* ...

³⁰ Robert Kyloh, *Labour reforms in Romania* ...

³¹ European Commission, 2012, *Assessment of the 2012* ...

³² World of work report 2012: Better jobs for a better economy / International Labour Office, International Institute for Labour Studies. – Geneva: ILO, 2012, p. 11.

Social and civil dialogue

As country that never passed through a global economic recession, Romania is not prepared to manage such a situation. Politicians, leaders of civil society and also the population do not have the exercise of dialogue or lobby for defending social issues. The negative image of the main socialist party from Romania (Social Democrat Party) and its association with the communist party structures, created in Romania, since 1990, a politically involved civil society which had, more or less, an ideological orientation to the Right. Many important politicians became public persons as leaders or members of civil society's structure and finally become important political leaders (Victor Ciorbea, Miron Mitrea etc.).

After 2008, Romania do not have an apolitical civil society leader or a strong, visible and totally independent, non-governmental structure (NGO) able and interested to put real pressure on political parties. That is probably the main reason why there is no real social dialogue between political parties and civil society structures.

As example, the austerity plan announced by the President of the Republic on 6 May 2010 has not been subject to consultation with the social partners and was adopted and implemented without a vote in Parliament.

Many important legislative measure resulted from the stand-by agreement with the IMF were taken by Government without political and public consultations, and without Parliament's approval.

Subjective perspectives on recovery from crisis

This communication gap between political class and population generates a huge amount of people who do not trust politicians and also who are extremely skeptical about Romania's future and economical situation.

The Standard EuroBarometer 77³³ indicates that perceptions of the national economic situation have remained stable since autumn 2010 (EB74). In total, this is the eighth successive time since autumn 2008 (EB70) that more than two-thirds of Europeans have said that the situation of their national economy is rather bad or very bad. However, it is important to note that the proportion of negative perceptions (71%) is 7 percentage points lower than in spring 2009 (78%). The four main concerns of Europeans at national level are economic: the unemployment rate is the main cause of preoccupation (46%), followed by the economic situation, mentioned by more than a third of Europeans (35%), and then rising prices (24%). Government debt comes in fourth place, mentioned by just under one in five Europeans (19%), a long way ahead of the social and societal issues³⁴.

The visibility and mass-media focalization on EU or national governs efforts to cope with the crisis effects seem to have a positive effect on people's increased trust that situation can't be worse.

Since autumn 2011 the proportion of Europeans who fear that the situation will get worse has fallen not only at national level (37%, -7 percentage points) but also at European (39%, -5) and world (32%, -9) levels. The proportion of those with a negative image of the EU has risen slightly overall (28%, +2), matched by a corresponding decrease in those for whom the EU conjures up a neutral image (39%, -2) while the EU positive image is constant to 31%³⁵.

³³ Carried out between 12 and 27 May 2012, in 34 countries or territories: the 27 European Union Member States, the six candidate countries (Croatia, the Former Yugoslav Republic of Macedonia, Turkey, Iceland, Montenegro and Serbia), and the Turkish Cypriot Community in the part of the country that is not controlled by the government of the Republic of Cyprus (European Commission, 2012).

³⁴ European Commission, 2012, *Standard EuroBarometer 77 Spring 2012 PUBLIC OPINION IN THE EUROPEAN UNION FIRST RESULTS*, p. 6.

³⁵ European Commission, 2012, *Assessment of the 2012*, p. 12, 14.

The Standard EuroBarometer 77 also shows that 90% of the Romanians consider as negative their country's situation. They look more optimistic if we compare them with Greeks, Spanish, Portuguese, Irish, Hungarians, Italians and Bulgarians. 45% are worried about the economic situation, 33% about unemployment and 33% about inflation and rising prices.

Compared with EU-27 % the Romanians totally agree and consider as very important the social impact measures package proposed under the Europe 2020 strategy:

- 84% Romanians compared with 78% Europeans believe is important "to help the poor and socially excluded and enable them to play an active part in society",
- 85% Romanians compared with 78% Europeans believe is important "to modernise labour markets, with a view to raising employment levels",
- 75% Romanians compared with 70% Europeans believe is important "to help the EU's industrial base to be more competitive by promoting entrepreneurship and developing new skills",
- 74% Romanians compared with 68% Europeans believe is important "to enhance the quality and appeal of the EU's higher education system",
- 63% Romanians compared with 57% Europeans believe is important "to increase support for research and development policies and turning inventions into products".

Deeply affected by the global crisis, by inflation and price rising and also by Governmental social measures like salary and pensions cuts the Romanian population had a strong electoral reaction against the Democrat-Liberal Party and against president Traian Băsescu, both perceived as guilty for Romania's economic situation, on 2012 local elections and on 29 July when 80% voted against Traian Băsescu in a national Referendum.

These reactions combined with the enormous distrust in politicians create a pessimistic self-image of this country's near future. The permanent political scandals from the 2012 electoral year strength this lack of optimism few months before Parliamentary elections³⁶. It seems to be the first electoral year when Romanians do not indicate an optimistic attitude in a better future to double their relatively clear political option.

To sum up, this social context makes Romania one of the countries that still provide a consistent emigrants flow to other European countries. Although the business environment became relatively stable after the natural selection made by 2008 - 2009 crisis hit, the fiscal increasing pressure on Romanian companies discourages the creation of new companies in Romania and also discourages the investors to come in this country.

The austerity paradigm doesn't look like the best solution for Romanian economy and society. It increased relatively and absolute poverty, it contributes to convincing people to leave the country and also had a direct effect on increasing people's pessimism in countries future which is a *sine qua non* condition for future positive evolution.

³⁶ The Standard EuroBarometer 77 data were collected in May 2012.