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## **THE EUROPEAN PILLAR OF SOCIAL RIGHTS: ADDING VALUE TO THE SOCIAL EUROPE?**

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### **Abstract:**

*The paper analyses the European Commission's latest major initiative in the social field, the European Pillar of Social Rights, examining the rationale behind this project, the merits and shortcomings of the mentioned proposal. Declared as an initiative that tries to overcome the negative effects of the crisis on the labour markets and social welfare systems, to heal the social wounds of Europe, and to renew convergence within the Euro area, this paper analyses the proposal through the lens of the major challenges that Europe is confronting nowadays, the convergence and divergence trends that we experiment inside the Union. Hence, the paper deals with the following questions: Does this initiative respond to the needs and challenges that Europe is facing today?; Does this initiative envisage policy avenues that encourage social convergence, that are capable of making a decisive impact on poverty, in order to reverse the threat of disintegration that faces the EU today?*

**Keywords:** European Pillar, social rights, unemployment, social inequality, social policy

### **1. Background and rationale behind: why a European Pillar of Social Rights?**

The EU was formed with the aim to promote peace, democracy, and shared prosperity. Since its creation, the European Union is trying to achieve higher convergence between its Member States, promoting higher economic growth, and reducing imbalances



between countries and regions. Over the past few years, however, large disparities in economic, labour market and social outcomes emerged across EU countries. The member states are facing huge social challenges, high unemployment rates, and different standards of social security. Furthermore, statistics show that the gap continues to widen inside the Union, that the member states are diverging, are drifting further away from each other in terms of socio-economic performance, converging towards undesirable outcomes, worsening inequalities, widening structural imbalances, and towards higher levels of poverty (Eurostat, 2017).

Being acknowledged that a ‘one-size-fits-all’ policy solution cannot be implemented at EU level, the policy intervention has to take into account local and regional specificities. Hence, the European Union shall contribute to the improvement of social and economic situation, complementing the actions of the member states, acting in accordance with its core role enshrined in the Treaty on European Union, article 3: “(The Union)... shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment.(...)” Likewise, article 9 from the Treaty of Functioning of European Union underlines the European Union’s role: “the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health” (TFEU, 2012).

In this context, the European Pillar of Social Rights (EPSR), the latest major initiative in the social field of the European Commission, is intended to help guide the social and employment policies, to overcome the negative effects of the crisis on the labour markets and social welfare systems, to heal the social wounds of Europe and to renew convergence within the Euro area. The Pillar is an attempt to defend European social values, to put into motion President Juncker’s commitment to secure a “fair and truly pan-European labour market”, to secure “a social triple A rating” for Europe.

The EPSR initiative was first announced by the President of the European Commission in September 2015, in his State of the Union speech, when Juncker declared: “I will want to develop a European pillar of social rights, which takes account of the

changing realities of Europe's societies and the world of work. And which can serve as a compass for the renewed convergence within the euro area. This European pillar of social rights should complement what we have already jointly achieved when it comes to the protection of workers in the EU. I will expect social partners to play a central role in this process. I believe we do well to start with this initiative within the euro area, while allowing other EU Member States to join in if they want to do so.” (EC, 2015)

The preliminary outline of the Pillar was put forward by the European Commission on 8 March 2016 and launched for public consultation. Debates took place from September to mid-October 2016 and the Pillar was open for public consultation until December 2016. On 26 April 2017, the Commission presented the results of the public consultation, together with the final proposal for the European Pillar of Social Rights.

Regarding its content, the Pillar is structured around three main headings and contains core principles for equal opportunities and access to the labour market, for fair working conditions, and for social protection and inclusion. Under these three headings, 20 different policy domains were identified and summarized in key principles that could help the Euro-area countries to achieve upward convergence in the social and employment performance.

Hence, this paper analyzes the proposal through the lens of the major challenges that Europe is confronting nowadays, trying to find answers to the following questions: Does this initiative respond to the needs and challenges that Europe is facing today?; Does this initiative envisage policy avenues that encourage social convergence, that are capable of making a decisive impact on poverty, in order to reverse the threat of disintegration that faces the EU today? In achieving these goals, we will start with an analysis of the current challenges and trends that EU is facing today, so that we can approach the categories of the Pillar and mention the relationship and under what category each challenge fits.

## **2. Challenges and threats: current situation in EU (convergence / divergence in EU)**

One of the challenges that EU is facing today is the impact of the crisis on employment. There is a high heterogeneity of employment and social outcomes between Member States, with a significant gap between the highest and lowest performing country.

Among the Member States, the lowest unemployment rates, in February 2017, were recorded in the Czech Republic (3.4%), Germany (3.9%) and Malta (4.1%), while the highest rates were observed in Greece (23.1% in December 2016) and Spain (18.0%) (Eurostat, 2017). Compared to a decade ago, when the ratio of the highest to lowest unemployment rates in the EU was roughly 3 to 1 (between Slovakia and Denmark), recent figures indicate a ratio that exceeds 5 to 1 (between Greece and Germany)” (ILO, 2016).

**Table 2.1 Seasonally adjusted unemployment, totals**

	Rates (%)			Number of persons (in thousands)		
	Feb-16	Dec-16	Feb-17	Feb-16	Dec-16	Feb-17
<b>EA19</b>	10.3	9.6	<b>9.5</b>	16,685	15,656	<b>15,439</b>
<b>EU28</b>	8.9	8.2	<b>8.0</b>	21,602	20,025	<b>19,750</b>
<b>Belgium</b>	8.2	7.0	<b>7.0</b>	403	354	<b>355</b>
<b>Bulgaria</b>	8.1	6.8	<b>6.7</b>	266	220	<b>216</b>
<b>Czech Republic</b>	4.2	3.5	<b>3.4</b>	223	189	<b>181</b>
<b>Denmark</b>	6.0	6.2	<b>6.4</b>	180	186	<b>190</b>
<b>Germany</b>	4.3	3.9	<b>3.9</b>	1,836	1,687	<b>1,676</b>
<b>Estonia</b>	6.3**	6.2	:	43**	43	:
<b>Ireland</b>	8.4	6.9	<b>6.6</b>	181	152	<b>145</b>
<b>Greece</b>	24.1*	23.1	:	1 161*	1,101	:
<b>Spain</b>	20.5	18.4	<b>18.0</b>	4,681	4,175	<b>4,091</b>
<b>France</b>	10.2	10.0	<b>10.0</b>	3,011	2,962	<b>2,964</b>
<b>Croatia</b>	14.4	12.1	<b>11.6</b>	266	220	<b>209</b>
<b>Italy</b>	11.7	11.9	<b>11.5</b>	3,002	3,077	<b>2,984</b>
<b>Cyprus</b>	13.4	13.3	<b>12.9</b>	55	57	<b>56</b>
<b>Latvia</b>	9.8	9.6	<b>9.3</b>	98	94	<b>92</b>
<b>Lithuania</b>	8.0	7.6	<b>8.3</b>	117	113	<b>122</b>
<b>Luxembourg</b>	6.4	6.2	<b>6.1</b>	18	17	<b>17</b>
<b>Hungary</b>	5.9**	4.3	:	268**	199	:
<b>Malta</b>	5.1	4.1	<b>4.1</b>	10	8	<b>8</b>
<b>Netherlands</b>	6.5	5.4	<b>5.3</b>	581	482	<b>473</b>

<b>Austria</b>	6.1	5.7	<b>5.7</b>	273	254	<b>255</b>
<b>Poland</b>	6.5	5.5	<b>5.3</b>	1,125	953	<b>921</b>
<b>Portugal</b>	12.2	10.2	<b>10.0</b>	622	520	<b>511</b>
<b>Romania</b>	6.3	5.5	<b>5.4</b>	568	493	<b>489</b>
<b>Slovenia</b>	8.2	7.9	<b>7.8</b>	82	80	<b>79</b>
<b>Slovakia</b>	10.2	8.9	<b>8.6</b>	282	245	<b>238</b>
<b>Finland</b>	9.1	8.8	<b>8.7</b>	244	235	<b>235</b>
<b>Sweden</b>	7.0	6.9	<b>6.8</b>	368	365	<b>366</b>
<b>United Kingdom</b>	5.0*	4.6	:	1 649*	1,542	:

: Data not available, \* December 2015, \*\* January 2016

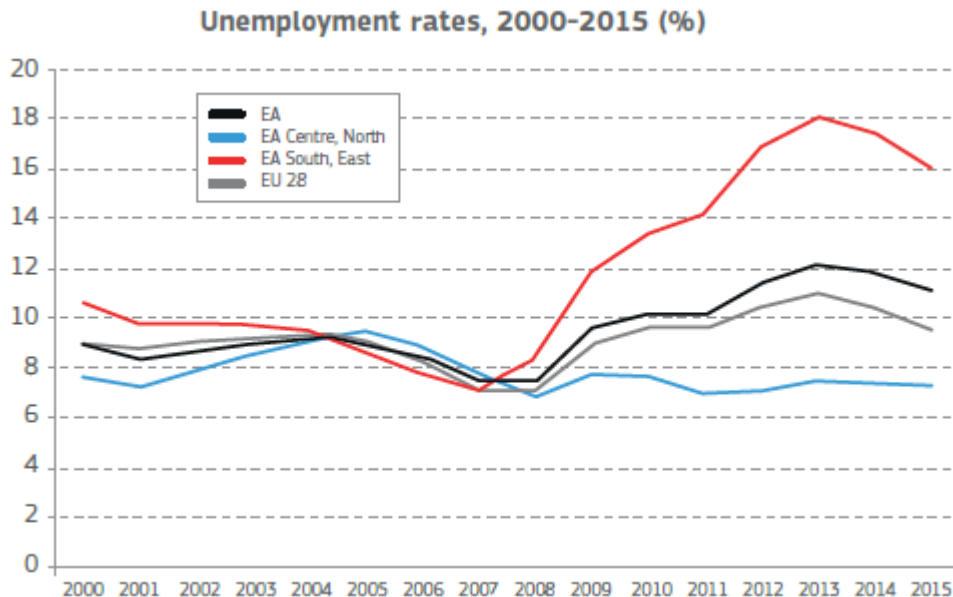
Source: Eurostat, 2017

A significant gap between countries is also registered at the youth unemployment rate, which in February 2017 was 17.3% in the EU-28 and 19.4% in the euro area. The lowest rate was recorded in Germany (6.6%), and the highest one in Greece (45.2% in December 2016), Spain (41.5%) and Italy (35.2%) (Eurostat, 2017).

What worries in this field are the high rates for long-term unemployment, “in 2015, almost half of all unemployed persons in the EU-28 (48.2%) had been unemployed for 12 months or more”. Again, there are wide gaps between countries; while the situation was bad in Greece (where 73.1% of all unemployed in 2015 were long-term unemployed people), in northern countries it accounted only for around a quarter or less (ILO, 2016). The consequences of long-term unemployment are very risky, long-term unemployment being dangerous in the way that it leads to low employment opportunities, skills erosion, lower earning potential, and it increases the lifetime risk of poverty and social exclusion. Arulampalam, Gregg and Gregory (2001) underline the connections between unemployment and future wage penalties, emphasizing that unemployment also brings a depreciation of skills during interruptions of employment. They mention that there is evidence that interruptions to employment “inflict a longer-term ‘scar’ through the increased future incidence of unemployment and lower subsequent earnings in employment”. The effects of long-term unemployment will be damaging in the way that they exacerbate lifetime inequality, bringing the individual in the state of risk of poverty and social exclusion (Arulampalam, Gregg, and Gregory, 2001).



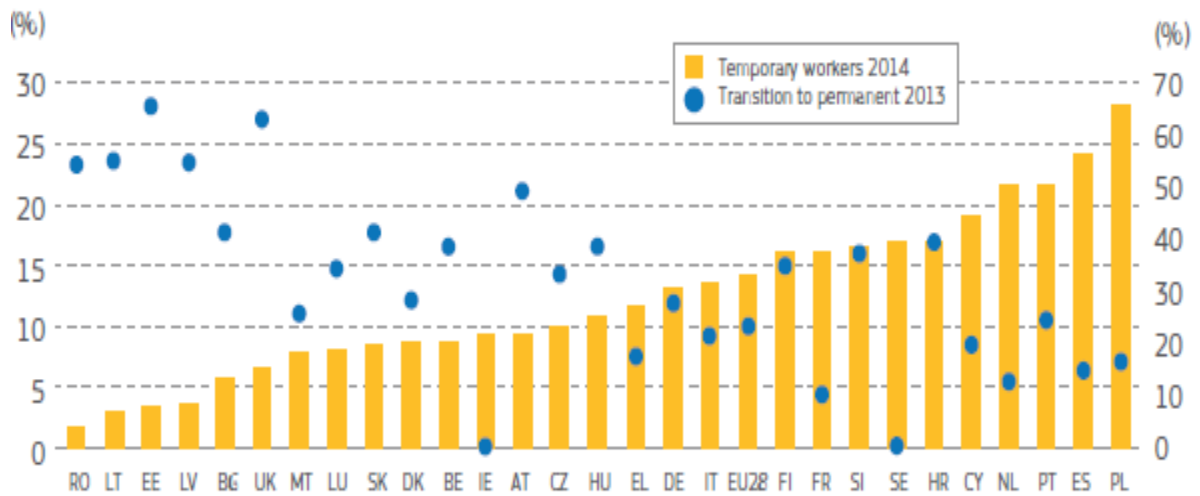
In the Euro-area, the impact of the economic crisis has been profound, persistent divergences in unemployment in the Euro-area being registered: “The unemployment gap between least and most affected countries increased from 8 percentage points during the crisis to 20 percentage points in 2015.” (EC, 2016b)



Source: European Commission (2016), *Towards a European Pillar of Social Rights. European Pillar of Social Rights: Key economic, employment and social trends*

Besides unemployment, structural changes in the labour market have been reflected in an increase of non-standard forms of employment and new labour market characteristics. These changes are mainly the result of the intensification of new technologies and the decline in the employment share of middle-skilled. As a consequence, new types of employment contracts have emerged in the EU recently, contracts that may include temporary employment, temporary agency work and other contractual arrangements involving multiple parties, ambiguous employment relationships, and part-time employment (ILO, 2016). These new forms of employment, these precarious work arrangements and new forms of work with zero-hours contracts, ask for a legal clarity on workers' status and employers' responsibility, mainly because they are used as means of avoiding taxes, social security obligations and decent wages, and prevent workers from exercising legal rights (EESC, 2016).

## Share of temporary contracts and transitions from temporary to permanent



Source: European Commission, *Towards a European Pillar of Social Rights. European Pillar of Social Rights: Key economic, employment and social trends*

Moreover, a lot of these non-standard forms of employment are involuntary. While part-time work was estimated at nearly 20% of employment in the EU-28 in 2015, nearly 30% of these part-time workers were on an involuntary basis. Inside the EU, the trends are very divergent. On one side, “in southern Europe, the share of part-time work that is involuntary is considerable, estimated at 73% in Greece, over 60% in Italy and Spain and over 50% in Portugal in 2015”, while “in Eastern Europe, it was also relatively high, at 61% in Bulgaria and 59% in Romania”. On the other side, “in countries such as Austria, Germany, the Netherlands and the United Kingdom involuntary part-time employment was lower, ranging from 12% to 17% in 2015” (ILO, 2016).

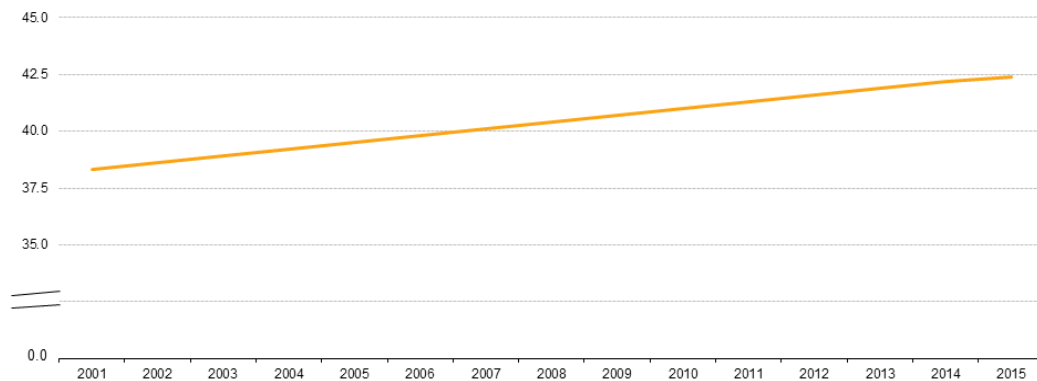
The consequences of these non-standard forms of employment are very diverse. The International Labour Organization shows that “while having a flexible work-force may help firms to address demand fluctuations, and helps workers to cope with their work-life balance, non-standard forms of employment raise several challenges, including limited earning potential, low job security and poor access to on-the-job training” (ILO, 2016).

Labour market characteristics had also changed because of the process of digitization. Technology and digitally powered automation “are producing long-term shifts in occupations, with half of EU jobs at risk of automatisisation” (EC, 2016b). The opinion of

specialized organizations is that “the impact of these developments on the labour market and standards, economy, tax and social security systems and on the living wage must, therefore, be carefully assessed” (EESC, 2016). Because these changes that are occurring in the world of work are many and multi-faceted, we must find ways to prepare workers, to ensure secure transitions between jobs, between statuses and from unemployment to employment, as well as we have to smooth the transition from education to work, for the whole workforce (EESC, 2016). The European Economic and Social Committee had already recommended that the European Commission, the Organization for Economic Co-operation and Development and the International Labour Organization “should work together with the social partners at all appropriate levels and wider civil society organisations, to develop appropriate provisions on decent working conditions and the protection required to take account of new forms of work (such as online work, the gig and sharing economies)”. (EESC, 2016)

Among the challenges that Europe is facing, demographic ageing is likely to be of major significance in the next decades. Statistics show that the shape of the EU’s age pyramid will suffer transformations because of consistently low birth rates and higher life expectancy. More precisely, the proportion of people of working age in the EU is shrinking, while the number of people retired is increasing. The median age of the EU-28’s population was 42.4 years on 1 January 2015, which means that half of the population was older than 42.4 years, while half was younger. Across the EU Member States the median age ranged between 36.4 years in Ireland, where it registered the lowest median age, and 45.9 years in Germany. The median age in the EU-28 increased between 2001 and 2015 by 4.1 years, rising from 38.3 years to 42.4 years. Romania registered an increase in the median age by 5.5 years during this period, while in countries such as Lithuania, Portugal, Greece and Germany the median age increased by more than 4.0 years (Eurostat, 2016).

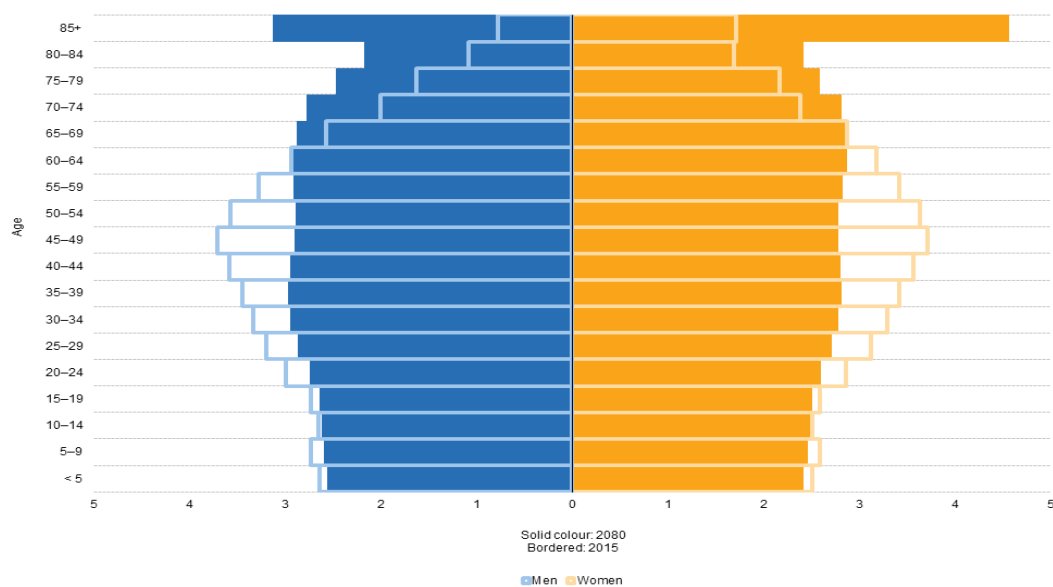
### Median age of population, EU-28, 2001-2015



(\*) 2009, 2011, 2012, 2014 and 2015: break in series. 2014 and 2015: estimate, provisional.  
Source: Eurostat (online data code: demo\_pjanind)

Source: Eurostat, 2016

### Population pyramids, EU-28, 2015 and 2080 (% of the total population)



(\*) 2015: provisional; estimate. 2080: projections (EUROPOP2013).  
Source: Eurostat (online data codes: demo\_pjangroup and pro\_13npms)

Source: Eurostat, 2016

Another issue included in the set of challenges faced by the European Union is the dangerous trend of growing social inequality between and within the member states. We

are now living in a Union with persistent inequalities among the citizens and very high rates of poverty. According to Eurostat data, in 2015, 118.7 million people, or 23.7% of the population in the EU-28 were at risk of poverty or social exclusion (AROPE). These people were at least in one of the following conditions: at risk of poverty after social transfers (income poverty), severely materially deprived or living in households with very low work intensity.

**Table 2.2 People at risk of poverty or social exclusion by age and sex in EU (in thousands)**

Year	2010	2011	2012	2013	2014	2015
<b>Total</b>	117,678	120,667	123,614	122,703	121,897	118,820
<b>Men</b>	54,772	56,209	57,855	57,705	57,447	56,279
<b>Women</b>	62,906	64,458	65,759	64,998	64,451	62,541

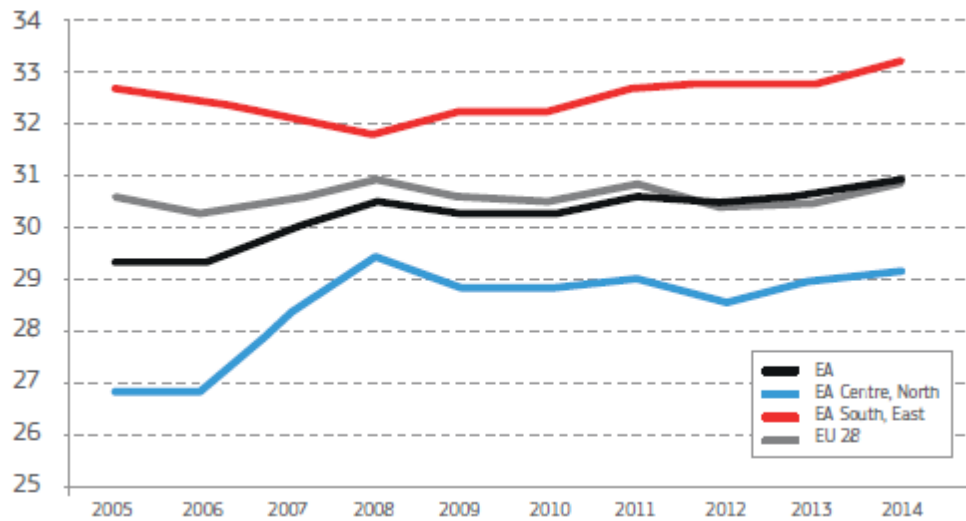
Source: Eurostat (2017), *Population at risk of poverty or social exclusion by age and sex*, (<http://ec.europa.eu/data/database>), 16 February 2017

The indicators show that Romania, Bulgaria, Greece, Latvia are the countries with the highest rates of at-risk-of-poverty or social exclusion, data confirming considerable variations between EU Member States. In 2015, more than a third of the population was at risk of poverty or social exclusion in Bulgaria (41.3%), Romania (37.3%), and Greece (35.7%), while at the other end of the scale, the lowest shares of persons being at risk of poverty or social exclusion were recorded in Finland (16.8%), the Netherlands (16.4%), Sweden (16.0%), and the Czech Republic (14.0%) (Eurostat, 2016).

The International Labour Organization emphasizes this trend of income inequality among the member states, showing that in 2014, “the median incomes of EU countries ranged from around 4,000 purchasing power standard (PPS) in Romania to 28,000 PPS in Luxembourg; this corresponds to a Gini coefficient of equivalized disposable income of around 30.9 (on a scale of 0 to 100, where 100 denotes maximum inequality) for the EU-28 as a whole; the lowest levels of income inequality were observed in Slovenia (with a Gini coefficient of 25.0), followed by Czech Republic (25.1) and Sweden (25.4); in contrast, the highest levels of inequality were observed in Estonia (35.6), Latvia (35.5) and Bulgaria (35.4).” (ILO, 2016)



Disposable household income, level of inequality, 2005-2014 (Gini coefficient)



Source: European Commission, *Towards a European Pillar of Social Rights. European Pillar of Social Rights: Key economic, employment and social trends*

One of the causes of these variations among member states is considered to be the growing polarization between well paid and low paid jobs, which brought an increased in income inequalities among European households (EC, 2016b). Also, we have to look at part-time employment opportunities and women labor force participation on the EU labour market. The literature on part-time employment and women shows a wide range of part-time employment rates in the EU-27 from 2.3% in Bulgaria to 48.3 % in Netherlands. Women's proportion working part time is different that the men's counterpart and it has also been observed in the Southern European countries such as Italy (28%) and Spain (23%) for women and 5.1% and 4.9% respectively for men (Cuesta and Carcedo 2014). Part time employment workers are at disadvantage compared to full time workers in terms of access to training (Lyonette et al. 2010). Women in part time jobs face the challenge of reduced the ability to compete in the labor market on an equal foot with men.

So, Rubbery (2015) argues for integrating gender perspective into policy programs with the need for policymakers in the EU to increase women employment and provision of childcare. Current policies to encourage single mother back into the labor force seem to neglect the double burden of work and child care. Another area that could close the gaps between gender inequality is the promotion of women business entrepreneurs and

supporting the areas that may promote the development of entrepreneurship among women in EU (Grundey and Sarvutyte 2007).

At last, we cannot ignore the economic disparities between the member states and the economic decline at EU level. The GDP, the principal aggregate for measuring economic developments or growth, displays wide disparities across the EU. Eurostat data show that there were five regions where GDP per capita in 2014 was more than double the EU-28 average, the highest level of GDP per capita in the EU being recorded in Inner London–West. Nearly all of the 21 regions in the EU where GDP per capita was less than half the EU-28 average were located in Eastern Europe (Eurostat, 2016). The countries with the lowest income levels within the EU-28 are Bulgaria and Romania, the GDP in these two countries being less than a quarter of the EU average (ILO, 2016). For these reasons, the welfare systems and income support “should guarantee a decent standard of living for all, including employed, elderly and disabled people; good public services must give access to child and elderly care, transport, healthcare and housing.” (ETUC, 2016)

### **3. Merits and shortcomings – the relevance of the Pillar in today context**

The European Pillar of Social Rights is structured around three main headings or categories (equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion), and includes principles that are grouped according to 20 policy domains, seen by the European Commission as being essential for well-functioning and fair labour markets and welfare systems. Hence, after discussing the challenges that Europe is facing today and emphasizing the divergent trends between Member States regarding unemployment, demographic ageing, income inequality and economic growth, we consider of high significance to analyze each category of the Pillar and to establish the relevance of each in today context, so that we may conclude that either the Pillar is responsive to the current needs and is a framework for upward convergence in the euro-zone, or, on the contrary, it lacks substance and includes simple rephrases of existing legal provisions that reformulates social rights in a market-compatible way, like some authors pointed out (Lörcher and Schömann, 2016; Seikel, 2016).

#### *a) Equal opportunities and access to the labour market*

One of the big challenges that EU is facing today, argued in the first part of the paper, is the crisis in the labour market. Member States are trying to deal today with the issue of unemployment and with the changes of work patterns which take a very heavy toll on individuals and society by bringing poverty, income inequality, skill erosion, insecurity and a segmentation of the labour market. The link between unemployment and the incidence of poverty and social exclusion was already emphasized by researchers (Corcoran and Hill, 1980). More recently, Cuesta and Carcedo (2014) studied the link between part-time employment and labor market segmentation. They used survey data for the 5 representative EU countries in terms of part-time employment: Denmark, France, Italy, Netherlands and Spain, and among the findings is that there is a labor market segmentation with primary segment full-time jobs and secondary segment the transition between no-employment and part-time jobs. The authors found a positive relationship between the number of household members and the presence of children under age of 12 and non-employment for women in France, Italy and Spain. For the rest of the countries no such correlation has been found. So, from the perspective of part-time employment, the policymakers should promote equal opportunities between these two groups in terms of employment stability in order to achieve equality and reduce labour market segmentation (Cuesta and Carcedo, 2014).

In such conditions, it is welcomed that the European Pillar of Social Rights includes a first category of principles that approach education, training and lifelong learning, gender equality, equal opportunities, and active support to employment. Hence, the Pillar establishes the right to quality and inclusive education, training and life-long learning for everyone, equality of treatment and opportunities between women and men in all areas, the right to equal treatment and opportunities to employment, social protection, education and access to goods and services, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, and the right to assistance and support for the assurance of a good-quality offer of employment or to transfer social protection and training entitlements during professional transitions.

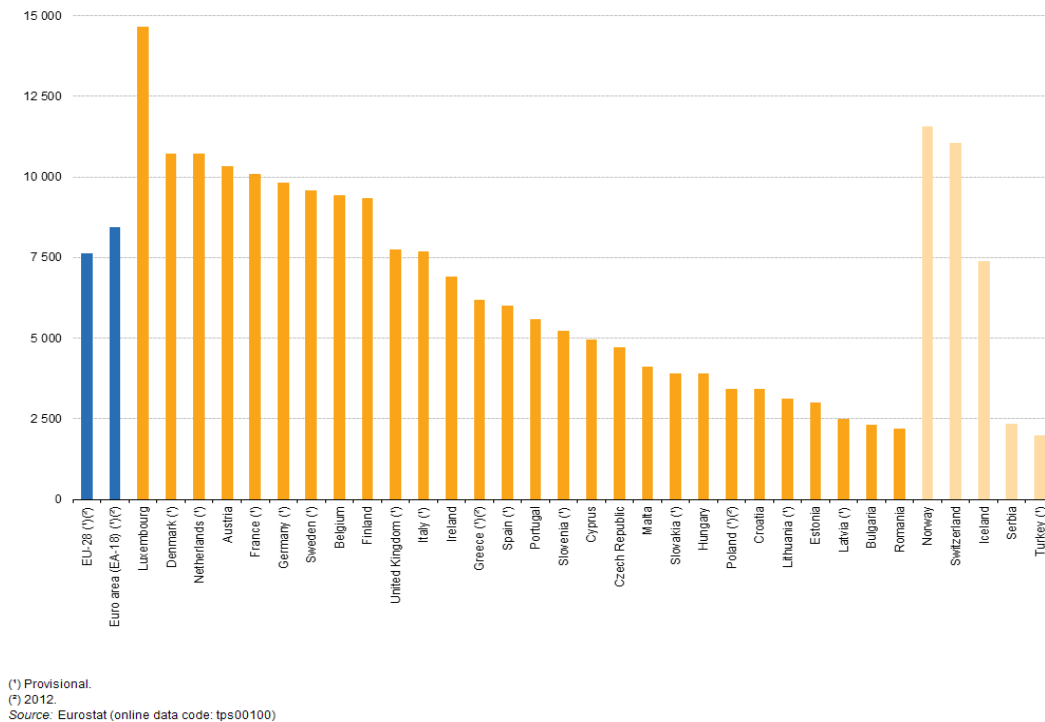
In our opinion, all these principles responds somehow to the current needs of the labour market encouraging a full participation of people in society and a successful transition in the labour market. Problems such as long-term unemployment and youth

unemployment are seen as solvable through adequate and targeted support offered in a short-time after leaving education or getting unemployed to those who try to enter or re-enter work. The support for young people may consist in the form of good-quality offers of employment, continued education, apprenticeship or trainings, while the long-term unemployed have the right to “an in-depth individual assessment at the latest at 18 months of unemployment” (EC, 2017b). The problem of demographic ageing is dealt by encouraging active participation in society and employment, while life-long learning can provide for a smooth adaptation of low skilled young people and working age adults to technological transformations that take place currently on the labour market. The Pillar approaches the issue of gender equality in the labour market and education by supporting equal treatment in all areas, addressing barriers to women’s participation and preventing occupational segregation.

