



Increasing the Competitiveness of the South East Region in Rural Areas Through Innovative Labor Entrepreneurship Based on Digitalisation

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The concept of economic development involves the process of increasing the standard of living of a region's population by increasing incomes. This is reflected in indications such as labour productivity, gross domestic product, labour force levels and the growth rate of the economy. The economic system and its dynamics are closely linked to economic growth. The economic analysis of the region leads to an elaborate and detailed study. This work will analyze the entrepreneurial environment in the South East Region in close correlation with the workforce and the need to digitize it. Smart development is essential and includes research, development and innovation at key points in the region, such as the emphasis on job creation.

Keywords: entrepreneurship, competitiveness, labour, digitalisation.

JEL Code: L22, Q12

1. Introduction

Through this work we aim to classify the South - East Region in relation to the other development regions of Romania by carrying out a complete X-ray of the social and economic development of the region.

This paper is realized of two parts, namely, in the first part we chose to study the economic context of this region and the evolution of the labour force in the South - East Region, and in the second part we studied the entrepreneurship characteristic of the South - East Region in the context of digitalization.

The development of this paper is based on the foundation of a set of methods and measures by studying the links between rural and urban communities and specific fields of activity from this region.

Rural areas play a rather important role in economic development in a region, which is a supplier of raw births and labour.



The main purpose of this paper is to understand the need for rural development. The most important aspects that need improvement are education, human resources, agriculture, infrastructure, medical system and environmental conditions.

2. Short literature review

The South – East Region is part of the Development Regions of Romania where there are initiatives that concern economic development and create jobs that ultimately lead to increasing the living standards of the inhabitants.

In the last years, numerous projects have been implemented aimed at rural development, the promotion of various activities, but also the support provided to the inhabitants of the region (adrse.ro Framework document for the smart specialization strategy of the South – East development Region).

Running a business is very important for each region, thus leading to the fight against poverty. In order to achieve complete results, it is important and necessary to carry out projects with qualified teams that have knowledge in the field (Doing Business, 2017 year).

3. Economic context and labour force in the South - East Region

Development involves changing the economy through the development of the labour force and improving the social structure. We recall some dimensions that are part of the rural development plan, namely:

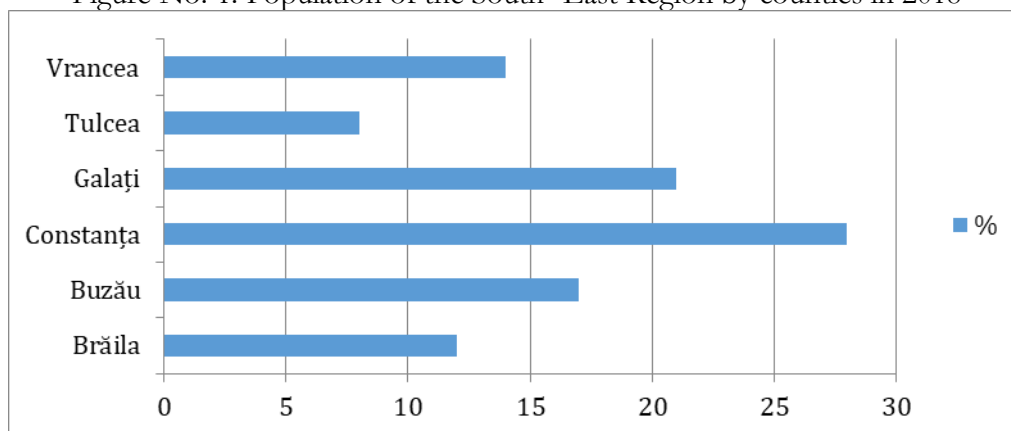
- Increase sector of the human resources with labour force;
- Improving natural resources and the environment and preserving them;
- Developing economic competitiveness;
- Implementation of state-of-the-art technology;
- Development of the local government.

