

## THE NECESSITY FOR A NEW DIRECTION IN THE SOCIAL POLICIES IN ROMANIA

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*This paper is arguing in favor of re-orientation of the social policy in Romania. Currently, the social policy system is strongly under-financed. Consequently, it is extremely, important to change to a social policy that is appropriately financed and that can allow a proper utilization of both society's general development potential and population's support for the respective social policy. Adequate financial resources and high quality management of social domain would contribute to catching-up with European Union countries which are far ahead of Romania in this respect.*

In the following paper I revert once more to a subject that I approached many times, next to many other authors, in the attempt to contribute to the development of a system of social policies in Romania that is in agreement with the overall changes of the society and with the systems functioning both in the European Union Member states and in other states (I. Mărginean, 2004a). Actually, this is about making use of the development potential of a properly articulated social policy and about developing in Romania a EU compatible social system (pattern) having the quality of life of the population as fundamental mark, expressed by a set of objective and subjective social indicators (I. Mărginean, 2004b).

The reason I want to revert to this subject is because, although during the past 15 years Romania has adopted several social policy-related legal provisions specific to the market economy that added to the already existing social insurance components (mainly represented by the unemployment benefits and by the minimal wage), as well as other regulations of social protection (granted minimal income, various social benefits for the family, for the persons with disabilities, etc.), a system of social policies directed towards economic and social development and towards a high level of the quality of life of the population specific to a mature welfare state has yet to be established. On the other hand, the recent (January 1<sup>st</sup>, 2005) introduction of the single taxation level (16%) for the income and profit brings in new elements relevant to the projection of changes in the sphere of social policies.

As shown by the past experience of several older or newer EU member states, the social policy may fulfil several essential functions in the modern society such as economic and social development, social integration and inclusion, support for the disfavoured categories of population, improvement of the conditions of living and, on a more general scale, of the quality of life of the



population. To be more precise, this is about reaching those standards of quality of life that allow any individual to assert as well as possible in the society, based on access to education and jobs, to material resources of living and to health care, based on observing the individual rights and liberties, on a high level of social inclusion, integration and participation, of satisfaction and personal happiness.

Given the importance of the quality of life topic and of the involved areas they enjoyed special attention as soon as they were introduced on the political agenda, materialized in studies and analyses, in conducting surveys and in developing monitoring programs with the purpose to direct the public policies (I. Mărginean, A. Bălașa, coord., 2002). This is no coincidence, therefore, that reaching a high standard of the quality of life of the population is a major EU target. With this view the European Foundation for the Improvement of the Living and Working Conditions (established in 1975, with headquarters in Dublin, Ireland - Fahey et al, 2003; I. Mărginean, 2003b and 2004b, c) started and is currently coordinating a program for quality of life survey and monitoring. Among the latest achievements of this program is the series of 7 reports and of a synthesis on the "Perception of Living Conditions in an enlarged Europe" published in 2004, on the basis of Eurobarometer and Eurostat data. The analytical reports refer to Fertility and Family Problems, Migration Trends, The low Income and Deprivation, Perception of Integration and of Social Exclusion, Work and the Standard of Living, Satisfaction from Life, Health and Health Care. Four zonal seminars organized in 2004 presented these reports to the EU member states. Also in 2004 were published the preliminary results of the largest quality of life survey conducted in the 28 EU members states and candidate countries at that moment; the final results are to be disseminated in the near future. The field survey was conducted in 2003 in 15 EU Member States - Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italia, Luxemburg, Great Britain, The Netherlands, Portugal, Spain, Sweden – and in 13 candidate countries - Bulgaria, Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Turkey, Hungary. Ten of these states joined the EU in May 2004, while Bulgaria and Romania are scheduled for 2007. Turkey will start negotiations in 2005 but it is likely that some west Balkan States starting with Croatia will join the EU before Turkey. Very large differences can be noticed between the populations of the EU member states ranging from 400,000 inhabitants (Luxembourg) to about 80 million (Germany). Romania (21.5 million) will rank 7, in 2007, after Poland (38 million) and before the Netherlands (16 million). Romania has the equivalent population of 8 of the 10 countries that joined the EU in 2004.