One general question arises on how these principles will be put in practice, being unclear from the content how exactly they will be realized, and what the form of action would be. Despite the fact that the principles touch the issues of equal opportunities and access to the labour market, putting on the agenda the current challenges that we are facing, they deal with these challenges in a broadly manner. The Pillar is just defining general actions like ensuring equal treatment, equal opportunities, the right to timely and tailor-made assistance, raising awareness, addressing discrimination, but it does not specify how will be implemented and promoted at national and European level. Who will assure the assistance of unemployed people, how these services will be offered by the national governments, are concerns that arise, taking into consideration that social policy is supposedly a Member States competence and that there are high differences between countries regarding levels of social and employment protection, social investment, and amounts of public resources allocated to social policies and services. The next graph is highlighting such differences, by presenting the expenditure on social protection per inhabitant in each Member State, registered on 2013, using the purchasing power standard (PPS). The highest level of expenditure on social protection per inhabitant in 2013 was registered for Luxembourg (14.7 thousand PPS per inhabitant), followed by Denmark, the Netherlands, Austria, France, Germany, Sweden, Belgium and Finland where social protection was more than 9.0 thousand PPS per inhabitant. By contrast, expenditure in

Latvia, Bulgaria and Romania was 2.5 thousand PPS per inhabitant or less. These disparities between countries are partly related to different levels of wealth, but may also reflect differences in social protection systems, demographic trends, unemployment rates and other social, institutional and economic factors (Eurostat, 2016).

### Expenditure on social protection per inhabitant, 2013 (PPS)



Source: Eurostat, 2016

This lack of clarity over implementation had been previously expressed by the European Anti-Poverty Network in their Position Paper, through questions like: how will the rights be made a reality and who will deliver them; how will the issue of subsidiarity be dealt with; and how will upward convergence be promoted and by what processes (EAPN, 2016). Despite the fact that these observations were made in 2016 with reference to the preliminary outline of the Pillar, the final proposal of the Pillar, published on 26 April 2017, does not provide complete answers.

However, comparing the preliminary outline of the Pillar with the final proposal published lately, we notice some improvements. Particularly, a critical analysis of the preliminary outline of the Pillar made by Lörcher and Schömann stated that the principles



expressed in the outline needed qualification concerning the standard required, the authors proposing, for instance, a reformulation in terms of right to quality lifelong Learning and vocational training (Lörcher and Schömann, 2016). The final proposal of the European Pillar of Social Rights is addressing those principles in terms of rights, by stating that “everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market” (EC, 2017b).

On the other hand, Lörcher and Schömann (2016) showed concern regarding the active support to employment given to young people, which appears to be identical to the existing legislation on the youth guarantee, but less protective by not specifying the need for working conditions appropriate to the youth age. Unfortunately, the final proposal does not address this omission.

*b) Fair working conditions*

The second set of principles configured by the European Pillar of Social Rights refers to fair working conditions, with the aim to offer additional care to new forms of flexible employment and to avoid the unawareness of rights or the unclear information, to avoid abuses, and uneven enforcement of the rules in place. In so far, this category sets rights regarding conditions of employment, wages, health and safety at work, work-life balance and social dialogue. So, it is stated the right of equal treatment regardless of the type and duration of the employment relationship, the encouragement for innovative forms of work, entrepreneurship and self-employment, and the prevention of those employment relationships that lead to precarious working conditions. The workers have the right to be informed in writing about the rights and obligations derived from the employment relationship, at the start of employment, and in case of probation period the duration of it shall be reasonable and any dismissal of a worker should be motivate it and preceded by a reasonable period of notice. Positively, we have to notice over here that information regarding rights and obligations should be given in a written form to every worker at the start of employment. Until now, the Directive 91/533/EEC adopted by the Council of the European Communities on October 14, 1991 stated that the employer had the obligation to inform employees of the conditions applicable to the contract or employment relationship

through a written document, not later than two months after the commencement of employment (Council Directive 99/533/EEC, 1991; Lörcher and Schömann, 2016).

Flexible working arrangements are provided for employers to adapt to changes in the economic context, but only in accordance with legislation and collective agreements, and for parents and people with caring responsibilities, considered to be solutions for assuring a work-life balance and for a reconciliation of family and professional life.

Moreover, the Pillar establishes that employers should ensure an adequate level of protection from risks that may arise at work and should ensure fair wages that provide for a decent standard of living, underlining that “in-work poverty shall be prevented” (EC, 2017b). These remarks, of fairly remunerated employment which enables a decent standard of living and the set of adequate minimum wages want to re-enforce the idea expressed by the Commission’s President that a minimum wage should exist in each Member State, so trying to cover the issues of ‘grey zones employment’ and to tackle the incidence of in-work poverty.

One shortcoming, in our opinion, was the general approach of the preliminary outline of the Pillar regarding the working conditions, which addressed the issue of wages, health and safety conditions without making reference to other forms of employment which can harm the well-being of a worker. The literature in this field includes, for instance, studies on over-qualification, a form of underemployment where people have more skills or experience than required for a job, which is exacerbated by poor job design, especially by a lack of job autonomy (Wu et al. 2015). Wu et al. (2015) used data for 2010 European Working Conditions survey to analyze over-qualification for selected nine European countries representing distinct cultures: Sweden, Denmark, Netherlands, UK, Portugal, Turkey, Estonia, Lithuania, and Latvia. The results suggest that job autonomy may be a good strategy to mitigate the negative effects of over-qualification on the well-being of the workers and thus there will be positive beneficial role of job design. The final proposal of the Pillar brings improvements in this field, in the way that provides for the workers’ right “to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market” (EC, 2017b).

In the second category of principles, the Commission also urges for the consultation and the engagement of social partners at EU and national level in designing and

implementing the economic, employment and social policies and encourages collective agreements. Also, information and consultation in case of collective redundancies, transfer, restructuring or merger of undertakings should be ensured for workers or their representatives.

*c) Social protection and inclusion*

One high priority of the European Union is poverty and social exclusion, article 151 of the Treaty on the Functioning of the European Union setting proper social protection and combating of exclusion as objectives of the Union and the Members States. But the responsibility for the social policy lies primarily with national governments, in accordance with the principle of subsidiarity, being considered that it is implemented more effectively at the level of the member states. So, there is a shared competence between the Union and the Member States in regard to the social policy, the role of the Union being only to complement and support the actions of the individual countries.

Despite the struggle of the European Union for achieving a lower risk of poverty and social exclusion, analysis show that the effectiveness of the EU social policy in the field of poverty and social exclusion does not register good results, the level of poverty and social exclusion falling below the EU target, since every 5<sup>th</sup> EU citizen is at risk of poverty and social exclusion (Peciak and Tusinska, 2015). Moreover, Marerro and Rodriguez (2012) used data on the EU survey of income social inclusion and living conditions for 2005 and estimated the inequality of opportunities for the 23 EU countries. Their findings showed that Nordic, Continental and some Eastern countries are low inequality of opportunities countries, while Mediterranean, Atlantic and some Eastern countries are high inequality of opportunities countries. Among challenges in the agenda of inequality – opportunities analysis is the understanding of the main factors (such as institutional, political, or cultural) behind such countries differentials (Marerro and Rodriguez 2012).

In dealing with these issues and challenges, the European Commission integrated in the Pillar of Social Rights a third chapter that contains principles regarding social protection and inclusion. Trying to overcome, in the first place, the problem of the effectiveness of social policy, explained by the lack of integrated benefits and services, the preliminary outline of the Pillar mentioned that the “social protection benefits and services

shall be integrated to the extent possible”, the key to effective support being “a three-fold alignment between social benefits, active support and social services” (EC, 2016a).

In addition to integrated social benefits and services, taking into consideration that demographic ageing, rising longevity and a shrinking working age population are also challenges that bring high costs of treatments and a high pressure on the financial sustainability of health and pension systems, the final proposal of the Pillar does provide for healthcare, pensions, unemployment benefits, minimum income, disability, long-term care, childcare, housing, and access to essential services. Even so, the financial sustainability of health systems and the universal access to high quality can increase social cohesion, but still remains a challenge. Pensions, on the other side, shall ensure an adequate income at retirement age for all persons, but still there is a high gender pension gap in most countries, with women’s lower earnings leading to lower pension contributions and lower entitlements. For this reason, the preliminary outline of the Pillar proposed that the “pension systems shall strive to safeguard the sustainability and future adequacy of pensions by ensuring a broad consultation base, linking the statutory retirement age to life expectancy and by closing the gap between the effective retirement and statutory retirement age by avoiding early exit from the labour force” (EC, 2016a), but this would also lead to later retirement, or, as Lörcher and Schömann (2016) emphasizes, to an assault on pre-retirement policies.

The minimum income benefits shall be ensured for all persons that lack sufficient resources for a decent standard of living, in terms of the Pillar, but with an emphasis on the link between active support and social services for those of working age, in order to encourage labour market integration/re-integration. Lörcher and Schömann (2016) criticized the preliminary outline of the Pillar, considering that the condition of participation in active support is a very important restriction of the right, so it should not be retained in the content of the Pillar. Therefore, the final proposal enshrined the right to adequate minimum income for everyone lacking sufficient resources, with the indication that for those who can work, the benefits should be combined with incentives to (re)integrate into the labour market.

We highly agree that the Pillar provides for inclusion of people with disabilities with the specific mention that the work environment should be adapted to their needs.

Also, the Pillar enshrines the right of the children to be protected from poverty and the right of everyone in old age to resources that ensure living in dignity, taking into consideration that children and old-age persons are facing a higher risk of poverty and social exclusion. Also, the access to social housing or housing assistance and the access to essential services are new principles enshrined in the Pillar on the basis that the lack of adequate housing forms a barrier for labour mobility, for an independent living and a fulfillment of life plans, while the lack of essential services (such as sanitation, energy, transport, financial services) does not assure the full social inclusion and equal opportunities for all people.

#### **4. Conclusions**

As a conclusion, the Commission's initiative under the form of the European Pillar of Social Rights, followed by a lot of reactions and concerns regarding its content, its legal nature, and its implementation, raised our own interest and desire to search for answers to disputed questions.

We consider on one side the authors who criticize the preliminary initiative, stating that either the Pillar does not include social rights as expected, as the name of it suggests, and that it includes only guidelines and principles, some of them being more concrete specifications, simple repetitions or rephrases of existing legal provisions (Seikel, 2016), or that the Pillar doesn't have a clear legal nature, most probably being not intended to be enshrined in the EU primary law, so not having the power to enforce rights in court (Poulou, 2016). As a result, the European Commission declares that the principles and rights enshrined in the Pillar are not directly enforceable, requiring a translation of them into appropriate action or legislation, the Pillar being presented in the form of a Recommendation, its implementation being primarily the responsibility of national governments, of public authorities and of social partners (EC, 2017a).

Also, there are concerns that refer to the fact that the principles proposed in the outline of the Pillar are suggested to serve firstly to traditional aims of economic policy, such as fiscal sustainability and economic competitiveness, than to social objectives such as equity, accessibility or quality of social services which should be the foster elements of the EU's social dimension, thus the Pillar "treats social policy as subordinate to economic



policies” (Poulou, 2016). Similar statements appear in texts delivered by specialized organizations, experts and committees who affirm that the Pillar lacks ambition and clarity over implementation, gives priority to macroeconomic objectives instead of poverty and social exclusion, and fails to distinguish between policy means and social ends (EAPN, 2016; EESC, 2016; ETUC, 2016).

Another main issue of disapproval is that the Pillar is addressed only to the Euro-zone, so it needs further clarification on why will it be applied only to the Member States of the Euro-area and other member states who want to join it and how this will be done. Related to this, there are many questions not answered yet. Why the common currency is the criterion used for deciding the focus of the Pillar? Is this an economic rationale? Why does the Pillar leave the initiative open to other member states on a voluntary basis, in comparison to other legal documents which are binding on the European Union as a whole? Could this lead to further increased intra-EU migration towards countries with better social welfare provisions? Will this also increased divergence across EU? Will it foster a two-speed Europe? How the risks of becoming a two-speed social Europe will be avoided? We do believe that such an initiative envisaged to create a more Social Europe but applied only to countries in the Euro-area will actually bring disparity, will lead to higher inequalities and social dumping, will end up in creating a two-speed European Union. We proved that differences and divergences are present nowadays among countries, and we emphasized this through studies and statistics in the first part of the paper, so we ask ourselves what good can deeper differences bring.

On the other side, our analysis is highlighting the positive aspects of the Pillar. Such as, the Pillar is perceived as an opportunity to “underline the qualitative differences between economic and social policy and to disprove the conviction prevailing in post-crisis economic governance that the collapse of the distinction between fiscal goals and social policy is irreparable” (Poulou, 2016). Also, the Pillar contains progressive approaches, ensuring the equal use of leave arrangements by parents, addressing the gender pension gap, and emphasizing the growing importance of long-term care as well as of ‘essential services’ (Seikel, 2016). In our opinion, the principles of the Pillar touch the issues of equal opportunities and access to the labour market, the need for social protection and

social inclusion, putting on the agenda the current challenges that we are facing, but it deals with some of these issues too generally, too broadly.

Hence, we consider that in order to reverse the threat of disintegration that EU is facing today we need more concrete actions and measures, a higher priority given to social protection, more security in the labour market, a higher importance given to social investment and social innovation, and a universal application of the rights, principles, and actions to the EU as a whole.

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**VULNERABILITY OF HEALTH SYSTEMS:  
LEGAL VERSUS ETHICAL PERSPECTIVE.  
COMPARATIVE APPROACH HUNGARY AND ROMANIA**

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“The idea of the protection of vulnerability can ... create a bridge between moral strangers in a pluralistic society, and respect for vulnerability should be essential to policy making...” (The Barcelona Declaration]

**Abstract:**

*The concept of vulnerability is inscribed in the universal specificity of human condition. On the one hand, it expresses human limits and frailty; on the other hand, it represents moral and ethical action principles. Vulnerable persons are those whose autonomy, dignity and integrity are being threatened (Barcelona Declaration, 1998).*

*We propose a comparative analysis of vulnerability in the access to health services in the framework of the health systems reforms from Romania and Hungary, as of 2012. From a methodological point of view, the legal framework is critically analysed (situate ourselves in the paradigm of critical analysis). We use content analysis of the main law texts from the two national contexts. The association between health and politics happens when the health associated risks are shared in the name of solidarity. Thus, the state presents itself as managing health and, indirectly, individual health. Health policies become a necessity. Or, in this management process, through politicizing the health system, medical practice becomes directed from outside in a bureaucratic way, for the worse of the true beneficiaries of health policies and makes the population become vulnerable.*

**Keywords:** vulnerability, legal framework, principles, health insurance, vulnerable people



## 1. Introduction

Since 1990, the reforms that began in the countries of Central and Eastern Europe have redefined the fundamental role of the state in all sectors (economic, social, and political). This redefinition involved, at least in terms of intent, an orientation and a more efficient allocation of resources through market mechanisms, greater institutional freedom following gradual decentralization of responsibilities and organization. The transition to market economy was accompanied by a series of oscillations in choosing the options in terms of economic and social policy. Their coherence and consistency also influenced the stability, performance and extent of the healthcare reforms.

The literature considers that the economic liberalization, the citizens' possibility to choose their physician and the health insurance agency and the rejection of the communist model are the main issues that have activated and marked the developments in the health systems in the countries of Central and Eastern Europe after 1990 (Roemer, 1993; Barr 1994; Precker and Feachem 1995; Zarcovic, Enăchescu, 1998; Dobrossy, Molnar, 2004).

Most governments have introduced *a new legal framework for the recognition and regulation of the private medical sector* (property and provision of private services), activities of the health professionals' union, *decentralization of the decision making process*, and last but not least *regulation of the health insurance system*.

As related to the reform of the healthcare system, both Romania and Hungary, chose the shift from the centralized Semascko model to the Bismarck model, although inland specialists in both countries pleaded rather for the Beveridge model (Ferge 1991; Enăchescu and Vlădescu 1997). In the case of health care and providing health care, as well as in other sectors, we needed incentives so that the individuals become more aware of their own health, development of competitive markets to improve the efficiency of the services provided and management decentralization, meaning the increase of the responsibilities of the suppliers depending on the local needs of the users.

The change of the financing method of the health care systems in the two countries was achieved in order to overcome the common challenges of the health care systems in the two countries: lack of financial resources, poor infrastructure, low salaries for medical staff, general dissatisfaction with the system, poor health of the population, inefficient organization (Ferge 1991; Zarkovic and Enăchescu 1998; Popescu 2004). The changes

raised high expectations among the population, both in Hungary and in Romania, but the developments in the two contexts show that sometimes legislative changes rather made vulnerable certain categories of population, especially affecting their access to health care and freedom of choice by restricting options.

Vulnerability draws attention to political, social, legal and cultural contexts that spawn exclusions and deprivation, and communal and inter-personal spaces that encourage subordination, neglect and discrimination (Allotery and al. 2012).

The roots of most health inequalities and of the bulk of human suffering are social: the social determinants of health (WHO 2012). If in the sociological literature, social vulnerability is often associated with marginalization and social exclusion (Cojocaru 2005), as related to health, vulnerability refers to the risk factors involved in the etiology of various diseases - biological, genetic, and also social and economic ones, facilitating, or on the contrary, jeopardize the access to health care services (Eckenfels 2002:179-183; Shi and Stevens 2005:148-154). Vulnerability may be also seen from a gradual perspective. Tacitly, any hierarchy in the access to health is vulnerable (Eckenfels 2002). To that effect, we may speak of "vulnerability factors". The studies undertaken for this purpose operationalized the concept of vulnerability using as profile the combination of predisposing risk factors (e.g. ethnicity), access permissive factors (income, health insurance, regular source of medical care), which were associated with the access to health care (Shi, Stevens, 2005). The concept of vulnerability is part of the universal human condition specificity. On one hand, it expresses the human limits and fragility, on the other hand it is a moral and ethical action principle (P. Kemp and J. D. Rendtorff 1998).

In this analytical approach, we refer to vulnerability as a moral and ethical principle of action in the field of health policy. Thus, vulnerability works integratively, along with the other basic principles of bioethics and European legislation in order to promote solidarity, non-discrimination and social justice in health care systems.

Accessibility to health care is considered optimal if everyone is assured access to health care services, if there is great freedom of choice among various providers of health care services and even various payers that should be good enough for the options and possibilities of population, if there is continuous information related to all providers of medical care and these groups participate adequately in the organization of the health care

system. Equity in accessing health care services is an essential argument to explain equity in health as appropriate redistribution mechanism, focused on the need of health.

Equity and its challenges for health policy, inherent for a coherent social security system which should guarantee individual and collective well-being include: health equality, equality in access to health care, equality of free choice of the physician, equality related to the patients' rights, equality in funding (WHO 2008; European Commission 2010; Pascal 2003).

Equal access implies services available for everyone and a correct distribution at a territorial level, based on health care needs, and also removing barriers to access. Moreover, universal access to health care (WHO 2008; WHO 2010; Raphael 2008); Barcelona Declaration states among other things that each state should have a national health care system based on the principle of social insurance. Moreover, such system reviews the role of the individual in the medical care system. The individual is present in triple roles: service user, insured person, citizen (Satman and Figueras 1997; den Exter and van des Kraan 2004). In fact, this reconsideration of the role of the individual makes the policy-makers and health care providers more responsible to better inform the public, but, at the same time, it also makes the individual more responsible as related to affiliation at the system, rational use, responsibility related to their own health. Therefore, the health system becomes the ensemble of all synergistic actions of three groups of actors: population, service delivery and policy-makers responsible for drafting legal regulations, which generate the legal framework for conducting medical activities, with the administrative and financial organization of the health care system.

In the context of the two countries, may we speak about the users as active participants? Are all categories of individuals protected as a result of the regulation of the public and private health care insurance system or does the protection remain in the phase of intent? Are the principles based on which the security system works functional? These are just a few of the questions we would like to answer in this analytical approach.

## **2. Aim and Methodology**

This analytical approach aims a comparative analysis of the vulnerability in accessing health care services in the context of health care system reforms in Romania and Hungary, in 2012.

Our methodological option is located in the paradigm of methodological criticism. We use the content analysis of the main legal regulations in force for the organization and operation of the health care systems in the two countries, and also different data sources (literature, reports of previous research, health insurance legislation, regulations associated with health care system).

We analyze the vulnerability in relation to the access to health care, from the point of view of the principles based on which health insurance systems work in both countries. We define vulnerability from the legislative perspective and in relation to the categories of population that are protected as a result of the regulation of the public / private health insurance, but also in relation to those who are not actually protected, although in the legislative intent, they seem protected. For example, in Romania, the payment of non-contributory social assistance is suspended if the beneficiaries fail to pay local taxes during the first three months of the year; or, for example, the suspension of the income support is equivalent to losing the quality of insured in the public health insurance system. We wonder if this responsibility of the individual is needed, while other citizens, who pay contributions, may choose to pay their local taxes until the end of the year, even if penalties are added.

We consider vulnerable persons those who have limited access to health care services base on the organization and functioning of the health care system. On the other hand, we also consider vulnerable persons those whose autonomy, dignity and integrity are threatened (Barcelona Declaration 1998).

We are making a synthetic summary of the key moments of the health care reform developments in the two countries. We also analyze the present intentions regarding legislative changes in both countries, trying to anticipate the effects from the perspective of the access ethics of vulnerable groups to health care services.

The thematic analysis units for the legislative framework are: operation principles, categories of insured (with or without payment of the contribution), and conditions for the

affiliation to the system and the possibility of using the system effectively, legal definitions of vulnerable populations.

The context for the achievement of this analytical approach is the economic crisis in the European Union, which certainly requires a range of responses as related to the national health care policies.

### **3. Results and discusses**

#### **A. Hungary**

##### ***Principles, patients' rights***

In Hungary the basic principles and the objectives of the health care system are either set explicitly in various law, regulations and policy documents<sup>1</sup>, or implicitly by the actions taken by the government. With the adoption of the new Basic Law of Hungary<sup>2</sup> in April 2011 the basic principles related to right to health and right to social security have been reinterpreted. The new Basic Law states that the right to physical and mental health is a fundamental right for everyone [Article XX(1)]. According to this Law Hungary shall promote the exercise of this right by ensuring that its agriculture remains free from any genetically modified organism, by providing access to healthy food and drinking water, by managing industrial safety and healthcare, by supporting sports and regular physical exercise, and by ensuring environmental protection [Article XX(2)].<sup>3</sup> Since new Basic Law of Hungary, the various effects on vulnerable populations of the legislative changes that have been already implemented and will be implemented based on the provisions of new Law can not yet be fully evaluated, but some possible consequence will be mentioned later in this section.

Vulnerability in relation to access to health care can be best conceptualised if social determinants of health are taken into consideration both in the definition of health and in the design and implementation of health care legislation and health care policies (WHO 2010). At the level of policy intention this idea is formulated in the preamble of the Act

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<sup>1</sup>The most important policy document of the current Hungarian government is the so called Semmelweis Plan. Ministry of Human Resources. State Secretary Responsible for Healthcare.

<sup>2</sup> Basic Law of Hungary, adopted on April 2011, entering into force on 1 January 2012.

<sup>3</sup>The old Constitution of Hungary (Article 70/E) provided for the implementation of the right to health through health institutions and medical care, however this provision is missing from the new Basic Law.

CLIV of 1997 on Health according to which the system of means and resources available to health services cannot serve the promotion, maintenance and restoration of health unless completed by a social welfare system, the protection of the natural and man-made environment, together with the social and economic environment, as well as by health promoting public policies and practices.

Act CLIV of 1997 on Health sets up the general framework for health care including patient rights, the organization of the health care system, major actors and responsibilities for health care (Article 143). It differentiates between health services all citizens are entitled to without restriction (entitlement based on citizenship) and those provided based on SHI status or private contracts. According to the Act, the right to health services is unconditional only for emergency life-saving services, services that prevent serious or permanent health damage, and services that reduce pain and suffering. The Act also declares that every patient has a right to proper, continually accessible and equitable health services according to health status, which are set in a properly defined legal framework (Article 7). It also defines the rights of patients, including the right to health care provision (Article 69), to maintaining personal contacts (Article 11), to information [Article 5(3a-b)], to autonomy [Articles 5(3) and 15, 19], to free choice of physician (Article 8). To promote the protection of patients' rights Act CLIV established the institution of the patient rights representative.

The principle of non-discrimination is detailed in Article 7. Healthcare is considered free from discrimination if, in the course of delivering healthcare services, patients are not discriminated against on grounds of their social status, political views, origin, nationality, religion, gender, sexual preferences, age, marital status, physical or mental disability, qualification or on any other grounds not related to their state of health [Article 7(4)]. Under the right to human dignity, provided in Article 10 it is also included that the patient may only be made to wait on grounds and for a duration which are reasonable. The provisions on waiting lists (Article 9) are also essential elements of the equitable access to health care. It is required that the patients' order on, and selection from the waiting list to be based upon unified, controllable and published professional criteria, in a manner justified by the state of health of patients on the waiting list and without any discrimination.

Principles and objectives that influence the equitable access to health care are also formulated in social security related regulations. There are five main branches of social security in Hungary. The first two branches, pensions and health care services, are classified as social insurance. The other three branches are the unemployment insurance, the family support system and the social assistance system.

The rights of the insured persons and basic principles affecting access to health care are formulated in the Act LXXX of 1997 on Persons Entitled to Social Security Benefits and Private Pensions, as well as the coverage of these services<sup>4</sup> and Act LXXXIII of 1997 on the Services of Compulsory Health Insurance, which, along the Health Care Law are the fundamental legislative instruments on access to health.<sup>5</sup>

Act LXXX of 1997 defines social insurance as a regime for sharing risks within society among the citizens of Hungary, and other natural persons staying in the territory of Hungary in which participation is compulsory according to the regulations. The Act aims to govern the relations within the framework of the social security system in harmony with the requirements consistent with independent liability and self-support and the principles of social solidarity (Article 1). Benefits provided by the social insurance system are available through the health insurance and pension insurance systems. Health insurance benefits include: a) health services; b) cash benefits: b.a) pregnancy-maternity benefits, b.b) child-care benefits, b.c) sick-pay; c) accident benefits: c.a) emergency medical services, c.b) benefits for accident-related injuries, c.c) accident compensation d) benefits for persons with impaired work ability d.a) invalidity/disability benefits, d.b) rehabilitation benefits [Article 14(1-2)].

### ***Eligibility to health care***

In relation to eligibility to health care the law distinguishes between insured persons and entitled persons. Insured persons are employed persons, members of cooperatives, apprentices in industrial training, artisans, self-employed persons, independent farmers, performing artists, lawyers, and recipients of unemployment benefits.

The category of persons entitled for access to health care services are for example minors, schoolchildren, students studying during the day, pensioners, people on low

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<sup>4</sup> Adopted in 1997.VII.25, amended later.

<sup>5</sup> Promulgated on 25.07.1997, amended later. In original language: 1997.



incomes who have reached retirement age, those receiving cash maternity and social protection benefits, persons placed in residential institutions providing personal care and those required to pay healthcare contributions. These persons are entitled to non-cash health insurance benefits only.

Since there is no exemption from compulsory health insurance in Hungary, persons not insured or not entitled to health care can enter into contractual arrangements with the Health Insurance Fund (Egészségbiztosítási Pénztár) for entitlement to health care services.

### ***Financial coverage of health services***

Health insurance benefits are financed by the National Health Fund (Egészségbiztosítási Alap). Its revenues come from compulsory health insurance contributions and taxation. The population in Hungary is divided into three main groups: (1) insured individuals who are entitled to all services covered by the NHIFA and who pay regular contributions based on their income, (2) individuals who are entitled to medical services but are not required to pay contributions, and (3) all other inhabitants with a personal identification card and permanent residence, who are obliged to pay a medical service fee (that is, a fixed-amount insurance premium) on a monthly basis.

The central budget shall pay a certain amount of health services contributions per month for the persons defined in the Law who are entitled to use the health care service (non-contributing groups are for example women on maternity leave, conscripts, the poor) [Article 26(5)].<sup>6</sup> Health service contribution shall be paid by the resident person who is not insured and the health care service is not entitled under the Act, furthermore, the additional self-employed activities and other business activities, the joint venture company [Act LXXX of 1997 Articles 19(4) and 39(2)]<sup>7</sup>. To cover health services, the persons specified in specific other legislation are also required to pay health-care contributions. For example employed pensioners entitled to draw pensions on their own right shall pay health insurance contributions in kind and pension contributions on their income comprising the contribution base.

### ***Benefits of the social health insurance, and rules of their utilization***

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<sup>6</sup>These persons are those defined in Paragraph b) of Subsection (1) of Section 16 other than employees and other than the persons engaged in auxiliary activities, for persons drawing child-care benefits, and for the persons referred to in Paragraphs c)-f), h)-o), s) and v) of Subsection (1) of Section 16.

<sup>7</sup>The amount to be paid in 2013 is 6660 HUF/month (aprx. 22 Euro/month)

There is a basic package which can be used by all Hungarian residents irrespective of their affiliation to the Health Insurance Found, which include the following services: ambulance and emergency services, disaster health services, services related to organizing the blood supply and making blood available, the use of rare or exceptionally costly therapeutic procedures, or therapeutic procedures that are a part of biomedical research, mandatory public health and epidemiological tasks, family planning counseling, prenatal care and care for mothers post-partum.<sup>8</sup>

The in-kind and cash benefits of the social health insurance (insurance package), the rules of their utilization, the rules that regulates entitlement to services for foreigners (Article 8), are provided in Act LXXXIII of 1997 on the Services of Compulsory Health Insurance. The Act also provides for the right to free choice of family doctors and change of providers and medical professionals and define which health services are free of charge, which are covered but require some user charges, and which are excluded from HIF coverage. The Act defines a list of those services which are not covered by HIF, based on the premise that, in principle, health services are covered.

Regarding choice of doctor there is free choice of a general practitioner. Patients have to register with one general practitioner. There are no geographical restrains. Patients are allowed to change a doctor once a year, more than once a year only for good reason. Regarding access to specialists in general it happens through referral by the general practitioner, except in cases of emergency. Direct access is provided to dermatology, gynecology, laryngology, ambulatory surgery and accident/emergency surgery, ophthalmology, oncology, urology, psychiatry. The referral is addressed to the type of specialty and to a service provider who is geographically obliged to the maintenance of the care (EC 2011).

Co-payments are charged in the following cases: pharmaceuticals, unnecessarily changing the contents of prescription treatment, causing extra costs; extra services (better room, meal condition etc.); accommodation, nursing, pharmaceuticals and meal costs for those suffering from designated ailments, confirmed by primary health care provider; using sanitary provisions; certain dental prosthesis, orthodontic braces provided for persons under the age of 18; change of external sex organs with the exception of developmental

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<sup>8</sup> Act CLIV of 1997 on Health, Article 142.

abnormality. The amount of the co-payment is fixed by the service provide. Special rules apply to a few services, such as infertility treatments, or, since 2007, treatment for injuries resulting from extreme sport activities. The individual might also pay part of the cost of medicines and medical appliances. Medicines administered in hospital are free of charge. Otherwise, the OEP covers part or all of the cost when the medicine prescribed is on the social insurance assistance scheme list.

***The use of the term vulnerable/vulnerability***

In Hungarian language the term vulnerability translates to “sebezhetőség/sérülékenység”, but instead of this word in policy making the terms “hátrányos helyzetű” (disadvantaged/defavorized) is used more often, in the form of disadvantaged populations/groups, persons with multiple disadvantages, or disadvantaged regions. These denotations broadly correspond with that covered by the term vulnerability.

The term vulnerable is used explicitly in the Act XCVIII of 2006 on safety and efficient supply of pharmaceuticals and medical devices which acknowledge that medicinal products are purchased by persons who are vulnerable due to their sickness. As we can see in this context vulnerability it is defined in biological term (sickness). Based on the legislative measures that aim to protect certain groups of people (to offer access to health, through special programs) the following categories of persons are seen as vulnerable: minors, pensioners, dependant wife, prisoners, unemployed, disabled, those with chronic diseases, Roma ethnic group, homeless persons, those living in defavorized regions, persons with multiple disadvantages, persons with different addictions (drugs, alcohol).

