

A New Paradigm regarding the Real Convergence of Romania to the EU

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Abstract: Our research paper is part of the larger-scale study regarding the readiness assessment of Romania and other five Central and Eastern European countries (CEE-6) for accession to the Eurozone in terms of the real convergence. We extended the analysis of the real economic convergence to the area of social convergence. The purpose of the extended analysis is to compare the living standards in Romania, CEE-6 and other European Union member states (EU-28) and to draw conclusions on the social convergence as a complement to real economic convergence. Using an analytical tool, the Social Progress Index 2018, at different levels of disaggregation, the work reveals the dynamics of social progress and also the gaps between Romania, CEE-6 and the EU, while identifying strengths, and weaknesses to achieve social progress on the road to real convergence with the EU. The outcomes could provide valuable inputs to the decision-makers highlighting some milestones to remove weaknesses and to turn threats into opportunities in the future social and economic policies of Romania.

Key-Words: economic and social indicators, welfare, country studies, comparative studies, Romania, Central and Eastern European countries, European Union

JEL Classification: I310, O52, O570

1 Introduction

Our research paper is part of the larger-scale study regarding the readiness assessment for accession of Romania and other five Central and Eastern European countries (CEE-6) to the Eurozone in terms of the real convergence (Câmpeanu et al., 2015). Now, we extended the analysis of the real economic convergence to the area of social convergence, according to a new international paradigm.

After ten years of global debates at the beginning of the 21st century in the international literature, revealing more and more objections regarding the use the GDP / capita as a measure of the living standards and progress of nations (Constanza, R et al., 2009, Porter, M., 2014, Stiglitz, J., 2019), the paradigm was changed: GDP is not considered anymore a sufficient measure of wellbeing, as it focuses only on material wellbeing rather than on the citizens' quality of life (International Commission on the Measurement of Economic Performance and Social Progress).

“What we measure, affects what we do, and if we measure the wrong thing, we will do the wrong thing. If we focus only on material wellbeing – on, say, the production of goods, rather than on health, education, and the environment – we become distorted in the same way that these measures are distorted; we become more materialistic”. (Stiglitz, J., 2019)

The new vision on the economic and social progress of the nations has led to the creation of many global composite indices. Some indices include economic development and the well-being of nations, others refer only to the social progress, without the economic component as it has been shown that there are high developed countries with lower social progress than other countries with average level of economic development and better social progress. A relevant example is USA, the biggest economic power in the world, which ranks 25th in the world rankings of social progress, being surpassed by France (16th place) or Slovenia (22th); or, the example of some Central and Eastern European countries, as Czech R, or Estonia which registered high scores of social progress, close to that of the most developed Western countries (Social Progress Index 2018).

Given the change of the paradigm in the 21st century, our work performs a qualitative analysis of wellbeing in the EU-28, based on the global composite index –Social Progress Index. The purpose of our analysis is a) to estimate the efficiency with which Romania's economic success, materialized in accelerated economic growth in the last 5 years, has been transformed into social progress, in qualitative terms; b) to compare the standard of living, in terms of quality, in Romania and other five Central and East European that are not member of Eurozone with the levels of EU-28 and c) to draw conclusions on social convergence, as a complement of real economic convergence. In this way, we try to balance the significance of GDP (with its variants) in the analysis of real convergence with those components that reflect sustainable prosperity for all.

In this article we present the main outcomes of the analysis, related to the dynamics of social progress and its qualitative aspects, highlighting the strengths and weaknesses which could provide the decision-makers some milestones for the future social and economic policies.

2 Methodology

To compare the social progress achieved by CEE-6 non-members Eurozone: Romania, Bulgaria, Czech Republic, Croatia, Poland and Hungary with the minimum and maximum levels in the EU-28, we have chosen as a working tool the "Social Progress Index" (2018, 2015), a global composite index developed by Social Progress Imperative, USA and coordinated by the well-known Professor Michael Porter. The authors of the Social Progress Index (SPI) consider this new composite index as a tool to “*assess the efficiency with which the economic success of a country shall be converted into social progress and vice versa*” (Social Progress Imperative, 2015). “Social progress is the capacity of a society to meet the basic human needs of its citizens establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and create the conditions for all individuals to reach their full potential.” [Social Progress Index Methodology Summary, 2018]

We analysed SPI 2018 at the aggregate and disaggregate levels, computed for 146 countries on 3 dimensions of 4 components each, and composed of 51 indicators: from nutrition and basic medical care to access to basic knowledge, IT, electricity, home or personal safety to the degree of assurance of personal and civil liberties. The components, dimensions, and overall Social Progress Index scores are scaled from 0 to 100, which allow the interpretation of absolute performances of a country and comparative analysis between countries. (Social Progress Index Methodology Summary, 2018).

