ASPECTS CONCERNING ECONOMIC AND SOCIAL FACTORS DEVELOPMENTS - AN ASSESSMENT AT THE EUROPEAN UNION LEVEL

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Abstract

Global financial and economic crisis has dramatically changed the economic and social landscape of all world countries. In this context, economic factors and social variables have deteriorated even more and the interconditionality between them became increasingly stronger in the sense that the negative implications of economics have reflected more and more on the social domain. Thus, there was a dramatic decrease in the real GDP growth rate and an alarming and rapid growth of unemployment, a decline in the birth rate, a reduction of the employment, a deterioration in the level of education and training, an alarming increase of poverty, in a word, a "collapse" of all social life components.

As the world has evolved rapidly to an increasingly deeper integration, through the globalization process, all economic and social progresses recorded until the crisis have been significantly reduced or even cancelled.

Keywords: economic factors, social factors, evaluation

JEL Classification: D31, E24, F36, J11, J21

1. Introduction

One of the most important worldwide, implicitly European, problem of the current period is the connection of social factors with the economic variables. This article will analyse the relation of the economic indicators from the European Union with the evolution of the population, employment, unemployment and other social variables. This topic is extremely important if we think of the value of

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the social component within the global crisis. The superficial approach of the social problems may be an explanation for the lack or insufficient adequate means to control them worldwide and in Europe.

Although there are many programs and projects in Europe (e.g. Europe 2020 growth strategy, Broad Economic Policy Guidelines, European Employment Strategy (EES), Employment package, etc.), a properly designed social project able to solve, at least partially, the economic and social problems, is yet to be noticed in the European Union.

2. Methodology and data sources

This paper will try to notice and explain the link between several variables that are important for the economic and social sectors, by comparing the evolution of the two sets of indicators. The analysis will focus on the European Union, analysing the evolutions within the Euro zone compared with the evolution of the countries outside this area. We will concentrate mostly on the social in order to reveal the adverse influences felt at this level during the period of the global economic and financial crisis. The main source of data consists of Eurostat statistics, which provide a good and relevant comparability in time and space (between countries). We also use many publications of the European Commission and of Eurostat, particularly on the side of economic forecasts, just to complete the general picture given by the indicators. One of the problems that challenged us is the fact that the statistics for the social and demographic indicators have a lag of 2-3 years compared to the much faster pattern of collecting and processing other statistical data, economic data included. Hence, we will not make more laborious quantitative analyses, because the social data will be delayed by reviews and will even have inaccuracies compared to the similar procedures for the other economic data.

3. Evaluation of the evolution of the economic and social factors within the European Union

World economy experienced a strong recession after the first signs of the global financial crisis, marked by a “crash” of the industrial production, of the trade, by much financial turbulence and by the continuous deterioration of the labour market, which produced higher unemployment rates.

After 2008, the economy of the European Union started to contract strongly. The Euro zone (17 countries) also had a lower *economic growth*[1], decreasing by 4.4% in 2009, only to return to a slightly positive value (2%) the next year. In 2011, the rate of the real GDP growth in the Euro zone was 1.5%, but it decreased to -0.6% the next year[2]. In 2010, Slovakia (4.4%) and Germany (4%) were the only Euro zone countries with a stronger annual growth of the GDP[3]. In 2011 and 2012, the economic growth contracted in these countries: 3.2% in 2011 and 2% in 2012 for Slovakia, and 3.3% in 2011 and 0.7% in 2012 for Germany. In 2012, only Estonia and Slovakia recorded significant values of the economic growth, of 3.9% and 2%, respectively. Among the member states outside the Euro zone, in 2009, the Baltic countries experienced the strongest contraction of the economic growth. Thus, the economic growth decreased by 17.7% in Latvia and by 14.8% in Lithuania. GDP evolution improved in 2010 for all EU member states, but among the countries outside the Euro zone, only Sweden (6.6%), Poland (3.9%), Czech Republic (2.5%) and the United Kingdom (1.7%) scored better[4]. However, in 2012, the growth of the real GDP for the entire EU was negative, -0.4%[5].

This situation also occurred for the GDP per capita: the annual variation of this indicator for the European Union was 1.7% in 2010, increasing from -4.8% in 2009. This indicator decreased to -0.6% in 2012, from 1.5% in 2011. In 2012, the GDP per capita increased by 6.7% in Lithuania, by 5.1% in Latvia, and by 4% in Estonia, followed by 1.9% in Slovakia and 1.8% in Poland.