There are special provisions related to access to health for persons considered as vulnerable (in need for special protection) both in the social insure legislation (those entitled without direct contribution to the Health Insurance Fund (HIF), for example) and in other social security related legislation too, such as on the family support system or social assistance system.<sup>9</sup>

Local governments are responsible for the provision of social care and Act III of 1993 on Social Services determines the types of care to be provided, the rules of eligibility

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<sup>9</sup>According to a synthesis of social provisions prepared by the Ministry of National recourses the following health related provisions were provided over and above the ones under Act III of 1993 in Year 2011: Invalidity annuity, Temporary invalidity annuity, Regular social annuity, Health damage annuity to miners, Transportation allowances for the mobility-impaired, Parking card, Disability benefit, Work accident annuity.

and the rules of financing.<sup>10</sup> The scope of services includes cash and in-kind benefits. The nursing allowance is a cash benefit bestowed by local governments to support care provided by laypeople, including relatives, to individuals with severe disabilities or chronically ill children under 18 years of age. In-kind benefits take two main forms: (1) in-kind benefits for impoverished people and (2) in-kind benefits for people with disabilities (services of personal social care). Benefits for impoverished people can take the form of either reimbursement of actual expenses or the provision of services in-kind. The two main health care related in-kind benefits are pharmaceutical co-payment exemptions and eligibility for health care services. In case of the former, the government covers the user charges for essential drugs and medical aids and prostheses. For the latter impoverished people who otherwise would not have HIF coverage become eligible for health care. In both cases, the local government tests for eligibility and issues an identity card to the recipients certifying it to the provider.

***Equity in access to health care in practice***

In relation to same benefits for all in practice there are large variations in service delivery. First of all there are great variations in the physical infrastructure quality of the health service delivery system (Simmelweis Plan 2011]. Richer municipalities usually have better facilities, some poorer municipalities have accumulated debt in order to maintain a proper infrastructure, while others have simply ignored this obligation due to lack of funding. These territorial-regional differences as well as the urban-rural split create inequalities both in access and in quality of available services. One of the declared aims of the so call Semmelweis Plan elaborated in 2011 by the current Hungarian government was to eliminate or at least to reduce the territorial inequalities in terms of accessibility, by dividing the country into 10 newly defined healthcare regions. However, the redistribution of resources from rich to poorer regions did not happened, and with the exception of those residing in the capital city of Budapest and its suburban area the free choice of health care service provider unit was limited (Mihályi 2012:173-186). This further increased already existent inequalities in access to health care between those living in Budapest and those in other parts of the country (Belicza, É. 2006; Vitray and al. 2011).

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<sup>10</sup> In original language 1993. évi III. törvény a szociális igazgatásról és szociális ellátásokról

Another problem of the Hungarian health care system is that the absolute and relative shortage of places, the geographic disparities, insufficient coordination between health and social care, and contradictory financial incentives (high user charges in social care as opposed to low or no user charges in health care) have led to the abuse of acute inpatient care capacities by chronic and social care cases. This is a fundamental issue that needs to be addressed for a successful health care reform (Gaál and al. 2011; Baji and al. 2012).

Many of the discussions about health equity make reasonable claims that there are in-equalities in health status and access to care for different categories of people, whether identified by social class (as measured by income, wealth, and/or formal education), spatial distribution, gender, or ethnicity (Gaál and al. 2011; Baji and al. 2012).

Large segments of the Roma population in Hungary live under disadvantageous conditions, typically in underdeveloped regions of the country. This is reflected in their health status, which is worse than that of the non-Roma population, with life expectancy being 10 years shorter. The frequency of certain diseases is also considerably higher among the adult Roma population (over the age of 19) than in the general population (Babusik 2004). Comparative studies on the health of people living in Roma settlements and that of the general population in Hungary found that minority status may play an important role in access to health services. Compared to the general population, Roma were less likely to use health services, especially those offered by specialists and dentists. The study also indicated that the use of health services by Roma individuals was similar to that seen in the lowest income quartile of the general population (Kósa and al. 2007; Kósa 2009). A more recent study also found that socioeconomic status is a strong determinant of health of people living in Roma settlements in Hungary and thus ethnicity per se may not be the only explanation (Vokó 2009:455-460).

Not only ethnicity and poverty, but disability can also hinder access to health. Although the right to physical and mental health is a fundamental right for everyone in Hungary, this right is not properly upheld in case of persons living with autism and intellectual disabilities due to following circumstances: geographical inequalities, lack of personal and material conditions, especially the lack of special training of medical staff, and the lack of specialised health care providers. Their right to health does not prevail,

neither in the area of basic, nor in specialized health care (especially in the field of gynaecology and dental care)<sup>11</sup>. On the basis of the authorization of the new Basic Law of Hungary, a new act replaced the disability pension system with a completely new disability and rehabilitation benefit system, which are now part of the health insurance benefit. Some studies have already warned that these changes will negatively affect those concerned. For many the forthcoming changes will mean loss of incomes, loss of support (for ex. for transportation) which in turn will also affect their access to health care.

## **B. Romania**

### ***Principles and rights in the social health insurance system in Romania***

The objectives of the health insurance system are: a) to protect the insured against medical costs in case of illness or accident, b) to protect the insured generally, equitably and non-discriminatory in the conditions of effective use of the unique national health insurance fund (Article 208, Law 95/2006). Health insurance is mandatory and operates as a unitary system, based on the following principles: free choice of the health insurance agency, solidarity and subsidiarity in the creation and use of funds, free choice of the medical services providers, medicines and medical devices, according to this law and framework agreement, decentralization and autonomy in management and administration, mandatory participation in the payment of the health insurance contributions for the to set up the unique national health insurance fund, participation of the insured, the state and employers to the management of the unique health insurance fund, providing a basic package of health services, in a fair and non-discriminatory way, to any insured, transparency of the health insurance system and free competition among the suppliers who sign agreements with the health insurance agencies.

Voluntary health insurance does not exclude the obligation to pay contributions to the health insurance.

*Aspects related to the obligation to pay the contribution.* Extending the deadline for the proof of full payment of the contribution to the health insurance fund from 3 years (as stipulated in Government Emergency Ordinance no. 150/2002) to 5 years (Law no.

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<sup>11</sup>Hungarian Disability Caucus - List of issues submissions prepared for the 7th session of the UN Committee on the Rights of Persons with Disabilities, April 2012.

95/2006) resulted in the decrease in the number of patients on the list of family doctors, patients who were not insured as proven by the verifications made by the health insurance agencies. Some of these patients chose the minimum package, others tried to solve the legal situation, for the purpose of paying the due contributions and delay penalties. Roma, young people under 26 years old (not included in a form of education and not carrying out a paid activity), self-employed and those who carried out paid employment abroad were the vulnerable categories (Popescu and al. 2009).

We synthetically list here some of rights of the insured in the context of Romania: freedom to choose the service provider and health insurance agency, the right to be enrolled on the list of a family doctor, the right to change the family doctor, to enjoy healthcare, medicines, medical services in ambulatory and hospitals in contractual relations with health insurance agency, home care without discrimination, the right to quality health care and to be respected as a human being without any discrimination, patients' right to medical information, etc. (Law 95/2006; Law no. 46/2003 on patient's rights).

#### ***Eligibility to health care***

*To qualify for the basic package*, the person should be insured in the health insurance system (to be able to prove the payment of the contribution if he / she has the obligation to pay contributions to the fund) and be registered on the list of a family doctor. The persons required to be insured, who may not prove the payment of the contribution, in order to become insured shall be required to pay the monthly contribution for the last six months if they have not obtained taxable income during the prescription periods for tax liabilities, calculated on the minimum gross salary, and the delay penalties. If they obtained taxable incomes during the last five years, calculated as of the time of the requested medical care, the persons who are required to be insured should pay the monthly contribution calculated for the taxable incomes, as well as delay penalties, for the entire prescription period. The persons of working age and able to work without income obtained from their work in Romania, who do not take full time courses in higher education and do not receive minimum income have to pay the monthly health insurance contribution from their own resources, in order to remain insured. The use of public medical services compensated by the state is determined by the proof of continuing payment of the contributions for the last five years. If the citizens may not prove this payment, but had



taxable incomes either in Romania, or in another state, they have to pay retroactively the contribution for each month when they obtained taxable incomes. If in the last five years, they did not have taxable incomes, they are required to pay the contribution "only" for the last six months prior to the use of the public system. Given these rules, the persons working abroad (without legal documents), the beneficiaries of social security according to the law on the minimum guaranteed income, having periods of interruption, and freelancers, especially those in the agricultural sector with lower financial incomes represent categories where the uninsured rate is particularly high. Although they are registered with a family doctor, the use of health services is hindered by the failure to pay the health contribution.

*The eligibility for the affiliation to the private sector* is determined by only one requirement: mandatory affiliation to the public health insurance system. This aspect may be interpreted in two ways. On the one hand, the decision makers are concerned to ensure access to the basic health services included in the basic package covered from the unique national fund of health insurance without discrimination and in accordance with the compliance of the principle of equal opportunities. On the other hand, it is possible to maintain the initial inequalities related to the access to health services, the affiliation to a private system being more accessible in the context of the developments in the Romanian society to only certain categories of population (people with average or higher income), mainly residing in urban areas (Rebeleanu and Șoitu 2013). The persons who obtain incomes from transfers and who were anyhow deprived of access to health services of the public health insurance system (elderly, Roma, persons receiving the minimum guaranteed income, families with many children, without limitative exposure) might not afford the option of private insurance. For those who would afford the double option, mandatory and voluntary, as related to health insurance, there is the alternative that they use the services covered by the private insurance, which would allow the saving or increase of the resources for the public fund.

#### ***Rules of healthcare services utilization***

Family doctors may provide medical services to the insured patients registered on their lists or on the lists of other offices, and also to uninsured patients. Uninsured patients may benefit only from the minimal package. Therefore, we may say that, legally,

inequality related to the use of services resides from the failure of the citizens to fulfill their legal obligation to be insured in the public health insurance system, not from discrimination. The basic package of health services is granted without discrimination to any insured (Law no. 95/2006). When we refer to the ethnic distribution of the insured, we may find a lower percentage with the Roma citizens (Popescu and al. 2009; Popescu 2009:152-167). On the other hand, local researches (Project ECHISERV<sup>12</sup>) confirms that in the current system of health insurance, the lack of medical insurance is not a feature of the Roma ethnics. The use of health care services to a lesser extent is the consequence of failure to fulfill the obligation of paying the contribution to the health insurance in order to set up the fund. We appreciate that the vulnerability of this ethnic group is rather social than legal.

Indirectly, the category of insured without the payment of the contribution is also assimilated to vulnerable groups, according to the law (see art. 213 Law no. 95/2006; Law no. 116/2002). They receive the same package of care as the category of insured persons who pay the compulsory contribution. In this context, we question the horizontal equity. The ignorance by insured of their rights as insured in the health insurance system is one of the problems of the Romanian system. Knowing the rights and obligations of the insured means knowing the framework contract. It is annually renewed by Government decision. In 2005, the study made by the Center for Health Policies and Services (CPSS) on a representative sample indicates that 79% of the investigated population has no information about the contents of the basic package of health services (CPSS 2005).

Law no. 95/2006 provides for the obligation of the health care providers to display their rights and obligations of the insured at their offices. According to art. 14 of the *Framework Agreement on the terms of providing medical care within social health insurance*, the family doctor has the obligation to inform the insured about the basic package, the minimal package of medical services and the package for the insured who have optional insurance, the obligations of the provider of medical services in contractual relation with the health insurance agency, as well as the obligations of the insured as

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<sup>12</sup> Project ECHISERV – Research project carried out in the North – West Region (2007 – 2008): “Disparities in the use of primary care services in the North – West Region Transylvania. Social – economic patterns” Director Prof. dr. Livia Popescu; Grant CEEEX 157/2006;

related to the medical service. The law provides that the family doctor should display in a visible place the rights and obligations of the insured, the composition of the basic package and the name of the health insurance agency with which he / she has a contract. Thus, one could say that there is legal framework guaranteeing the right to the information of the insured. The free choice of the doctor and the health insurance agency implicitly assumes prior information on the provider or agency chosen. The consequence of ignorance of the basic package may reflect on possible options for voluntary insurance. Theoretically, such an option would require the applicant for a private health insurance to know the content of the basic package offered according to the compulsory social insurance.

The concerns of the National Health Insurance Agency (CNAS) related to the information and protection of the insured are continuous, in terms of intent. Thus, in 2011, the framework contract also provided the obligation of the insurance agencies to update permanently the lists of medical care providers, pharmaceuticals and medical devices providers under contract with the agency, by posting the list on the website and at the registered office of the health insurance agency, within maximum 5 working days as of the date of the changes, and it also provided for the obligation of the pharmaceuticals suppliers to display the information materials prepared under agreement with CNAS in a visible place. The year 2012 marks, as lines of action, the need to increase awareness of the insured.

*Freedom of choice.* Accessibility to health care is deemed to be optimal if every person is granted access to medical services, if there is large freedom of choice among various providers of health care services and even various payers that should match the options and possibilities of the population, if there is continuous information on all providers of medical care and if there is adequate participation of these groups in the organization of the health system. If choosing a family doctor or general practitioner is free, unlimited by territorial barriers (as in the old centralized health care system), the access to specialists is subject to the recommendation of the general practitioner, while respecting the right of the insured to choose the specialist (EC 2007).

In Romania, the increased rural-urban division in terms of the equipment with health infrastructure and the concentration of the elderly and the poor in rural areas is associated with a lack of qualified personnel in rural areas, especially specialized

personnel, other than the family doctor. These factors mainly question the substance of the "freedom of choice" among health care providers for the people with health problems and economically vulnerable in the rural areas. An important distinction should be made between the freedom of choice as such and the freedom to choose *something* (and nothing else), in other words, the quality of the alternatives the individual has. The increase in the number of alternatives does not human raise the substantial human freedom, if none of the options is really favorable to the individual. This distinction is analyzed in detail by Alkire (2002), who distinguishes between the increase in the *range of choice* and strengthening of the *freedom of choice*. From a practical point of view, however, the insured in the rural areas have much less freedom of choice than those in urban areas, not only because the number of physicians serving a rural locality is naturally lower, but because they lack the means by which, if dissatisfied, the patients may choose for better services offered by another doctor in another locality.

***Use of the term "vulnerable persons"***

The Romanian legislation did not use the phrase of vulnerable people until 2006. But may we find references to excluded social groups or disadvantaged groups. Thus, Law no. 116/2002 on preventing and combating social exclusion reasserts the social character of the Romanian state, provided in the Constitution. The social character of the state requires the establishment of measures to avoid deterioration of the living standards and preserving the dignity of all citizens. The declared objective of the law is "to ensure effective access to basic and fundamental rights... such as: the right to employment, housing, health care, education and the establishment of measures to prevent and combat social exclusion<sup>13</sup>" (article 2, Law no. 116/2002). Section 3 of this law governs the access to health care of the groups at risk of social exclusion. The quality of insured without the payment of the contribution by the persons entitled to the minimum guaranteed income is reasserted, and this right is confirmed by the local councils (article 16). The law requires the local councils to ensure the conditions for the access to all forms of health care, including the organization of social units.

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<sup>13</sup>Social marginalization is defined by peripheral social position, isolation of individuals or groups with limited access to economic, political, educational and communication resources of the collectivity; it is manifested by the absence of a minimum of social conditions (art. 3, Law no. 116/2002)

As related to the access, we retain the difference operating in the text of Law 95/2006 on dichotomy: insured with the payment of the contribution and insured without the payment of the contribution. If we consider that the social security right guarantees by excellence the protection of various categories of persons in social risk situations that occur independent of their will, the regulations on health insurance just establish the right to social protection, in case of illness, of those exempt from the payment of the contribution, enjoying, according to the law, specific health insurance services, being considered indirectly vulnerable. It is assumed that this category of persons may be excluded from the private insurance (Eckenfels 2002). In Romania, children under 18 years old, young people aged between 18-26 years, if pupils, apprentices, students, if they do not obtain incomes from employment, young people under 26 years including those who leave the child welfare system and do not obtain incomes from their work or they are not beneficiaries of social security, husband, wife and parents without their own income, dependent of an insured person, persons with disabilities, patients suffering of diseases included in the national health programs; pregnant women and postpartum women are considered insured without the payment of individual contribution to the public health insurance system.

The status of insured with the payment of the contribution paid from other sources is assigned by operation of law to the following categories of persons: unemployed with allowance, beneficiaries of social security, persons on parental leave for children under the age of 2 / 3 years for a child with disabilities, victims of trafficking, persons serving a prison sentence or who are in custody, beneficiaries of social security, pensioners, for the pension incomes up to the limit of the tax on income, persons on leave for temporary work incapacity, given after a labor accident or an occupational disease.

In the present form of the Law no. 95/2006, the word "vulnerable" is not present. The word "disadvantaged" is not present. Semantically close, the term "defavorized" which appears in a single context that requires the presence of the doctors beyond retirement age in disadvantaged areas, until the job is occupied through contest by another doctor. Another article (17) provided the duty of the county public health authorities to intervene in solving public health problems among defavorized groups of people.

In the Government Emergency Ordinance 162/2008, we find a term related to the concepts analyzed by us when the legislator specifies the beneficiary of the services and

community healthcare activities (art. 7) as being “the local community in a defined geographical area: the county, city, town and village, and within it, in particular, the categories of vulnerable people”. The same article does not specify these categories, but "vulnerable situations" (article 7, paragraph 2): economic level below the poverty threshold, unemployment, low educational level, various disabilities, chronic diseases, terminal illnesses that require palliative treatments, pregnancy, elderly, under the age of 16, part of single parent families and risk of social exclusion. It is considered that the insured risks as they occur in international documents on social security are called here "vulnerable situations" (Șoitu and Rebeleanu 2013).

The last legislative document introduced in the Romanian health system is Law 220/2011<sup>14</sup> amending and supplementing Law no. 95/2011. This legislative instrument introduced the co-payment, defined as the contribution of the insured to health care system, in addition to the one settled from the unique national health insurance fund). According to this regulation following categories of persons are exempt from co-payment: children under the age of 18, young people between 18-26 years old, if they are pupils, high school graduates until the beginning of the academic year, but not more than 3 months, apprentices and students, if they do not have income from work; patients included in national health programs established by the Ministry of Health for medical services related to that condition, if they do not have income from employment, pension or other resources and pensioners with incomes from pensions of up to 740 RON / month<sup>15</sup>. The categories of insured without the payment of the contribution that are exempt from the co-payment are limited (in other words, indirectly considered vulnerable by the legislator). Of the categories of persons who are not exempt from copayments we mention: the co-insured; beneficiaries of social security; unemployed with no allowance; the disabled; and pensioners with incomes over 740 RON / month. The new law provides that all co-payment costs to be covered by voluntary complementary health insurance. It seems unlikely to have an additional contribution for these categories.

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<sup>14</sup> The law is not enforced yet; the co-payment was also included in the legislative project concerning the reform of the health care system

<sup>15</sup> Almost 168 Euro/month

The Strategy on the reform of social protection 2011-2013 concludes that the most disadvantaged categories of the population should be protected through family policies and the fight against poverty, and appropriate policies for people with disabilities and for the elderly. Law no. 292/2011 on social security defines the vulnerable group as "persons or families who are at risk of losing their ability to meet the needs of daily living because of cases of disease, disability, poverty, drug or alcohol addiction or other situations that lead to economic and social vulnerability" (article 6, lit. p). The definition of "vulnerable group" extends the significance of vulnerability beyond incomes and assets. This is a possible starting point in linking the conceptual frameworks - social and health – the conditions listed referring to a greater extent to disease, disability, addiction. In fact, vulnerability is explained by risk or difficulty. In Chapter IV, Section I, of Law 292/2011 the state's responsibility to ensure the access of vulnerable people to some basic rights is regulated: the right to dwelling, social assistance and medical care, education and employment. In the category of people at risk of social exclusion the law mentions: single persons and families without incomes or low incomes, homeless, victims of trafficking and persons deprived of liberty.

*Vulnerability of Roma.* Roma were the most disadvantaged segment of population in the original form of the health insurance law, an aspect remedied, on the one hand, by amending the law on social assistance (Law 67/1995 by Law 416/2002 on the minimum guaranteed income, Rebeleanu 2007), and also because of the Government Decision 430/2001 regarding the approval of the strategy of the Romanian Government to improve the situation of Roma that provides among other things the institutionalization of the health care mediators in Roma communities. A decision that completes this government decision was the introduction of an order, in 2002, of the Ministry of Health and Family of the approval of the health care mediator occupation. According to data supplied by the research ECHISERV, in terms of ethnic distribution of those who are insured, it was found that the Roma ethnics have the lowest percentage. The existence of social protection measures targeting the Roma population is an argument for the acceptance and recognition of the status of vulnerable group of the Roma ethnics, at the level of decision makers.



#### **4. Final Remarks**

In both states, the right to health care is guaranteed by the Constitution and the state has the responsibility to guarantee this right.

The analysis of the current legislative provisions on health care and on health insurance in Hungary and Romania reveals that at the level of legislative intention many of the basic principles of an equitable access to health (social solidarity, non-discrimination, equal access to health care for all members of society, social health insurance, and patients' rights) are provided. However, there are analysts who warn that the new Basic Law (Article XIX on Social Security) actually undermines the constitutional fundament of social insurance by abolishing all legal links between health (and pension) insurance contribution payments on the one hand and the entitlement to health (pension) benefits on the other hand (Mihályi 2012). At this moment it is difficult to foresee how this constitutional change will affect the Hungarian social security system and its institutions, as it is also not yet possible to evaluate the effects of excessive centralization of the health care system, and of the abolishment of payer/provider split on equity in access to health.

*The principles of non-discrimination and equality* have two major contributions to the conceptualization and assessment of health equity. On the one hand, the existing societal agreements on non-discrimination oblige the decision makers to pay special attention to protect and fulfill the rights of social groups considered vulnerable based on the previous historical experience (they have encountered obstacles in exercising certain rights). On the other hand, it is possible to specify social groups defined as vulnerable groups because of discrimination, respectively, identifying groups that are characterized by inequalities in health, including through social conditions. These aspects are embodied in legislative intentions of the policy makers in Romania and Hungary (strategies for Roma, the quality of insured without the payment of the contribution for those indirectly assimilated to the disadvantaged groups from socioeconomic point of view – pensioners, co-insured of the insured, unemployed, welfare recipients, children, etc.).

In both states, the right to health care is based on citizenship, even if funding is made through contributions. There are some people who have limited access to services. The developments of the reforms in the two countries confirm that access to and utilization of services is limited for certain categories of persons as the Roma, beneficiaries of social

security. At the same time, dependence of the access and use of the residence is a reality. While in Romania, in 1997, the principle of territoriality was dropped. Hungary reactivated it in late 2010 (although it seems that it did not have great chances of implementing this approach, as it was rather seen as a restriction on the freedom of choice by limiting the right to choose the provider by the Hungarian users) (Mihályi 2012).

It is not enough that there is a legal framework that guarantees the access to health care. An individual responsibility assumed by potential users is also needed. The failure to pay the contribution and the impossibility to prove the quality of non-payer insured are sanctioned by the failure to receive the basic package and the loss of the quality of insured (Romania). Before 2006 the regulation on contributions and their payment was not fully enforced in Hungary. Patients receive necessary care even if their cards are not valid, but they are also informed that their insurance registration status is unclear and they need to contact the NHIFA. The Tax Office is also notified about such cases for further processing and eventually collecting unpaid contributions retrospectively (OEP 2012/03; Gaál and al. 2011:71).

Although health insurance was seen as a way to increase resources to finance health care system, and a necessary condition for improving the quality and for a more effective management to provide health care services, the incomes were often judged as insufficient. The costs of medical care tend to be chargeable to the patients as co-payment. In both countries, there is a tendency to reduce health expenditure as % of gross internal product; their amount and quantum being lower and more drastic in Romania, which remains the country with the lowest health expenditure in EU countries.

Neither in Romania, nor in Hungary, there is any mention in the health insurance legislation of the term vulnerable categories of persons when it is about insurance. By extension, we may say that the insured without the payment of the contribution are vulnerable, given the legislative intention of the legislator to protect them. In Romania, vulnerability does not seem to be a concern of the health system policies, being transferred to the "community health care", where the greatest responsibility is that of actors such as community nurse, social worker and health care mediator, all under the protection of the local government (which, in our opinion, does not have the necessary skills). To ensure equitable access to health care services, surely it is necessary to correlate the health

insurance legislation with that of social assistance. Defining in a normative instrument the vulnerable situations and the vulnerable groups brings to the attention of decision makers the need for measures to protect health care, meant for the increase the autonomy. The more so as there is a percentage of insured persons in both states (4% Hungary, almost 5% Romania) (Gaál, P. and al. 2011; Popescu 2009). The percentage of uninsured amongst the Roma ethnics is even higher. Even in principle, as it was presented, the Hungarian and Romanian health care system provides universal and comprehensive coverage with the same benefits for the entire population.

The Barcelona Declaration (1998) talks about patients' participation in making health decisions. But are they informed about health insurance? Do they know for instance what does the basic package contain? Do the patients sign the agreement with the agency for the public system? For Romania, the answer is negative. The signatories of the contract with CNAS are suppliers. Moreover, health care providers consider that by signing such a contract, the patients would be more disciplined, more responsible and might discuss the affiliation to the private health insurance system (Rebeleanu and Soitu 2013). Knowing the basic package by the citizen wants an additional insurance becomes an inherent condition for the payment of private insurance. The system is used mostly by those informed and also by those who have the possibility to pay, in Hungary. Those who have the possibility to pay, may raise objections to the compulsory character of affiliation to the public insurance system, an aspect that might jeopardize the long-term social solidarity.

In the conditions of economic crisis, the health systems in Romania and Hungary tend to limit their expenses (Hungary more drastically, but keeping them around 7%, Romania seems to have frozen them around 5.5%) (WHO 2012). Access to health is compromised by the consequences of the global financing crisis and the serious budget cuts in health care, coupled with a rapidly accelerating health workforce migration (Mihályi 2012). Is this desirable?

European recommendations say that it is the biggest mistake that a system of social protection may make in the conditions that the need for health and social care for vulnerable groups is increasing. It needed to develop the integrated social services, which in fact make the community more responsible, stimulates social solidarity and increases social cohesion, promoting social inclusion. In times of financial crisis new categories of

vulnerable groups appear. Large segments of population find themselves in vulnerable position due to loans, loss of jobs, small entrepreneurs without work, which increase for many people the danger of incapacity to pay the obligatory social insurance contribution. Those required to pay taxes on the base of being part of the active population (by their age, but often not active, without jobs, etc.) are also vulnerable.

From our point of view, regardless of the governments' stated goals and intentions related to health care policy, often, changing regulations regarding health protection was random. The categories of vulnerable persons were not taken into consideration, sometimes by other pieces of legislation (persons with disabilities, migrant workers, farmers, etc.). We think that the need to correlate health insurance legislation with that of social assistance is more than desirable, and also to maintain consistency between legislative changes that occur. Especially since the two countries will have to face new challenges related to the health care reform in the coming years.

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## NEW PERSPECTIVES ON FAMILY FRIENDLY POLICIES FROM THE STAKEHOLDERS' POINT OF VIEW

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### **Abstract:**

*Focusing on the importance and the role of family-friendly policies (FFPs), this article argues that a stakeholders' analysis of FFPs enriches the current understanding of this workplace practice. Therefore, what we tried to achieve is a comprehensive stakeholders' review of FFPs, both theoretical and practical, in order to highlight all the standpoints from opposite corners of the power-interests grid. The theoretical part is completed by a practical one, which was conducted in Norway. The collected data (by way of 6 face-to-face interviews) was analyzed through grounded theory and extensive comparison, with the purpose of highlighting the similarities and differences between the answers from each of the FFPs stakeholders. The findings of our field research revealed 4 major themes that represent the summary of the respondents' common opinions related to FFPs: Characteristics (benefits, weaknesses), the Nordic Model of Economy (high female employment rates, equality, strong labor movement), Mentality (good opinion of the society, take it for granted) Involvement of the authorities (trust in the Government, historical changes). The results of the research that led to common main opinions regarding these 4 central themes of FFPs identified among all stakeholders, as well as some differences in the main ideas, represented an unexpected outcome if it were to take into consideration the diversity of needs and characteristics of the different categories of stakeholders involved. These findings bring arguments for the need to reshape the current work-life balance practices for the future, and even consider creating new ones, to benefit a wider and more varied range of actors.*

**Keywords:** Family friendly policies, social policies, work-life balance, qualitative research, Norway.

## **1. Introduction**

Included in the wide range of work place policies, family-friendly policies (FFPs) are a good way to create value in society, both for the present and most importantly for the future. They are not such an expensive tool that the private and public organizations have at their disposal to use any time for the creation of a healthy and powerful state. These policies are the core element that can ease the balance between work and family life. Why this balance is so important though? The general regard is that you cannot combine them both. You can either have a very successful career or a happy family and this has been the way promoted directly or indirectly by developed countries that wanted people to be focused and work towards the common goal of economic development. However, recently the power has shifted, gender discrepancies in the labor force developments have decreased and a career can easily be combined with family life. The balance between work and personal life has started to grow and FFPs have a great deal of impact and influence since they clearly ease the path towards development.

So far, there is no empiric evidence of the relationship between a balanced life and work efficiency because there has not been yet a comprehensive study that would demonstrate the linkage. However, certain analysis and examples exist in the literature and the results are staggering on the side of a tradeoff between personal life and company loyalty. Organizations that prove to bend the ear to theories that acknowledge the importance of happy employees thrive not only for their own benefit, which is the profit, but they can also flourish in social responsibility.

The current research is meant to shift the discussions related to the issues at hand towards a different approach based on the opinions of all the actors involved. What we suggest is a stakeholders' analysis of FFPs, both theoretical and practical, in order to highlight all the points of view from opposite corners of the power-interests grid. Based on the opportunity of one of the authors, the research behind this article was conducted in Norway, in 2016, first at desk level but continuing with an extensive field research on

identified relevant stakeholders for family friendly policies.

Among all the countries of The European Economic Community, Norway is on top with one of the most extensive and well established work-life balance systems. In their scenario of a small open economy, with a very high standard of living and with very efficient institutions, the work culture is characterized by efficiency, good business communication, innovation, creativity and empowered employees. This leads to a highly performing economy where the emphasis stays on the human being as worker and citizen. A characteristic of Norwegian professional life is the important work/life balance. There is a general notion that people work to live rather than live to work. Norwegian lifestyle focuses on family values, sports and outdoor life (Nynorge.no).

The basis is laid by the Norwegian labor system which combines high employment in both men and women, very strong labor legislation, lower and flexible working time, excessive Government spending for the welfare system, cooperation among actors, equality, a high standard of living, substantial benefits and very good arrangements for all the citizens. Trade unions, employer's organizations and public institutions play a key role in the governance of the employment relationship, working conditions and industrial relations structures. They are interlocking parts in a multilevel system of governance (Nergaard, 2014).

In regards to work culture, the Norwegian companies and institutions pay a great deal of attention to tolerance, freedom, personal space, work flexibility, satisfied employees, loyalty, family support, incentives for growing birth rate, equality, father politics, parenthood, (Bjørnholt, 2012), (Peterson, Penner, & Høgsnes, 2014), (Aumayr-Pintar, et al., 2015), (Adema, Clarke, & Frey, 2015), (Norwegian Labor and Welfare Administration, 2016), (Skevik Grødem, 2008). The goal is to create a better working life for employees and more benefits and productivity for employers.

Considering the implications in the whole society of any kind of work place policies, we considered that a stakeholders' approach would reveal to what extent are all

the actors behaving in the same way related to the content, impact, benefits or threats of FFPs. The novelty of this approach is precisely the combination between the implication of all categories of stakeholders relevant to the topic as a component of the desk research, the proposed framework for FFPs – stakeholders' analysis and also the particularities added by Norway, the country where all the interviews were taken, as an integral part of the field research.

In this article we focused on identifying the differences among the answers from the interviewees, this being our major research objective – to clarify if there are new perspectives on FFPs and work life balance from the stakeholders' point of view. Our aim is to see if stakeholders with different powers and interests would be able to influence the current state of FFPs and even impose the creation of new types of work life balance practices in the future.

## **2. Perspectives on family friendly policies from the stakeholders' point of view - literature review**

The issue of family friendly policies cannot be discussed separately than the entire development of a company. All the factors involved need to be taken into consideration when assessing the correct situation. This is not just for a narrative purpose but more vigorously for accuracy of the research.

“Family friendly policies” is the expression mostly used in theory. All the literature that deals with this topic puts an emphasis on the word family and mostly it has been regarded as a traditional term (United Nations, 2012). Most benefits that fall under this type of work place policies target families with children and mostly mothers (World Policy Analysis Center from UCLA Fielding School of Public Health, 2014).