In this article we present synthetically the outcomes of our analysis, according to the following structure:

- *Dynamics of social progress (2014-2018)* achieved by Romania, Bulgaria, Czech Republic, Croatia, Poland and Hungary - non-members of the Euro Zone (CEE-6), compared to the minimum and maximum levels in the EU-28 (SPI does not calculate the average score for the EU 28). Analysis tool: SPI 2015 and SPI 2018 scores at aggregate level.
- *Qualitative performance analysis on the three dimensions of social progress in CEE-6 and the EU.* Analysis tool: SPI 2015, SPI 2018 scores disaggregated on *Basic Human Needs*; *Foundations of Wellbeing*, and *Opportunity*.
- *The evaluation of the efficiency with which the accelerated economic growth in the last 5 years has been transformed into social progress*, for the real convergence of Romania with the EU. Identification of specific aspects - strengths and weaknesses, on each dimension and components. Analysis tool: SWOT analysis, SPI 2015, SPI 2018.

3 The outcomes

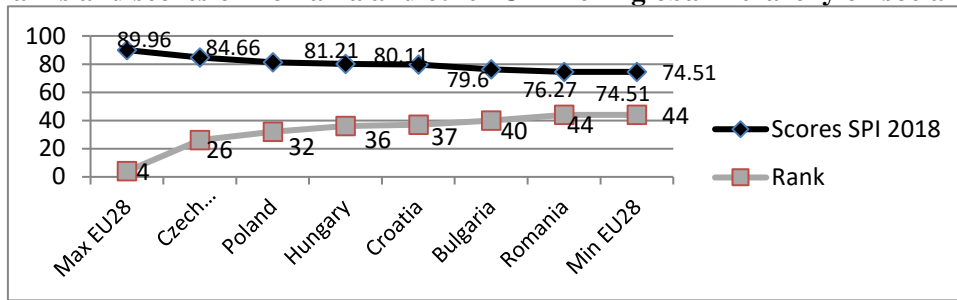
3.1 The dynamics of social progress in Romania within the global and European framework

Social Progress Index 2018 reveals big differences between 146 countries in their overall social performance, with scores between maximum 90.26 out of 100 (Norway) and minimum 26.01 (Central African Republic).

The first 14 countries with the highest scores include 11 European countries out of which 8 are EU member states. *The European Union* does not appear as a group in the hierarchy of the 146 countries covered

by the SPI 2018, but only each of the 28 Member States. The highest social progress in the EU-28 was recorded by Denmark, which ranks 4th in the world hierarchy, with a score of 89.96.

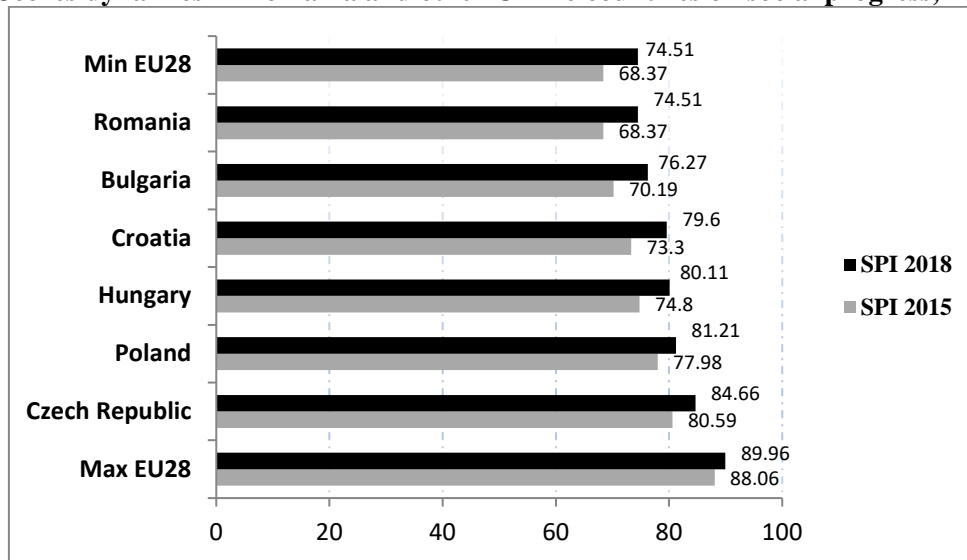
Fig.1: Ranks and scores of Romania and other CEE- 6 in global hierarchy on social progress



