

SOCIAL MALFUNCTIONS AT EUROPEAN LEVEL

Abstract: *For most countries, social policy is a use of political power on the economic system, with the purpose of achieving certain results based on other values than those determined by the forces of the free market; as such, it is deemed to be at the heart of the ideological rift between left and right wing politics.*

Initially, the European social model was based on the 'welfare' rule; the current European social model and future models are more complex, due to difficulties both at an European and at a national level. The greatest achievement of the European Economic Community refers to the fact that E.U citizens are entitled to freedom of employment and movement across the European Union. We note that often times, this freedom creates disturbances on the labor market. Free movement of labor from one area to another, from one country to another can generate imbalances in the unemployment rate.

Due to the enlargement integration process of the E.U., Central and Eastern Europe need to manage social disruptions between national social policies.

The European Union is going through a crisis because of the lack of credibility and confidence of European citizens in Community institutions, which led to the deepening division of European citizens on solving common European problems. As such, there is a tendency for some highly developed Member states to take a new approach towards globalization, given that euroscepticism and populism has increased among political parties; the crisis is deepened by the Syrian refugee crisis and terrorism threats.

Since the Treaty of Rome (1957) was signed, all the way to the Lisbon Treaty (2007), the European Union has made significant progress on the path of economic integration; as a novelty, as the Lisbon Treaty stipulated in art. 50, a member even choose to withdraw from the European Union.

Key words: *European citizens, unemployment, Schengen space, social protection, free movement of people.*

Introduction

The first guidelines of European social policy were launched in 1957 within the Treaty of Rome. The Common Market was the first stage of economic integration, which included the free movement of labor, which later became the free movement of persons.

Free movement of workers was introduced in 1968 by the founding members of the European Economic Community. Today, the free movement of people is the main goal of social policy actions.

The Maastricht Treaty (1993) introduced the concept of 'European citizenship', which granted the right to free movement and residence within the E.U. to all Member State citizens. Other issues of mutual interest which were discussed were

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related to granting asylum, crossing external borders and immigration. The efforts of E.U. Member States were aimed at promoting European citizenship and open borders; however, these efforts are often overshadowed by international terrorism, illegal immigration and drug trafficking. To avoid these 21st century challenges for all E.U. Members, the Union established a coordination of national and European policies in fields such as Justice and Home Affairs by establishing networks for the exchange of information, such as Europol.

The Amsterdam Treaty of 1997 has a special significance in terms of social policy and employment, as it stipulates that labor interest becomes a common policy of the E.U. (Prisecaru, 2004)

Later, the Lisbon strategy established a new objective, i.e. ‘to become the most competitive and dynamic knowledge-based economy, capable of sustainable growth with more jobs and better and greater social cohesion’. This objective contributed to the modernization of social policy and to the improvement of the European Social Model.

The ‘Europe 2020’ strategy, a continuation of the Lisbon Strategy promotes smart, sustainable and inclusive growth. One of the 5 goals to be achieved by 2020 at the latest aims to increase the percentage of the population aged between 20 and 64 years who has a job to 75%. Member States are invited to translate the objectives of the ‘Europe 2020’ strategy into national targets.

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Current status quo

Social policy and employment of labor is one of the largest political debates across the E.U., however it is hampered by several issues. All European economic strategies include employment. Solving issues within social policy can be more efficient, if the approach is done in stages. As such, we can distinguish several stages in the evolution of the European Social Model.

The Treaty of Rome contained only a few elements of social policy. Initially, the European Social Model was based on the “welfare” rule; (Dinu, 2005) the current European Social Model and future models are more complex, due to difficulties both at an European and at a national level. The analysis is mainly based on external causes which influence the development of the Social Model itself, taking into account the particularities of each state, while considering the recent recession and subsequent economic growth.

The causes of the current crisis are the refugees inflow, efforts to combat terrorism and solving Middle East issues.

The external influencing factors for modernizing the European Social Model are the globalization of markets and economic activities and the enlargement of the European Union.

The analysis of the recession, especially the one triggered after 2008, revealed large wage cuts, unemployment and bankruptcies in almost all economic sectors across the European Union.

Community authorities must find solutions at a Community level to the specific policy of each state and must formulate new strategies to improve citizens' confidence in its institutions. The refugee crisis is affecting E.U. citizens living standards, because they want to live and work in an active, diverse and healthy environment.

Materials and method

The method used to perform our analysis consists of a synthesis of a vast amount of material, spanning throughout the entire period since the Treaty of Rome (1957) was signed, all the way to the the 'Europe 2020' strategy. To identify the main stages of development of the European Social Policy, a coherent and holistic approach to the material to be analyzed was required. Using the comparison method, we found that social model "of the six" was much better than the current European Social Model.

As we approached the material, we have identified external factors influencing the current social model, such as globalization, acting independently of our will, unemployment, economic and financial crises, which are more frequent, terrorism, wars and finally the migration phenomenon. Knowing and identifying internal causes, such as population aging, contributes to measures for improving the future of the European Social Model.