However, nowadays only 21% of families with children at home are traditional families (O'Leary & Kornbluh, 2009). Families have changes over the past thirty years. Fertility rates have been persistently low in many OECD countries leading to smaller

families. With marriage rates down and divorce rates up, there are an increasing number of children growing up in sole-parent or reconstituted families. Sole-parent families are of particular concern due to the high incidence of poverty among such households (O.E.C.D., 2011).

Recently, new terms have started to be used and the most common is “work life balance” that corresponds better with the new developments in regards to families and employees.

The core of organizational culture is based on work place policies, which are essential for a company’s long term development and brings to a common denominator the owners, investors, the management team, the employees and other stakeholders by impelling them to work tight together towards the same goals. These policies refer to principles, rules, and guidelines formulated or adopted by an organization to reach its long-term goals. Policies therefore set the limits of what can be done, who should do it and under what circumstances (Katulwa, 2015, pp. 5-6).

Having systematical workplace policies that are well designed, unequivocally implemented and accurately monitored, will create a sustainable organization with powerful and healthy work relations, both hierarchical and functional. Most importantly, by creating policies and procedures that encourage constructive and collaborative behaviors from employees at all levels of the company and inspire a general positive and friendly working environment, the company takes the first steps in preventing unproductive workplace conflicts and providing good customer service (Raines, 2013, p. 131).

FFPs recognize the importance of family in society and they see it as the kernel of human existence both financially and socially. If implemented well and diversified, these policies can be a real gain for everybody involved: the employees, the state, the employer and other stakeholders that might appear. Family friendly workplaces will lead to a more stable community, a healthier society and a more sustainable future.



The support of families in the workplace developed from the late 19th century, developing mostly maternity leave, health care and social insurance. This was just the beginning and in Europe it went up hill from there to the 1970's when work-family reconciliation policies got their first drive, while in the USA for example, even nowadays this kind of workplace policies do not have the necessary force (Williams, 2010, p. 7).

Several types of FFPs can be implemented at the same time or separately in a company or an organization. They can also take different shapes and be directly aimed at family-work reconciliation or just have an incidental outcome towards this aspect. The size and implementation of these kinds of policies differ also according to the size of the company since it is obvious that a very small new business cannot have the same financial power as a large company or a public institution. Analyzing statistics and reviewing literature in the field, the following FFPs appear to be the most frequent around the globe (World Policy Analysis Center from UCLA Fielding School of Public Health, 2014): flexible hours, paid maternity leave, wage replacement rate of paid leave for mothers, unpaid extra maternity leave provided by companies after the legal paid period but without benefits, paternity leave, work away from the workplace, telecommuting, temporary switch to part time, paid medical leave for children's sickness, paid child education and care, flexible emergency leave, family medical leave, college scholarship or loans awarded to the employees' children, use of the company's facilities for family events, child care facilities at work, the possibility to bring breastfeeding infants at work, elderly care, recommendations for nursery, kindergarten, school, university where it is usually difficult to get a spot, extra health benefits for employees and other members of the family, mentoring and education on family issues, family oriented events organized by the company, internship positions for employees' children, tuition for employees and employees' children's education, family oriented environment, extra leave of absence for parents, providing different miscellaneous gifts for employees and their families, provide the possibility of taking the life partner or children in a business trip on the company's

expenses.

Analyzing all the examples of FFPs found in the specific literature, a clear distinction stands out. FFPs put a big emphasis on the concept of traditional family. Most of these are designed to help the people that have children and go even further to creating incentives for birth rate growth. Historically, as we laid out previously, these work place policies appeared in a time when the traditional family was the basis of society and everybody worked towards preserving that ideal setting. These examples of policies see the family only as 2 parents of opposite sex with one or more children, or contemporary life style has shifted towards other settings.

Another aspect that stands out is the intensive focus that these policies put on maternity, again promoting traditional values, leaving paternity uncovered or even looked upon with dismay.

Work-family policies have been justified and adopted for a diversity of reasons, including the improvement of women's labor force attachment and economic independence, greater gender equality, reductions in family poverty and social inequality, improvements in children's educational outcomes, enhanced work-life balance, increased fertility, improved infant and maternal health, the alleviation of labor shortages, the prevention of under-utilization of women's accumulated human capital, and long term sustainability of social insurance revenues (Hegewisch & Gornick, 2011).

Being important themes in modern work environment, the issues of work life balance and FFPs have made room into European Union and European Economic Union's discussion topics and furthermore, certain regulation with the aim of improving working conditions.

The EU decision factors agreed that making both work duration and organization more flexible has become a key issue for employers and workers. Employers see working time flexibility as a way of encouraging greater levels of productivity, while employees see it as key to improving work-life balance. Working time flexibility has a key influence on

the labor market participation of men and of women in particular (Aumayr- Pintar, et al., 2015). Related to that, during 2014, several Member States introduced and/or proposed amendments to labor laws that mirror these general trends towards working time flexibility.

Through the Working Time Directive (2003/88/EC) The EU aims to impel Member States to guarantee some basic rights concerning working time for all workers. The legislation dictates that in order to protect workers' health and safety, working hours must meet minimum standards applicable throughout the EU (European Commission).

Currently, The European Commission is reviewing Directive 2003/88/EC through consultation of European workers' and employers' representatives and a detailed impact assessment. One innovative course of action at the EU Parliament that is worth mentioning is the launch of the first European Interest Group on Work–Life Balance on 3<sup>rd</sup> March 2015. For the first time, the interest group – supported by representatives of politicians, trade unions, business executives, family and sports organizations and representatives of churches and religious communities - discuss how to ensure that EU legislation respects and promotes workers' health and promotes a better balance between family and private life and work. Participants shared the consensus that these objectives do not conflict with the objective of economic competitiveness. On the contrary, competitiveness needs innovation, innovation needs creativity and creativity needs recreation (European Sunday Alliance, 2015).

Another key concept that The EU had focused on lately is the flexible organization of the working time. Two main actors lobbied for improving the working conditions:

- Employees on one side argue that employee friendly flexibility improves work-life balance because it makes it easier for workers to manage different life circumstances or job related responsibilities;
- Employers on the other hand argue that working time flexibility allows them to respond to sudden changes in demand, thus maintaining competitiveness.

Working time flexibility is the key to increasing women's labor market participation which is a concern to many Member States (Aumayr- Pintar, et al., 2015). Several countries experienced higher levels of conflict related to work-life balance, thus introduced measures to increase work time flexibility: United Kingdom, Austria, Croatia, Norway all pivoted towards more flexible working hours. On the plus side, working time flexibility gives employers the possibility of greater productivity by adapting working hours to times of higher activities in business, while giving employees the potential to enhance their work-life balance (Aumayr- Pintar, et al., 2015).

Besides work time flexibility, among The EU forums it has highly been discussed the employment conditions, facilities and policies with maternity and paternity leave in particular. Throughout the Member States in 2014-2015, paternal leave was still highly associated with mothers and the maternity leave differed in duration and rate pay from state to state, being clear that there are considerable differences in this regard among The Union. Basically, the issues related to work-life balance are still scarce around The EU's social policies.

Taking into account all the theory aspects, in this paper we have come up with a possible proposal of a different analysis of FFPs that would take into account all the actors involved. Starting from the fact that these kinds of policies touch the entire society with the ripple effects, it is clear that all the stakeholders are extremely important for a more comprehensive understanding of how the FFPs should be drafted. This approach has been analyzed before as a possible starting point but the main stakeholders taken into account were employers and employees (United Nations, 2012), (Tomazevic, Kozjek, & Stare, 2014) (Barcenas-Frausto, 2009). We consider that there is need to do a deeper stakeholder analysis based on all relevant actors who have both interests and power over the work place policies.

### **3. A possible framework for family friendly policies – stakeholders' analysis**

Overlooking FFPs, it is easily distinguishable the relatively large number of stakeholders that are influenced by family friendly policies and in the same time that have an impact of different intensity on the entire subject. All involved should recognize the interests of each other and try to address them as soon as possible and in a manner that will ensure sustainable relations among actors.

The main reason for choosing the stakeholder approach was that of coverage. Family friendly policies are a subject that brings together under the umbrella all sorts of actors from public to private, from individuals to corporate and also from a national to an international dimension. The stakeholder approach is about groups and individuals who can affect the organization and is about managerial behavior taken in response to those groups and individuals (Freeman, 2010, p. 48).

As a first step in our review we created a S.W.O.T. analysis of family friendly policies from 3 major stakeholders' point of view: the employees, the employer and the authorities.

According to the first S.W.O.T., clearly the employee is the one that has the most benefits from family friendly policies. Also the degree of threats is high enough to make opportunities feeble. Because they are the beneficiaries of these types of policies, the workers have the most to gain. However it is of utmost importance that the incentives are used in a responsible manner and the employees are not tempted to slide into transgression. The misuse of family friendly policies that lead to excesses and abuses are the greatest weaknesses and threats from the part of workers.

Upon the results of the second S.W.O.T. analysis, the employers, company management, the shareholders and the owners are all the key actors of the system that grasps family friendly policies. The threats and weaknesses are high because of the funds spent on corporate policies but the benefits and most importantly the opportunities could heavily thrive. If applied properly and with a sustainable vision, these policies could

provide strong opportunities for future development. Of course, this entails the absolute need for a visionary management that would create the basis for growth taking into consideration the wellbeing of employees.

On the last SWOT analysis it showed that the authorities are actors that are not involved directly in decision making concerning family friendly policies. However, they can have a great deal of influence over the company's decisions through national policies that can encourage or discourage any type of benefits. From the S.W.O.T. analysis it is easy noticeable that the Government would have sustainable long term benefits from family friendly policies being implemented in both private and public sector. Besides these, adding the very few weaknesses and threats, the authorities should acknowledge the importance of family friendly policies and even more, they should facilitate incentives in order to impel companies to embrace actions towards a better work/personal (family) life balance.

All these being reviewed, we suggested a stakeholder analysis matrix (see Table 1) with the consequent power interest grid (see Figure 1). Why this is relevant consideration is because the matrix brings forward each stakeholder and what is considered of great importance to it. Also, each actor is ranked from low to medium and high based on impact and influence. The impact represents how much interest the stakeholder has in family friendly policies and the influence asserts the power that each stakeholder has over the issue in hand. Thus it is portrayed a canvas that entails all the relevant information for family friendly policies and exhibits its prominence among corporate policies.

**Table 1 Stakeholders' analysis matrix**

<b>Stakeholder name</b>	<b>Impact</b> (how much do the project impact them) <b>INTEREST</b>	<b>Influence</b> (how much influence do they have over the project) <b>POWER</b>	<b>What is important to the stakeholder</b>
Local and national authorities	Medium	Medium	-a growing economic environment; -a healthy society; -profitable companies that pay taxes;

			-working employees that pay taxes and are engaged in market consumption; -high employment rate;
Employees that have benefited from family friendly policies	High	Medium	-his/her own well-being; -family well-being; -basic needs fulfillment; -continuous personal development;
Employees that have not benefited from family friendly policies	Low	Medium	-his/her well-being; -family well-being; -basic needs fulfillment; -continuous personal development;
Company management and shareholders	High	High	-productivity; -profit; -efficient employees; -company development;
The community/the public (including the media)	Medium	Medium	-strong families with livable income; -sustainable companies that can provide long term steady jobs; -corporate social responsibility; -investments;
Company ownership/ CEOs/ entrepreneurs	High	High	-profit; -economic growth; -company development; -strong and famous brands; -competitive advantage;
International Organizations <sup>16</sup>	Low	Low	-healthy economic environment; -high employment rate; -covering basic needs for human beings; -happy people; -profitable companies;
The customers	Low	Low	-qualitative services and products; -good service; -competitive prices;

Source: the authors

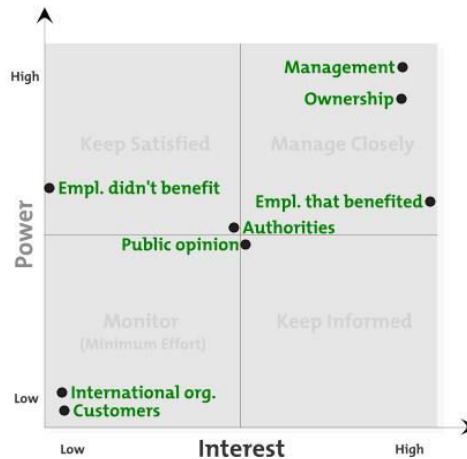
After identifying all the actors that might have a say in both drafting as well as implementing family friendly policies, we considered appropriate to create a power-

<sup>16</sup> The European Union, International Labor Office, United Nations, etc.



interest grid in order to create a map of how the stakeholders need to be taken into account when discussing this topic.

**Figure 1 Stakeholders' power interest grid**



Source: the authors

The power-interest grid (see Figure 1) shows exactly where each category of stakeholders stands based on the previous analysis and it highlights which actors should be kept satisfied, which ones should be managed closely, which ones should be monitored and finally which one should be informed.

The results displayed in these two research tools (see Table 1 and Figure 1) support the previous S.W.O.T. analysis and emphasize the high degree of both interest and power that the management together with the ownership have in dealing with company policies. It is perfectly understandable considering that these two actors have the highest interest in the company's success. Also, they are the decision factors and those who possess the necessary funds, thus the high impact as well. The employees are situated at the opposite side of the interest grid based on the access of the absence of it to family friendly policies, though the power they have over the company is similar considering that employees who

did not benefit from these policies could act on discontent. The public opinion and the authorities are placed in the middle with medium power and as well medium interest but their effect on family friendly policies should not be attenuated because both impact and influence are for a long run and not just short time benefits.

#### **4. Methodology for the implementation of the proposed framework**

Considering that the subject of FFPs from the stakeholders' point of view has not been researched extensively and mostly there is not much scientific information in the specific literature, we chose the qualitative research, in order to get a deeper understanding of the theory. Therefore the current research has been conducted on two levels: a qualitative research based on face to face semi structured interviews (all being taken by one of the authors, in Norway, in 2016) and putting the entire data through the sieve of a stakeholders' analysis.

After the identification of all possible stakeholders, we identified at least one respondent for each category but almost all respondents answered from several different capacities. The 6 interviews consisted of approximately 20 questions asked in compliance with the quality and characteristics of the person questioned. The steps for choosing the best respondents consisted of prior research for identifying the proper environment to find the key interest persons to be interviewed both online and offline among academia and professionals in the field, picking the best ones for the purpose of this paper. The age distribution of respondents is between 30 to 50 years old, including all the relevant categories like married, not married, single, with children, without children both men and women. The sample of people interviewed is vast and diversified in order to create a complex picture of family friendly policies and all the actors involved:

- single mother, highly educated, having raised 3 children alone and benefiting from all the family friendly policies that the state had to offer;
- male, single, never married, no children, highly educated, having a stag life;

- male, married, raised three children, highly educated, benefited from all the family friendly policies that the state had to offer including paternity leave;
- foreigner, coming from a country not so family friendly, highly educated, single, managing position;
- Norwegian, male, not married, one infant newly born outside marriage, high management position;
- female, married, raised 3 children, entrepreneur, former employee, icon in society;
- employees from all the sectors of economy: the public sector, higher education and academia, private sector, entrepreneurs;

In regards to the interviews' interpretation, in order to get the most relevant information we used a content analysis where we examined the interviews to identify the key words, paragraphs and themes, completed with a semi relational analysis where we explored the relationships between the concepts.

Three basic procedures were used: discovering concepts, backing them up with examples and bringing together the commonalities, differences, patterns, structures. Since the interviews were semi structured, the strategy approached was The Grounded Theory (Corbin & Strauss, 2015), an inductive methodology that systematically generates theory from systematic research. The purpose was to let ideas, concepts and themes emerge from the interviews. The analysis was conducted line by line with open coding, leading to finally grouping up all the similar codes under a certain amount of relevant themes and sub themes that are exhaustive and reflect the purpose of the research.

Given all of the above, we consider the information in this research to be relevant, significant and useful for drawing a conclusion not only because of the quality of the respondents and their diversification but also because in practice, ever since the second interview the basic information started to repeat itself and revealed the most important final deductions.

One of the difficulties of the paper was gathering the relevant data considering that there have not been robust researches that would link family friendly policies to the performance rate of the company or institution. Mostly, the literature in the field presents examples from different countries around the world, the pros and cons, and sometimes ideas for implementation. From the research of international scholarly data bases there has not been an extensive work with concrete and measurable results on family friendly policies or even on the extent of work/personal life balance over the performance of a company and further more on economy. In order to have tangible results, a project like this would need thick financial analysis before the implementation and considerable data afterwards.

Other problems in assessing the correct data for this research was the lack of information separate than the economic development from discovering oil and the media coverage that makes the issue of family friendly policies more romanced than truthfully assessed.

This paper does not demand to be an expertise for the entire work force in Norway since that kind of undertaking requires a considerably bigger research. Also it is not designed as a comparison to Romania or the European Union, but it takes into consideration a challenge for future works.

Nonetheless, these limitations and difficulties are fully acknowledged and create grounds for a future extended research in the field.

## **5. Main findings from the implementation of the proposed framework**

Based in analyzing the interviews trough grounder theory, the approach was comparative. We focused on the opinions of the people interviewed and if there are differences between answers to the same question. This comparative approach allowed us to bring to surface the stakeholders that might have been overlooked and the ones that have been highly praised.

Basically, the interviews revealed useful ideas and concepts about family friendly policies from historic changes to the influence that it has in society, going through benefits and weaknesses, pros and cons plus personal opinions and points of view.

No visible distinction in opinions could have been identified between the following categories of respondents:

- genders in the case of Norwegian nationals. Both men and women seem to have the same ideas and concepts about family friendly policies. Both genders see benefits and weaknesses the same with absolutely no contradictory arguments like expected;
- married and not married. Norwegian born individuals. No matter if the respondents are married or not, they have the same opinions about family friendly policies with no difference based on gender;
- private business environment or the public sector;
- people with children and people without (Norwegian nationals). Employees with children have benefited of will at some point benefit from a large range of family friendly policies when people with no children will not have the same advantages. But even so, both categories of respondents have the same good opinion about family friendly policies and do not see them as discriminative to childless workers;
- management and the execution part of the business environment among Norwegian nationals. No matter if the respondents are managers, owners, entrepreneurs and they are part of the decision making process or if they are simple workers, professors or other execution positions, they all have the same good thing to say about family friendly policies. The managers are first to notice the challenges related to covering the work positions of employees that benefit from family friendly policies and take time off for their children but still that does not change their good opinion;
- the respondents that were born in Norway and those who have emigrated here. The foreigner that was interviewed has a slightly different opinion considering family friendly policies. He is the only one who mentioned that these policies are discriminative

to employees without children. Also, he pointed out that in his opinion, Norwegians are not very efficient workers and some of the guilt for this is pinned on family friendly policies that gives employees extended benefits mostly in the leave of absence topic;

All the respondents agreed on several important issues relevant to the topic:

- the Government has done a good job in organizing society in Norway;
- great trust in authorities;
- they all agree and accept the fact that discovering oil was the cause of Norway's wealth. They even go further and place less accountability than expected to them as a performing nation;

- the importance of labor unions in dealing with work force issues like the one currently discussed;

- all the respondents born in Norway and even the one respondent who is a foreigner having lived in the Nordic country for more than five years now are all faithful to the core Norwegian values: equality, freedom, tolerance, respect, solidarity and active participation;

- admit that some employees might take advantage of family friendly policies and abused them for their own and family wellbeing;

- Norway has a very developed system concerning work/life balance and nowadays people take it for granted;

The interviews revealed a few major themes under which all the information positions itself. All these themes and subthemes relate to each other both vertically as well as among them. The concepts do not exist separately and do not create value without the others. It is a combination of factors that have strong and complex connections between them. Without a web like this, the entire system of family friendly policies would have a different face or it would not exist in the way that it does now.

The major themes and subthemes that emerged from the interviews' analysis, which basically show what family friendly policies mean to the subjects interviewed, are:

Characteristics (benefits, weaknesses), The Nordic Economic Model (high female employment, equality, strong labor movement), Mentality (good opinion of the society, take it for granted) Authorities' involvement (good arrangements in Norway, trust in the Government, historic changes).

All the respondents were able to identify characteristics of family friendly policies both in general and specifically in Norway. Mostly, they talked about how beneficial these policies are for all the actors involved: the employees, the companies, the children, the families and the society in general.

A large amount of respondents (5 out of 6) stated that when family friendly policies are implemented, employees are happy and when you have happy employees, not stressed, having a good time when working and also not having to worry about the child's wellbeing, than they are going to do a good job. Besides happy employees, when asked to array benefits, most respondents highlighted several facts and agreed that there are more benefits to family friendly policies than weaknesses.

As a final conclusion about weaknesses, the point made was that it is a double blade sword. If you are too generous with family friendly policies, in the short run it may decrease the productivity of the company. But it might also have positive sides in the sense that people are more satisfied with the job and they are more relaxed if they have more time with the children. So in a way it increases the efficiency for the long run. But it is a double blade sword. It depends on the company. It is very hard to say it in general. But it might be a chance that it decreases the efficiency or the productivity.

An important theme that emerged inductively from the interviews is the fact that family friendly policies have a great deal of influence on The Nordic Economic Model of welfare state, the employment and unemployment rates, inflation, labor movements, wage bargaining system, equality and economic growth. The basic idea is that by having so many people working, with such low unemployment as well, everybody contributes and produces for the society. You get the feeling that you are in it together. Without all the



people working and on the contrary with people staying at home and not doing anything you do not feel like you are contributing.

Basically the strength of family friendly policies in Norway can be displayed and emerges from a combination between a high percentage of employment, especially among women and a strong labor movement. An interesting point made by the same respondent was emphasizing the importance of strong labor movements and surprisingly, the importance of lobby. It is less likely that the Government give something without somebody asking for it and not only asking, but also lobbying for.

When asked about the society's opinions and the people's mentality on this subject, all the respondents agreed that it is a very positive one. They allege that they have not heard anything negative about family friendly policies and also that most people in Norway are happy, contempt and support the current system set in place. They do not find it discriminative and even more they think that it is fair and that people with children have some privileges.

Even more, some respondents took the conversation towards the threats that the society might face if women do not give birth leading of course to the importance of family friendly policies: if we do not make babies, everything will be lost within one generation. See what happened in Italy or the South of Europe. If you do not have kids or at least two kids, everything will go into recession. So it is very important that women have babies and still work. The fathers should also have a huge portion of the everyday life with the baby and the family. It is not important to make incentives for those who do not have babies. It should be more of an inspiration for those who dare to have babies to continue to do that.

One respondent made an interesting point concerning the mentality of the Norwegian people: there is a common understanding about the fact that both the positions for women and men are equally important. This is the way it is right now and citizens got so used to the very good arrangements that family friendly policies became part of the national culture.

Concerning the mentality, a point made by three of the respondents of these interviews was that nowadays in Norway they are no longer discussing this subject and Norwegians got so accustomed to having strong family friendly policies that they take it for granted. It is difficult to remember how lucky they are with these very good arrangements. The general feeling is that people pay taxes but they also get so much in return so they work and give their contribution to society. However, some parts of the community are still complaining and they are not as content as they should be.

Men and women interviewed all agreed that Norway managed to become an example of good practices in family friendly policies. One reason for fulfillment is the capacity to force men to get involved. Mothers started to work and fathers started to take their place at home. This will let the young fathers to switch with the situation of young mothers and will enable males to be more responsible: In this way you will have new role models among men. They do not have to be unique among ten others that do not stay home with the baby because everybody stays home with the baby. It is the new norm in Norway.

The last recurrent theme recognized throughout all the interviews is the fact that the labor conditions and the social arrangements have changed considerably in Norway in the last thirty years. They have got to this situation during several generations and lately it has changed for the best from only a few days off for young fathers or just a few months off for mothers to the generalized acceptance from nowadays that you should both work and be a parent and the almost forcing of men to take a greater part in raising children and helping with the family life. There is a huge difference in the young men that are becoming fathers – they are spending much more time with the kids from when they are babies up to youngsters. They have relationships with their sons and daughters in a better way than it used to be when I was growing up. So today it is not only the mums who are lucky to live in Norway when it comes to family friendly policies, it is also good for the men becoming young fathers. We consider that the opinion all over, in general, is very positive and today it has become a habit. It is the way it is. We are no longer really discussing it in Norway; it

is just the way it is and the way it should be.

Besides all the ideas expressed so far, there are several other singular concepts that do not fit in the previous categories but are worth mentioning.

When asked to give some examples of family friendly policies from their experience or work place, most respondents talked about maternity and paternity leave as well as flexible working time. These were the most common policies that people from all backgrounds, education level or mentality know the best.

Some respondents mentioned that they know about family friendly policies even from kindergarten. They learn how the society in Norway works since they are very young. The people around them who pass that knowledge are mothers, fathers, neighbors, educators, professors and even others because the society as a whole knows the relevant aspects of this field.

A relevant factor that has been highlighted is the fact that in Norway, authorities are much more attentive and focused towards family friendly policies, working environment, working time, and the freedom of employees. The foreigner respondent even made a comparison to Italy, his home country and concluded that in Norway, the balance between work and family is much better because of the Government who “does enough” in his opinion and the different mentality of the people. It is not the fact that they do not care about their job but much more because the center of life is not the workplace or the job. Even if they have to finish a task, if it is 4 o'clock and they have to go to pick up children from school or kindergarten, they just go. So work is not the most important thing in their lives.

One important aspect that was observed all over the interviews was the answer to the question if family friendly policies and the balance between work and personal life have an influence on the good economic situation of Norway. All the respondents answered that this may be the case but it is important not to forget that the oil is a driving force in the Norwegian economy. The oil money enabled the Government to have funds

for generous policies. They all agreed that it is not fair to say that it is all about the quality of the Norwegian citizens and authorities; it is basically the overall constant good economic situation of the country.

A contradictory issue noticed among three respondents was the opinion on the absence of new fathers from work. Some opinions in society consider that if the man who usually is the bread winner of the family has to stay away from work with reduced pay that would affect the family's finances and could be a weakness. Some might say that it would interrupt the family's choice, that the family could decide other than what the regulations say and that it is kind of a public interference into private matters. However the majority do not think of this as foible.

Considering the divergent opinions and the practices to be improved, one relevant point of view belongs to the foreigner interviewed. He argues that from his experience he can express the fact that people have the tendency to take advantage if the family friendly policies and his suggestion is to talk about workplace policies in a much broader way: The concept about family should be in a much larger way. Maybe it looks more egoistic but in many cases, people could sometimes benefit from family friendly policies for parents or for other members of the family. It does not matter if it is a parent sick at home or a child, it is the same thing. But for the company this difference matters. It is not like they do not give you time off for taking care of your parents. It is just that the time off for a child is automatic and much easier to get but if it is for other members of the family you would have to apply and it would be more complicated.

## **6. Conclusion**

In literature, the FFPs from the stakeholders' perspectives research is not so common, even though this approach is important both from macro to micro levels of the same organization. Even more, it has a ripple effect on society through all the changes that it imposes from the individual to the family itself.

Without doing a sociological analysis, from the current literature it stands out that the traditional version of FFPs is no longer so widely spread. The term “work life balance” better covers the constant changing in the way families behave but actual policies have to emerge from this topic. This trend was also visible in the field research in Norway. Respondents related to new types of family, different in many aspects than the traditional one. Also they reacted to defining the term family and pushed the explanation towards a more loose approach than just 2 married parents of opposite sex with one or more children. In this case, the FFPs need to adapt to new developments.

The added value of this article is given by a stakeholders’ analysis of FFPs, both theoretical and practical, in order to highlight all the points of view from opposite corners of the power-interests grid. The desk research focused on the content of FFPs and on all the important stakeholders. The field research that was conducted in Norway because all the respondents permanently live and work there, hence, providing straightforward information right from the source. The collected data (by the way of 6 interviews) was analyzed through grounded theory and extensive comparison, the purpose being to highlight similarities and difference among answers of FFPs’ stakeholders. These interviews were carefully elected to fit in each stakeholder category. Several people responded from different capacities and all of them were important pillars in separate organizations. A substantial result are the 4 major themes that represent the summary of the respondents common opinions related to FFPs: Characteristics (benefits, weaknesses), The Nordic Economic Model (high female employment, equality, strong labor movement), Mentality (good opinion of the society, take it for granted) Authorities’ involvement (good arrangements in Norway, trust in the Government, historic changes). Starting from these major themes, the similarities among answers were basically on all levels. Even if this suggests a common understanding in society about this topic, the results of the research are important because it shows that the opinions were similar even from the respondents that were expected to answer differently. For example a single man, not married, without

children saw the same importance in family friendly policies than a married mother with children.

Respondents that do not have children or are part of a nontraditional family (single with children, with same sex partners, not married, divorces, never had children) brought to light ideas about other types of family friendly policies that would shift the focus from families with children to all the categories of employees. For example they would like the term family to include parents and siblings not only children or spouses. Concerning this aspect, the respondents that are part of a traditional family, do not disagree with the existence of such policies that would benefit all employees and not only those with children but it was not something that they considered on their own.

In conclusion, this research showed that when addressing issues like family friendly policies it is very important and more accurate to discuss it from the stakeholders' point of view. Different stakeholders have totally opposite interests and even more, they have higher or lower power when it comes to influencing the decision making, so having an overview look becomes the true image.

Also, if we take into consideration the stakeholders' perspective, there is an emerging need to change terms and create new policies for the future. The importance of work life balance is constantly growing, so family friendly policies need to keep up with the modern developments and include a wider range of beneficiaries. Also, the revised or completely new policies have to mold on the new forms of families, new liberties and new mentalities that change work place dynamics.

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## **SHARING ECONOMY: EVALUATING ITS STRUCTURAL DIMENSIONS FOR POLICY DESIGN PURPOSES**

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### **Abstract:**

*The current rising in economic polarization maintains an elevate interest for the social and ethical dimensions of the economy. As such, the new modes of wealth creation and redistribution derived from the digital revolution impose themselves as important premises and solutions to old and persistent economic and ethical problems. Sharing economy is a new concept covering recent structural changes of the contemporary economy resulting from the spread of new digital technologies. In order to reach a better understanding of the process of conveying towards such a type of economy we have conveniently distinguished four dimensions of the phenomenon. First of all we classify the economic nature of sharing economy. Following this we try to explain the technology conditions rendering it possible. Thirdly, we confront the controversial present day ethical aspects of the topic and last but not least, we attempt to elaborate on the issues surrounding the emergence of such a comprehensive potential new development model in view of a research-based policy assessment. As such, we have interrogated the academic debate over the sharing economy which is reflected in the controversy surrounding the regulation policy of these atypical economic relations. Though we endeavor to investigate as much as possible the endogenous, Romanian perspective of the topic, in all the above mentioned layers, it is precisely this fourth dimension of our research that gives it a domestic consistency.*

**Keywords:** sharing economy, non-standard new economy, economic ethics, social economy, policy design

**Preamble**

The contemporary dynamics of producing commodities or services, generating revenues and wealth, associated with the historical output series of the XIXth and XXth centuries, show somehow paradoxically a return to the symptoms of early capitalism's assets polarization, along with the gradual increase in the degree of fuzziness of the welfare economy, at least as assessed in the parameters that were valid for most of the XXth century. As Thomas Piketty exemplifies in his consistent *Capital in the Twenty First Century*, less than 10% of the population of North America and Europe own today more than half of the existing capital (Piketty, 2015).

As we move towards a post-industrial, or „second machine age” (Brynjolfsson and McAfee, 2016), the inequality tends to spread to the very process of work, reshaping first of all the labor market, in line with the new technological parameters. It is precisely within this juncture that notions, concepts or simply put labels such as “sharing economy”, “peer-to-peer” or “open-source” depict the new patterns of production, wealth creation and redistribution (Mayer, 2014). It is beyond doubt that such an approach, eventually patterned, would be consistent with the present day world economy welfare thresholds, especially with those reflecting the EU social economy.

To a certain extent the traditional EU benchmarks of social equity are directly jeopardized by the cumulative effects of the new wave of technology that generates completely unexpected levels of capital efficiency in peculiar areas and the speedy quest for European competitiveness within a more and more challenging world economic environment. Giacomo Corneo underlines that the process of “democratization” of capitalism through extended ownership could be a pragmatic answer (Corneo, 2014). The contemporary role of the public capital is under constant re-assessment today, but plenty of rational arguments emerging from the traditionally assessed inefficiency of the public sector throughout the world plead for the necessity of investigating more lucrative paths. Consequently *sharing economy* (SE) appears to us as a valid short and medium term

option, encapsulating economic and extra economic resilience features that could turn it into the comprehensive model of the near future.