Source: Author's representation, 2019 based on SPI 2018

Three Central and Eastern European countries (Czech R, Poland and Hungary) have SPI scores above 80, and the other three CEE countries, including Romania have scores below 80 (Fig.1).

Fig.2: Scores dynamics in Romania and other CEE-6 countries on social progress, 2014-2018



Source: Author's representation, 2019, based on SPI Report 2015, SPI Report 2018

Romania won 7 positions compared to 2014, occupying 44th place in the global hierarchy (51st place in 2014). We should mention that while Romania won 7 positions, Czech R. lost 3 positions compared to 2014, when it ranked 23rd in the world hierarchy. Romania and all other CEE-6 countries recorded improved performances in 2018 compared to 2014 in terms of SPI's own scores (Fig.2).

The dynamic analysis of scores reveals the diminishing of the scoring differential between each of CEE-6 and the European Union (maximum level). The tendency to reduce the differential against the EU in 2018 compared to 2014, confirms the tendency of social convergence between Romania and other CEE-6 with the EU. The largest differential reduction was recorded by Romania (4.24 points) and Croatia, and the smallest differential reduction by Poland (1.33 points) (Table 1).

Table 1: Social progress differentials compared to maximum scores in the EU-28

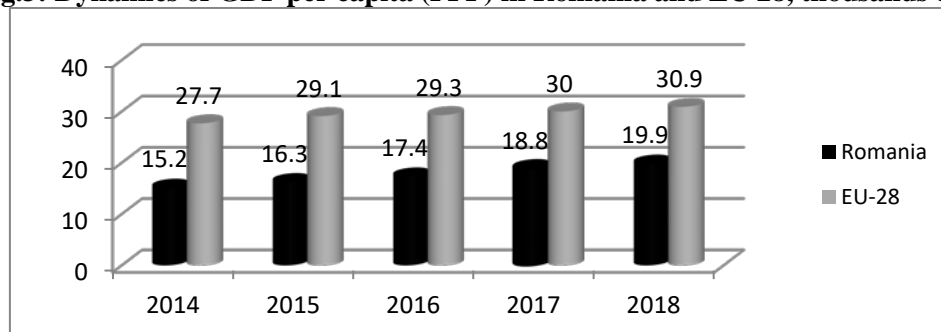
Country	2018 Scores Differential/ max EU points	2014 Scores Differential/ max EU points	2018-2014 points
Romania	15.45	19.69	-4.24
Bulgaria	13.69	17.87	-4.18
Croatia	10.36	14.76	-4.4
Hungary	9.85	13.26	-3.41

Poland	8.75	10.08	-1.33
Czech R.	5.3	7.47	-2.17

Source: Computed by author based SPI 2018, SPI 2015

In Romania, the obvious trend of social convergence was doubled by the accelerated dynamics of real GDP in 2014-2018 (maximum 7% in 2017) and of GDP per capita (PPP) in similar proportions.

Fig.3: Dynamics of GDP per capita (PPP) in Romania and EU 28, thousands euro



Source: Author's representation based on Eurostat 2019

The continuous growth of GDP per capita between 2014-2018 (Fig.3) was the basis for improving the social progress in Romania, both in terms of score and place in the global hierarchy. Compared to the EU-28 average, GDP per capita in Romania (PPP) increased by about 10 p.p.in just 5 years, from 54.9% in 2014 to 64.4% in 2018 (based on Eurostat, 2019).

3.2 Social Progress Index disaggregated on dimensions and components

SPI 2018 has three dimensions: Basic human needs, Foundations of Wellbeing, and Opportunity. The comparative analysis of the scores by dimensions reveals the best performance on the Basic human dimension in all analysed countries and the smallest differences between them. The lowest scores for all were registered on the Opportunity dimension (Table 2).