Results and discussion

During the first stage of the development of the European Union, as per the Treaty of Rome, only some aspects of social policy were included, namely the free movement of labor, improving working conditions and life, general principles of harmonization of the education and training systems. (Miron, 2006) The old European model was based on job security, a comprehensive medical insurance, pension and education funds, establishing rules for the functioning of the labor market and goods market and stable employment. This model was almost perfect and lead to almost no unemployment. The six founding members have benefited from measures laid down at an E.U. level. Also, considering the improving working and living conditions, resulted in the evolution of the integration process and an alignment with national social policies which was achieved without the intervention of E.U. bodies. The support of free movement of labor was based on purely economic grounds.

Initially, Community bodies have not given sufficient importance to social cohesion based on the Economic Community. Their measures were aimed to ensure the protection and preservation of social security for workers. Also, the free

movement of labor lead to imbalances occurring across economic sectors, which Community bodies were obliged to manage through the integration of national markets. All economies have a national social component.

Newer Member States have been restructuring their economies and productive sectors, especially when confronted with job losses, an undesirable phenomenon of most workers and without many alternatives, especially in mono-industrial areas. There was no protection for these workers, and they were directly affected by integration mechanisms and investments which did not create the expected jobs, and they have often been left expected.

The need for measures to protect workers and the possibility of their return to activity found Member States unprepared for this situation, often without short-term solutions, situations that encouraged immigration and affected businesses, leading to a loss of flexibility and adaptability to the new Community economic climate. As such, many national economies had problems of competitiveness and many have gone bankrupt.

Much of the workforce in these countries emigrated to other European economies, which were more dynamic and were looking for skilled workforce while offering a higher social protection, often established on other economic principles. Those economies were ready to absorb this slightly underpaid workforce, but were not prepared for the huge number of immigrants who came to these countries, not necessarily looking for work, but rather from more advanced social protection. A large proportion of immigrants were directed to specific Union member countries; this placed great pressure not only on the labor market where they arrived, through lower wages, but have accessed the great benefits of social protection systems within those countries. (Kugler, Rapoport, 2005) This new reality drew discontent from the population of those countries which slowly became dissatisfied with immigrants and have found them to wrongly be the cause of all the problems they face.

Following the analysis, we find that unemployment rates differ from country to country, from region to region and that the most affected states are de-industrialized ones. Community institutions have an obligation to support these states to overcome dissatisfaction among European citizens caused by unemployment. Community-wide directives have been adopted in the social field, related to equal access to employment and training and the right to benefit from social protection.

The new model replaced the old European Social Model, adopting other measures to support the European Social Policy, thus witnessing a new phase of the European construction. (Prisecaru, 2004) In this context, the new system includes: assistance (not safety) in looking for new jobs, incentives for accepting a new job, creating jobs in new firms, service activities and stimulating the development of one's own business, flexibility as a strategy for companies and labor flexibility.

The Brussels European Council approved the main aspects of the 'Europe 2020' strategy for employment and growth on March 25th, 2010. The E.U. aims to increase the employment rate of employment for women and men aged between 20

and 64 to 75% by 2020. As part of their policies, Member States must therefore promote labor participation for young people, older workers, workers with low qualifications and legal migrants.

These measures can not be implemented unless they are linked to the real causes of unemployment. We appreciate these causes to be: the creation of a small number of jobs compared to the increase of the active population in the E.U., disparities between national labor markets consisting of different wage levels, different conditions for granting unemployment benefits and national labor codes being harmonized according to European regulations. It has been found that northern European states, i.e. the 'core of Europe', have low unemployment and southern regions are severely affected by unemployment. Unemployment is unequally distributed among different categories of the population, i.e. while there high unemployment among women and among men, the most affected categories are young workers, either skilled or unskilled. They are forced to seek a satisfactory job far from their birthplace. According to data reported by Eurostat, the Official Statistics Office of the European Commission, unemployment rates in the European Union at the beginning of 2016 were of 8.9%, while in Romania the rate was of 6.5%. The highest unemployment rates were recorded in Spain (20.4%), Croatia (15.1%), Cyprus (12.2%) and Portugal (12.3%), and the states with the lowest unemployment were Germany (4.3%) and the Czech Republic (4.5%). We appreciate the causes of European unemployment are not only related to more frequent periods of recession or globalization, but also European citizens' general distrust in European institutions. The European Union needs to reform the economic development model so that it can support faster access of young people to the labor market and must reduce spending for social assistance.

Since the enforcement of the Treaty of Rome (1957), all the way to the Lisbon Treaty (2007), the European Union has made significant progress on the path of integration, such as the Lisbon Treaty stipulated in article 50; as a novelty, withdrawal from the European Union was made possible. (Drăgan, Drăgoi, 2013) No other constituent treaty contains no such provision. On June 23rd, 2016, Great Britain voted for Britain's exit from the European Union. This unexpected moment will produce economic effects, but also political effects in Europe. As far as negotiations on Britain's exit from the European Union are concerned, the country wants to stay within the single market, with only one freedom, namely the free movement of goods and capital, while renouncing the free movement of services and people, i.e. leaving the Schengen Area.