The comparative analyses of the 28 countries, single or by groups, reveal their similitude and the elements that distinguish them in a given area of the quality of life, their rank in each surveyed area, their strong or weak points. In agreement with the survey conducted in Romania (I.Mărginean, A.Bălașa, coord., 2002; I.Mărginean, I.Precupețu, A.Preoteasa, 2004), the EU studies reveal a very low level of the material resources available to the population and one of the highest income polarization. The situation in Romania looks better concerning the subjective well being expressed by the level of satisfaction, of happiness, of the feeling of affiliation and of social integration. Even though the values recorded for Romania are lower than the overall (EU 15) average level of the Member States, they are higher than in some of the older member states and than in some of the newer member states. This fact confused some commentators (The Larnaca, Cyprus, Conference, October 2004), for instance, why are the Romanians more optimistic than the population of wealthier states, because the precarious material status does not justify such feelings. These are false (narrow) determinist interpretations ignoring the effects of more general factors related to society and education, values, creed, etc. However, if the Romanians are not as unhappy as they should be, this is no reason not to improve the state of things concerning the material and psycho-social domains. Revealing is that the domain of material goods expressed by per capita GDP and by household incomes shows Romania either at the bottom of the list of 28 states, or on before-the-last position (before Bulgaria or Turkey, or before both of them).

The more than precarious situation of the sphere of conditions of living for much of the Romanian population is only partly due to resource scarcity because it is also affected by the distribution and redistribution of resources. The interference between the quality of life and the social policy refers to the fact that the latter may influence both the production and distribution of resources (minimal wage, taxation, etc.) and their redistribution as well (cash social transfers or transfers in kind and services). It is only obvious that the social policy promoted in Romania during the past 15 years did very little for the target of development. As a matter of fact, a modern system has yet to be implemented, properly articulated by regulations, programs, resources and benefits allowing it to fulfil its functions. The social policy promoted in Romania remained residual even after 1990, having a rather low addressability, with domains and segments of population socially excluded or marginalized (and with stipulations granting privileges to others), with low levels of the social benefits. These shortcomings require *the replacement of the current system of social policy by a new system directed towards development and social support*. (I.Mărginean, 2004 d).



A survey of the social policies in the 13 candidate countries published in 2003 (Social protection in the 13 candidate countries. A comparative analysis) ranks Romania on the bottom positions as social expenses during 1996-2000, situation which did not change afterwards. It is worth noting that the data used in the paper do not include for each country the same categories of social expenditure. This is about the effect of the manner of working. First, country reports were published in 4 volumes then the synthesis was elaborated depending on what and how the information was presented in the preliminary reports. The synthesis provides, however, the details required not to create confusions. Thus, for some countries (such as Romania) only the social expenditure from the systems of pension and unemployment insurance and for health care were reported, while for other countries the expenditure for social welfare were also include (the normal thing to do); for other countries the expenditure with education was also included. However, the OECD practice, also adopted by EU, stipulates that the public expenditure with education is to be considered an investment rather than social expenditure. As a matter of fact the financing of education is done quite differently in the western countries – significant private contribution by taxes – and in the former socialist countries – preponderantly public expenditure. Aside this, the public expenditure of the developed countries – where there is the practice of taxes, on a large scale except for the compulsory education – is much higher both as proportion of the GDP and as absolute value per pupil than in the countries where the state education is finance by public budget.

Coming back to the social expenditure presented in the mentioned Report, in 1996 Romania was on the bottom position of 12 countries (NA data for Turkey) with 10.6% of the GDP as expenditure for pensions, unemployment and health care being preceded by Bulgaria (12% of the GDP among which the expenditure with social welfare) and Lithuania (15.2%), while at the top there were Hungary (24.8%), Slovenia (25.5%) and Poland (31.0%). However, the latter countries also reported the expenditure with education. If we also add the expenditure with social welfare, about 1.5% of the GDP, Romania equals Bulgaria, both on the bottom position as actual social expenditure of the GDP. If we also add the expenditure with education of 3.6% (as the former socialist countries did), we produce a total of 15.7% of the GDP for 1996, which is just half the proportion of what Poland, country regarded as having done a successful transition, spent (I.Mărginean, coord., 2000).

The average EU value for social expenditure in 1996 was 28.4% of the GDP (not including the public expenditure for education). Finland, France and Denmark spent 31%, Germany, The Netherlands and Austria spent 30%, while Portugal and Spain spent 22%, the closest level to the minimal value.