Table 2: Social Progress Index 2018 disaggregated on dimensions

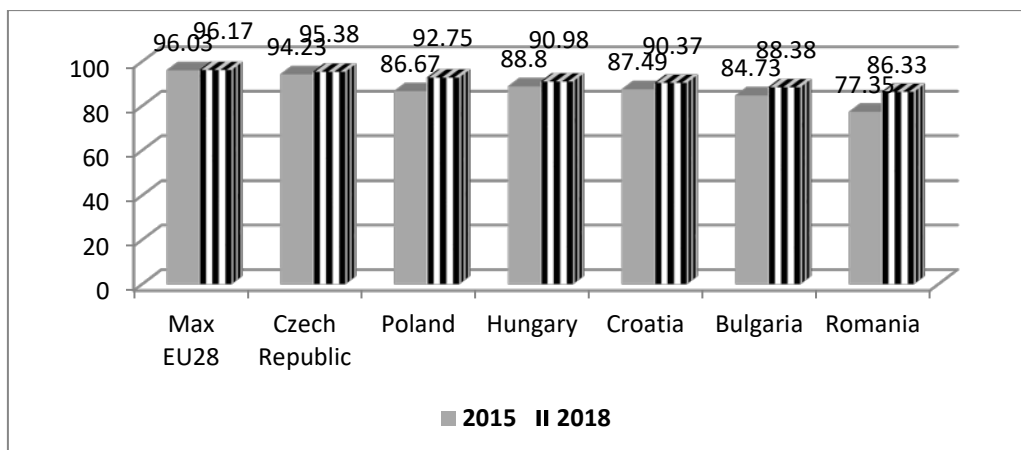
Country	SPI 2018 scores	Basic Human Needs scores	Foundations of Wellbeing scores	Opportunity scores
Max EU 28	89.96	96.17	92.06	82.29
Czech R	84.66	95.38	86.4	72.22
Poland	81.21	92.75	85.02	65.85
Hungary	80.11	90.98	81.09	68.26
Croatia	79.6	90.37	84.6	63.84
Bulgaria	76.27	88.38	76.6	63.84
Romania	74.51	86.33	76.75	60.44

Source: Author 2019, based on SPI 2018

3.2.1 The "Basic human needs" dimension and its components; strength and weakness

With a score of 86.33 for basic needs in 2018, Romania ranks 50/146 countries, a substantial progress compared to 2014 when it ranks 67/133 countries.

Fig.4: "Basic human needs" scores in Romania and other CEE-6, 2014-2018



Source: Author's representation, 2019 based on SPI Report 2015, SPI Report 2018

Romania and each of five other analysed CEE countries recorded better scores in 2018 compared to 2014 in terms of basic needs, four countries have scores above 90, and two countries (including Romania) score slightly below 90. The change in scores in 2018 was different, however, with the smallest increases in Czech Republic. Hungary and Denmark (which has the maximum score in the EU-28), and the highest increases in Romania and Poland (Fig. 4).

The substantial increase of the score in Romania led to the reduction of the gap compared to the maximum level in the EU-28, from 18.9 points in 2014 to 9.9 points in 2018, highlighting the *tendency of social convergence of Romania with the European Union in the field of basic needs*.

The authors of the Social Progress Index (Porter et al., 2015) found that the Basic human needs of a nation consist of the following four components: nutrition and basic medical care; water, sewage and sanitation facilities; shelter; and personal safety. These components have different influence on the aggregate score, some positively, others negatively.

Nutrition and basic medical care: is the best Romanian component of social progress in 2018 with a 95 points score (compared with 74.51 aggregated SPI). It means that there are few problems of malnutrition and food shortages, and basic medical care is virtually assured in Romania. So, we can say that this is a strength for Romania. However, there are two other indicators within this component -deaths from infectious diseases and child mortality rate- which were much improved (rank 49/ 146 countries) compared with the year 2014, and exercise a positive influence on the component' score and constitute another strength for Romania.