Simultaneously with the negative evolution of EU economy, the annual variation of EU population (both for all EU member states, and for the Euro zone) decreased along the period between 2008-2011 (0.5% in 2008, 0.3% in 2009 and 2010 and 0.2% in 2011). The forecast for 2012-2013 is a constant 0.3%, while the prognosis for 2014 is of just 0.2%. The annual variation of the population in the new member states was negative during the period between 2008-2011 in almost all these countries (except Czech Republic in 2008-2010, and

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[1] Gross Domestic Product, in volume, expressed as percent variation compared to the previous year. Source: Eurostat data, accessed on 23.09.2013.

[2] Eurostat data, accessed on 23.09.2013.

[3] Eurostat data, accessed on 23.09.2013.

[4] Source: Eurostat data, accessed on 23.09.2013.

[5] Source: Eurostat data, accessed on 23.09.2013.

Poland); this situation is predicted to continue in 2013-2014 too (European Commission, 2013a).

If we approach the demographic problem in terms of *birth rate* and *fertility of the population*, during the analysed period, in Europe, only Island had a fertility rate higher than the replacement fertility. Although the fertility rate increased slightly in the European Union compared to the period before the onset of the crisis, it still is lower than the replacement fertility, the necessary replacement fertility rate being of at least 2.1 children/women, to keep the population of the Union at the present level. Thus, in 2011, according to Eurostat[6], the fertility rate for the entire EU was 1.57 children/women, while in Romania it was 1.25 children/women. Also in 2011, the crude birth rate per 1000 inhabitants was 10.4‰ for EU27, while in Romania it was 9.2‰ in 2011, the forecast for 2012 being 9.4‰. At the same time, although the life expectancy in the European Union was high until 2009, within the current context of the crisis, the trend is of decrease; only the net migration is predicted to have a contribution to the growth of the population of the European Union as of 2015 (European Commission, 2012b).

At the same time, the downward trend noticed in the new member states, already confronted with a decrease of the population, is expected to continue, partly due to the decrease of the birth rate and to migration. Furthermore, the forecasts show that by 2060, the old people (aged 65+) will account for about 30% of the entire EU population (European Commission, 2012b).

The rate of labour force employment reflects the demographic evolution. The annual percent variation of the employment rate compared to the previous year was negative (overall EU and Euro zone too) in 2009-2010; this situation improved slightly in 2011, but it worsened in 2012. The forecasts for 2013 show a similar value with 2012, while it is expected to increase slightly in 2014 (European Commission, 2013a). In 2012, the positive, higher than the unit, evolutions were noticed in Estonia (2.1%), Luxemburg (2.2%), Malta (1.7%), Austria (1.3%) and Germany (1.1%), the other countries of the Euro zone recording negative or at most slightly positive values (for instance, 0.2% for Belgium). The employment rate decreased strong in 2009, 2010 and 2011 in almost all new member states, except Poland, which reported modest positive rates, of 0.4% in

[6] *Source: Eurostat data, accessed on 23.09.2013.*

2009, 0.5% in 2010 and 1% in 2011. In 2012, these countries displayed moderate, yet positive employment rates: 2.8% in Latvia, 1.9% in Lithuania, 1.3% in Hungary, 0.4% in Romania, 0.2% in Czech Republic and 0.1% in Poland. Although positive, we may say that the prognosis of the employment rate for the new member states is reserved, the forecast increase being modest in 2013-2014 (European Commission, 2013a).

Unemployment rate increased in the European Union from 9% in 2009, to 10.5% in 2012, with a predicted increase to 11.1% in 2013 followed by a modest decrease to 11% in 2014. Unemployment rate in the Euro zone was 10.1% in 2010, 10.2% in 2011 and 11.4% in 2012, the predicted values for 2013-2014 being even higher, 12.2% for 2013, and 12.1% for 2014. The highest unemployment rates in 2012 were reported by Spain (25%), Greece (24.7%), Ireland (14.8%), Latvia (14.9%), Lithuania (13%) and Bulgaria (12.2%). The prognosis for 2013 predicts a worsening situation in Greece (27%) and Spain (26.9%), remaining at the same values in 2014. Unemployment rate peaked in 2010 in the new member states, soaring to 19.8% in Latvia, 18% in Lithuania, 16.9% in Estonia and 11.2% in Hungary. The prognosis for 2013-2014 predicts a modest decrease for Latvia and Lithuania (however, still higher than 10%), while it will probably be 9.8% and 9%, in 2013 and 2014, in Estonia (European Commission 2012a). Furthermore, the people who lost their jobs at the beginning of the crisis had decreasing opportunities to get a job as the crisis evolved; many of them turned into long-term unemployed (European Commission, 2012b).