The definition of rural devotion is embedded in a border concept, that of the rural economy, as a branch of economic science intersecting with rural space and agriculture, with the environment economy and the development economy. For the rural economy is important that the economy of the agricultural holding with its market-related valences, agro food industries which makes the analysis of the rural economy associated with rural policy, agro-food, consumption and agricultural policy.¹⁷³

The inhabitants of the South-East Region are experiencing an increasing deficit due to low birth rates, the high number of deaths recorded in the last years, the difficult living conditions and the increasingly massive phenomenon of migration to more developed city. In the figure below we find the distribution of the inhabitants of the region by the counties of the region analyzed in 2018 year.

¹⁷³ Boussard J.M., "Introduction to the Rural Economy", GILLAS Publishing House, Paris, 1992

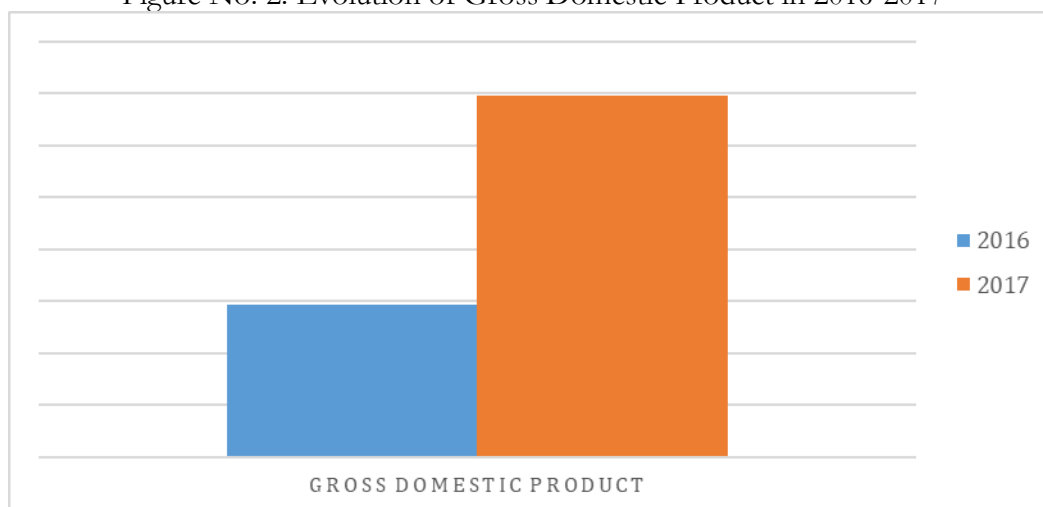
Figure No. 1. Population of the South- East Region by counties in 2018



Source: Own processed data from the National Statistical Institute, 2019

Gross domestic product in the region has been on an upward trend, but the economy has not developed very well in this year.

Figure No. 2. Evolution of Gross Domestic Product in 2016-2017



Source: Own processed data from the National Statistical Institute 2020

Following the above data, the South - East Region is positioned at the bottom of the ranking between the most developed regions of our country. The most developed region from Romania is Bucharest – Ilfov.

The development is very important for increasing the performance of rural areas. Revenues may increase due to investigations on farms or institutions characteristic of agricultural products.