The value of social expenditure for 2000 (mentioned by the same Report) increasing to 13.9%, and to 15% if we include the social welfare and to 18% if we include the public expenditure for education still rank Romania among the countries spending very little, in relative values, for the social domain, being followed by Turkey only. The average EU value for social expenditure in 2000 was 27.6% of the GDP. In 4 years Bulgaria increased by 5.8% the level of its social expenditure of the GDP. In other countries the level decreased slightly (1-2%). It may be observed that the general pattern of social expenditure used by the former socialist countries was to increase the level when the problems were acute with a possible subsequent reduction. An exceptional social policy was adopted in response to an exceptional state induced by transition, which incurred very high social costs (C. Zamfir, 1999). It is very clear that Romania missed the opportunity of using the social policy as instrument of establishing the proper conditions and of making use of the development potential by the massive introduction of active policies of occupation and creation of properly paid jobs, by the achievement of adequate levels of social transfers facilitating social integration by entering or returning to the labour market, by allocating the proper sources for education and health care. These observations are founded if we consider that the capacity of family intervention declined, as well as the degree of occupation of the active population, that the population aged somehow, that the number of pensioners increased spectacularly, that the number of beneficiaries of the system of social insurance doubled between 1989-2002 (from 2.332 to 4.665 million persons), as well as the number of pensioners for work period and age limit (from 1.5 million to 3.2 million), that the number of pensioners for invalidity increased very much (3.5 times, from 204 thousands to 706 thousands persons) due to early retirement avoiding thus unemployment (much lower values than in other transition countries), all this slowing down the economic reorganization. The number of agricultural pensioners increased 1.7 times (from 1 million to 1.7 million persons). The overall number of pensioners increased in 13 years from 3.326 million to 6.342 million, which also include the beneficiaries of inheritor pensions (1.4 times increase from 481 thousands to 672 thousands).

On the other hand, though, Romania ranks among the top countries as income taxation and as contributions to social insurances (the standard level is 50%, of which 33.5% the employee and 16.5% the employer, namely the whole share paid by the insured self employed, which is among the highest worldwide – Denmark has 52%). (I. Mărginean, coord., 2001). The public budget was undersized by reducing the number of contributors and by some companies and physical persons that avoided paying their taxes. The resulting resources were not directed with the needed priority toward the social domain. All this resulted in very high social costs of the transition that have been and still are born by a



large share of the population. The policy of restraining the consumption for a long period and of allocations to the social domains only had a limited efficiency and delayed the economic development. The savings and the social expenditure, when the latter should solve acute social problems, cannot be regarded as a wise policy neither for the country (the problems get more acute) nor for the EU partners (because it externalises a part of the social costs by illegal immigration and by undesirable behaviour of some Romanian citizens in EU countries).

Within this context one must not overestimate the role of the low level of consumption of the population (value expressed by specific expenditure) in judging the macroeconomic indicators. Of equal or even higher importance are the indicators concerning the quality of goods and services that were consumed and their origin. Several adverse implications come from the large imports of food (that could have been produced in the country) and of durable appliances due to the inherited misbalance of the Romanian economy. The situation did not change after 1990 by shifting the production of some companies toward such high quality appliances. The disproportional import related to the export stressed the deficit of the trade balance. The consumption of the population becomes a factor of development by the shift in production. This is why a good policy of national interest is not to limit consumption, but to use credits to stimulate the development of the industrial sector of appliances, of services, etc.

Also noticeable is the adverse role of importing second hand goods due to their destructive effect on some local economic sectors.

By its residual social policy Romania distanced from most of the former socialist countries candidate to accession. As mentioned by the Report, the former socialist countries were affected by the “recession of transition” started by the changes in the economic sector and by the structural adjustments. The most acute level of recession was in 1992-93, but Romania and Bulgaria, as well as the Baltic countries, also experienced drops in 1997-98 and in 1999, respectively. The balance for 1991-1999 showed that Romania (as well as Bulgaria) displayed an annual rate of 1.9% GDP decrease (- 4.1 for Lithuania and - 4.8 for Latvia), while Slovakia experienced an average rate of 4.6% GDP increase, Estonia +3.6, Turkey +3.3, Slovenia +1.7 and Hungary + 0.4. The start of development in Romania was much delayed and it had a lower pace than in the other countries. Thus, in 2000, GDP increased by just +1.8% in Romania, compared to 6.9 in Estonia, 6.8 in Latvia, 5.8 in Bulgaria, 5.2 in Hungary. In 2001 Romania displayed the third value of GDP increase (of the 13 countries: 5.3, compared to 7.7 in Latvia and 5.4 in Lithuania). This trend also continued in 2002-2004.