We may also notice that the private debt increased along the public debt as the crisis progressed; therefore, the personal tensions and frustrations determined a higher rate of suicide, particularly among men and among the old people (aged 85+) (European Commission, 2012b)

During the recent years, especially in 2009, the economic gaps between the different EU regions decreased, particularly in the older member states; however, these regional disparities increased in the new member states, particularly in the countries with fiscal-budgetary problems (such as Greece). The regional disparities regarding the employment of the labour force are rather similar all over the European Union, but the women are more affected by unemployment than men, although the dispersion rates of employment for women was close to the corresponding values for men in 2009-2010 (European Commission, 2012b).

We may also notice that the inequality of incomes didn't decrease in the EU during the period of the crisis, the distribution of incomes being extremely varied: the richest 20% of the population earns over 5 times more than the poorest 20% of the population (European Commission, 2012b).

The crisis left deep social scars; among the fundamental aspects of poverty in the European Union are the financial and material shortages and the limited access on the labour market. In 2010, poverty affected at different rates, sometimes simultaneous, the population of the European Union; thus, the monetary poverty affected about 81 million people, 40 million people were affected by material shortages and over 116 million people were threatened by social exclusion, while 8 million people were affected simultaneously by all aspects of poverty (European Commission, 2012b). In 2011, 24.2% of EU population (119.6 million people) were exposed to the risk of poverty or social exclusion, compared to 23.4% in 2010, and 23.5% in 2008 (Eurostat 2012a). Eurostat data (2013) show that the children are the category of population most exposed to the risk of poverty and social exclusion. Thus, in 2011, 27% of the children under the age of 18 ran this risk, which is more even that the corresponding rate for the old people (21%).

Many studies noticed clearly the relation between education and poverty, the higher level of education reducing dramatically the risk of poverty. This aspect is valid both for the children and for the teenagers the higher is the educational level of the parents, the more chances have their children not to be affected by poverty (Eurostat, 2013). All these unfavourable aspects of the social policies are a major flaw for the entire European Union and for the individual member states. The economic growth will probably follow the implementation of bold social policies that will really contribute to the remediation of the current situation.

4. Several conclusions

After the first signs of the world economic and financial crisis, the economy of the European Union scored a slightly lower growth, with slight revivals in 2010 and 2011, followed by the deterioration of this indicator in 2012.

The GDP per capita revived in 2010, the prognosis for 2013-2014 also being slightly favourable.

Simultaneously with the negative evolution of EU economy, the population at the level of the entire Union, and at the level of the Euro zone, displayed a decrease of the annual percent variation in 2008-2011; the predictions for 2-13-2014 show constant low values of this indicator.

The birth rate and the fertility rate continue to be lower than the replacement fertility rate, which should be of at least 2.1 children/women, in order to maintain the EU population at the same level. Only Ireland has a replacement fertility rate higher than this threshold. This situation cannot be remedied only by the contribution of the net migration to the growth of the population; active programs and initiatives are needed at EU level to stimulate birth rate, more so as population ageing seems to be a phenomenon with swift evolution.

Labour force employment reflects somehow the demographic evolution, the evolution being negative in 2009-2010, but the prospects for 2013-2014 being slightly better.

Unemployment rate in the EU was below 10% in 2010 and 2011; the forecast for 2013 is above 10%, the situation being almost identical for the Euro zone too. The highest unemployment rates in 2012 were recorded in Spain (25%), Greece (24.7%), Latvia (14.9%), Ireland (14.8%) and Lithuania (13%), and the forecasts for 2013 and 2014 are bleak. This evolution occurs due to the economic and financial (budgetary, especially) constraints imposed by the international organisms, which affected the social sphere (pay cuts, freezing or decrease of the pensions, massive layoffs among the people paid from the public budget, higher taxes and dues, etc.).

The effects of the global economic and financial crisis prejudiced all or almost all levels of the social life, boosting unemployment and the regional income disparities, reducing the occupation rate of the labour force and the evolution of the population, while affecting the educational and health care systems. Moreover, the fundamental aspects of poverty, such as the financial and material shortages, and the limited access on the labour market gained strength.

However, the problem of poverty is a global problem, marked by the failure of the production systems of the developing countries, by the profound impairment of the national institutions, by the disintegration of the healthcare and educational programs, of the national pension systems, by the major inefficiency of the social policies and of the labour market policies.

Within the context of the increasing pressure of globalization, if the European Union will have a sufficiently strong political determination to solve these problems, we will be able to speak of a truly social Europe, a united, strong Europe which will continue to exist in the future too.

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