Water, sewer, and sanitary facilities registered maximum scores (100) in eight EU Member States, and 5 out of 6 CEE countries are close to the maximum level of EU-28. In Romania this component of the basic needs is 87.24 in 2018, with a substantial increase from the 2014 score (69), with obvious progress at least basic sanitation facilities. The weaknesses of this component continue to be in 2018 *Access to piped water* and *Access to at least basic sanitation facilities*

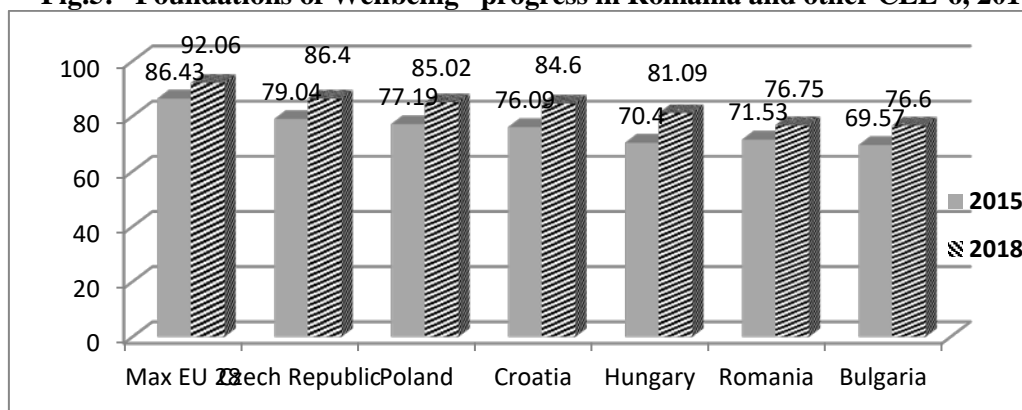
Shelter component recorded a substantial progress in Romania compared to 2014, with improved score and ranking 58/146 countries, compared to 127/133 countries in 2014, which means this is a better performance but the future social policies should still focus on it, namely on household air pollution attributable deaths. The component *Water, sanitation facilities*, along with component *shelter* are still the main weaknesses of the basic human needs of Romania.

Personal Safety is the fourth component of the basic needs. Romania has one of the highest personal safety in CEE 6 and EU 28, with a score that ranks 35th globally in 2018. A positive influence exerts in Romania some relatively low indicators' levels regarding homicide rates, violent crimes, perceived crime and political terror. But the relatively higher traffic fatalities have a *negative influence* on personal safety performance component, resulting in a lower score.

3.2.2 The "Foundations of Wellbeing" dimension and its components; strength and weakness

The comparative analysis between the 6 Central and Eastern European countries non-members of the Eurozone, in terms of Foundation of Wellbeing in 2018 reveals that the highest scores recorded Czech Republic and Poland and the lowest Romania and Bulgaria, the latter making the minimum level in the EU-28 (Fig.5).

Fig.5: “Foundations of Wellbeing” progress in Romania and other CEE-6, 2014-2018



Source: Author’s representation, 2019 based on SPI Report 2015, SPI Report 2018

With a score of 76.75 for *Foundations of Wellbeing* in 2018, Romania ranks 50/146 countries. We note the shifting of the ranks registered in 2018 between Romania and Hungary. Due to a more accelerated progress of basic wellbeing in Hungary, Romania was being overtaken by Hungary and ranking 5th in 6 countries. Our observation refers to the slower growth of Romania's progress on this dimension compared to the CEE-6 countries and to the EU-28 max, which has led to a ***divergence trend***, with differentials increased in 2018 between the scores of Romania and the comparison countries.

The authors of the Social Progress Index (Porter et al., 2015) found that the dimension Foundation of Wellbeing of a nation consists of the following four components: access to basic knowledge; access to information and communication; health and wellness; and environmental quality.

Access to basic knowledge: Romania performs well in 2018, which means relatively high adult literacy rate and Gender parity in secondary enrolment; at the same time, Romania's weaknesses are recorded at Primary school enrolment (rank 91/ 146 countries), Secondary school enrolment (rank 74) and Access to quality education (rank 87).

Access to information, communication: is the best component of *Foundations of Wellbeing* in Romania 2018, ranking 45 in the world. The best indicators are: Mobile telephone subscriptions/ 100 inhabitants, which places Romania on the 1st rank / 146 countries in 2018, and Access to independent media (rank 38), a real progress compared to 2014, when it had a relatively small number of internet users and mobile subscriptions. On the medium level is Access to online governance. Another Romania's advantage is the high index of press freedom.