No doubt, the high pace of GDP increase of the past years are related to a much lower per capita GDP value, lower in Romania than in the other former socialist countries used for comparison purposes.

At the same time, Romania is one of the countries most affected by inflation. The highest inflation after 1996 was in 1997 (154.8%, compared to 1044.7% in Bulgaria, but also to 9.1 in the Czech Republic, 15% in Poland, 185% in Hungary). Some of the countries in the group of comparison already had inflation rates below 10% in 1996. Starting with 1999, only Romania had an inflation level of two figures. The expected inflation rate for 2004 will probably be lower than 10%.

Persevering in the policy of inflation control by cutting the consumption expenditure of the population and under the conditions of important losses in economy, the deficit of the consolidated budget is under 3% of the GDP, fulfilling thus one of the conditions of participating in the Economic Monetary Union (EMU), part of the community acquis (therefore compulsory). This was done by the restrictive policies concerning consumption and the wages of the budgetary sector and following the social policies which the WMF insisted upon. This deficit will probably be around 1.6% of the GDP in 2004; the agreement with the WMF stipulates a level of 1.5% for 2005 intended to cut down the inflation level (another criterion also monitored for the EMU). Some important EU member states (France, Germany) argue against the validity of the criterion of the budgetary deficit lower than 3%. On the other hand, the governmental debt in Romania is lower than in many EU countries. In 2001 Romania had a governmental debt representing 22.8% of the GDP, close to the levels observed in Lithuania and the Czech Republic (23.6%) but much lower than in Poland (40.9%), Hungary (55.9%) and Cyprus (63%). The relevant figure for Bulgaria was 76.9% for 2001, while the EU average was 64%, peaking in Belgium (110% of the GDP).

A brief presentation of the system of social policies in Romania during the past 60 years shows the following (I. Mărginean, 2004d).

- The social policy of the Romanian socialist state was characterized by the actual elimination of the private and voluntary sectors, establishing the economic dependence of the individual on the state and the so-called socialist model of the welfare state was tightly related to the occupational status of the individual, by the social insurance for pensions, generalized during the past 3 decades of existence of the socialist regime, and to a universal-type system of social services of education and health care supplied at the place of use (financed through the state budget). The services of social welfare were directed mainly towards forms of institutionalisation. The precarious financing stressed the adverse effects of the system of social welfare, which resulted in situations well below any standards of human dignity in the institutions for orphan and



abandoned children, for the handicapped, for the elderly or for the persons with chronic diseases; the news on this situation circled the world in the 90's.

During the transition period corrective measures have been adopted, which to alleviate the extremely serious circumstances existing in the institutions of social welfare with foreign aid and with the support of international volunteer organizations. The process of de-institutionalisation of the social protection of children was started and enhanced in the process and laws were passed making sure that the rights of children are observed. Other regulations in the social domain implied by the transit to market economy were enforced and changes also occurred in other spheres of the social policy (a new law of the social insurance, the health social insurances, etc.). Despite this, as mentioned earlier, the actions done after 1989 did not result in getting decisively closer to the characteristics of the EU welfare state, neither as the range of benefits, nor as their level, which is influenced by several economic and political factors.

In judging the state of facts in the social area one must consider that the main characteristic of the capitalist welfare state is that the state is involved not just in helping the poor, but also in providing a set of social services to the whole population or just for certain disfavoured categories (groups) or individuals. A concept of social rights or of social citizenship is thus promoted (T.Marshall, 1952), following the juridical and political ones. Distinction is done, however, between the citizens, on the one hand, and the guests, temporary residents, refugees, on the other hand. Only the citizens have full social rights concomitantly with the rigorous control and conditioned grant of citizenship. Social programs are also used, however, for the persons not having citizenship. In the EU member states there is the community citizenship. In agreement with the provisions of the EU Social Chart, of free circulation of the persons, capitals, goods and services, a citizen of one member state enjoys the same social rights granted by any state to its citizens based on a permit of residence.