Schengen is an area of freedom of movement where checks at the internal borders of signatory states have been eliminated; this created a single external border where checks are carried out according to a set of rules.

Britain and Ireland, which are part of E.U., opted to remain outside the Schengen area and were granted this right. Norway and Iceland did not join the E.U., but are part of Schengen and have implemented its rules. Switzerland and

Liechtenstein, which are not E.U. countries, have signed but continue to require passports at their borders. Cyprus, Romania, Bulgaria and Croatia have pledged to join the Schengen area by signing the accession treaties to the E.U., but are kept outside the Schengen area, as is the will of the European Commission. The latest enlargement of the area of free movement occurred in 2007, when movement restrictions were lifted for 9 countries of the former communist bloc.

With the abolition of border controls, dangers to internal security of the countries involved in the Agreement have increased. Thus, Schengen requires cross-border cooperation, including the establishment of cooperation mechanisms among police, customs and border police within all contracting states, with the aim of protecting its citizens. Also, S.I.S. provides operational assistance and mutual direct exchange of information between police forces and surveillance organisms in the pursuit of offenders and progress has been made in fighting terrorism, organized crime, human trafficking and illegal immigration.

After the terrorist attacks of Brussels and Paris, the movement of Community citizens without presenting passports at borders E.U. has placed the Schengen area in difficulty. Several Member States have reintroduced border controls and others have requested that Schengen Agreement requirements be revisited. The European Commission has placed this on the agenda of its objectives for 2016–2017; however, Schengen rules were revised before the current refugee crisis erupted, thus recognizing the Agreement is malfunctioning.

The European Commission presented a detailed roadmap and specific measures necessary to restore order in the management of the E.U.'s external and internal borders on March 4th, 2015. The creation of the Schengen area without internal borders has brought significant benefits for European citizens and Community businesses. In recent months, however, the system was challenged by the refugee crisis. The European Council granted a clear mandate to restore, in a concerted manner, the normal functioning of the Schengen area, while giving full support Member States faced with difficult situations, on February 18–19, 2016. Romania's situation on this issue is the same as in recent years: uncertain; however, according to the aforementioned roadmap, controls at internal E.U. borders are to be erected by December 2016. As such, Romania has one last big chance to join Schengen open borders in 2016. The desire to join the Schengen area was accepted enthusiastically by many Member States. Freedom of movement is considered a symbol of European identity, a guarantor of common welfare, a binder for European citizens and a motivational factor for those states wishing to become members of the Schengen area.

Conclusions

Reforms of the European Model of economic development must respond and adapt to future challenges, namely globalization, unemployment, terrorism, armed conflict and migration.

The European Union must adopt new strategies of social policy, to reflect new economic realities. The European Union also needs to take new measures to increase confidence in the democratic legitimacy of E.U. institutions.

Restoring and strengthening confidence in the values promoted by the European project implies higher prosperity for each of us.

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ARE PRACTICES OF COMPETITORS IN THE INFORMAL SECTOR A MAJOR THREAT FOR HOTELS AND RESTAURANTS?

***Abstract:** This paper evaluates the perceived impacts of the informal economy on registered business in the “hotels and restaurants” sector and identifies the characteristics of firms that perceive informal practices as the biggest obstacle faced in their activity. Reporting data from the Business Environment and Enterprise Performance Surveys conducted by the World Bank and the European Bank for Reconstruction and Development in 11 countries in Eastern Europe in 2013, the finding is that registered firms in the “hotels and restaurant” sector perceive informal practices as a bigger obstacle in their activity compared with firms in other sectors. Medium sized companies are less likely to consider the informal sector as the biggest obstacle faced in their activity, whilst a lack of subsidies reduces the likelihood of considering the informal sector as the biggest obstacle for the firm. The implications of the findings are then explored.*

***Key words:** informal economy; tourism; small business; sharing economy; Eastern Europe.*

Introduction

There is large literature that explores and explains the nature of informal economy. Although initially associated with under-developed countries (Gilbert, 1998; Lewis, 1959), the past decades have revealed that the phenomenon is persistent even in developed or developing economies (ILO, 2013; Williams and Lansky, 2013). While some scholars argue that the informal economy can have positive effects in specific areas, the vast majority underlines the negative effects of its existence. Governments lose money which could otherwise be used for offering to its citizens better social protection, modernized infrastructure etc. Those working in the informal sector lose their entitlement to loans, pensions and social protection. Moreover, the quality of their working conditions cannot be controlled by the state nor the employers' imposed additional conditions. Another negative result of the informal economy is the lack of fair play for registered businesses. Thus, undeclared practices provide incentives for legitimate businesses to evade regulatory compliance due to unfair competition. The aim of this paper is to explore to what extent businesses in “hotels and restaurant” sector perceive the existence of the informal sector as an important obstacle in their activity, whether

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