### **1. The economic perspective**

The last years witnessed an increasing form of a new approach to economy that is significantly more aware of ethical concerns of the economic process than the classical business model. This has been designated as SE. Some authors, relevant within the context, reveal in their studies that SE is a new economic phenomenon that is gradually changing the rules of the game, taking in this way by storm the media, social network and eventually the public discourse. SE is seen as an alternative form of consumption based on collaboration in the production, creation or use of products and services. SE simplifies and redefines collaboration by the means of technological advances and online communication, making people able to share, barter, lend, rent, swap and gift their property in a much easier manner (Kreiczler-Levy, 2015).

There are varying opinions that highlight the lack of scientific publications on the topic and confine its definition to companies that deploy accessibility based business models for peer-to-peer markets and its users (European Commission, 2013a). Arun Sundararajan (2016a), an established authority on the topic, defines SE along five fundamental features:

- a) it is a free-market phenomenon;
- b) it is based on putting underutilized (potential) capital to use;
- c) it develops on “crowd-based networks” such as online platforms;
- d) it overcomes traditional frontiers between the personal and the professional;
- e) blurs the lines between (full-time) employment and casual work.

He does not consider SE as a departure from capitalism to some type of socialism, but, more accurately as a departure from “*corporate-centered capitalism*” towards “*crowd-based capitalism*” or, as such, an intermediate form between capitalism and socialism

(Sundararajan, 2016b). Businesses such as Airbnb, Lyft, Uber, Taskrabbit are actually empowering consumers over major transport, service or hotel corporations. In this sense it is a triumph of small actors on the market over great established actors not able to compete efficiently.

In a first attempt to adapt the regulatory framework to emerging forms of SE or “collaborative economy”, the European Union has delineated a series of principles and policy recommendations, with the purpose of encouraging the development of new and innovative services and also with the purpose of ensuring adequate consumer and social protection. A very important aspect to be mentioned is that the SE can contribute to the EU’s sustainability agenda and to the transition to the circular economy. In the *European Agenda for the collaborative economy*, we find a very coherent and articulate characterization in terms of business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals. This agenda also describes three categories of actors that participate to the collaborative economy, namely: 1. the service providers who share assets, resources, time and skills, 2. the users of these and 3. the intermediaries that connect, via an online platform, providers with users (European Commission, 2016).

In our opinion, the new trend we designate as SE is somewhat contradictory since sharing implies *giving* (for others), whereas economizing implies *saving* (for oneself). This paradoxical nature of SE notwithstanding, it seems that many new business ventures based on a broader notion of the economic incentive than the traditional profit-seeking do work very well precisely because they insist on closer relationships and trust-building. This is grounded of the increased awareness that social capital is more than financial capital, and that enduring investment require the inclusion and increasing of social capital as well.

SE is not of course entirely replacing traditional business models. SE includes the profit incentive in most of cases. Only it does so in a broader, non-exclusive and more

sensitive way. SE is therefore a *non-standard new economy* complementing classical styles of business. Some of the sharing models came about as “austerity” reinvention of consumption patterns during the financial crisis. This implied a different approach to consumption goods (be it an apartment or a car). Goods needed to be shared in order to reduce consumption and recover losses. Nevertheless, this has met a real demand on the market, namely people doing the same thing. The result was very rational – satisfying the same demand with a lower supply. As such, SE appears economically rational, although it seems more emotional at the first glance.

## **2. The technology perspective**

If we were to determine one single factor responsible for the flourishing of SE modalities, this would be the digital revolution and its most recent consequences. It has been already remarked that many jobs that were performed by people are now performed by *software*. In this sense, technology saves resources while performing better. The one technical device that has made SE successful was definitely Steve Jobs’ *iPod* (Thierer, 2014). This device has created new opportunities for very old feelings, inclinations or moral desires that the classical market was not able to meet satisfactorily. But it is only in this current age where new digital technologies have revolutionized people’s ability to exchange economically, socially and morally relevant information, that a critical mass has been attained.

Digital technologies are more able on the one side to concentrate information, on the other side to focus information about those who can share and those who need to receive. They have achieved the ability to check and process the most information and in the most individualized and precise manner. On a larger scale the task is to permanently and clearly identify those who need to receive the surplus and those who actually possess a certain surplus. Internet renders the synchronization of givers and takers plausible. With the advent of internet, the flow of information, the availability of economically (and

morally) relevant information is quite outstanding. Sometimes this is one click-away. Of course, meeting supply and demand are age-old problems of economy.

In the new light of SE this problem takes the new shape of trying to make meet people who are socially or morally dedicated to a slightly different economical behavior than the classical one. Not everybody will join the SE, which is more likely to remain a sub-system of the market. Still, new ventures, new platforms are already in place where people sharing the same interest in combining individual gain and social contribution, or where business oriented entrepreneurship with meets with social entrepreneurship and exchange values on permanent basis (Praszkier and Nowak, 2012).

We can skeptically ask how much are people ready to contribute. Would they share if it was more difficult? Would they share if it was more personally expensive? This varies of course with the case. Certain is that internet and smart phone apps have made “affordable” new modalities of sharing, modalities that were too difficult to perform before.

Let’s take an example: giving someone a lift if meeting operatively, but not being able to wait an unspecified amount of time in order to help somebody. Synchronization is therefore time-saving and decisive. And this is why the internet revolution has created huge new possibilities that simply did not existed before, in the sense that they were too costly and impracticable before. Technically, this has also been possible with the appearance of *block chain technologies*, able to assure online secure transactions, through a growing database that is modification-resistant so that transactions cannot be altered once they are performed. It is technology that extends the traditional frontiers of trust through the “*digitization of trust*”, allowing *reputational capital* to be validated and increased through peer-to-peer open evaluations and transparent transaction procedures.

We can strongly reiterate that the conventional business model is subject to change. A EU Commission’s report delineates two trends in the evolution of the SE. Briefly we can first describe the technological advancement that allows the business model to spread to



more and more markets and thus become more convenient and flexible. One example is the car rental company “Car2Go”, which provides members with flexible and nearby access to individual mobility through a large quantity of rental cars that are distributed across European cities. The second trend we want to draw attention at constitutes a shift to peer-to-peer accessibility based business models. In peer-to-peer models, companies are facilitating access for consumers to consumer owned property or skills and competencies. An online platform connects consumers that own certain assets and skills with consumers in temporarily need of those (European Commission, 2013b).

In the dedicated literature, there is a widely held belief that computers and the Internet made it possible to exchange works on a much larger scale, without depriving the original owner of access to them. Furthermore, digital technology and the Internet gave us important resources, such as new media, each bringing new types of creative work or a new world of cultural practices which do away with the clear-cut distinction between producers and consumers (Agrain, 2012). Moreover, present day EU is actually the best ground for evaluating the global scale switch from *multicultural* to *intercultural* features that illustrate the very essence of the contemporary technological revolution (Dan, 2014).

### **3. The ethical perspective**

Sharing in itself is of course an all-time moral inclination that has been preached by *ethical idealism* in almost all religions. The correlation sharing and receiving is a couple of notions that parallels the supply and demand categories. This is an ethical correspondent of the economical world. Sharing means being able to give away, that is to detach oneself from a rigid notion of ownership.

*Entrepreneurs* are people who are seeking to make a profit by identifying a social need (or demand) and trying to come up with a product designed to address this demand (or supply). Social entrepreneurs are people who (at least in theory) are building a business designed to help people, to advance availability of good, or to reduce waste. Otherwise put

– to somehow make a contribution but without placing the profit-incentive at the core of their business. As such, SE includes economic activities that are socially or ethically aware as well.

Walter Vassallo's approach draws attention in this context. The author defines *trust* as the essential ingredient for economic and social relations and, more interesting, as the substratum of the SE and co-creation. The author further explains that trust is at the roots of the European economic system and, in the emerging SE, trustful relations are a pre-requisite (Vassallo, 2017). Previous generations would have never allowed strangers into their cars or apartments. Trust has become however easier in the digital economy. Trust is based on accurate and reliable networks where data are held and so strangers are not so strangers anymore. Peer-to-peer review of transactions render people more responsible since the old market saying "You're only as good as your reputation" is very much alive (Botsman, 2012).

In order to understand the manifold dimensions of this new sharing movement from the standpoint of its ethical dimensions we try to classify different behavior falling under this notion:

a) *Charity economy*. Charity is the disinterested sharing of goods for people in need. This ethical virtue is, of course, implicit social economy. Even though it is a moral commitment, it also makes a difference in economic terms since it changes the owner of goods. As such, the most disinterested forms of SE are a subdivision of charity (which is a spiritual and ethical virtue).

b) *Communitarian economy*. An interesting aspect is that people who take part in SE are people who do not want to reduce exchange to mere impersonal processes. Meeting people, creating local networks or even friend circles bring about moral experiences. At least as important as owning and consuming is the feeling that the economic community is also a moral community. As such, SE brings about the enlivening the economic process

which are not anonymous anymore. This renders the economic process more personal, instead of alienating, and it seems that SE also reflects emotional choices of people.

c) *Austere economy*. Exchanging instead of buying is also a significant part of the SE. Setting aside short-time gain this ethical dimension of consumption has rational as well as emotional gains. This avoids waste and encourages recycling, but in a wider sense that garbage recycling. On a long-term, this saves resources and brings people a relative fulfillment. As such, SE is a subdivision of the wider notion sustainable economy – not totally disinterested, but dedicated to saving resources, to minimizing loss and consumption abuse. The good thing about this kind of self-imposed “austerity” practices is that they are personal and voluntary and they combine economic profitability with sustainability.

The socio-economic relevance of the SE is remarkable. In the context of decreased consumer trust in the corporate world as a consequence of the economic crisis, consumers have become more receptive to peer-to-peer business models which promote the consumer needs, both as a supplier and buyer. How can the company help build the SE? Take for instance the business innovation brought by the a company such *Airbnb*, hosting an online platform through which peers can list, discover and book unique places, all made available by other peers. This has been described as the most widely spread method for people to monetize their extra space and showcase it to an audience of millions (European Commission, 2013c). This example is thought to be the most prominent example of a huge new “SE” in which people rent beds, cars, boats and other assets directly from each other, coordinated via the internet (Economist, 2013).

*Blablacar* another example of the kind, arranges to give people a ride and it is always cheaper than mainstream transportation. As such, overcrowding and oil consumption is reduced. Lower costs come with reduced waste and pollution. There are also more difficult problems to solve. For example *food sharing* makes a case against food waste in a challenging environment. Some online platforms try to solve this situation and

excess food is donated, so other people can take advantage of it (i.e. *foodsharing.de*). The real difficulty is not to convince people not to throw food away, but to make it easy to synchronize demand and supply, to bring food which alters rapidly to those in need of it.

We have noticed an interesting *ad-hoc* local solution to this challenge. At *Iulius Mall* (a commercial mall in Cluj-Napoca, our hometown), after restaurants are closed, a spontaneous arrangement came about, with homeless or needy people standing in line at the back door, approach which actually make excess food (leftovers), meet with demand. We take this as a good example combining classical economy and non-standard SE.

#### **4. The policy perspective**

The spontaneous emergence and arrangement of SE has social, economical and ecological consequences as well. As a new phenomenon, SE does not yet have too many political (top-to-bottom) dimensions. For example, literature indicates that in San Francisco there is a functional SE that has spontaneously emerged. In Seoul, on the other hand, it is the authorities who try to enforce it by imitation in order to deal with social problems residual of the economic crisis. These cases are very different. Most of the calls for a government regulation of the SE result of a criticism of free-market difficulty of assuring consumer protection. As in many economic cases, we are facing anew the old dilemma of market self-regulation *versus* government regulation. Critics argue that, before the market can clear-up itself there will be many “collateral damages”, so that government should already consider putting regulation in place.

This resonates with the debate *pro* and *against* SE. Policy design should come as an outcome of the manner in which we settle the case between the two different approaches concerning SE. We would illustrate this controversy by briefly comparing two established authors holding opposing views on the benefits of SE. In order to solve problems, the already mentioned author Arun Sundararajan favors increased peer-to-peer marketplace regulation. Where this fails, new *self-regulatory bodies* (such as customers associations,

professional organizations) should double the market intrinsic regulation with a sort of professional and moral supervision. He views “crowd-based capitalism” as a more refined version of Adam Smith’s invisible hand, able to synchronize supply and demand in a more efficient and faster way, as well as in a more detailed fashion that was conceivable before the digital revolution.

Other authors indicate the growing insecurity for workers or externalities for other parties (neighbors, communities). Tom Slee is concerned that through SE, capitalism has invaded areas traditionally protected, such as the private life. He believes vulnerable people are actually more facing more risks. People active in the SE are seldom full-time entrepreneurs – most of them are only gaining extra-money. Following the success of the first corporations mediating services on the market, such as *Airbnb* or *Uber*, he observes that they have since grown into big corporations. On the one hand *Uber* empowers customers or free-lance entrepreneurs but on the other side it fights local taxi drivers. This author argues that the idyllic notion of someone sharing his apartment with you is already overshadowed by entire-flats virtually used as hotels, competing therefore long-term rentals (leading to fewer apartments available for long-term rental). Flat-sharing has evolved into hotel-service, just as well as ride-sharing has grown into taxi-service. The risk is greater since the intermediate corporation declines responsibility and accountability is difficult to establish and enact. People in this industry are not classical employees so that they are not covered by social security. He also argues that the reputational assessment of customers and services (by means of reviews) does not work as ideally as presumed and since then, a more rigid supervision has already been introduced (Slee, 2015).

The permanent litigation *Uber* confronts across the world illustrate how these controversial aspects have inspired some to establishing of greater organisms to administer and optimize the distribution of resources, to generalize the SE – which would amount to control and supervision by superior authorities. This is of course itself problematic – since the very success of these start ups came from their decentralized and independent structure,

from their free decision to cooperate, each within the field where they possessed the required knowledge. An institutional supervision would entail state bureaucratic control that would most likely face problems that the local enterprises do not have. Who should regulate SE and how exactly is therefore controversial.

A recent European Parliament report shows that the SE is affected by an equally wide range of EU policy regarding two relevant areas. Firstly, we should mention policy which affects SE platforms such as digital services, and, secondly, policy which affects SE services, through their effects on the general regulation of the services which are provided through those platforms. It is worth mentioning that despite the considerable existing volume of policy applicable to the SE significant issues remain that require consideration. We can mention but a few: achieving regulatory objectives at higher cost than necessary, market segmentation and restriction, not making use of platform data, or the fact that the SE has the potential to encompass a significant portion of economic and social life which might create a danger of a new form of social exclusion (European Parliament, 2016).

It appears that the investment on social infrastructures within the framework of EFSI is lower than expected – most certainly a consequence of austerity measures. The question still remains whether decrease in microfinance or social entrepreneurs' investment does not reinforce economic stagnation. In this context, it is interesting to analyze some affirmations that want to open the path to the recovery of social Europe. Jean-Claude Juncker stated that "Europe is not social enough. We must change that" (European Commission, 2017a). The change will take the form of the *European Pillar of Social Rights*, the necessary instrument to ensure fairness and social justice in Europe. Other EU officials, for example the Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, strongly believe that the collaborative economy or the SE is an opportunity for consumers, entrepreneurs and businesses and, with the help of proper management, SE could create additional jobs and growth (European Commission, 2015).

### **5. Focus: SE in nowadays Romania**

Along with EU membership came various exogenous leverage mechanisms that pushed ahead the welfare state throughout Central and Eastern Europe, contrasting with the ideologically patterned models previously in place (Fuchs and Offe, 2009). Our country would be no exception to the rule, but one should acknowledge that the pace of evolution towards the average EU benchmarks in this respect is definitely not satisfactory. As the very recent *Reflection Paper on the Social Dimension of Europe* (European Commission, 2017b) points, Romania is lagging behind many European countries on several social layers.

Indeed, 2017 Romania provides a strongly relevant unsound economic example, namely of the public sector benefiting of an average double salary as the private sector, while productivity would be comparable. In any decent framework of economic policy this sends us a truly worrying signal about the imperative of reshaping the system in order to cope with the various challenges of today. But setting aside government-related problems, Romania has experienced continuous growth since fully recovering from crisis in 2012. It currently strives to evolve from an emergent market to a mature market, with all the entrepreneurial features that are necessary for sustainable development, including incipient forms of social entrepreneurship, as we found in a previous research (Albescu and Maniu, 2015).

As we already underlined the crisis was an incentive to innovation and new business models packed with information technology were encouraged. This explains the rapid synchronization with European flows and trends, especially a very dynamic IT sector. Major players in the SE have recently invested on the Romanian market. *Uber* and *Airbnb*, the two SE pioneers faced a very controversial reaction. The local market has not only spontaneously adapted but it also created similar reactions. The same litigation between new global famous SE services and traditional competing industries has already been observed in this country too. *Uber* has been repeatedly involved in incidents with

local taxi companies in Bucharest or Cluj-Napoca. A taxi license is very hard to get and this makes the taxi-market an oligopoly. Taxi companies, on the other side, feel mistreated that they have complied with the licensing procedure while their competitor did not. But there are also new successful local companies in the realm of SE, start-ups that have adapted to the new technologies that have since emerged – we will mention only two of them, namely *Pony Car Sharing* and *Sameday Courier*.

As in many cases, the spontaneous success of SE has left the regulatory authorities behind. The EU has recommended member states not to prohibit these new services. But the effort to bring clarity into this matches the novelty of the technology. What stands for example in debate is whether an Uber driver is an *employee* or an *entrepreneur* himself. This has important consequences in social security and fiscal policy alike. Recently, the Romania Parliament's *Commission for Information Technology and Communication* has released for public debate a law project designed to regulate the emerging market (Camera Deputaților, 2015). The public debate barely started, and all interested parties are called to contribute, since the EU recommendations are still too general. The lawyer and publicist Bogdan Manolea has critically commented this draft:

“The principle put into practice by the Law 365/2002 in Romania and by the E-commerce directive in Europe is relatively simple: online services (also designated as services of the informational society) require no preliminary authorization. Nowadays this seems even more reasonable than in 2000 when it was less clear: how would it have been for someone who wanted to create a website of any kind to pass it through a commission of bureaucrats in order to get a license?” (Manolea, 2017a)

The author complains that the draft continues to remain a general statement of principles. It doesn't even answer the question why should this field be regulated in the first place. The law does not identify a specific problem caused by these industries that can only be solved through a law. Many obligations (such as data protection, information security of tax imposition are already regulated). New obligations that were suggested –



such as the owner of the online platform should certify/document the authenticity of data registered on the platform are simply unrealistic (it is like demanding a journal to check the announcements they publish on the buy-and-sell list) – this should be left to those who engage in transactions. Despite the fact that the draft claims it supports the new field, it only imposes obligations and sanctions.

The author concludes: “so the question again is: do we want regulation, self-regulation or we simply want them to leave? For now, judging from this draft of law it would appear that we simply want them all to leave and we want to erect barriers for others like them in the future. Maybe a better solution would be to first identify the problems and to debate them. And if we want self-regulation or co-regulation, we would better first expose them to those concerned, from the industry, and to understand how they see them solved.” (Manolea, 2017b)

To summarize our approach, it appears that the development of SE in Romania is primarily driven from the input of the global pioneers of the industry that have expanded into our domestic market. Secondly, there are several small local companies that have adapted and have grown steadily, which is an encouraging trend. And finally, the regulatory authorities are lagging behind the level of responsiveness showed by equivalent authorities elsewhere in EU. Though trying to make sense of the EU recommendation and to adapt old legal notions to new economic realities, Romanian lawmakers have still plenty to fare in order to allow SE the same kind of impetus as in more developed economies. But, we should acknowledge that today new and unexpected SE facets are emerging, while some already established ones are changing fast and all across the world, not only EU, and therefore it is a fact that their legal status and public regulation would be still to a large extent controversial.

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# **IS SOCIAL PROGRESS SUBJECT TO CULTURAL INFLUENCES? ARGUMENTS FOR CONSIDERING CULTURAL CHARACTERISTICS AS INPUTS FOR SOCIAL POLICY DESIGN AND IMPLEMENTATION**

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## **Abstract:**

*A deep comprehension of the relation between the cultural characteristics exhibited by society and social issues can have a strong positive effect on the development of more effective and efficient, culturally adapted social policies. This paper focuses on the topic from an EU perspective, recognizing that better coordination of Member States' social policies and the implicit increase in social integration represent key factors for the broader European integration process (and its objectives of a monetary, fiscal or social nature) and cannot be reached without a full understanding of how cultural differences shape the EU's economic and social environment. Aimed at identifying relevant links between, on one hand, the cultural dimensions defined and measured by sociologists lead by Hofstede and Schwartz and, on the other, social progress as defined and measured by the Social Progress Index, this paper shows that indeed some cultural characteristics like Hofstede's indulgence and Schwartz's embeddedness and egalitarianism are of causal relevance for the social development process. Data indicate that the pivotal role in this causal link is played by the total social expenditures/ GDP per capita, which seem to be influenced by the above mentioned cultural characteristics, further transmitting this influence via their connection with elements relevant to social progress.*

**Keywords:** social policy; social progress; cultural dimensions

## **1. Preliminaries**

The comprehensive understanding of the links between culture and social issues is of crucial importance to the sound development of policies that are adapted to the cultural environment, thus increasing their potential for effectiveness and efficiency. Bearing this in mind, this study aims at identifying such connections with the purpose of contributing to determining their nature and thus providing additional information allowing policymakers to adjust their policy approach in such a way that cultural elements represent a catalyst and not a barrier to socio-economic progress and structural reforms.

Moreover, from an EU perspective, coordinating Member States' social policies and, consequently, achieving an increased level of social integration plays a pivotal role and cannot be done without fully understanding how culture and the existent cultural differences influence the economic and social environment of the EU. Furthermore, this should be viewed as an intermediary objective for several EU objectives, including strengthening the monetary integration process, as increased social integration, especially regarding employment creation, capacity to maintain domestic social safety nets and social transfers at an EU level, is decisive for resolving Eurozone shortcomings (Grahl and Teague, 2013).

Finally, national cultural characteristics are highly relevant for the development of processes and increasing integration in fields such as social entrepreneurship and entrepreneurial culture, taking into consideration the convergence theories presented by Albescu and Maniu (2015) and managerial challenges similar to those identified by Ibănescu, Racolța-Paina and Ionescu (2015). This is especially pertinent since the EU enlargement has generated increased economic and social diversity (Păun, 2013).

In this context, the paper focuses on identifying potential causal relations between cultural national dimensions or values and social progress. However, some conceptual clarifications need to be laid out first, as the notion of causation is heterogenous enough to pose potential differences in perception. For the purpose of this research, I adhere to the

vision of Gerring (2005), who proposes an understanding of the concept borrowed from Bayesian inference, postulating that a cause raises the probability of an event. However, all results must be interpreted with the full awareness of the fact that, besides cultural elements, social development is influenced by a wide variety of factors including the institutional and legal framework, the electoral system, wealth and wealth creation processes, policy spill-overs or European integration. Consequently, social progress is the outcome of numerous multidirectional interactions operating in a highly complex socio-economic system, which makes the isolation the effects induced by one particular cause a laborious endeavor.

Furthermore, since the paper is studying the topic from the perspective of the European integration process, the investigation is focused on data pertaining to EU Member States in an attempt to isolate some of the institutional architecture and democracy linked elements that could act as lurking variables.

## **2. Measuring Culture – a Review of the Hofstede and Schwartz Models**

A couple of decades of socio-anthropologic research about the cultural characteristics of peoples have led to the crystallization of a series of dominant theories that can have numerous applications in the fields of political science and economics. Out of these, this study relies on the theories and measurements of national cultural dimensions as resulting from the comprehensive works of Hofstede (2001, 2011), Hofstede, Hofstede and Minkov (2006) and Schwartz (1999, 2006). The objective is to identify meaningful connections between national cultural dimensions or values and key aspects regarding social policies and their consequences.

Based on over 100,000 questionnaires applied to IBM employees from 50 countries, Hofstede's studies allow the analysis of cultural characteristics on a national level (Hofstede, 2001, 2011; Hofstede, Hofstede and Minkov, 2010) and represent the



groundwork for the measurement of six cultural dimensions proposed by Hofstede and his collaborators, as described in Hofstede (2011):

1. power distance – this dimension measures the degree in which less powerful members of society accept and even expect an uneven distribution of power within the group;
2. uncertainty avoidance, which measures the degree of tolerance to ambiguity and the unknown;
3. individualism (vs. collectivism) – this dimension measures the degree in which the members of society are integrated into groups;
4. masculinity (vs. femininity) is a dimension that measures where a specific society places itself along a spectrum characterized by two extremes: one of masculine values (like competition, ambition, or the connection between success and material reward) and the other of feminine values (among which one can distinguish cooperation, modesty and emphasizing the quality of life);
5. long term orientation (vs. short term orientation), a dimension based on the relation that is established within a society between perspectives, objectives and expectations at different intervals of time. A society that is characterized as being long term oriented will concentrate on the future, while a society with a short term orientation will focus its attention on the near future, present, or even past;
6. indulgence (vs. restraint) – this dimension is based on the contrast between the predisposition for indulgence, “that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun” (Hofstede, 2011), whereas, in contrast, restraint “stands for a society that controls gratification of needs and regulates it by means of strict social norms” (Hofstede, 2011).

The greatest merit of Hofstede’s and his collaborators’ research resides in the development of a coherent instrument that allows measurement and comparison of cultural dimensions at a national level, thus transcending the abstract level of many previous

theories. Moreover, the results of Hofstede's research and the relative accuracy of the model has been confirmed by the application of questionnaires on different groups of respondents (Jones, 2007).

The other cultural theory that this study is based on due to its capacity to facilitate international cultural comparisons was elaborated by Schwartz (1999), whose research led to the formulation of a model revolving around basic human values, *i.e.* a set of seven classes of values distributed along three dimensions, as following:

The first such bipolar dimension refers to the values that govern the relation with the group by focusing either on the independent existence of the individual via intellectual autonomy (*i.e.* the desire of individuals to follow their own ideas) and/or affective autonomy (*i.e.* the valorization of positive affective aspects, such as pleasure or a varied and interesting life) or on conservative values which place emphasis on maintaining the *status quo* and are opposing interferences in the traditional order, thus generating what Schwartz calls incorporation or embeddedness.

The dimensional construction continues with a perspective on egalitarianism as expressed by components governing social interaction and interdependency, varying from the adhesion to hierarchic values that legitimize the unequal distribution of powers, roles and resources (hierarchy) to the recognition of the fact that all members of society are equal from a moral standpoint and thus leading to an internalization of a commitment towards promoting the wellbeing of others (egalitarianism).

The Schwartz cultural model is completed by a third dimension, focusing on the interaction between humanity and the natural and social environment, the relation being influenced by either mastery and control, with the embedded values concentrating on adopting an assertive attitude in the desire to succeed, or harmony, translating in harmony with nature and the recognition of a world of beauty.

With the help of questionnaires applied in 73 countries (Schwartz, 2006), Schwarz's theory has transcended a purely theoretical state and led to both complex

measurements of cultural manifestations at a national level and the creation of an instrument that allows international comparison.

Hofstede's and Schwartz's pioneer academic contributions have opened up a wide range of research directions in a variety of disciplines, but especially in political studies, economics and management – for more details and applications see Steenkamp (2001), Richardson (2008), Racolța-Paina and Ionescu (2010), Dan (2015). In line with this trend, my paper, a part of a more extended research on how cultural manifestations influence socio-economic processes and their outcomes, aims at discovering and analyzing potential links between national culture and social progress.

### **3. From Cultural Dimensions to Social Progress – in Search of a Connection**

According to Porter (2013), “social progress depends on the policy choices, investments, and implementation capabilities of multiple stakeholders – government, civil society, and business”, actions that take place within the framework of governance structures characterized by juxtaposed loci of political autonomy and an ever-increasing network of actors (Ciceo, 2010). In this context, the paper aims at determining whether cultural characteristics influence social conditions via the policy choice channel, thus providing with additional insight on understanding the complex mechanisms that drive social progress and, ultimately, contributing to the effort of designing, at an EU level, a more effective and efficient socio-economic integration process.

The 2016 version of the Social Progress Index published by Porter and Stern (2016) is a comprehensive evaluation of a multitude of social indicators divided in three pillars (basic human needs, foundations of wellbeing and opportunity) and provides not only with a highly relevant description of social conditions in 160 countries from all over the globe, but also with an extremely useful tool for international comparison across twelve dimensions:

- within the basic human needs pillar: nutrition and basic medical care, water and sanitation, shelter, personal safety;
- within the foundations for wellbeing pillar: access to basic knowledge, access to information and communications, health and wellness, environmental quality;
- within the opportunity pillar: personal rights, personal freedom and choice, tolerance and inclusion, access to advanced education (Porter and Stern, 2016).

Using the data provided by the Social Progress Index, Eurostat social expenditure figures and the cultural dimension measurements on a national level resulting from the research published in Hofstede (2001, 2011), Hofstede, Hofstede and Minkov (2010) and Schwartz (1999, 2006), this paper investigates the correlations between culture and social progress with the objective of identifying potential connections that would provide with relevant insight on such socio-cultural processes. Fully aware of the fact that correlation does not necessarily imply causation, the analysis recognizes the need of reaching beyond mere identification of association by investigating some logical criteria that are pertinent for providing the normative basis of causal arguments, as presented in Gerring (2005).

With this in mind, let us proceed with the analysis of the correlation results between the components measured by the Social Progress Index and the Member States' cultural dimensions defined and measured by Hofstede, as presented in Table 1 below<sup>17</sup>.

The assessment of correlation strength is to be made according to the prescription of Zady (2000) and Asuero, Sayago and Gonzalez (2006), considering levels between 0.9 and 1 as corresponding to very high correlation, between 0.7 and 0.89 to high correlation and between 0.5 and 0.69 to moderate correlation. Similar levels are considered by Taylor (1990). Levels below 0.5 are not to be considered as relevant for our purpose.

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<sup>17</sup> Croatia, Cyprus, Luxembourg and Malta are absent due to the lack of available data.

**Table 1: Association levels between the components of the Social Progress Index and Hofstede's cultural dimensions in the European Union**

	Power distance	Individualism (vs. collectivism)	Masculinity	Uncertainty avoidance	Long term orientation	Indulgence (vs. restraint)
<b>Social Progress (overall)</b>	-0.60	0.48	-0.14	-0.50	-0.28	0.83
<b>pillar 1: Basic Human Needs</b>	-0.49	0.40	-0.01	-0.47	-0.15	0.73
Nutrition and Basic Medical Care	-0.57	0.38	-0.03	-0.25	-0.16	0.57
Water and Sanitation	-0.30	0.31	0.18	-0.11	-0.06	0.50
Shelter	-0.62	0.63	0.02	-0.62	-0.04	0.70
Personal Safety	-0.34	0.14	-0.14	-0.42	-0.24	0.64
<b>pillar 2: Foundations of Wellbeing</b>	-0.54	0.48	-0.12	-0.43	-0.23	0.80
Access to Basic	-0.34	0.29	-0.28	-0.11	-0.16	0.13

Knowledge						
Access to IT&C	-0.55	0.61	-0.15	-0.70	0.03	0.62
Health and Wellness	-0.24	0.13	0.06	-0.13	-0.36	0.70
Environmental Quality	-0.59	0.51	-0.20	-0.36	-0.14	0.69
<b>pillar 3: Opportunity</b>	-0.60	0.47	-0.18	-0.51	-0.32	0.80
Personal Rights	-0.44	0.33	-0.16	-0.42	-0.19	0.53
Personal Freedom and Choice	-0.59	0.47	-0.28	-0.52	-0.20	0.75
Tolerance and Inclusion	-0.55	0.32	-0.13	-0.41	-0.45	0.85
Access to Advanced Education	-0.56	0.62	-0.03	-0.44	-0.23	0.66

Source: own calculations on data provided by Porter and Stern (2016), Hofstede (2001) and Hofstede, Hofstede and Minkov (2010).

As highlighted in Table 1, the most relevant cultural dimension in the context of social progress is indulgence vs. restraint, which exhibits high levels of association with the overall Social Progress Index ( $r= 0.83$ ) and all three of its pillars ( $r= 0.73$ ,  $0.80$  and  $0.80$  for the basic and human needs, foundations of wellbeing and opportunity pillars respectively). The strong positive correlation levels observed indicates that there may be a causal connection between indulgent societies and social progress, as the cultural dimension's intrinsic elements like perceptions of personal life control, the importance of freedom of speech and a higher importance of leisure (Hofstede, 2011) seem to contribute to the creation of a catalytic environment for social progress along the three vectors taken into consideration.