Against the image induced by the expression "welfare state", there is no egalitarianism though. In fact, there is a process of redistributing the incomes of the population. Within this process, the richest ones will be, of course, net contributors of income in cash and/or in kind and services. The welfare state is no charity work in its whole. Almost all citizens contribute, as much as they can, to the function of the system. Hence, not just the need of the simple support for the policy of the welfare state, but also the need of achieving a high consensus in the society by the more general interests of human solidarity, social integrity, securing the social peace, establishment of a system of citizens duties and rights, etc. One may say that the welfare state is a type of collective action promoting goods that are public or regarded as of public interest, even



though it may also include at a given moment the partial or total procurement of some goods that might be produced by the private sector.

Another aspect to be noticed is the *disputable* character of the social policy, as of any policy. One cannot say that there is just one good policy, rather there are policies preferred by different social sectors, bodies, parties, etc. There may be more or less adequate means of attaining some objectives of social policy. The social policy existing at a given moment is the result of the interaction between the political forces and the major groups of interest of the society. It reflects the relations of power, authority, competition, legitimacy, support, consensus, within a cultural framework of values, traditions and customs, but it is not immune to manipulation. What is presented as an aspect of general interest may be in fact a group interest that does not run contrary to the public interest, or that may affect it strongly.

All the countries display an interest in improving the system of social policies, in introducing new elements in agreement with the changes in society at the level of occupation, family life, etc. Beyond these quests, we observe that the welfare state survived time and criticisms, not few. It is now deeply rooted within the society, it fulfils important functions and those contesting its value cannot dislocate it. The concerns for the diversification of social services financing, production and distribution, the creation of pluralism by privatisation and mixed economy allowed slowing down the overall increase of the public social expenditure, while it decreased in given areas. At the same time there is a higher interest for introducing systems for the more accurate assessment of system's efficacy.

Of course, there will still be important differences in the manner in which some parties, states, regional or international organisms relate to the social policy. It is no surprise that the principle of subsidiary is applied in the EU for the social policies. They remain of the competence of the member states but solutions of improvement are sought jointly (open coordination), the process aims to establish general standards and to learn from the good practice (Vandenbroucke, 2001). At the same time, the conservatories, liberals or the social democrats will continue to promote different solutions of social policy. This targets mainly the level of expenditure and the diversity of programs. None of these directions has the status of "pattern of a society", but they prove to be viable alternative of governing, without any differences that might question the social policies and the welfare state between these political forces.

The three important political directions are now in competition within the same type of society; even though it is more difficult to define, it is certainly that this is a democratic society based on political and ideological pluralism, on liberty and tolerance, a developed society with market economy and with an important social component of welfare state. In fact, the three directions have



lost in time their status of “type of society”, but the reciprocal rejection still is rather strong. The conservatives consider that the liberalism is more dangerous than other political directions because it is attractive but also deceiving, while they favour the traditional elements and a significant role granted to the state. The liberals consider that the social democrats did not give up the idea of reforming the capitalist society and the welfare state would be the preferred means of action to get to socialism. Yet, there is enough joint space within the “political game” that makes competition possible.

Therefore, the social policy and its modern product, the social welfare state must not be treated as ideal models, but as specific activities concerning the living conditions of the population both on the short term and opening to the perspective. The cure for the five huge social problems identified by Lord Beveridge in his 1942 Report – poverty, misery, disease, ignorance, unemployment – prove to be necessary even in the wealthy society, and it can not be imagined, for the time being, outside an ample social policy assumed by the state and materialized in this welfare state.

The changes required to be done in Romania must be directed mainly in connection with the situation existing in the country where there still are many children abandoned in institutions and in the street instead of being within a family or in family-type arrangements; Romanian citizens beg in European countries, where from they are sent home; the Europeans want to build a prison in Romania for the Romanian doing crimes in European countries; there are old persons whose pension, after a life-long employment, is below the poverty threshold, similar to the income of many families earning the minimal wage on economy or even the mean wage, if they have children, under the conditions in which some persons have higher education and are doing a highly useful work for the public; the income of most agricultural workers are modest; many Roma ethnics do not have school education and the skills needed for a job; education is under financed, same as the health care.