Health and Wellness: The scores of countries on this component are based on the evolution of the indicators regarding Life expectancy, Premature deaths from non-communicable diseases, Access to essential services and Access to quality healthcare. In Romania, this component records the lowest scores and ranks among all the components of *Foundations of Wellbeing* in 2018, (76/146 countries). The factors that have the greatest negative impact on the life expectancy and the health status of the Romanian population are Premature deaths from non-communicable diseases (rank 89/146 countries) and Access to quality healthcare (88). These two negative factors are slightly counterbalanced by above average level of the Access to essential health services (rank 52).

Environmental Quality: this component is one of the strengths of the Foundation of Wellbeing in Romania due to the relatively low level of greenhouse gas emissions (rank 39 in 2018) and the high level of biodiversity and habitat (rank 48). Outdoor air pollution attributable deaths remain the weak point.

3.2.3 The “Opportunity” dimension and its components; strength and weakness

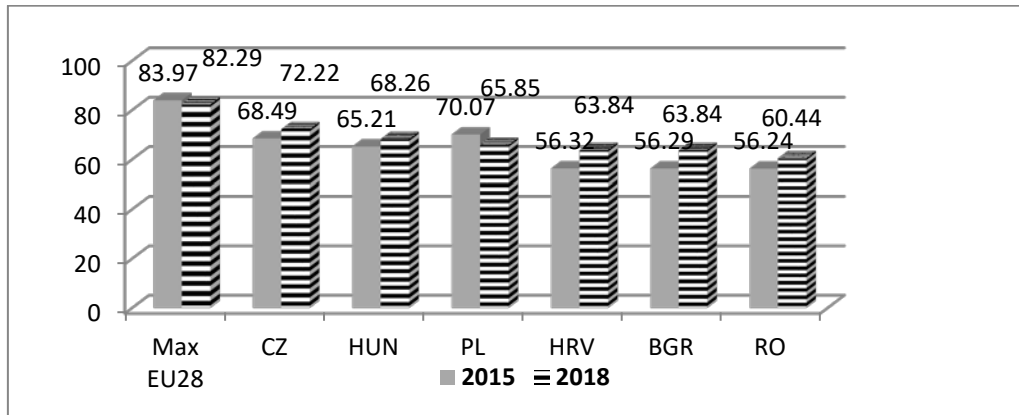
This dimension of SPI measures the prospects of a country in terms of social progress. In general, the scores of the EU Member States are comparatively lower than the other two dimensions of the Social Progress Index.

Romania's score on the Opportunity dimension in 2018 is also the lowest among the 3 SPI dimensions (60.44), but globally ranks the 44th place (56 in 2014), i.e. the best place among its 3 dimensions.

Ireland continues in 2018 to register the maximum score at global and European level at Opportunity, but its score is decreasing compared to 2014. With the exception of Poland, the other CEE-6 have made progress in

2018 compared to 2014 (Fig.6). The analysis of the differences in Opportunity scores between Romania and the comparison countries led us to the conclusion that in 2018 the differences were smaller and there was a tendency of convergence with the EU-28 and with the Central and Eastern European countries (except Croatia and Bulgaria).

Fig.6: “Opportunity” progress in Romania and other CEE-6, 2014-2018



Source: Author’s representation based on, SPI Report 2015, SPI Report 2018

„Opportunity” dimension shows the aggregate size of 4 components: personal rights, personal freedom and choice, inclusiveness, and access to advanced education. Romania has strengths in personal rights component, based on respect for political rights, freedom of speech and other freedoms. For the personal freedom and choice component, Romanian indicators’ value regarding modern slavery, human trafficking, early marriages and satisfied demand for contraceptive constitute relatively strong points. Romania performs on Opportunity dimension with a low score on Inclusiveness, especially due to the low level of Acceptance of LGBT as well as of Equality of political power by gender.

4 Conclusions

Real convergence ensures that the economic and social disparities between EU member countries are reduced and the standard of living increases. We performed the Comparative analysis of social progress in Romania, other CEE-6 and EU-28 countries using the new global composite Social Progress Index (SPI 2015, SPI 2018) in order to compare the quality of life in the Central and Eastern European countries (TCEE-6) with EU-28 levels and draw conclusions on social convergence within the European Union, as a complement to real economic convergence.