Regarding the other Hofstede's cultural dimensions, one can observe somewhat lower, but still above threshold, correlation levels between:

1. the power distance dimension (or the degree of acceptance by less powerful group members of the unequal distribution of power) and overall social progress (with notable levels regarding the opportunity pillar and shelter), the negative correlation indicating that small power distance – which, according to Hofstede (2011), means, among others, that the use of power is governed by legitimacy, that there is a low tolerance for corruption and that income is distributed rather even – could contribute to a higher level of social progress, with accents on the opportunity pillar and shelter;
2. the uncertainty avoidance dimension and access to information and communication and shelter, signaling that a low level of uncertainty avoidance could be a factor in ensuring access and vice-versa, although this study has found no evidence that could indicate clear causation. Moreover, even in the presence of a connection, it is unclear whether the attitude towards uncertainty modulates social progress or it is the other way around and socially advanced societies tend to shape uncertainty avoidance mainly via its structural values which, according to Hofstede (2011), include the tolerance of deviant persons and ideas (high when uncertainty avoidance is weak and low when uncertainty

avoidance is strong), which could be relevant for access to information and communication;

3. the individualism vs. collectivism dimension and the access to information and communication, shelter and advanced education. In this case, the exhibited positive association levels, indicating that individualistic societies are prone to being more socially advanced, are not only counterintuitive, but also lacking any type of evidence that would indicate causality, thus determining the classification of the observed correlation levels as irrelevant.

These results are consistent with the correlation results between social progress and the cultural elements as defined and measured by Schwartz (1999, 2006), as detailed in Table 2<sup>18</sup>.

**Table 2: Association levels between the components of the Social Progress Index and Schwartz's cultural dimensions in the European Union**

	Embeddedness	Affective autonomy	Intellectual autonomy	Mastery	Harmony	Hierarchy	Egalitarianism
<b>Social Progress (overall)</b>	-0.75	0.65	0.60	-0.23	0.02	-0.38	0.71
<b>pillar 1: Basic Human Needs</b>	-0.24	0.42	0.45	0.55	-0.59	-0.28	0.87
Nutrition and Basic Medical Care	-0.38	0.37	0.32	-0.29	0.10	-0.29	0.53
Water and	-0.38	0.27	0.23	-0.22	0.25	-0.19	0.50

<sup>18</sup>Croatia, Cyprus, Lithuania, Luxembourg and Malta are absent due to the lack of available data. Values for Germany refer to West Germany only.



Sanitation							
Shelter	-0.67	0.60	0.46	-0.26	0.05	-0.26	0.51
Personal Safety	-0.44	0.46	0.33	-0.21	-0.09	-0.16	0.20
<b>pillar 2: Foundations of Wellbeing</b>	-0.80	0.65	0.63	-0.17	0.16	-0.44	0.80
Access to Basic Knowledge	-0.23	0.14	0.14	-0.22	-0.01	-0.18	0.37
Access to IT&C	-0.55	0.49	0.35	-0.36	-0.04	-0.21	0.35
Health and Wellness	-0.57	0.42	0.42	0.25	0.03	-0.34	0.82
Environmental Quality	-0.82	0.68	0.75	-0.32	0.39	-0.49	0.69
<b>pillar 3: Opportunity</b>	-0.71	0.62	0.59	-0.23	-0.06	-0.37	0.69
Personal Rights	-0.28	0.20	0.24	-0.32	-0.05	-0.33	0.53
Personal Freedom and Choice	-0.70	0.70	0.58	-0.27	-0.11	-0.29	0.50
Tolerance and Inclusion	-0.80	0.67	0.68	-0.07	0.00	-0.37	0.72
Access to Advanced Education	-0.67	0.55	0.53	-0.19	-0.06	-0.26	0.66

Source: own calculations on data provided by Porter and Stern (2016) and Schwartz (1999, 2006)

The analysis reveals that two cultural value classes could prove to be relevant in the quest for identifying factors that influence social progress, namely embeddedness and egalitarianism. Of course, their opposites, *i.e.* autonomy and hierarchy, seem to exhibit contrary effects.

On one hand, the observed negative association levels indicate that when societies are marked by a high degree of embeddedness, meaning focus placed on the maintenance of traditional order, the social environment seems to be less developed ( $r = -0.75$ ), with emphasis on the foundations of wellbeing ( $r = -0.80$ ) and opportunity pillars ( $r = -0.71$ ) and their constituent value classes related to environmental quality ( $r = -0.82$ ), personal freedom and choice ( $r = -0.71$ ) and tolerance and inclusion ( $r = -0.80$ ).

Regarding the pair formed by embeddedness and the basic human needs pillar, data suggests that there is no real connection.

On the other hand, societies with a high level of egalitarianism, *i.e.* that extensively recognize that all members of society are equal from a moral standpoint, seem more likely to be socially advanced. More precisely, there is a high positive correlation level between this cultural characteristic and the value of the social progress index ( $r = 0.71$ ). Breaking this down, one can notice high positive correlation with the basic human needs pillar ( $r = 0.87$ ), the foundations of wellbeing pillar ( $r = 0.80$ ) and a moderate to high level with the opportunity pillar ( $r = 0.69$ ), with the health and wellbeing and the tolerance and inclusion value classes standing out as having a stronger connection.

Even though most of these associations are in line with what we would expect from the structure of the value pillars and classes, the quantitative confirmation of this intuition allows for these results to be considered as valid inputs for policy making and policy implementation processes.

Social progress is without doubt influenced by social expenditure, so further investigation must be done to understand how this connection affects the nature of the relation between elements characterizing culture and social progress.

A first step in this direction is represented by the analysis of association levels between culture and social expenditure. Since the isolation of the wealth variable is essential for obtaining reliable results, social expenditure/GDP *per capita* is to be used. The observed association levels are described in Table 3<sup>19</sup>.

**Table 3: Correlations between cultural dimensions and total social expenditure/ GDP *per capita***

	Correlation
<b>Hofstede's dimensions</b>	
Power Distance	-0.53
Individualism (vs. collectivism)	0.46
Masculinity (vs. femininity)	-0.17
Uncertainty avoidance	-0.40
Long term orientation	-0.23
Indulgence (vs. restraint)	0.84
<b>Schwartz's dimensions</b>	
Embeddedness	-0.87
Affective autonomy	0.80
Intellectual autonomy	0.75
Mastery	-0.09
Harmony	0.08
Hierarchy	-0.38
Egalitarianism	0.75

Source: own calculations on data provided by Eurostat, Pordata, Hofstede (2001), Hofstede, Hofstede and Minkov (2010) and Schwartz (1999, 2006).

The results indicate that the same cultural variables that are associated with key social progress drivers are correlated with how much a country spends on social policies

<sup>19</sup> Same restrictions as mentioned before apply regarding data considered.

relative to its GDP *per capita*. More precisely, along Hofstede's dimensions, indulgence is strongly positively correlated with social expenses ( $r=0.84$ ), while power distance exhibits lower but still relevant negative association ( $r= -0.53$ ). Similarly, along Schwartz's dimensions, embeddedness and egalitarianism are strongly correlated with total social expenditure ( $r= -0.87$  and  $r=0.75$  respectively). Also, strong positive association can be observed when it comes to autonomy, which is a natural occurrence given the strong negative correlation between social progress and embeddedness, autonomy's conceptual opposite.

The results must be interpreted in the context of the fact that total social expenditure/GDP *per capita* exhibits strong positive correlation levels with social progress ( $r=0.83$ ), the foundations of wellbeing pillar ( $r=0.86$ ), borderline strong with the opportunity pillar ( $r=0.79$ ) and moderate to strong with the basic human needs pillar ( $r=0.66$ ). Since it is obvious that social expenditure levels are not a determinant of cultural characteristics and recognizing the fact that culture embeds preferences that transpire into policy, these findings are indicative of the structure of the causal chain linking cultural dimensions and values to elements pertinent to social progress, *i.e.* from culture via expenditure levels to social progress and its pillars, especially those referring to foundations of wellbeing and opportunity. Such a dynamic supports the causal argument pointing out that certain cultural elements are relevant to social outcomes, thus constituting an important guideline for more effective and efficient culturally adapted social policy design and implementation.

#### **4. Conclusion**

Adopting a comprehensive view on social policy design and implementation that includes a cultural perspective is especially important in an EU environment that, as Păun and Corpădean (2015) notice, is marked by a series of socio-political contradictions that run the risk of becoming structural. The resulting losses in political consensus could be

restored by engaging in a serious debate that includes, among others, the cultural dimension of the EU project, an issue that has lately generated a lot of interest (Ciceo, 2016).

In this context, the paper contributes to revealing the connections between cultural elements and social progress. The data analyzed shows that, within this complex environment, a series of cultural characteristics like indulgence, embeddedness and egalitarianism play, through their influence on social expenditure, a causal role in social development processes.

As a final remark, it must be understood that this paper should be interpreted as depicting an initial stage in a more complex research, its objective being that of providing with intermediary results that allow the channeling of subsequent stages in the right direction. In this line, the current findings are instrumental for further research aimed at identifying and understanding all the causal mechanisms that link culture with social outcomes, the end objective of such an endeavor being the application of this understanding in policymaking, more precisely enabling the design of more effective and efficient, culturally adapted social policies.

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## **EUROPEAN EMPLOYMENT GUIDELINES: FROM THEORY TO EU TREATIES**

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### **Abstract:**

*Nowadays, in connection with work force and employment policies, European Union finds itself in a continuous process of evolution and transformation. As a result of the constraints offered by the historical changes and challenges, European Union has to deal with the effects of: the free movement of the work force, the economic and financial crisis, the ageing of the population, and the migration crisis. All these challenges have determined an increasing attention and focus on the social dimension and employment policies at EU and national state level through guidelines, country recommendations, and specific strategies. At the same time, from the perspective of EU treaties these challenges have not been foreseen – it have not been possible as well – but, on the other hand, there are a series of principles and guidelines which, theoretically, should have a positive impact on the European labour markets. In this regard, this article intends to offer more a preview on the evolution of the employment policies within European Union and present the concrete issues and problems EU should address.*

**Keywords:** employment, Europe 2020, EU Treaties, work force, labour markets

### **1. Introduction**

Nowadays, in connection with work force and employment policies, European Union finds itself in a continuous process of evolution and transformation. As a result of the constraints offered by the historical changes and challenges, European Union has to deal with the effects of:

- The liberalization of labour movement and the increase of its mobility, which creates legal problems, social conflicts derived from the general perception of the resident population that immigrants “steal” their jobs, increased conflicts and the migratory wave of refugees from the Middle East;
- The economic and financial crisis that generates new social problems caused by budget constraints, such as unemployment whose diminution would mean increasing economic investment in creating new jobs, as well as increased financial cost in granting unemployment benefits;
- The aging of the population and in particular, the labour force, as well as the high unemployment among the young population.

All these challenges have given rise to an increased importance of the social dimension and employment policies both within the European Union as a whole at the level of legislative regulations, country and strategy recommendations, and at the level of Member States at legislative and national policy level employment. In order to ensure employment, social and economic progress, inclusion and social protection, the European Union acts through three mechanisms/ instruments (Employment and social affairs, sine anno):

- Legislative instruments - such as treaties, directives, recommendations, communications;
- Policy tools - such as the European Semester, multi-level governance, open method of coordination;
- Financial instruments - such as grants, the European Program for Social Change and Social Innovation.

Thus, throughout this article, we will refer to all these to better outline and understand the complexity of employment policies within the European Union, basing our research on a series of primary and secondary documents using qualitative research techniques (analysis, synthesis). The aim of this approach is to investigate the evolution of

the social policies of the European Union as part of the desideratum of shaping a European social model from the employment theories elaborated by the economists to the guidelines reflected in the EU Treaties.

## **2. Human capital and work force market**

Nowadays, in the new conditions of the information society, the human resource represents the essential factor for the development of an organization and of a society in general. The difficulties faced by the entire Romanian transition society are reflected in a series of imbalances in the labour market. Given the inexistence of in-depth research in this field, one can speak of an informational void that makes it difficult to design coherent human resource development strategies at both national and regional level.

It is in the nature of man to want to get more, so also in terms of economic growth, over the centuries there has been a preoccupation for this study, and a series of theories have developed. Analysing the patterns of economic growth and socio-economic development, it is noted that they are built on the approach of the economy as a closed economy as a closed society. The main factors of economic growth and socio-economic development are: increase in labour force, increase of stock capital and technical progress.

The increase in labour supply allows the company to produce more goods and services, leading to higher per capita output and in terms of revenue, that allows the acquisition of these goods, then one can say that labour supply has increased welfare social. Labour growth depends on the following factors: demographic growth, international migration, occupancy rate.

- The demographic increase refers to the fact that the natality rate is higher than the mortality rate. Demographic growth is the main driver of the labour force, but also of the consumers of the effects (outcomes) of the economy;

- International migration refers to the degree of international labour mobility. Net immigration tends to increase the labour force available in a country, while net emigration has the opposite effect;
- Occupancy rate is the percentage of the active population relative to the total population. The employment rate influences economic growth by the fact that if it is high it means that the unemployment rate is low and that the burden of supporting the pensioners is lower.

Labour productivity growth can also be analysed from the perspective of the main factor that determines the increase of the capital stock - by the saving and then the investment phenomenon - as well as the determinant factor of the technological progress. That is why the formulation of “human capital” may be more appropriate. This is the artisan of economic growth and social development, but also its beneficiary (Becker, 1975).

Labour force is only useful to the extent that it has a purpose beyond the productive aspect. In the end, it must be able to innovate to determine technological progress. In this respect, it contributes to the public capital, through the education offered by the state or by creating its legal structures of manifestation.

We believe that today economic growth and social development must be based mainly on the following qualitative factors:

- Directing equity to net investment in expanding industries, for which there are market outlets;
- Increasing the quality of human resources, seen as a work force, i.e. a force producing goods and services;
- Improving soil quality, environmental protection can also be included here;
- Maintaining a high level of demand, consistent with maximizing the use of production factors, boosting the specialization and expansion trend, with beneficial effects on costs and the allocation of research funding.

Given that growth can be defined as an increase in the welfare of the population, we can say that the very natural character of natural resources, which determines the limited nature of economic goods, can limit “this well-being”. So, demography, economic growth and the impact of man on the environment are closely linked.

It is necessary to take into account the evolution of the population and the impact on the environment in the process of establishing economic policies.

Occupation is the term used in Romanian to define the quality of a person to be engaged in productive, paid and legal work. English uses the word “employment”, and in French we find the term “emploi” (Glossary of Statistical Terms, OECD, sine anno) (“job” – a place to work on). According to the International Labour Office, an accepted definition at the level of the European Union on the employed population is that:

“all persons aged 15 and over who have carried out an economic activity producing goods or services for at least one hour during the reference period Weekly) in order to obtain income in the form of wages, benefits in kind or other benefits” (Report of Romanian National Institute of Statistics on Work force in Romania. Employment and Unemployment, 2009).

In 1938, the Committee of Statistics Experts of the League of Nations recommended the classification of the occupied population into four categories: employers, self-employed, domestic workers and paid employees. This was the first step in defining employment status. The same four categories were also used at the Sixth International Conference on Workers' Statistics in 1947 and at the Eighth Conference in 1954 (According to ILO, Status in employment – History, sine anno). In 1950, the United Nations Population Commission adopted a standard definition of the four categories. In 1958, the fifth category was added, namely “members of cooperative producers”. Currently, since 1993 there are six categories: employees, employers, self-employed, cooperative producers, domestic workers, workers who cannot be classified (Resolution

concerning the International Classification of Status in Employment (ICSE), adopted by the Fifteenth International Conference of Labour Statisticians, 1993).

The International Labour Organization (ILO) has organized eight main conferences that debated fundamental principles and rights at work, such as: free association and the right to bargain collectively, the elimination of all forms of forced labour, the elimination of exploitation of children through work, eliminating discrimination at work. The eight conferences were held as follows: 1. 1930 - Forced labour; 2. 1948 - Free association and protection of this right; 3. 1949 - The right to organize collective bargaining; 4. 1951 - Right to equal pay; 5. 1957 - Abolition of Forced Labour; 6. 1958 - Discrimination (employment and occupation - profession / trade); 7. 1973 - Minimum retirement age; 8. 1999 - Serious forms of exploitation of children through work (Conventions and Recommendations, ILO, sine anno).

### **3. Economic theories on work force employment**

The issue of employment and labour has raised the interest of many economists, beginning with classical economists: Adam Smith, David Ricardo, John Stuart Mill, Karl Heinrich Marx, John Maynard Keynes, and John Kenneth Galbraith or Friederich August von Hayek. Occupation is defined as the balance of supply and demand, and on the other hand, the employment is defined as a population aged between certain age limits and carrying out an economic activity generating profits.

Adam Smith (1723-1790) is the first economist to discuss the division of labour before the industrial revolution as an important factor in enhancing the “wealth of nations” (Popescu, 2004, p. 143). The division of labour is directly linked to productivity, so the specialization provides a higher degree of productivity. If Aristotle brings to mind the social-animal (zoon politicon), Adam Smith takes this vision forward and develops a new “homo oeconomicus” thinking system; the economy being a social science because it needs society to produce itself and because it influences almost all the functioning

mechanisms of a society. Beyond the aspiration for full employment, Adam Smith points out that this is only more likely if the accumulated capital increases, because this increase will lead to the need to employ more “labour forces” (Popescu, 2004, p. 147).

David Ricardo (1772-1823) calls into question supply and demand, highlighting that, in general, labour supply is higher than demand in economy, “because the population tends to grow faster than capital accumulation and wealth increase” (Popescu, 2004, p. 219).

John Stuart Mill (1806-1873) explains the existence of the three primary factors of production: labor, nature and capital. One of its principles is that

“The best state for human nature is that nobody is rich, nobody aspires to become richer and is not afraid to regress the cause of the efforts made by others to advance” ( Denis, 1983, p. 467), which is in accordance with the idea of a certain social harmony under conditions of economic liberalism<sup>20</sup>.

Moving on to Marx (1818-1883), his conception of work led to the emergence of socialism, as he stated that it was necessary “to take over the means of production by the workers and place the production to be social control” (Popescu, 2004, p. 361), thus proposing an economic system Leading to social equality<sup>21</sup>.

Keynes's economic and social conception (1883-1946) calls into question economic liberalism, which he regards as “laissez-faire”, creating the concept of “driven capitalism” to emphasize that social and individual interests do not always coincide; the state has the

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<sup>20</sup>In the initial phase of research into this issue of youth employment, we also wondering whether it is of little use for a state or the European Union to have as many active young people as possible, than to become a burden on the state and their families, Becoming social assistants. In this respect, Henry Denis's commentary on the economic conception of J.S. Mill, urged us to explore the issue more closely, although we do not think that anybody could say that high unemployment is preferable or that youth employment policies should not be created. But we intend to explore this conception by identifying solutions that would lead to a certain state of balance and social harmony.

<sup>21</sup> A utopian conception that does not solve the problems faced by mankind in any of its times.

duty to solve certain social problems, because “if not decided and fulfilled by the state, they will not be made by anybody” (Moggridge, 1995, p. 456).

Keynes is one of the economists whose fundamental concern was to identify solutions to reduce unemployment, ie to establish a correlation between the economic development of a state and the level of employment available (Keynes, 1970, p. 63-65). In his view, full occupation is a special case that arises from the balance between the propensity for consumption and the impetus for financial investment. It also draws attention to the fact that

“the main shortcomings of the economy of the society in which we live are its inability to ensure the full use of the labor force and the arbitrary and unfair distribution of wealth and income” (Keynes, 1975, p. 375).

The economic concept of Nobel Laureate John Kenneth Galbraith (1908-2006) is that the perfect (not ideal) society should give everyone the right to have a satisfying existence from the point of view of each individual (It does not refer to equality between people, because it makes the difference between the fact that for an individual a satisfying existence is generated by his gains, while for an artist, freedom is the one that gives him satisfaction). Just like Keynes, Galbraith is an apostle of state intervention in the economy to lead to the real development of the economy (Hayek, 1998, pp. 109-112). Friederich August von Hayek (1899-1992) opposes the intervention of the state in the economy and society, considering that the state must ensure that all citizens respect the “common abstract rules” deriving from “natural laws”. This way, the greater freedom

“can be ensured by uniformly rejecting the freedom of all by uniformly rejecting the liberation of all by abstract rules that prevent coercive, arrhythmic or discriminatory acts on the part of one or men, which prevent everyone from invading the free sphere of another. (...) If obedience to common concrete purposes is synonymous with



slavery, obedience to common abstract aims (however burdensome it may nevertheless appear) offers the possibility of the most extraordinary freedom and diversity” (Hayek, 1998, p. 121).

In the employment plan, this doctrine can be transposed by the fact that beyond government regulations, each individual is responsible for finding a job, according to his/her own capabilities and aspirations.

In the design and implementation of policies related to employment as high as possible, guaranteeing adequate social protection, combating social exclusion and ensuring equal opportunities for women and men, the European Union uses treaties, common policies and institutions at national and European level (Luțaș, 1999).

Europe after the Second World War was a Europe that no longer wanted to go through these atrocities, and the new vision was to ensure peace among European defeated and defeated peoples, based on the notion of non-aggression and cooperation economic. So, six founding countries (France, Germany, Italy, Belgium, Holland, Luxembourg) have initiated what the European Union has become today through two constituent treaties (Paris, 1951, Rome, 1957) six decades ago. The construction initiated by Monnet, Schuman, Adenauer and De Gasperi aimed at a structured organization of Western Europe, based on common interests and grounded in treaties between the respective states in order to guarantee the rule of law and equality between states. In more than half a century of existence and characterized by a unique evolution in the world, the European Union has come to include 28 Member States and five other States have been granted candidate status, thus, Great Britain has voted to exit the EU. The proportion of the process of European integration and construction is not limited to the number of Member States, but is defined by the complexity of the institutional and functional framework of the Community construction.

#### **4. Brief history of European treaties**

Every legislative, legislative act is carried out by the EU institutions based on the Treaties, which the Member States then apply, “any measure taken by the EU derives from treaties that have been voluntarily and democratically approved by all member countries. (...) if a specific policy area does not form part of a treaty, the Commission cannot propose a legislative act in that area” (EU treaties, sine anno).

Treaties can be classified as follows (EU treaties, sine anno):

- Founding treaties: the Treaty establishing the European Coal and Steel Community (Treaty of Paris, 1951), the Treaty establishing the European Atomic Energy Community, and the Treaty establishing the European Economic Community (Treaty of Rome, 1957) Treaty on European Union (Maastricht Treaty, 1992);
- Treaties amending basic Treaties (Luțaș, 1999): Single European Act (1986), Amsterdam Treaty (1997), Treaty of Nice (2001), Treaty of Lisbon (2007);
- Accession treaties: the Accession Treaty of Denmark, Ireland and Great Britain (1972), the Treaty of Accession of Greece (1979), the Treaty of Accession of Spain and Portugal (1985), the Accession Treaty of Austria, Finland and Sweden 1994), the Treaty of Accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia (2003), the Treaty of Accession of the Republic of Bulgaria and Romania (2005) (2012);
- Treaties in force: the Charter of Fundamental Rights of the European Union (2012), the Treaty establishing the European Atomic Energy Community (consolidated version 2012), the Treaty on the Functioning of the European Union (consolidated version 2012), the Treaty on European Union.

It should be noted that the different forms of integration defined by the Treaties have become operational not at the time of their signature but only when the Treaties have entered into force.

## **5. Employment in the EU treaties**

If free movement of labor is enshrined in the Treaty of Rome, specific employment policies are the responsibility of the Member States, as long as they respect certain principles and guidelines drawn up by strategies, directives and communications at European level. One of the objectives pursued by these regulations is to coordinate employment policies to “promote a trained workforce with increased and adaptable skills and flexible labor markets for trade” (Ivanov, 2008).

The Treaty establishing the European Economic Community (Rome, 1957) proposes a series of measures aimed at promoting cooperation between Member States (chaos at that time) in order to increase the quality of life and strengthen relations between Member States. Two of these provisions are the subject of our interest in employment in the European Union, namely the liberalization of the movement of persons and the creation of the European Social Fund. The Single European Act aims to revise some of these measures in order to make them easier and clearer to implement, so some of the articles of the EEC Treaty have undergone amendments and additions. The first part of the treaty concerns the liberalization of the goods and services market, people and capital, and the second part proposes a series of procedural reforms concerning the European Council's decision-making process, ie the Council of Ministers (Moravcsik, 1991). The Single Act introduces two new social policy provisions to the EEC Treaty: “Improving the working environment to protect the health and safety of workers” (Article 118a of the EEC Treaty), namely the Commission's role in developing the social dialogue at the level of (Article 118b of the EEC Treaty). The Single Act aims to develop a Community policy of economic and social cohesion to reduce development disparities between regions and create a strong single market.

The objectives of the Treaty on European Union (Maastricht, 1992) sought to support economic and social progress by stimulating economic and social cohesion and harmonizing working and living conditions, leading to the development of human

resources and the reduction of unemployment. Thus, the European Union's employment concerns have manifested itself with the Maastricht Treaty, where the necessary framework for shaping a European social policy has emerged, thus anticipating the objectives of the future European Employment Strategy (Vârșan, sine anno).

Some of the provisions of the Treaty of Amsterdam (1997) represent a step forward in the concern about the employment of citizens. Moreover, this treaty comes with a section on employment and the fight against unemployment concentrated in four directions: availability for employment, entrepreneurship, adaptability and equal opportunities (European Parliament, sine anno).

Despite these concerns about employment, the European Union has failed to provide real employment opportunities for all. Thus, this objective remains open and represents a challenge for both the European Union and each Member State. Some of the impediments to the achievement of this objective are the following: economic and financial crises (1970, 1980 - oil crisis, fall of communism and the 1990s, 2008 crisis), lack of integrated social and economic policies at macro level, on the one hand, and the low capacity to cope with the current labour market transformations of micro-barriers, on the other.

## **6. Europe 2020 Strategy**

The Europe 2020 strategy, launched in 2010, comes as a follow-up to the Lisbon Strategy and aims to create jobs and growth. The strategy can be summed up to ensure smart, sustainable and inclusive growth. Objectives focus on the following areas: “employment, research and development, climate change and energy, education and the fight against poverty and social exclusion”. Employment is one of the five objectives of the Europe 2020 strategy and an awareness of the Lisbon Strategy. Through the actions covered by the Europe 2020 Strategy, increased attention is paid to youth employment policies, especially for young people with medium or sub-media backgrounds. The

creation of new jobs, more diverse as fields of activity, together with training, qualification and retraining measures, would be two of the most important elements in improving youth unemployment. The job offer for young people, especially for those without adequate training, is quite limited. They can work in areas such as commerce, construction, tailoring, public catering, but even for these areas they are poorly trained and lack financial motivation. Thus, the situation of youth unemployment in Romania is quite congenial due to the lack of real opportunities on the labour market, poor practical training, inconsistent with the market needs and the low level of the Minimum Income on Economy. As a consequence, there is a situation in the labour market in Romania where there is a job offer in areas requiring an average level of practical training, such as: turning, milling, electrician, plumber, but there is no demand for such jobs from young people because poor training and lack of financial motivation.

Nowadays, there is a trend among young people, namely the high preference for home work or jobs where work schedules are flexible. But there is also the reverse of the medal, so the black labour market is abundant of young people working in baby-sitting, elderly care, multi-level marketing systems (sales). Many people without a job prefer to work in such jobs abroad to secure their economic survival. Whether working in the country or working abroad, these young people do not appear in the statistics of the busy population nor as unemployed.

The joint Commission and Council Employment Report (Draft of the common report of the Commission and the Council on Employment, 2016) in the Commission's Communication on the Annual Growth Survey 2016 summarizes a series of observations on progress towards the Europe 2020 objectives. Of these, five observations are relevant to our article:

1. The rate of employment and social status is gradually improving despite the persistence of some cleavages between and within Member States.

2. Member States have continued their efforts to stimulate youth employment and reduce the proportion of those defined by the NEET. Thus, the youth unemployment rate in the EU follows a downward trend, but not all countries, with some differences remaining considerable.

3. In this respect, it is noted that the rate of young people who are not professionally employed and do not attend any education or training program (NEET) is decreasing.

4. The major challenge for social and employment policies is the reintegration of long-term unemployed into the labour market. It is alarming that long-term unemployment currently accounts for 50% of the unemployment rate.

5. A widely used and widely used instrument is subsidies to stimulate employment and job creation.

## **7. Conclusions**

From the start of the European Community, the balance between the economic dimension and the social dimension has always been in imbalance, mainly because of the refusal by member states to renounce at a what can be perceived as a too large a share of their competences over social policies and economic and fiscal policies. In this context, the role of the treaties is to offer the legal reasoning to create strategies which should and could prepare the European Union for facing the shock from globalizing economies and to manage the relations between member states.

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## ENERGY SAFETY OF UKRAINE: RUSSIAN FACTOR

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### **Abstract**

*A number of political events in Ukraine at the end of 2013 and early in 2014 led to the frequent use of the term “the Ukrainian crisis”. It had impact not only on Ukraine’s interaction with the EU and the RF, but also in reviewing of the interstate cooperation of the Western countries and their allies with the RF. As a result of sanctions imposition against the RF because of annexation of Crimea, in 2015 the Russian government took the decision to amend the energy strategy for the period until 2035, in order to maintain the strategic development of the Russian energy sector. To that the majority of countries it was explained as a try to conduct the diversification of energy structure, to develop the not-carbohydrate energy sources and to use nonconventional kinds of fuel. The energy resources are used by Russia as one of the tools of conducting hybrid war against Ukraine and the energy infrastructure became an object of foreign conquest. In future, Russia will try to use its monopoly position in relation to the possession and producing of energy resources as to bring pressure upon both, Ukraine and the EU. In long-term Ukraine and the EU have a diversification opportunity in respect of the energy resources through the development of the nuclear energy production, a use of the alternative energy sources, a technological modernization of the energy sector for extraction of slate gas, a rebuilding of the transport and energy infrastructures.*

**Keywords:** Energy Strategy, Ukraine, the Russian Federation

From the theoretical perspective of international relations, the question of interconnection between energy diplomacy, energy security, energy policy and energy

independence of states, was not explored enough until today. The neorealist conceptual approach to the energy dimension of the international relations is focused on the global, regional and interstate conflicts in the energy sphere, which is limited by the research of means of the energy transnational, intercompany and state-enterprise interaction, the defining of the peculiarities of the political distribution of power, the location and value of the energy resources. The sphere of Ukraine's national interests includes a development of equality in rights in regard to the partnership at the level Ukraine – the Russian Federation – the EU, a creation of the competitive international and regional environments in public authorities domain, Russia's keeping to the European Energy Charter Treaty, the liberalization of the Russian power market and the real diversification of power resources.

### **1. History and present stage of bilateral interaction of Ukraine with the Russian Federation in energy sphere: main documents**

The Ukrainian - Russian energy relations are based on the transit of energy carriers. Unfortunately, for Ukraine it is not possible to use an advantage of the transit state, owing to permanent changes at the international, regional and internal energy market, an imperfect management of the economy and a non-transparency of public authorities.

Since 1990s "Gazprom" was constantly manipulating the rates (tariffs) for gas transit. So, the import to the Ukrainian gas market of non-Russian fuel was economically unprofitable; increased debts of Ukraine for the energy resources; blocked export of the Caspian oil-and-gas resources.

As a result, this led to the strengthening of political, economic and security sensibility of Ukraine and dependence on the Russian Federation, the competitiveness deterioration of the Ukrainian production, the disproportional attraction of the Western and Russian companies to privatization in the Ukrainian transport and processing enterprises in oil-and-gas area and to the close-out of the project "Euro-Asian corridor" for transportation

of the Caspian oil. It also didn't solve the problem of diversification of Ukraine's gas supplies (Pirozhkov, 2001).

At the beginning of 2000s, the Ukrainian experts specified a number of threats to the national interests of Ukraine in energy sphere, in the context of the bilateral interaction with the Russian Federation. In particular, scientists have defined that the external energy policy of the Russian Federation is two-level: at the first level the aim is a targeted squeeze on the political management of CIS countries, concerning the transfer into ownership of the Russian companies of the gas-transport infrastructure in repayment of debts or the enterprises of oil refining and petro-chemistry under obligations to increase oil delivery; at the second level, the pursued goal is to form the diversification systems of the main pipelines and terminals of the RF and to reduce the dependence of deliveries from the gas infrastructures of the post-Soviet countries. Such approaches are equitable only to interests of Russia, which tried to force Ukraine to refuse from its own energy policy; as a consequence it resulted in the growth of strategic energy dependence of Ukraine on Russia, freezing the project of Euro-Asian petro-transport corridor (Odessa - Gdansk) and an acceptance of the supervising positions in the Ukrainian oil refining and petro-chemistry fields (Pirozhkov, 2001).