Within this context we must consider that the EU accession also requires the achievement of the objectives of social inclusion by a proper coordination between the economic and social sectors. A first action showing the radical changes in the sphere of social policies and in promoting the individual and social welfare by economic and social instruments is to give this area priority in the distribution of the budgetary resources based on adequate programs run by performing management practices.

Although the expenditure is not the most adequate indicator of the social policy (anyhow, it does not mean that the higher the expenditure, the better it is, or that the lower the expenditure, the better it is), they express a financial effort that cannot be ignored. The older experience of western countries and the newer experience of the former socialist countries shows that the level of the social



expenditure increased considerably in order to meet the targets of the social rights of the citizens and to promote the social inclusion. The pledge for a moderate welfare state in Romania claims urgently social expenditures of minimum 25% of the GDP, which to increase to 28-30% in the near future (including the public expenditure for education). This is a dramatic financial effort but the social problems to be solved are overwhelming.

If the allocations from budget do not increase substantially, we can not expect a qualitative change of the Romanian social pattern allowing the access of population to better paid jobs, to social services, to the respect for human dignity, eliminating the flagrant lags in the conditions of living of the population. This is to be followed by future improvements of some components of the social life such as the trust in people, sharing common values and national objectives, by harmonized life styles based on the respect and tolerance between citizens. Otherwise said, without programs of social, community and human development there can be no radical improvement of the conditions of living and, on a more general scale, of the quality of life of the Romanian population (I.Mărginean, 2004c).

The increase of the cash benefits (pensions, allocations, aids) is required both by the current precarious state of most beneficiaries of such cash transfers, and by foreseen increase of prices after EU accession. The most optimistic estimates presented by the World Bank Report for Romania (2002) show that about 30% of the population lives in poverty. I say these estimates are optimistic because they used a method that set the poverty line at 60% of the average value of consumption of the population, also using the structure achieved at a given moment; it was shown, however, (by normative-type of surveys) that this average value is below the decent standard needed to meet the requirements of consumption, more so as a fraction of it, while the structure is strongly misbalanced by basic components. (M.Stanciu, 2001; A.Mihăilescu, 2004).

The increased social expenditure is to be supported even by a reasonable level of governmental indebtedting. Another survey, conducted under the aegis of the European Commission, reported that Romania, like the Baltic states and Slovenia might increase the financing of the social policies at the expense of the budgetary deficit considering that the governmental indebtedting is low (other countries, though, such as Poland, Hungary, Slovakia, couldn't use this method because the level of governmental indebtedting is already high).

Romania needs to increase considerably the social expenditure from the public budget if it wants to reach the targets mentioned earlier. The effect of this additional allocation relates both to the share of the GDP assigned to public spending and to the fact that at least in the near future there will be less resources to collect due to the introduction of the single lower taxation level on



income and profit. Given the social context of Romania, the stagnation or decrease of social spending would be an aggravating factor for the conditions of living of the population. Increased allocations are required for all compartments of the system of social policy, be it the system of *social protection* (social security in European terms), of income support for the persons with limited material resources or without any means of living through systems of social insurance and social welfare (pensions, benefits, allocations, scholarships, aids, etc.), or the *general social services*, such as health care, dwelling, transportation, sportive and socio-cultural services, education, or the *individual social services*, institutionalised or at home, residential or in community.

The requirement of an increased allocation of funds for the social also flows from the recalculation and increase of pensions, from the higher financing of education and health care, etc. The increased allocation for these three domains should not affect adversely, however, other domains such as the occupation policies or the protection of vulnerable persons.

Within this changed context I revert on several directions of actions that I presented earlier, concerning the system of pensions, health care and education (I.Mărginean, 2004d).