We have noticed a tendency of convergence of the social progress of Romania with CEE-6 and EU 28, except “Foundations of Wellbeing” dimension, to which the trend in 2018 was divergent. The SWOT analysis performed for the social progress in Romania on the basis of SPI 2015 and SPI 2018 at the aggregate and disaggregated level reveals, on the one hand, the strengths and weaknesses for each analysed year, but also the improvements or their absence in 2018 compared to 2014 (Appendix 1, Appendix 2, Synoptic). The importance of this approach is to provide milestones to the decision-makers to address weaknesses and to turn threats into opportunities in the future social and economic policies.

Appendix 1: Strength of Romania’s Social Progress

Strengths/ dimensions/ components	Romania 2014	Romania 2018
The “Basic human needs” dimension		
Globally ranks: improved	67	50
Highest score increase / CEE6		x
Reduction of the score gap compared to the maximum level in the EU-28 (points)	18.9	9.9
<i>Nutrition and basic medical care: the best Romanian component of social progress</i>	x	x

Low levels of the depth food deficit	x	x
Basic medical care assured	x	x
Improved mortality rate and the number of deaths due to the infectious diseases.		x
<i>Water, sewer, and sanitary facilities</i> -improved scores	69	87.24
<i>Shelter improved rank</i>	127/133 ctrs	58/146 ctrs
<i>Shelter</i> : housing available at reasonable prices and the quality of the available electricity		x
<i>Personal Safety: highest personal safety in CEE 6 and EU 28</i>		x
The “Foundations of Wellbeing” dimension		
Globally ranks: improved	58	50
Score increase		x
<i>Access to basic knowledge</i> the relatively high adult literacy rate	x	x
Gender parity in upper secondary school enrolment.		x
<i>Access to information, communication: the best component of Foundations of Wellbeing</i>		x
Mobile telephone subscriptions/ 100 inhabitants, Romania rank the 1st/146 countries		x
Access to independent media		x
Press freedom	x	x
<i>Health and Wellness: Access to essential health services</i>		x
<i>Ecosystem quality</i>		
Low level of greenhouse gas emissions		x
High level of biodiversity and habitat		x
The “Opportunity” dimension: the best rank among the 3 dimensions		x
Globally ranks: improved	56	44
Lower differential score against the EU-28 and the Central and Eastern European countries		x
<i>Personal freedom and choice</i> : low levels of modern slavery, human trafficking, early marriages and satisfied demand for contraceptive	x	x
<i>Personal rights</i> : respect for political rights, freedom of speech and other freedoms (association, movement), as well as the right to private property.	x	x

Source: Author, 2019 based on SPI 2015 and SPI 2018 data.

Appendix 2: Weakness of Romania’s Social Progress

Weaknesses/ dimensions/ components	Romania 2014	Romania 2018
The “Basic human needs” dimension		
<i>Water, sewage and sanitation facilities</i> : Access to piped water and Access to at least basic sanitation facilities	x	x
<i>Personal safety</i> : high traffic fatalities	x	x
The “Foundations of Wellbeing” dimension		
Slower growth of Romania’s progress/ CEE6 and EU 28		x
differentials increased between the scores of Romania and the comparison countries		x

Access to basic knowledge secondary school enrolment	x	x
Primary school enrolment (rank 91/ 146 countries)		x
Access to quality education		x
<i>Health and Wellness</i> : the lowest scores and ranks among all the components of <i>Foundations of Wellbeing</i>	x	x
Premature deaths from non-communicable diseases (rank 89/146 countries)		x
Access to quality healthcare		x
<i>Environmental Quality</i> : Outdoor air pollution attributable deaths		x
The “Opportunity” dimension		
<i>Tolerance and Inclusion</i> : low tolerance for immigrants and religious tolerance. Community network for personal safety.	x	
Low score on Inclusiveness, especially due to: <ul style="list-style-type: none"> • the low level of Acceptance of LGBT • Equality of political power by gender 	x	x
<i>Access to advanced education</i> : low number of universities in the global hierarchy	x	x

Source: Author, 2019 based on SPI 2015 and SPI 2018 data.

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