At the beginning 2014, Ukraine needed to determine its national interests in the energy sphere, but it became one of the reasons of an aggravation of the mutual relations. Nowadays, Ukraine should modernize its own gas-transport system, but already without the Russian Federation, keep the status of the transit state due to an attraction of the European and American financial assets, and also carry out the internal reforms in energy sector (Mazurec and Ryzhkov, 2014, p. 63).

The interaction in the oil-and-gas area is now notable by the simultaneous dependence both from the political and economic forces, because of the aggressive policy of the Russian Federation against Ukraine. Since the Russian annexation of a part of the Ukrainian territory (Crimea), their energy cooperation has been adjusted by the 26 general

documents.

In the energy sector, the following documents were signed: The cooperation agreement on the development of fuel and energy complexes of Ukraine and the Russian Federation (1994); Agreements of delivery of natural gas and its transit through the territory of Ukraine (1992); Cooperation on the development of the oil and gas industry (1993); Export of the Russian natural gas to Ukraine and its transit through the territory of Ukraine to the European countries (1994); Agreement about mutual offset of debts for the power resources and materials (1997; came into force of 1999); Guarantees of transit of the Russian natural gas territory of Ukraine (2000); Additional measures concerning maintenance of transit of natural gas along the territory of Ukraine (2001); Conditions of the reserve deliveries and payments of the Russian natural gas to Ukraine in 2001 (2000; came into force of 2002); Strategic cooperation in gas area (2002); Arrangements for the maintenance of the strategic cooperation in gas area (2004); The memorandum on the issues of establishment of the mutual relations between Ukraine and the Russian Federation in gas sphere (2000); The report between the Ukrainian State customs service and the State customs committee of the Russian Federation about interaction in terms of carrying out a control over energy carriers by the customs clearance (2002); The contract between the Ukrainian “Naftogas” and the Russian “Gazprom” on the volumes and conditions of natural gas transit along the territory of Ukraine from 2009 till 2012 (2009), regarding the purchase - sales of natural gas in 2009-2012; Addendum to the contract between “Naftogas” and “Gazprom” about purchase - sale of natural gas for the period between 2009-2019; Supplement to the treaty between “Naftogas” and “Gazprom” on the volumes and conditions of transit of gas through the territory of Ukraine in 2009 - 2019 (2010). In the area of electric power industry exist such documents as the Agreements on the general production for the thermal power stations (1992) and about actions aimed at the maintenance of parallel work of the incorporated power system of Ukraine and the Unified power system of the Russian Federation (2012); Memorandums on cooperation are signed

in the field of electric power industry between the Ministry of Fuel and Power of Ukraine and Russian Open Society "UES of Russia" (2001); Cooperation between the State enterprise "Power market", the State enterprise of the foreign trade activities "UkrInterEnerg" and Open Society "Inter RAT European Economic Community" (2010). There are the following documents in atomic engineering: Agreements on scientific, technical and economic cooperation in atomic engineering area (1993); Information interchange and cooperation in sphere of safety regulation of nuclear energy use for the peaceful purposes (2002); The contract between "Energoatom" and Open Society "TVEL", concerning the supply of nuclear fuel to the Ukrainian atomic power stations (2010); The memorandum between the Ministry of Power and the Coal Industry of Ukraine and the State Atomic Energy Corporation "Rosatom" on the integration and cooperation in the field of atomic energy use for the peaceful purposes (2012) (The MFA of Ukraine, 2016).

Until 2014, the Ukrainian - Russian relations in respect of the energy sector were based on the almost individual export of the Russian energy resources to the EU and Ukraine, where the last mentioned acted as the importer partner and transit state to the EU countries. Since 2014, the Ukrainian government, through initiation of contracts revision relating to the gas supplies to Ukraine and its transportation to European consumers, has been trying to minimize the political component of energy interaction. Therefore, "Naftogas" and "Gazprom" have applied to the Arbitration Institute of the Stockholm Chamber of Commerce with respect to the contract revision on gas supplies to Ukraine and in order to fill some strategic gaps on the contract of gas purchase and sales, and also concerning the contract on gas transit (the decision probably will be taken in March, 2017). The gas supplies from the EU help Ukraine to get rid of the overdependence on the Russian gas deliveries, in particular in 2015, 37% of gas was imported from the Russian Federation. In opinion of experts, it provides an opportunity to inject liquidity of the Ukrainian market, to become more integrated to the European market and to raise the level of general safety (Naftogas of Ukraine, 2016).

## **2. Energy conflicts in the Ukrainian-Russian relations**

For a better understanding of the existing threats, in the relations with the Russian Federation in the energy sphere, we should analyse the reasons and effects of the bilateral energy conflicts.

The Ukrainian - Russian energy relations between 1993 and 2004 have been connected with the threats of “Gazprom”, in point of the cessation of gas deliveries to Ukraine because of the debts. The Ukrainian side responded to this threat by blocking the transit corridors to Europe. As a result, Ukraine exchanged a part of the ships of the Black Sea fleet for remission of 800 million dollars of the gas debt (September, 1993).

The first bilateral gas agreement (1994) between Ukraine and the Russian Federation was signed after the separation of the Ukrainian and Russian energy systems. Its validity period ran until 2005. Meanwhile the re-export of the Russian gas from Ukraine’s territory was forbidden, however, Ukraine was authorized to cover the gas debts because of “Gazprom” demands. Owing to an incurring of the next Ukrainian gas debts in 1995, the Russian Federation wanted that Ukraine transfers a part of ownership rights to its gas mains and oil refining enterprises, however, the sides agreed to work according to the schedule repayment.

During 1995-2009 the Ukrainian - Russian energy relations were developing at the level of the industrial and financial corporation “United energy systems of Ukraine”, thus the integrator company “Republic”, and in due course “Itera”, engaged in the joint Ukrainian - Turkmen gas project, where the Russian Federation plays a role of the transit state. Since 1998 upon the governmental initiatives, the national joint-stock company “Petrogas”, the competences of which lies in gas import to Ukraine, its transit along the territory of Ukraine and also the national extraction of energy carriers. In the intergovernmental gas agreement 2001 it was stipulated that the price for the Russian gas for Ukraine is fixed and the procedure of debt return should be conducted through the

repayment of bonds over the period from 2004 to 2013 (Knyazhanskiy, 2016).

The next Ukrainian - Russian energy conflict of 2005-2006 took place after “the Orange Revolution” 2004, in the course of which Ukraine chose the pro-European foreign policy vector that resulted in the increase of the Russian energy pressure on Ukraine and hurt its ability of the Ukrainian metallurgical companies to compete, raising the price of gas. Besides, in December 2005, the interstate contract between Ukraine and Turkmenistan and the Russian Federation agreement, regarding the transit of the Turkmen terminated. Therefore, the short-term stop of gas supplies to Ukraine that also happened at the beginning of January, 2006, decreased its flows to Europe and led to the signing of a new contract. Since a change of the conditions for the gas supplies in 2006, the price for energy resources transit via Ukraine and the supplies for the internal consumption in particular, have been determined separately by the main permanent mediator company at the Ukrainian gas market “RosUkrEnergo”, which is the unique Russian monopolist - supplier of carbohydrate power resources (Knyazhanskiy, 2016).

The next Ukrainian - Russian energy conflict 2008-2009 pushed the Ukrainian gas-transport system to function in an independent mode and to transit its own resources to Europe, signing the annual contracts on gas supplies. The longstanding confrontation resulted in a signing of the Ukrainian - Russian gas agreements 2009, which stipulated that the direct deliveries from “Gazprom” to “Petrogas” would be proceed. According to the document “RosUkrEnergo”, as the mediator-company was dissolving the constant formula of the price determination for the Russian gas had to be fixed, depending on the world price for oil and mineral oil. Ukraine was also obliged to redeem the Russian Federation 41.6 billion cubic metres of gas throughout the year, simultaneously holding to the condition that “Gazprom” undertakes commitments to transport via Ukraine no less than 20 billion cubic metres of gas. Consequently, the Kharkov accords were signed in 2010. Ukraine received a 100 dollars discount for the Russian gas in exchange for the extension of the Russian lease on naval facilities in Sevastopol until 2042. So, the mid-annual price

of the Russian gas for Ukraine in 2009 amounted to 228 dollars per 1000 cubic metres, whereas in 2012 was up to 440 dollars 1000 per cubic metres in view of the discount. Thus, Ukraine's duties even increased owing to the disregard of the contract provisions, connected with a gas shortage (Knyazhanskiy, 2016).

In 2014 the relations between Ukraine – the EU – the Russian Federation in the energy area involved other international actors such as the USA and Canada, as the potential exporters of the liquefied natural gas to Europe and Asian Pacific region, and also China, as the consumer of the Russian or American oil-and-gas resources.

A number of the internal political events, which took place in Ukraine at the end of 2013 and early in 2014, led to the frequent use of a term “the Ukrainian crisis”. It had impact not only on the foreign policy, economic and energy spheres in Ukraine's interaction with the EU and the Russian Federation, but also in reviewing of the interstate cooperation of the Western countries and their allies with the Russian Federation, the restoration of mutual relations between the USA and Cuba and the cancellations of sanctions against Iran (Mazurec and Ryzhkov, 2014, p. 65).

The ordinary phenomenon of the Ukrainian - Russian relations is that even until now there are “gas wars”. At the lowest temperatures, any reduction of pressure in the gas-transport system can cause the short-term interruptions of fuel deliveries to the end-consumer. The Russian Federation resorted purposely for a couple of days to the cessation of fuel deliveries to the Ukrainian system, motivating that by Ukraine's unwillingness to turn to the market mechanisms of setting the gas prices. The Russian Federation faulted Ukraine for the selection of gas, which intended for the European consumers, forming a negative image of Ukraine abroad, forcing the state to make the concessions for a long time and to balance between the Russian Federation and the EU. It is necessary for Ukraine to create such political and economic conditions, where it will be possible to guarantee the equality of approaches to the realization of the bilateral cooperation and to reduce the energy dependence of the Ukrainian state. Therefore, the external energy policy of Ukraine



should be based on the establishment of energy safety, with the further liquidation of dependence on the energy resource supplies from abroad, and at the level of the Ukrainian - Russian relations a consumption of the Russian gas should be reduced by means of the supply diversification and the introduction of the effective energy and economic activities.

### **3. Improvement of Russian Energy Strategy - 2015**

As a result of the sanctions imposition against the Russian Federation because of the annexation of Crimea, in 2015, the Russian government took the decision to amend the energy strategy for the period until 2035, in order to maintain the strategic development of the Russian energy sector according to the new tasks and the state priorities. For the majority of countries, it was explained as an attempt to conduct the diversification of energy structure, to develop the not-carbohydrate energy sources and to use nonconventional kinds of fuel. Thus, the Russian experts note that a delay of demand growth for the import of hydrocarbons and the emergence of the new producers of hydrocarbons from the Persian gulf, Brazil, Australia, Central Asia, and also Northern America, which till 2020 can refuse to import and turn into the net exporter of the liquefied natural gas, considerably narrowing the market niches for the Russian Federation (The Government of the RF, 2015).

The Russian analysts mark also that the perspectives of rise in export of the Russian energy in the European direction will be diminished owing to the reduction in demand and the probable gains in the Asian direction are limited, because of a lack in the export infrastructure and a need of big investments into its development. It is possible to add the rise in the cost of capital and the restriction on the access to the external investments and technologies, through the sanctions imposition against Russia. So, in the foreseeable future, the Russian external energy policy will be aimed at the preservation and strengthening of the country's positions on the global energy market, decreasing the risks and increasing the efficiency of the foreign trade activities of the Russian companies

(which work in the fuel and energy complex), and also the diversification of directions of the Russian energy export (The Government of the RF, 2015).

In particular, in the Russian Energy Strategy till 2035 aimed at taking foreign policy decisions such as: the development of new forms of the international business in energy sphere, strengthening of the Russian companies' positions abroad, and also the foreign companies with the large Russian segment, including an access to the foreign markets of energy resources; the improvement of coordination mechanisms of the external energy policy of Russia with other actors at the energy markets for maintenance of the stable and expected conditions of cooperation; the formation of common market of energy carriers within the Eurasian Economic Union on the basis of introduction of the common regulation principles in the energy area. For the fulfilment of the named targets, were defined the key partners. Among them are the member-states of the EEU, the CIS, the EU, Shanghai Group, BRICS, ASEAN and added the countries in the Black Sea, Caspian and Arctic regions, Northern and Latin America, and the other international organizations; the active dialogue with the EU, regarding the participation of Russia in the transformation of the European gas market in the common interests of both, and with the Asian consumers of the Russian energy resources (The Government of the RF, 2015).

For protection of the state interests, the Russian scientists offered the strategy "Razvitie" (2015). They proposed the idea that will help to transform the Eurasian space under the Russian requirements. The role of Russia is reduced not because of the capitalization of its transit potential and the formation of new public benefits, but on the basis of the general development of all civilized centres, neighbouring with Russia. In the long term, it is planned to create a platform, "the Eurasian belt", with the participation of the EU member-states, Russia, China, Japan, India, Republic of Korea, Kazakhstan, Ukraine, Belarus, CIS countries; a platform, "the Latin American belt", with the participation of Brazil, Columbia, Chile, Peru, Argentina; "the Eurasian American belt", for the connection of Alaska (the USA) with Chukotka (Russia); "the African belt", with

the participation of the Republic of South Africa, Angola and other countries of the continent. The deepening of transcontinental cooperation should occur on the basis of the equal rights maintenance and the participation of international actors, whereas the Russian variant of cooperation accepts only the leading role of Russia and doesn't take into account the interests of the other participants.

Apart from the maintenance of the Russian national interests in the energy sphere, it is supposed to enhance the negotiations on consolidation of the international balance of interests of exporting, importing and transit countries as well as the political and economic support of the Russian export of technologies and services; the creation of favourable taxation, tariff and customs conditions for the diversification of Russia's export; the assistance in purchase of the international energy assets by the Russian companies in the spheres of extraction, processing and selling, and also their participation in the international infrastructural projects for the expansion of the export-import transactions in the field of traditional and "green" electric power; the maintenance of the international legal registration of the external border of the Russian continental shelf in the Arctic ocean, in order to develop the sea oil-and-gas resources; the coordination of the Russian energy policy with the long-term plans and strategy of other participants at the energy markets (The Government of the RF, 2015).

In future, Russia will try to use its monopoly position in relation to the possession and producing of energy resources as to bring pressure upon both, Ukraine and the EU. According to the Russian Federal Agency for Resource Use, the total stocks of "blue flame gas" account for approximately 65 billion of cubic metres and the annual output of gas production is up to 600 billion of cubic meters, estimating that about 430 billion is intended to the domestic consumption and 170 billion to the export. In 2012-2014, Russia, together with the Saudi Arabia, shared the first and second places in the world in relation to oil recovery, including gas condensate (12.7 and 12.9% respectively). In the natural gas extraction, Russia (19.6% in 2013, 16.7% in 2014) conceded only the USA (21.4% of

world extraction in 2014). Russia ranked the sixth place for the coal mining (4.3%), and the third place by the export turnover, whereas in nuclear power the USA (33.1% of world production) were holding the leading positions, while Russia lay in the third place (7.1%) (The Government of the RF, 2015).

With an active involvement of the Russian state in the world energy market, such Russian oil-and-gas corporations as “Gazprom oil”, “Gazprom”, “Transneft”, “Lukoil” were pushing forward, and the company “Zarubezhneft” with the state control packet of shares in “Rosneft”, exclusively produces, transports and carries out the oil refining and natural gas extraction in Central and Eastern Europe, Middle East, Southeast Asia and Latin America. It is necessary to point out the activity of “United Power Systems”, which provide the supplies of electric power to Finland, Belarus, Lithuania, Georgia, Azerbaijan, Kazakhstan, China, and Mongolia. It must be noted that, in the atomic energy sphere, only the state corporation “Rosatom” carries out a complete production cycle and deliveries of atomic energy worldwide (The Government of the RF, 2015). The external energy policy is a powerful component of the international cooperation of Russia and is connected with the processes of foreign policy decision-making in the state.

#### **4. The Ukrainian view on the Russian goals in the energy area**

The revised Russian energy strategy is guided by the construction of new export gas corridors to the Asian countries, sea energy terminals in the East, Northwest and North, what, in our opinion, is a threat to the national interests of Ukraine, because of congestion of the Ukrainian transportation systems and their uninterrupted functioning can be affected. Today Russia uses the energy recourses and pipelines as a tool of political influence, which, at the same time, is a factor of the carbohydrate streams destabilization in the direction of the East - West and impairs the stable operation of pipelines of the transit states, first of all Ukraine.

The Ukrainian experts share one view that an interest of Russia in the Ukrainian

gas-transport system and underground gas storehouses is much more important than the infrastructure as such. This will ensure the maintenance of a key role in managing the gas streams during peak demand that cannot be guaranteed by any of the offered routes of gas mains bypassing Ukraine (Gonchar, 2012). In this case, the threats to the national interests of Ukraine can be the following: a decline of gas extraction in Russia due to the reserves depletion in the Western Siberia and an inability to deliver “Yamal” and “Shtokman projects”, which will lead to the loss of opportunities to prime the Ukrainian pipeline system; a refusal of the EU to increase the import of the Russian gas, replacing it with the American and Arabian liquefied natural gas and developing the European slate gas deposits; a critical excursion of the Russian pipeline capacities as a counter to the level decrease of their excursion, which will allow to manipulate volumes, streams and prices of deliveries.

The Ukrainian experts consider that the Russian energy policy is aimed at the implementation of the absorbing script, establishing the sphere of influence in the post-Soviet space. As an example of it, is the Belorussian case, when 100 % of “BelTransGas” share package were transferred to Russia. Besides the rise in efficiency of the Russian pipeline capacities, it can lower the level of functioning of the Ukrainian gas-transport system, especially under the conditions of the slumping demand in Europe (Gonchar, 2012).

Thus, the system of gas export diversification helps Russia to create the permanent mechanism of pressure on one or another country through the threat of supply restraint or cessation of energy resources. For example, the available system of pipelines, the long-term contracts and networks of the Russian affiliated companies in energy sphere allow to manipulate the states in Central and Eastern Europe, and Germany, what will become a challenge to the regional and national energy safety as well (Gonchar, 2013).

### **5. Russian energy perspectives in the nearest future**

In 2016, the EU has started the construction of the Trans Adriatic pipeline, which gives a chance to the countries in Central and Southern Europe to have the alternative source of gas deliveries. According to the specialist research, there are no guarantees that the new pipeline will be filled chock-a-block. At the same time, “Gazprom” plans to launch the gas main “Northern stream – 2” to Germany by the end of 2019 and begins the negotiations on the project “Poseidon” (a gas main to Greece via the Black sea with capacity of 12 billion cubic metres), designed in Italy, which is the second European consumer of the Russian gas after Germany (Mahneva, 2016). However, the functioning of pipelines branches is limited and the cessation of the Russian gas deliveries via Ukraine will cause the decrease of offers, while Norway and the USA are ready to sell it at the below-cost price with the purpose to unload the home market for their own benefit. Therefore, Ukraine should try to keep at the European gas market, because a loss of each cubic meter will lead to the political and economic concessions (Koroleva, 2016).

Under the conditions of preservation of tendencies to reduction of volatility of the EU, the continuation of the sanctions imposition against Russia within 2017-2019 is predicted. The rigid restrictions of access of the Russian companies to the world capital market will suspend the economic development of the state. Therefore, the Russian scientists offered several scenarios for the parameters improvement of the federal budget for 2017-2019, which were approved at the governmental session in April, 2016 (The Ministry of Economic Development of the RF, 2016). More precisely, the forecast of the social and economic development of Russia has three versions - basic, target and conservative. The first one is taken as basis for planning the budget 2017-2019, thus the parameters of basic and target scenarios in energy sphere coincide.

The development scenario of Russia is characterized by the preservation of the conservative tendencies in changing-the external factors for the energy sphere and sticking to the traditional budgetary policy. The Russian experts define the federal budget of Russia

as deficit-ridden till 2019. The reasons resides in the reduction of oil-and-gas incomes, which will require the increase of efficiency of the state expenses, the annual reduction of budgetary expenses for 5 % therefore it is planned. Beyond that, a safety of the economic development of the state leads to the additional mobilization of all possible resources through the attraction of the internal and external loans and privatizations of the state property (The Ministry of Economic Development of the RF, 2016). In the target scenario, experts plan to transform the Russian economy according to the investment model in 2017. Also, the gas rates are necessary for the dynamic growth, which will not be reached, because of the inertness of investment process and the funding constraints. At the same time since 2018 due to the reduction in interest rates and the creation of favourable conditions for the crediting business, the investment projects will ensure economic growth and improve the efficiency of economy up to 4.5% in 2019 (The Ministry of Economic Development of the RF, 2016).

Within the framework of the conservative scenario, the development of Russian economy is planned to occur under the conditions of low dynamics of prices for oil and natural gas. It is supposed that the mid-annual price for oil in 2016 will fall down to 25 dollars for barrel and stabilize at this level till 2019. Therefore, in view of the low prices for oil and high exchange rate volatility of rouble, the basic macroeconomic parameters in 2016 have negative dynamics: the gross national product shrinks up to 2.1%, the disinvestment - up to 9.4%, the rise in inflation in comparison with a basic variant - up to 9%, the further falling of incomes and the declining living standards. Whereas in 2017 the experts predict some stabilization of the Russian economy with suspension of rates impairment up to 0.4%, and in 2018-2019 the tendency of continuous growth at the level of 0.7-1.6% is planned. Thus, owing to the low price for oil, the reduction in oil-and-gas incomes of the federal budget, will lead to its deficiency, a scale exhaustion of the accessible budgetary funds and an increase in a public debt. That is why for the balancing of the federal budget since 2017, the reductions of expenses for 10% will be conducted

(The Ministry of Economic Development of the RF, 2016).

Proceeding from the outlined tendencies of the economic development of Russia, we observe the direct interdependence between the prices for hydrocarbon and the dynamics of the economic growth. The Russian experts approve that now it is possible to predict the decrease in extraction of the Russian hydrocarbons in 2019 up to 532 million tons, because of the decrease in oil recovery in the Western Siberia. Among the reasons of recession and the reduction of dynamics of the hydrocarbons extraction, are named the absence in Russia of the necessary competency for carrying out of shelf and technically difficult projects and also the import restriction of equipment and technologies for their delivery. Due to the growth of internal gas consumption, the extractions of natural gas in Russia in 2019 are estimated by the Russian experts at 676 billion cubic metres (The Ministry of Economic Development of the RF, 2016).

The implementation by EU countries of policy, oriented to the reduction of dependence on the Russian gas import and its replacement with its own internal energy resources, will lead to the export reduction in comparison with 2015, thus the Russian gas supplies to Ukraine during the specified period are estimated at no more than 11 billion cubes. Under the conditions of the gas consumption restrictions and the incomplete use of the available investment capacities of “Gazprom”, the deposits decreased in 2016, therefore the output of Yakut gas can become an alternative to the gas streams to East Asia, first of all China. Thus, the main project, which will provide with the predicted extraction volume, can be a gas main «Force of Siberia» that will pass through the territory of Irkutsk area, Republics Sakha (Yakutia), to the Amur area, the Jewish autonomous region and Khabarovsk territory, and will allow to deliver gas to the consumers of the Russian Far East and China (The Ministry of Economic Development of the RF, 2016).

Proceeding from the forecasts of the economic development of Russia, the political and economic dependence of the state on energy resources export, it is possible to expect the realization of permanent or ad hoc cooperation between Ukraine and Russia, not only



in the energy sphere, but also at the political level. Thus, the preservation of the EU and the USA sanctions against Russia, will lead to the decrease in rates of the innovative development of the country, which will designate its ability to enhance the foreign policy course.

## **6. Conclusions**

The energy resources are used by Russia as one of the tools of conducting hybrid war against Ukraine and the energy infrastructure became an object of foreign conquest. The Ukrainian analysts consider that the government should take a complex of measures, aiming at a decrease of the negative consequences. It is important to revise contracts, concerning a supply of the Russian gas to Ukraine, to develop a single Ukrainian - European approach in respect of the interaction with the Russian Federation, and also to return the Ukrainian oil-and-gas assets to Crimea, the Black and Azov seas. The prospects of bilateral cooperation in the energy sphere were also defined by the domestic experts; more precisely, they purposed: to minimize the energy dependence of Ukraine through the transformation of the state-to-state interaction, instead of its intensification; to adopt the European energy legislation in Ukraine in order to prevent the Russian Federation from applying the non-transparent approaches in the power sector; to reduce the Russian energy resources import; to create the strategic reserves of mineral oil, gas, coal, nuclear fuel as to increase Ukraine's resistibility to the Russian energy blockade.

As to ensure the bilateral interaction between Ukraine and Russia, taking into account the national interests of the Ukrainian state, was offered (The relations Ukraine - RF, 2014): in oil-and-gas sphere to continue reverse-flow deliveries of gas from the EU through Poland, Slovakia, and Hungary; to promote the use of floating installation for storage of natural gas and the supply of the liquefied gas to Ukraine from the Black Sea region; to integrate the Ukrainian gas-transport system to the European power network; to involve the European and American investors in management of the Ukrainian gas-

transport system; to reform “Naftogas”; to conclude contracts with the EU member-states concerning a transit of the Russian gas via Ukraine and to transfer a gas delivery point to the Ukrainian eastern border; in the coal industry, to organize a supply of imported coal; in the field of atomic engineering, to strengthen the cooperation with the USA on the issues of diversification of the nuclear fuel sources; in the power area, to carry out the independent audit of the hydrocarbons extraction sector; to launch the national projects in relation to the reduction of natural gas consumption through the use of the alternative energy sources and the level increase of national energy economy; to switch to the market price for gas, which is the same for all consumers; to separate functions from sale and distribution of electric power.

Within the context of initiating of “the limited partnership” format in political, economic and energy interaction between Ukraine and Russia, offers have also been made to the European Union, which can force Russia, because of its almost one-way oriented energy export (focused on the European market), to provide the country’s reserve stocks. Therefore, the EU can take the decision on reduction and replacement of the Russian gas, oil, mineral oil and coal import; to freeze a construction of the nuclear energy units upon the Russian project on the territory of the EU member-states; to launch an investigation of the Russian state and private energy companies with off-shore registration within the limits of the European legislation. Thus, a lifting of sanctions in relation to Russia, in the opinion of the Ukrainian experts, is possible only under the conditions of the permanent monitoring of gas stations on the border, the control over the movement of gas streams, intended to export to the EU; a demonopolization of the Russian energy sector and an admission of the independent producers on the foreign markets; an assurance of free transit of the Central-Asian gas to the EU territory; a return of Russia to the provisions of the Energy Charter Treaty (Gonchar, 2015, p. 89).

In the short-run, Russia will try to maintain the exclusive positions of the hydrocarbons supplier to Europe through the destabilization of the Caspian, Asian regions

in the Middle, establishing the direct or indirect control over the alternative routes. Therefore, despite the worsening of economic conditions, the Russian Federation will attempt to carry out such gas-transport projects as “Turkish Stream” and “Northern Stream – 2” – by-passing Ukraine and Slovakia as key elements of the corridor Siberia - Europe; to impede the construction of Trans-Caspian gas pipeline for the Turkmen gas; not to allow the delivery of projects on energy resources transit from the Middle East through Syria; to supervise or destabilize Azerbaijan as the alternative supplier of gas; Algeria as the competitor, who develops new Sahara carbohydrate deposits; Saudi Arabia as the powerful actor at the world oil market, and also Kazakhstan, because of annexed areas, where are carrying out the basic international oil-extracting projects; to establish the control over the Western sector of the Arctic regions, not recognizing the occupation of archipelago Spitsbergen, which officially belongs to Norway (Gonchar, 2015, p. 90).

In the long-term, it is possible to expect the economic stagnation in Russia. It will prevent from carrying out projects, aimed at renovating of the Russian energy sector, thus Ukraine and the EU have a diversification opportunity in respect of the energy resources through the development of the nuclear energy production, a use of the alternative energy sources, a technological modernization of the energy sector for extraction of slate gas, a rebuilding of the transport and energy-economic infrastructures.

The perspectives of an interaction between Ukraine and Russia in the energy sector are based on the successes of the Ukrainian government in its reforming and also if these processes are supported by the EU and the USA. The medial position of Ukraine concerning Russia and the EU, allows to conduct the external energy activities, even under the conditions of preservation of the political and economic independence of the Ukrainian state; the economic indulgence of the Russia can be used for conducting of the constructive negotiations in energy area at the level of Ukraine, the EU and the Russian Federation, because the continuations in sanctions will make the modernization of both the Russian energy sector, and of the economy in general, just impossible. So, one expects that Russia

will lose the opportunities to increase the production of energy resources, diminishing capacities of deposits, reducing the prices on oil, gas and implementing the EU energy programs; the decrease in the Russian pressure on the world energy market with a view to minimize its influence at the regional European and Central-Asian level, is directly connected with the flexibility and efficiency of the foreign policy course of the USA in the Middle East and Central Asia, or on the contrary, the expectation of escalation of the internal political conflicts in Caucasus, Central Asia and Middle East, incited by the Russian Federation in order to fail the energy deliveries to the EU. So, the internal activation of the Russian investment reserves as to develop the nuclear and coal areas, to construct the modern hydroelectric power stations and to expand the supply infrastructure of all kinds of energy resources, is possible. This should help the state to get rid of the unilateral dependence on the hydrocarbons export, thus Ukraine could modernize its own energy area up to the European standards, keeping itself safe from the probable renewed energy pressure on the part of Russia.

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## ENERGY POLICY IN THE ACTUAL CONTEXT OF FOREIGN POLICY

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### **Abstract**

*According to the problems that European Union is facing with, the incidents that marked the European continent and the spreading of the fear among citizens, is related to the identification of the causes of terrorism. European Union attempts to make citizens believe in European values and not be afraid that it will be unable to provide them security. Eurosceptics are now in favor of criticizing strongly the values that the Europe promotes, arguing that this building did not take into account many of the safety' aspects, economic cooperation and did not create a common identity for Member States. Pro-Europeans argue that the only way to protect citizens, is cooperation between countries. Those perspectives are based on the sustainability of the Energy Union and are reflected on the European policies aimed in energy and environmental security. Based on the fact that researchers are analyzing the reports and the European institutions, we can outline that energy policy and environmental safety can be shaped on three paths of this namely the setback, the stagnation and the progress. In this context where an important role is played by Russia - a geostrategic actor of the scheme of energy supply- the question is how will succeed European Union to pass over these difficulties? Will Russia continue to be the energetic power of the European system or will European Union succeed in resolving the problem of dependency of European states on Russia?*

**Keywords:** Energy Policy, governance process, actors, European values, cooperation.

### **1. Introduction**

The present paper argues upon the necessity of developing a sustainable energy policy for the states of the European Union which will help European states to succeed in

resolving the problem of dependency on Russia. Despite the fact that Russia will continue to be the energetic power of the European system, European Union has the necessary instruments to fight for its survival. Discussing the three scenarios of the energy union developing and analyzing the scientists work, it will be taken into consideration the most optimistic and possible scenario - the assembling of a European Energy Union - with the purpose of convince European states to cooperate.

Energy policy subject was established on the agenda of the European Union. However, it has become a topic of concern for specialists only in the context in which Russia began to restrict the natural gas distribution for countries that were dependent on imports of Russian gas, trying to use energy supplies as a tool of foreign affairs. At the legislative level, the document which has emphasized the need for an energy policy for states of the European Union and emphasized the importance of ensuring energy security was the Lisbon Treaty, adopted in 2009. Energy policy has its origins in the Treaty of Rome, in 1957, with the assembling of the European Atomic Energy Community and later recognized by the Single European Act in 1986 and the Maastricht Treaty in 1992. The goal of putting together the financial resources and the economic implications was the reason for diminishing the interest in energy policy at European level and was the source of ignoring the negative consequences of the extensive energy resources imports.

In the context of economic growth of Russia, interconnected energy market will improve the development of cooperation among states. Transeuropean networks will be a good solution for European states to pass over this crisis. The European documents defined three types of innovation projects proposed for the energy sector improvement, such as: projects of common interest, projects of European's interest and priority projects. Transeuropean energy networks have proposed a significant number of specific objectives through the development of projects of European common interest to the neighboring countries in the energy field, creating intelligent transport networks. However, these



networks must be checked by the criteria of efficiency and safety in their operation process in order to develop a functional system of delivering energy within the borders of Europe.