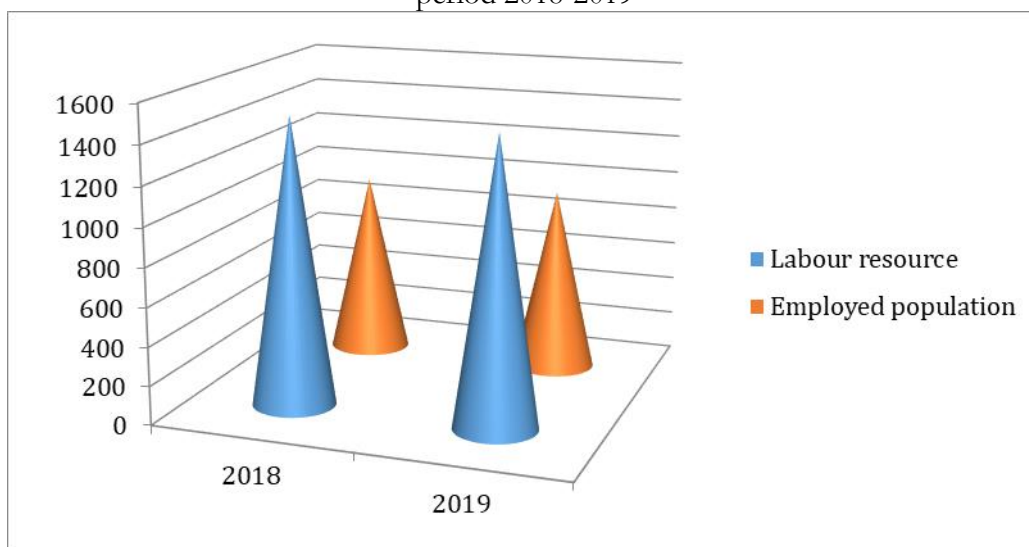
One method of regenerating the rural space is to attract young people to the rural system, qualified young people.

The development of a smart specialization strategy and plan of the South - East Region focuses on a limited number of competitive areas, identified as a result of the regional socio-economic analysis process, but also from the conduct of a quantitative and qualitative

study among business representatives, business support structures, universities, research institutes, research institutions and technology transfer institutions.¹⁷⁴

In the figure below we see the distribution of labour force and the occupied population of the Region studied. Most population with employment contracts is in Constanța County and the fewest in Tulcea County.

Figure No. 3. Labour force and occupied population in the South - East Region in the period 2018-2019



Source: Own processed data from the National Statistical Institute 2020

4. Particularities of South-East Region entrepreneurship in the context of digitalisation

The level of economic and social development of a region is generous by developments in the business environment, the economic and financial strength, the size and scope of activity of firms in the region, as well as the structure of activities carried out at the regional level.¹⁷⁵

The concept of smart specialization was adopted by the European Commission in the framework of cohesion policy, which is an essential element in the granting of European Structural Funds after 2014. The foundation and use of a smart specialization strategy at the level of a territory requires a key component for identifying and making investments with an effective and effective impact in the field of research, development and innovation. The main objective of innovation strategies is to improve the economic performance of states by supporting local activities with development and innovation degree.¹⁷⁶

The entrepreneurial environment has changed from year to year, especially among small and medium-sized enterprises, even reaching the permanent closure of their activity. Most entrepreneurs pursue the development of a medium - and long - term vision of their business.

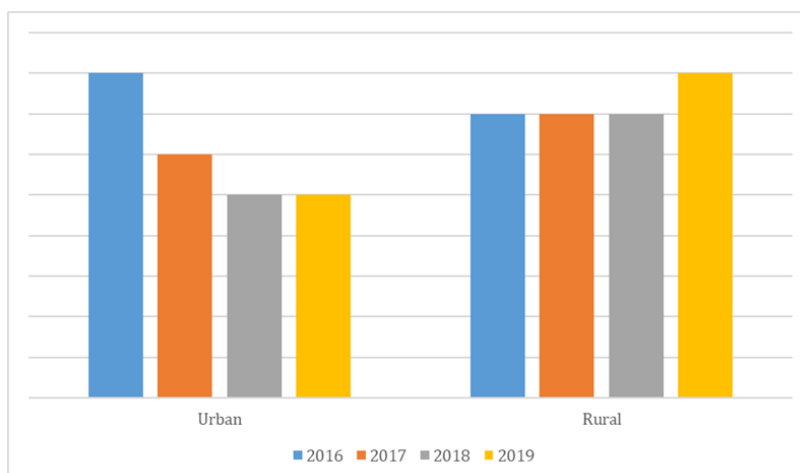
¹⁷⁴ http://www.adrse.ro/Documente/Planificare/RIS3/Strategia_specializare_inteligena_SE.pdf_accessed on 11.03.2021