The *system of pensions*. At least for several decades the public system of social insurance organised in flow will be dominant in supplying replacing income in case of retirement or of temporary incapacity of work. The level of pensions in the public system must be kept at a decent level as replacement income. I support this because the favourable effect of the system of universal pensions with private administration will be felt much later for the incomes of the retired people. There is no justification for current replacement levels of income by pension below 50%. The lower number of contributors to the system of social insurance must be completed adequately by transfers from the public budget to the fund of social insurances for pensions or by incomes obtained from privatisation. On the other hand, the indemnification of the parents for raising the child up to the age of 2 (a stipulation that is more generous in Romania than in many other countries) must be supported from the budget and not from the social insurance. It would become, as it is only natural, a non-contributory benefit. If this service is to be related to work, in this case the payments should be also made from budgets transfers. Concerning the occupational pensions, the second pillar of the insurance system, I consider that the public institutions should also be expected participate in this system. The current restriction eliminates the public officers, the employees in education and health care. In the developed countries the state and the large companies' support the occupational pensions as an important means of highly motivating the employees in their activity. In this year, the proportion of expenditure with



the pensions should increase from 7% of GDP to at least 9% and then, shortly, to about 11%.

The *occupational policies*. The level of expenditure for occupation are only poorly correlated with the requirement for the unemployed. Active occupation policies should be largely implemented for the creation of high quality and well paid jobs.

If we consider the unemployment only, it is unfair that in 2002 a very low level of the unemployment benefit (75% of the minimal wage) was decided with the declared purpose to motivate the unemployed to look for a job, especially since some sectors give compensation payments to which, however, many unemployed do not have access.

To reduce the cost of labour, a decrease in the level of the social contributions should be expected (possibly increasing the taxation level of income and profit from 16% to 19-20%).

*Health care*. The implementation of the health social insurance established two components of the public system of health care, financed from the budget and from the insurance fund. Beyond the arguments whether a system of health social insurance was necessary (ten years ago - I.Mărginean, 1994 I said, and I was not wrong, that it was not necessary for Romania, which already had a developed public system confronted, however, with great difficulties due to under financing and inadequate management) measures have to adopted now, which to correct the effects of de-universalisation and which to ensure the access of the population to health care. Otherwise said, either the insurance system receives from the budget the counter value of the activities provided to the persons assimilated with the status of insured person (children, retired people) and for the incomeless people that are not insured, or a distinct system of non-contributory services should be established for them. Irrespective of the adopted pattern, the level of public spending for health care should be at least 6%.

*Education* is highly promoting the economic development. The increase of the public spending for education up to 6% of the GDP is the first signal of the appreciation of its importance. The financing of the university education remains an open subject. The implementation of a general public-private formula of financing (by taxes) brings us closer to the older EU states and to other developed countries. At least part of the resources that remain at the population by reducing the taxation of income and profit should go to the taxes for attending the state or private higher education. A moderate level of taxation paid by the students is more equitable than the current system in which some pay taxes and other don't, although they are very close as performance (the average mark from the accession competition). At the same time, tax exemption or scholarships may be granted on combining social and performance criteria.



Sooner or later such an arrangement will eventually come into force. The current system of financing and scholarship, although is low on resources, wastes them for some persons that do not qualify to receive them, while other people receive insufficiently, or don't even get to the higher education due to multiple causes among which the poverty of their families. If the differentiated moderate taxation for all students (except those compensated based on social or performance criteria) is not to be generalised, than the public spending for education should exceed the level of 6% of the GDP. This is necessary much more that will be desirable to increase the number of the students at school level and in state university education and the value of budgetary allocation for the student too. Increased resource are necessary including the eventuality reduction of number of years of studies at basic university level, which is to be correlated with an substantial increasing of the number of students at master and doctoral levels.

Tightly connected to education is the scientific research, which is also under financed. If we are to fulfil the EU targets up to 2010, the research should receive 3% of the GDP (public and private expenditure) in order to respond to the requirements of the knowledge society. It is obvious that the public sector should also contribute to this financial effort by an adequate sizing of the spending, same as with the spending for the access to culture and sport.

Synthesizing the effect of the proposed changes for the level of social expenditure we reach the value of 25% proposed earlier for the first stage (9% pensions + 6% health care + 4% unemployment and social welfare, socio-cultural spending + 6% education). At the same time, it is more than obvious that the level of 30% of the GDP for social spending (education included) is more than founded and yet Romania still remains one of the European countries with the lowest social spending.

I finish by showing a trend that has started to act more or less vigorously in Romania too in different domains. This is the establishment of the public-private joint action. The more than welcomed private initiatives in the field of pensions, education and health care doesn't mean a reduction of the state's intervention, at least as long as the requirements to meet are very large. This means the diversification of services and the improvement of their quality, an increased level of addressability and choice of the citizens in their pursuit to meet their interests.

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