The importance of a European self-help state mechanism is given by the threat that Russia exerts on countries because the European states can not supply themselves with energy needs. In the context of actual controversial European foreign policy with Russia, the major objective of European Union is to develop a functional structure which can offer stability from the point of energy citizens' needs. The main purpose of European Union is to put all the European states together and make them to cooperate. At this level, European Energy Union policy will need a multi-level governance which involve all actors that can bring a significant contribution to strengthening the Energy Union. Moreover, this union will not remain only at the stage of a formal project, which can not be implemented in the field. Each actor will contribute with its resources to ensure the functionality of this project and will transform the overall goal into specific objectives that can be applied in each state. The European Commission will be the head of this concept, because this legal structure will play the most important and most difficult role, which is to oversee European countries and will sanction the states for engagements and deadlines it were not respected. The states will be responsible for supporting the European Commission's strategy.

In addition to these responsibilities, the European Commission should provide support and advice the states in the enforcement related issues. The challenge remains to offer its ongoing strategic support for issues that will appear at the supranational level but also at national level, where countries will seek help in solving the problems the states are facing with. In terms of innovation, the Commission will have to find new alternative technologies to provide solutions for transmission of energy to fulfill its purpose for which they were created and will make the needed changes in today's world, in the context of technological advance.

We can say that innovation was the element that contributed to regional development by stimulating the economy and making specific choices for each region of

the Europe. In this regard with the development it is said that community and cooperative projects have changed energy generation in many European countries and have significantly contributed to revitalising the local economy, to create jobs and regional value will increase in terms of development of the region.

We believe that through scenarios concerning the evolution energy union will succeed in achieving the goal of cooperation among states to ensure stocks of energy where Europe will face a crisis of resources and thus will reduce dependence on powerful actor, Russia. Energy Union is a complex project of the European Union, which requires major investments and efforts from European countries, but whose results will be seen in the medium and long term and will be able to ensure energy security and also will protect the planet from emissions carbon dioxide. Energy Union results will not be seen in the range of a few months, but the analysis predict that their effect will be positive for the future of the Europe.

The development of recent EU energy policy has been made within the context of: a trend of increasing energy import dependence (from 50 percent of total EU energy consumption in 2007 to a forecast of 65 percent in 2030) (European Commission, 2007); increasing prices (quintupling of oil prices between 2002 and 2010); EU enlargement and historical relations with Russia/USSR and, relatively higher energy import dependence; gas supply disruptions. As a result, energy security as defined by the EU has been undermined, and a policy window opened which the European Commission attempted to exploit. (Maltby, 2013, p. 1)

At the global level, we are facing with a series of climate changes, influenced by the activities that human nature has caused with the scorn of the danger that the environment has been exposed. Scientists have warned about global warming, which increases from one year to another, advancing the working groups of the EU institutions, reports and statistics on phenomena that occur in the world. The climate changes problem can affect biodiversity and environmental safety and can destroy the natural habitat. For

this reason, the European Institutions need to accord particular importance of preventing the environment when they will develop European Energy' policies.

## **2. Strategic objectives of the European Union**

The issue of European policy on energy security of the states of the Central and Eastern Europe, in the context of natural resources depletion and climate change occurring in the world, is a relevant issue for researchers. The goal of their research is to analyze factors that influence the current state of the European Union and which is the impact of changes that happened in the world and which are in a strong relation with the European policies. These results will be analyzed and will be developed in terms of new energy policies and environmental safety.

Monopolistic position that Russia has adopted on the European arena when it reduce the supply of natural gas for European states, was an important milestone in the history of energy policy. That was the moment when Central and Eastern Europe, in particular, need to find viable solutions to achieve Energy Union. Thus, European states put their problem now in terms of developing a package of measures on energy policy. And the solution is a better cooperation between the states and the final objective is to restrict the dependence of the states on the import of oil and gas resources, in particular of the Russian Federation resources and to return states to free market competition.

In regard with the energy and environmental security, the Commission desires to create a sustainable infrastructure development framework for allowing states to use alternative fuels. Renewable energy is a source of earning for European countries because this strategy attempts to reduce the dependence on the geostrategic actor - Russia - and also reduce the pollution of the Earth by using renewable energy in detriment of traditional ones. The strategy affirm that summarize the main points on energy, and comes up with concrete solutions.

In the context of the review of the Security of Gas Supply Regulation, the Commission will also propose to ensure appropriate transparency of commercial gas supply contracts that may have an impact on EU energy security, while safeguarding the confidentiality of sensitive information. Despite progress made in recent years, Europe's energy system is still underperforming. The current market design does not lead to sufficient investments, market concentration establishing an information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy and weak competition remain an issue and the European energy landscape is still too fragmented. We have to give a new political boost to completing the internal energy market. The internal market's hardware: connecting markets through interconnections. At this moment, the European electricity and gas transmission systems, notably cross border connections, are not sufficient to make the internal energy market work properly and to link the remaining energy islands to the main electricity and gas network (European Commission, Energy Union Package, 2015, pp. 7-8).

The Energy Union strategy has five mutually-reinforcing and closely interrelated dimensions designed to bring greater energy security, sustainability and competitiveness: energy security, solidarity and trust; a fully integrated European energy market; energy efficiency contributing to moderation of demand; decarbonising the economy and research, innovation and competitiveness (European Commission, 2015, p. 4). Among the objectives mentioned by the Commission in its strategic document, an important amount have the reports in which the major progress on energy policy has been analyzed. A progress must be checked by reports who emphasizes the effectiveness of energetic policies conducted in this area by the European Commission. Before the elaboration of a new policy, it is feasible to analyze energy policy measures used previously to develop a new strategy. Analyzing the previous policy strategy is extremely important to be sure that the objectives have been achieved, what objectives could not be achieved and which were the causes of

their failure. All the reports will be analyzed based on the presumption that a measure of energy policy was or was not viable in terms of costs-benefits, and it can sustainable and be supported financially by the actors involved in drafting a public policy.

Another priority of the European Commission for the next period is the implementation of energy and climate package for 2030 (European Commission, 2015, p. 2) This document is extremely important due to its complexity, the details had made to clarify every aspect of each chapters with reference on energy and environmental safety, had given explanations to all problems that the energy sector is facing with, but also had proposed solutions.

The strategy of the European Union on energy policy and environmental safety is extremely optimistic and proposes a series of clear objectives aimed at both short-term results when we are talking about the end of 2020, and also long-term results with reference here to the goals you have for Europe of 2030. We can say that the strategy is extremely optimistic, if we look from the perspective of performance indicators when we estimate the percentage's reduction of CO<sub>2</sub> emissions.

### **3. Strategic pillars of the European Energy Policy**

The most important pillars of energy policy are internal energy market, energy security and climate change component. The pillar of internal energy market refers to a market liberalization of the European energy market where every competitor can access the market, either it is European or not. European Union seeks to achieve this liberalization of the internal market to eliminate the monopoly markets in which there is one actor who manipulate the market price, depending on the policy of creating its own price. From here arise the situations when companies which produce electricity or states which hold unique natural resources become a monopoly market, contributing to a dependence on other countries for resources or services that they distribute on the market. Energy market reform aims to boost competitiveness in the electricity market, eliminating the monopoly of

overcharging products and services offered by the companies that have monopoly and eliminate anti-competitive practices provided by them. This process will be achieved through European legislation governing the internal energy market, both at the state level and at European level to ensure free access to the electricity networks, both public companies and private companies. To implement this legislation, DGs of the European Commission, Directorate General Competition General Directorate on Trade in question, will have to cooperate for the realization of this legislation and the legislative act on the internal energy market reform will be adopted by co-decision. To achieve this reform, in addition to the supranational and national institutions, an important role will be played by lobby agencies, which will come also with their own contribution to the development of this legislation, when it will be submitted to the European Commission consultation parties directly or indirectly involved in the process.

The second pillar is the energy security. This pillar aims to create stocks reserve of resources, which will be available for European countries, where they will face a deficit and will serve as a borrowing mechanism. This loan will be covered by other resources or the failure of a payment standard used in internal resources. This form of saving energy wants to create a pillar of inter-connectivity between European countries, to facilitate cooperation between them, in order to ensure the necessary resources for energy production or derived from traditional sources or from alternative sources. If in the past there was no question of ensuring energy security, now the argument that each country is able to produce its energy needs from its own resources should be taken into consideration. Global population growth calls into question the increased demand and increased production, but the danger of depletion occurs in this case, the dissolution of producing energy from traditional sources.

Europeans are aware that there may be a similarity between the situation in the Middle East and Europe, through the dependency of some European geostrategic actor- Russia- holding monopoly in the market of natural gas resources, resources that are

indispensable for some countries. Will Europe have the capacity to ensure its own production? There is no doubt about the fact that Russia has the freedom to determine the price for the production of gas that it exports of member states which are dependent on raw materials, because Russia holds supremacy and is a major player in the natural gas exports for the European states. The issue is not only on this sense but also because when they negotiate agreements with state, they are negotiated between the buyer and the Russian state. Countries with a historical tradition on the European arena, such as Italy, France or Germany, enjoy the privilege of having its own foreign policy when it comes to negotiate bilateral agreements with Moscow on Russian gas imports. Involving state actors such as governments and state companies that produce energy, but also a number of negotiators trained in this area, aimed at signing bilateral agreements favorable to the states for which the signatory of the agreement, obtaining a number of terms and conditions favorable for both parts. Bad agreements signed by European countries with Russia should not be a surprise for European Union, in the case of states where the percentage of resources provided from own sources are somewhere under the percentage of 30%, in countries such as: Hungary, Bulgaria, Slovakia, or countries do not have their own natural gas resources, such as: Estonia, Latvia, Lithuania or Finland; countries that don't have a real prestige on the international arena, states economically weak and lacking of a prestigious geostrategic status. More than the position of inferiority that they have to other European countries, these countries do not have specialists in bilateral negotiations with Moscow.

Last, but not the least pillar of Energy Policy makes references to climate changes, changes which Planet will confront with over decades. European leaders want to convey the global message about the importance of protecting the environment and the impact that the human actions have on the environment and they want to create a series of mechanisms to stop or just to reduce the percentage of gaze emissions with sera effect.

#### **4. Future predictions**

Security of energy supply represents one of the priorities that the European Commission maintains for creating a single energy market. This is certainly thought in terms of developing trustable relationships between European partners - here we refer at the European states - a system in which the welfare of citizens is an important point, ensuring his well-being both on the economy and the environment side.

Energy Union is regarded by experts in the field to be one of the most ambitious targets that the European Commission has proposed to achieve for the energy policy and the environmental safety. Moreover, Energy Union is the key to success for the states of Central and Eastern Europe to reduce their dependency from the geostrategical actor-Russia. Looking at the premises which the energy policy and environmental safety have, we find that the European Union is a successful mechanism because it brings positive results for European Commission's strategy.

Significant reliance on imports and a regulatory framework that does not encourage investment in the development of new resources or alternative sources of energy supply at reasonable prices can have negative consequences for the energy independence of a country and the cost of imports, that the balance of trade and payments (Iuga, 2014, p. 13). By this argument is stresses the importance of investment in energy, transport and in establishment of infrastructure for the supply of resources from other sources than Russian. Infrastructure is an important component for the states of the Central and Eastern Europe, because there are serious problems with the energy supply, especially for those states which have difficulties to ensure their own necessary. Moreover, infrastructures are the needed tool for reducing the states' dependence on Russian imports and it helps states to realize the interconnection of European energy markets. It is well known the fact that without strengthening the current infrastructure existing in European countries, will be difficult to achieve a proper Energy Union. And without a functional Energy Union, the European Commission's energetic strategy must be reconsidered.



Radu Dudău comes to reinforce the idea that Energy Union intends to create infrastructure by reconsidering in new possibilities for interconnecting European states with countries such as Norway, Canada, USA, Algeria, Azerbaijan, Turkey Turkmenistan and countries in Africa or the Middle East, trying to find a strategic plan to facilitate the access to this states with the European energy market.

The political speeches between Ukraine and Russia triggered a real tension between Europe and Russia and for this reason, it is necessary for the European Union to interfere in this conflict. Ukrainian crisis has represented a crucial test for relations between Europe and Russia but also for Europe, who realized that the internal energy market does not assure stability and security, and it is time to take a stand. Moreover, the European Union has seen that it is placed in a vulnerable situation because of the insufficient resources that Europe has in its possession. That was the sign for European countries to find tools to reduce dependence on Moscow. And one of these tools was to create an Energy Union. Achieve this Energy Union it took a long series of discussions between stakeholders, to understand the necessity of achieving a European energy market through a communitarization the national policy debate waged between federalists and interguvernamentalists (Dudău, 2014, p. 3).

European energy policy on energy aims a functional internal market by creating a mechanism at European level to ensure market liberalization energy and security of energy supply. Moreover, it is necessary to transform the energy policy in a safer one, which is able to support states with energy supply. To achieve this goal it is required a support mechanisms which help internal market integration, investment in infrastructure and regulations on its functioning (Tangerås, 2013, p. 3).

In many EU Member States, national goals have translated into regional and local goals and strategies for the development of renewables. This could be regarded as a best practice example. The European Commission could encourage other Member States to

make use of such instruments, for example by requiring administrations to include them in their national plans. (European Renewable Energies Federation, 2016, p. 20)

## 5. Conclusions and recommendations

The “Energy Union” can be seen as the most significant policy idea that seeks to reform European energy governance, policy and regional cooperation. It gives hope for solving the major paradox of EU energy policy – the inherent tension between national sovereignty over the energy sector and a community perspective based on solidarity, cooperation and scale. As such, it could help the EU energy policy overcome its ‘cardinal sins’ (Szulecki and Westphal, 2014, p. 14)

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## **AN OVERVIEW OF THE EUROPEAN ENERGY POLICY EVOLUTION: FROM THE EUROPEAN ENERGY COMMUNITY TO THE EUROPEAN ENERGY UNION**

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### **Abstract**

*The current study attempts to provide a comprehensive analysis of the European energy policy evolution emphasizing the centrality of energy resources for the entire EU's integration process. The results reveal that for the last decade EU had a rather reactionary behaviour instead of a proactive energy security strategy. EU's dependence on natural gas imports has been the main driver of its energy security strategy and the post gas crisis moments represented the periods when the level of energy insecurity prompted higher levels of solidarity between member states, which in turn allowed for major advancements towards the creation of the current Energy Union.*

**Keywords:** Energy Union, European Energy Policy, Energy security

### **Introduction**

Over the past two hundred years, energy has evolved as one of the dominant themes of international affairs gaining continuous centrality due to a series of events that indicated its undeniable importance to human welfare. As the living standards began to rise, energy became vital for the functioning of all sectors (lighting and heating services, industry, transport, agriculture, scientific development, etc.) and the amount of consumed resources increased as each of these sectors continued to develop. The growing demand for energy at the global level, the climate change, the energy market volatility, the regional deficits of supply together with the increased dependence on imported resources represent only few

factors that have stressed over the years not only the strategic aspect of the energy sector, but also the importance of coordinated action for achieving common regulations for managing resources. However, energy policies have been and continue to be on a great extent the prerogative of the nation states since they prefer to individually secure their access to resources through negotiations that often reflect divergent interests and priorities. Perhaps one of the most relevant cases in this respect is represented by the numerous attempts made by the EU member state toward achieving a common European energy policy. If we are to analyse the role of energy for the European integration process, we must recognize the unequivocal pre-eminence of energy resources throughout the entire process.

The importance of securing energy resources represented from the very beginning the driving force of the integration process and over time this issue has become deeply rooted in the European construction. More than sixty years ago, EU's six founding member states established their economic agendas based on energy resources and the process of integration that followed was characterized by numerous initiatives meant to construct the fundamentals of a common European energy policy. Paradoxically, despite its prevalence, energy policy at EU level has failed to develop into a coherent common policy that can guarantee energy security for all member states. Despite all these efforts, energy security currently represents one of the most problematic areas of public policy at European level (Solorio and Morata, 2012).

Unlike other EU policies, EU's energy policy is difficult to conceptualize given that until recently this policy was not officially recognized as being a fully-fledged EU policy. Therefore, when talking about EU energy policy we are referring to a greater extent to the total amount of efforts made by the EU and its member states towards achieving a coordinated action in the energy field and to a lesser extent to a comprehensive and robust policy that went through all the policy conceptualization stages (agenda setting, policy formulation, policy decisions and the actual implementation). Although the EU energy

policy and the national policies of the member states share relatively the same purpose, namely that of obtaining energy security at an affordable price, EU's energy policy agenda additionally seeks to create an internal energy market and to develop a low carbon economy.

These three European energy policy branches are intertwined with other policy areas: the liberalization of the internal market represents a part of the single market project being strongly influenced by competition policy; the climate change combines energy with environmental concerns while energy security is related to the foreign and security policy of the European Union (Wallace and Pollock, 2010). During the last decade the energy security element has been the most discussed aspect of the EU energy policy mostly because of the increasing energy dependency of member states on Russian imported resources and the numerous crisis caused by the Russian gas cut offs. The next section of this study infers that the most notable developments within the European energy policy have been made in response to these crises.

### **The sinuous path of the European Energy Policy<sup>22</sup>**

When the six founding states decided in 1951 to sign the Treaty establishing the European Coal and Steel Community (ECSC), energy was a key topic on their political and economic agendas. In order to increase cooperation and strengthen the European Community six years after this memorable event, another energy based institution was established, the European Atomic Energy Community (EURATOM). Sixty years later, energy has never been higher on EU's agenda (Andoura et al., 2010). Consequently, during

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<sup>22</sup>This section includes one verbatim quoted passage from previous published research quoted below: Poiana O. (2010), *A Constructivist Approach to the security of the European Natural Gas Supply. The Black Sea Region and its Geopolitical Significance*, Germany: VDM Publishing House, pp. 4-14

the last decades the European Union has launched multiple initiatives meant to increase energy security for all its members. These initiatives took the form of official documents, green papers, policies, energy provisions of the Lisbon Treaty and finally the newly crafted Energy Union.

Back in 2000, the first “Green Paper” issued by the European Commission was warning about the fact that in the next two or three decades, the European Union will have to import up to 70% of its natural gas demand, 90% of its oil demand and 100% of its coal demand (EU Green Paper, 2000). According to the European Energy Security Strategy issued in 2014, the global energy demand is expected to grow by 27% by 2030. EU imports half of the energy it consumes paying more than 1€ billion per day. Its import dependency has reached more than 90% for oil and 66% for natural gas.

Recent statistics show that many member states are heavily reliant on just one source of supply while several are entirely reliant on Russia for their natural gas. Moreover, in 2013 EU has imported 39% of its natural gas from Russia which accounted for 27% of its gas consumption (European Energy Security Strategy, 2014). Moreover, according to the French international association for gas, Cedigaz, the gas imports from Russia and Central Asia to Europe through pipelines is expected to grow since European natural gas production “is expected to decline 2.1 percent per year to 170 bcm/year by 2035, while demand is forecast to inch up 0.6 percent over the same period (Offshore Aberdeen, 2015).”

This data together with the increasing number of energy crisis urge for a rapid formulation and implementation of a common European Energy Union which would focus not only on the European energy market fulfilment but one that would also take into consideration a series of other important factors such as the reliability of the main energy sources, instability of transit routes, geopolitical elements and the dynamics of the political environment (Umbach, 2017). However, the realization of this plan appears to be an



extremely difficult task, given the diverse energy interests of member states which for the moment impede effective cooperation.

Although the energy security issue was part of the European agenda for so many years, the European Union has only relatively recently showed a real interest in adopting a series of policy initiatives that aim to create a Common European Energy Security Policy. This tardily decision to create a legal and economic framework of cooperation in the European energy system can be explained partially by the absence of serious energy supply threats since the oil embargoes in 1973-1974. Therefore, Europe has centred all its initiatives on liberalization of electricity and gas markets through Gas Directive 98/30/CE and Electricity Directive 96/92/CE (Helm, 2004). The European internal energy market has been further consolidated by the Directive 2003/54/EC (concerning Common Rules for the Internal Market in Electricity) and Directive 2009/73/EC EC (concerning Common Rules for the Internal Market in Natural Gas) which repeals the 2003/55/ Directive.

According to Helm, the effect of all these initiatives did not create an integrated market in Europe; on the contrary, it led to a series of national markets with bilateral connections (Helm, 2004). Another important step towards the completion of the European energy market was the 2005 Energy Community Treaty, which aimed “to create a legal framework for an integrated European market for electricity and gas and to establish a regional energy market that is compatible with the internal energy market of the European Union (International Energy Agency, 2008, p. 35).”

Although this market related policy objectives have brought some benefits, the European Union shifted its strategy towards the realization of a common external energy policy and focused its future policy initiatives also on other significant issues, such as climate change and its dependency on imported energy supply. This shift can be clearly observed if we look at the 2006 European Union Green Paper which aimed not only to “complete the internal European gas and electricity markets, to create solidarity between member states in order to enhance a more sustainable, efficient and diverse energy mix and

to create an integrated approach to tackle climate change” but also to “establish a strategic European energy technology plan and a coherent external energy policy (Haghighi, 2007, p.172).” Additionally, this policy claimed that the best way to achieve energy security is to create a “pan-European energy community, a common regulatory space around Europe (Youngs, 2009, p. 30).” However, the scope of the Green Papers was only to initiate discussions on a specific topic and encourage further negotiations between the actors. That is why they are perceived as “soft law” instruments which cannot lead to concrete implementation of the discussed projects (Haghighi, 2007).

Beginning with 2007 EU assumed a more resolute tone concerning the energy issues by drafting an energy strategy aimed at regulating the gas distribution and production activities. Following the increase of Russia’s influence in the energy sector and its obvious wish to become an energy hegemon, this was seen as EU’s first serious attempt towards its future energy diversification plans (Koinova, 2008). The “Energy and Climate Package” included the “20-20-20” energy policy formula that aimed at reducing Green House Gas Emissions, raise the share of renewable and increase energy efficiency. Although this represented another important step towards the creation of the European energy policy, its implementation revealed that member states were not yet able to commonly address the energy issues but proffered instead to deal with them at a national level (Umbach, 2011).

Thus, whereas some visible progress has been made in terms of sustainability of the internal market, the creation of an External European Energy Policy had still a long way to go. For the last decades Europe relied too much on markets and this determined member states to form bilateral relations with the main energy supplier countries rather than uniting their forces for creating a Common European Energy Policy.

As it was stated in the summary of a recent policy dialog concerning the new European Union Energy Policy, the market cannot provide the solution to the security of supply issue and the only viable method to address it lies in “Europe negotiating with

external energy suppliers with a unitary voice, reducing energy consumption and expanding domestic production (European Policy Centre Report, 2007).” After the ratification of the Lisbon Treaty, Europe gained a sense of symbolic unity which supported the European Union in its attempt to reverse the asymmetric interdependence which is favouring Russia. Furthermore, the Lisbon Treaty is the first Treaty that includes clear provisions on energy issue. The article 194 TFEU of the Treaty asserts that: *Union policy on energy shall aim, in a spirit of solidarity between Member States, to: (i) to guarantee the functioning of the energy market, (ii) to ensure ‘security-of-supply’ of the Union, (iii) to promote energy efficiency and the development of new and renewable forms of energy, and finally (iv) to promote the interconnection of energy networks* (The Lisbon Treaty, 2007).

As a result of the January 2009 Russian gas cut-off and the rapid development of South Stream pipeline, the European Commission proposed the Third Energy Market Package and after long negotiation, the European Parliament and the Council agreed to adopt it in June 2009. The new legislation introduced two new directives concerning the liberalization of electricity and gas markets and created in 2010 the “Agency for the Cooperation of Energy Regulators “(ACER) as an independent body from the Commission which will assist the National Regulatory Authorities in implemented the new regulatory framework within member states (Andoura et al., 2020) .

Just few months before the beginning of the second “gas war”, the Commission adopted the “EU Energy Security and Solidarity Action Plan” which included the launching of the Southern Gas Corridor. This new strategic perspective has been perceived as a modern Silk Road which entailed a plan for enhancing the diversification objective by constructing LNG (liquefied natural gas) receiving terminals in Central and South-East Europe and pursuing the 4<sup>th</sup> corridor (SGC) in order to bring gas from Caspian and Middle Eastern producing countries to the EU (Hafner, 2015, para. 3).”

Back then, Nabucco pipeline represented the flagship project of the SGC but since its launching in 2002, the project encountered many commercial and financial setbacks and

was in direct competition with Gazprom's project, the South Stream pipeline. Consequently, Nabucco Consortium proposed a shorter version called Nabucco West. However, in 2014 both projects were cancelled.

Meanwhile, Azerbaijan and Turkey agreed in 2011 to construct a 2000 km-long gas pipeline that aims to transport Azeri gas to 6bcm/year Turkey and (10/bcm/year) Europe by the end of 2019. Following Nabucco's cancelation, Trans Anatolian Natural Gas Pipeline (TANAP) became the central project of EU's plan to reduce its dependence on Russian gas.

TANAP will receive gas from the South Caucasus Pipeline (SCP), an already functional pipeline that transports gas from Shah Deniz field to Turkey and from there TANAP will connect to the Trans Adriatic Pipeline (TAP) in order to transport Azeri gas to Southern Italy. EU (Hafner, 2015).

Another important measure introduced by EU Commission with the aim of updating the existing infrastructure and building a new one including interconnectors, was its decision to create a list of 248 energy infrastructure projects of common interest (PCIs) involving mainly electricity and gas transmission lines (which will "benefit from accelerated licensing procedures, improved regulatory conditions, and access to financial support totalling €5.85 billion from the Connecting Europe Facility (CEF) between 2014 and 2020 (European Commission Projects of common interest, 2015). "

**Table 7-Southern Gas Corridor: proposed projects**

PROJECT NAME	START- / ENDPOINT	CAPACITY / ESTIMATED COSTS	SOURCE OF GAS	PROJECT PARTNERS	STATUS
Nabucco	Turkey - Austria	10 - 31 bcm/y €7.9 - 15 bn	Azerbaijan, (Iraq, Iran)	BOTAS, RWE, Bulgargaz, Transgaz, MOL, OMV	Abandoned
Nabucco West	Bulgaria/ Turkey - Austria	10 - 23 bcm/y Not specified	Azerbaijan	BEH, BOTAS, FGSZ, GDF Suez, Transgaz, OMV	Abandoned, although may resurface
TAP	Greece - Italy	10 - 20 bcm/y €1.5 - 3.9 bn	Azerbaijan	BP, SOCAR, Statoil, Fluxys, Total, E.ON, Axpo	Being implemented, expected to come on stream 2019
TANAP	Turkey/Georgia - Greece & Bulgaria	16 - 31 bcm/y ~ €7.4 bn	Azerbaijan	BOTAS, SOCAR	Being implemented, expected to come on stream 2019
TCGP	Turkmenistan - Azerbaijan	30 bcm/y ~ €3.7 bn	Turkmenistan	Not clear	On hold
White Stream	Azerbaijan - Romania	8 - 32 bcm/y €4.5 bn	Azerbaijan, Turkmenistan	White Steam Pipeline Company Ltd. (UK), GUEU (US)	Not clear
South Stream	Russia - Italy	63 bcm/y €19 - 24 bn	Russia	Gazprom, EDF, Wintershall, ENI	Suspended
Poseidon	Greece - Italy	8 bcm/y €500 mio.	Azerbaijan	Edison, DENA	Not clear

**Source:** Sami Andoura & Jean-Arnold Vinois, “From the European Energy Community to the Energy Union. A policy proposal for the short and the long term”, *Notre Europe*, 2015, p. 88

Given the complex interdependences between EU and Russia, the two actors signed in March 2013 a roadmap on energy cooperation which aims to develop long term Russia-EU cooperation in energy sector and create a pan-European energy market by 2050. However, while EU's plan includes the creation of a transparent and competitive integrated network infrastructure, Gazprom's energy practices over the last decade seem to promote the exact opposite of this goal.

Furthermore, acknowledging the deterioration of EU-Russia relationship in the context of the Ukrainian crisis and the potential risk concerning its Russian gas imports, EU has launched in May 2014 a European Energy Security Strategy based on eight key pillars that call for increased solidarity and a closer cooperation in the energy filed between EU member states:

1. *Immediate actions aimed at increasing the EU's capacity to overcome a major disruption during the winter 2014/2015;*
2. *Strengthening emergency/solidarity mechanisms including coordination of risk assessments and contingency plans; and protecting strategic infrastructure;*
3. *Moderating energy demand;*
4. *Building a well-functioning and fully integrated internal market;*
5. *Increasing energy production in the European Union;*
6. *Further developing energy technologies;*
7. *Diversifying external supplies and related infrastructure;*
8. *Improving coordination of national energy policies and speaking with one voice in external energy policy* (European Energy Security Strategy, 2014).

As it can be easily inferred by now, the moments when EU has taken serious measures towards reinforcing its energy security have coincided with the moments Russia decided either to cut off gas supply to Europe or endanger the energy transit by intensifying the conflict in Ukraine. 2014 has definitely been a year of monumental change that brought a new strategic realignment, in particularly in terms of natural gas transportation projects. Not only that we have witnessed a dramatic conflict escalation in

Ukraine, the dismissal of Nabucco and the cancelation of its competitor, the South Stream project, but towards the end of the year, it has become clear that Turkey will be the main transit country for energy resources coming from Russia and the Caspian area to the European market.

All these events have created a sense of urgency concerning the launching of the long postponed European Energy Union. Likewise, the 2014 European Energy Security Strategy paved the way for harmonizing the European energy interests and strengthen the European energy security which despite increased regulatory activity during the last decade, “has been undermined by an internal challenge: short-sighted national interests, power generating companies' fear of competition, a patchwork of national mini-markets, and a lack of political cohesion, cooperation and solidarity (Hedberg, 2015).”

According to the realist and neorealist approaches, “state preferences are fixed and uniformly conflictual. Interstate politics is thus a perpetual interstate bargaining game over the distribution and redistribution of scarce resources (Legro and Moravcsik, 1999, p. 3).” Taking into consideration the level of discrepancy between the energy surplus and deficit EU member states, it is evident why moving from words to practice in accomplishing a common energy policy has been such a struggle. Thus, the newly crafted Energy Union represents probably the most serious and ambitious attempt to unify 28 different national regulatory framework for creating an integrated European energy market according to a three years action plan. The Union launched on 25<sup>th</sup> of February 2015 is based on five major objectives concerning the:

- 1. Energy security, solidarity and trust;*
- 2. Creation of a fully integrated European energy market;*
- 3. Energy efficiency contributing to moderation of demand;*
- 4. Decarbonising the economy;*
- 5. Research, Innovation and Competitiveness (Energy Union Package, 2015).*

Reiterating the importance of a stricter enforcement of the already existing EU legislation, the current Vice-President of the Commission, Maroš Šefčovič, stated that the Energy Union will ensure that the intergovernmental gas contracts will fully comply with EU law, and it will bring more transparency in commercial contracts (Matalucci, 2015). Additionally, the Commission intends to diversify the energy supply import by financially assisting the construction of more LNG terminals and pipelines. The Energy Union represents for the moment just a vision marking only the start of a long process that will necessitate strategic thinking and a good use of energy diplomacy.

### **Conclusion**

As it has been illustrated, European Union measures in the energy field primarily focused on internal market completion and gradually moved towards the creations of an external energy policy as its energy supply dependence increased. The major factors that urged the European Community to adopt a series of important measures for securing its energy supplies, were the insecurity experienced in the aftermath of Russian gas cut-offs of January 2006/2009 and the recent dismissal of Ukraine as an energy corridor because both signalled the worsening of the geo-political setting that could have future dramatic effects on the European natural gas trade.

However, the European energy policy has significantly developed during the last decade and it became one of the few EU successful strategic stories. Currently, Russia provides only one-third of Europe's gas and the majority of the member states are able to withstand a potential gas cut off. The Third Energy Package has challenged Gazprom's business pattern by promoting higher degrees of transparency, competitiveness and liberalization in the energy cooperation process while EU has showed an increased interest in accelerating its grid interconnectivity (Dudău, 2014). Moreover, starting with 2020, the TANAP-TAP pipeline tandem which for many appeared to be a "never-ending odyssey"



will complete EU's Southern Gas Corridor diversification strategy strengthening thus the European supply security (Hafner 2015).

Finally, probably the boldest EU decision is the recently launched Energy Union that has been intensely discussed for the last decade. Although it will take a great deal of effort, time and money to harmonise the national energy policies of the member states, EU should not lose the momentum created by the current low oil and gas prices, and build an European integrated market.

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