¹⁷⁵ http://www.adrse.ro/Documente/Planificare/Studii/Rezumat_studiu_EDER.pdf

¹⁷⁶ Strategy of intelligent specialized of the South-East Development Region, elaborator SC ACZ Consulting SRL, Project co-financed by ERDF through POR 2014-2020, Brăila, Romania

At the level of the South - East Region, the rural unemployment rate is higher than in urban zone, from 4,5% to 3,4% in 2019 year. In the figure below you see the unemployment rate by residence averages in the years 2016-2019.

Figure No. 4. Unemployment rate by residence averages, 2016-2019 (%)



Source: Own processed data from the National Statistical Institute 2020

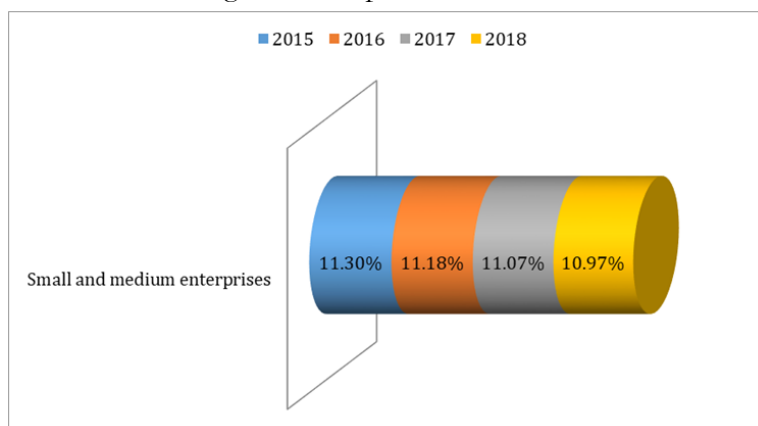
In 2018 year, the lowest unemployment rate was recorded in Constanța County and the highest in Buzău counties 7,3% and Galați 6,3%.

The dynamics of the entrepreneurial environment in the South - East Region are highlighted by start-ups. Their survival generates a big potential for job creation. This can be improved in the future by setting up digitized services for businesses sector.

Entrepreneurial education is an important tool in this development; educational institutions are very necessary and play an active role in developing the entrepreneurial sector and increasing its competitiveness.

In the following figure we see the evolution of small and medium-sized enterprises in the years 2015-2018 in the South - East Region.

Figure No. 5. Share of small and medium enterprises at the level of the South - East Region in the period 2015-2018



Source: Own processed data from the National Statistical Institute 2020



During the period under review, the trend was decreasing; most small and medium - sized enterprises are registered in Constanta County due to the opening of the county to the Black Sea and skilled labour. The minimum wage in the region ranks the region below the national average, which is 85,4% of the average national average wage.

5. Conclusions

The economic development of this region is based on the identification and study of all characteristics as a whole, including the advantages and disadvantages.

Identification and in - depth study led to the creation of a real development process comprising the study of key economic indicators, the labour market and the field of research and innovation.

The reduction in the number of populations of the region and the underdeveloped economy led to an alarming shortage of labour force leading the South - East Region towards the end of the ranking between the development regions of Romania. The region is based on the next sectors like agriculture, tourism and trade services and shipbuilding.

There are big differences between the counties of Constanța and Galați which have a bigger standard of living and the counties of Buzău, Vrancea and Brăila where the level of education is below average. We found a decline in population, especially among young people.

As agriculture is the core activity in rural areas of this region, it must be harnessed through the modernization and development of rural businesses, the implementation of state-of-the-art technologies and the transition to models in European markets and adaptation to climate change.

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