Social and employment policies in Romania

Abstract
This study aims to provide an overview of the economic, employment and social inclusion context and recent policies in Romania. The document was prepared at the request of the European Parliament’s Committee on Employment and Social Affairs in view of its delegation visit to Romania in September 2018.
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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ANED</td>
<td>Academic Network of European Disability Experts</td>
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| ANOFM        | National Agency for Employment  
(*Agentia Naționala pentru Ocuparea Forței de Munca*) |
| CLLD         | Community-led local development |
| CRM          | Customer relationship management |
| CVET         | Continuous vocational education and training |
| EC           | European Commission |
| ECE          | European Centre of Expertise |
| ESF          | European structural and investment funds |
| eSPOR        | Employer SPO Relation |
| ERDF         | European regional development fund |
| EU           | European Union |
| FRA          | Fundamental Rights Agency |
| GDP          | Gross domestic product |
| IMF          | International Monetary Fund |
| INTESPO      | Registering youth in the database of the National Employment Agency  
(*Înregistrarea Tinerilor în Evidențele Serviciului Public de Ocupare*) |
<p>| ISCED        | International Standard Classification of Education |
| IVET         | Initial vocational education and training |
| LLL          | Lifelong learning |
| MIS          | Management Information System |
| NEET         | Not (engaged) in education, employment or training |
| POCU         | Human Capital Programme (<em>Programul Operațional Capital Uman</em>) |</p>
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<tr>
<th>Acronym</th>
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<td>PPs</td>
<td>Percentage points</td>
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| POSDRU  | Operational programme for the development of human resources  
*(Programul Operațional Sectorial Dezvoltarea Resurselor Umane)* |
| SEE     | South East Europe Programme |
| SGI     | Sustainable Governance Indicators |
| VET     | Vocational education and training |
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EXECUTIVE SUMMARY

With an annual growth rate of 8.4% between 1992 and 2015, Romania is one of the fastest-growing economies in the world. GDP per capita has increased from slightly over 40% of the EU average in 2007 to almost 60% in 2016, even though Romania continues to be one of the countries with the lowest levels of GDP per capita.

Due to the increase in GDP and the introduction of austerity measures within the framework of the joint International Monetary Fund (IMF), European Commission (EC) and the World Bank programme for financial assistance in 2009, Romania has improved its macroeconomic situation. Between 2007 and 2014, Romania corrected its current account balance to -1.9% in 2014 from -12.7% in 2007. However, under the pressure of the growth in consumption-led imports in the last two years, it has started to worsen again, increasing to -3.1% in 2017. Furthermore, with the adoption of expansionary policies, especially in the last two years, the structural deficit has increased to 4.3% in 2018 (+1.3 pp compared to 2016). It is expected to keep rising due to the increases in public expenditure recently approved by the government. Following the increase in the public deficit, Romania breached its medium-term objective of 1%, leading the Council to adopt a series of resolutions in 2017 and 2018 calling on the Romanian authorities to take measures to keep the rate of net expenditure at a maximum of 3.3% of GDP.

Despite a strong growth rate and a positive macroeconomic situation, Romania still faces several challenges when it comes to poverty and social exclusion:

- Unbalanced employment and unemployment rates from a territorial and social point of view; employment rates are lower and unemployment rates are higher for people from the poorest regions, for those from rural areas and small cities and for specific vulnerable categories (Roma, disabled, people with low levels of qualifications);
- Concentration of in-work poverty especially in rural areas for self-employed people, in particular in subsistence agriculture;
- High levels of young people not in education, employment or training (NEET), especially among Roma and disabled people;
- Shrinking labour workforce due in particular to increased emigration rates among the active working population, the unused labour potential of women, Roma, disabled people, people from rural areas, the long-term unemployed and NEETs;
- High levels of poverty, in particular for young people and children, especially Roma and disabled people, despite a slight decrease in the last years;
- High levels of social injustice, especially due to high levels of both income and opportunity inequality;
- Low impact of social assistance and the social protection system on redistributing income and reducing inequality of opportunity;
- Continuous emigration triggering not only problems in the labour supply, but also social problems (e.g. children left behind).

In order to face these problems, the Romanian authorities have taken several measures in recent years. In the employment field, several active labour market policy measures have been adopted, but they focused more on providing financial incentives to employers and those unemployed who find a job, and less on improving qualitative training, information and guidance services, and digital tools for
better matching work and labour supply. While the measures registered positive results in increasing employment, they had less effect on the employment rates of NEET, young people, Roma and the disabled. These categories continue to remain far from the labour market and to be more vulnerable to the risk of poverty and social exclusion.

Measures regarding education and the provision of vocational education and continuous learning have complemented active measures, with the aim of increasing participation in the labour market and providing a qualified supply of labour. Romania has adopted several strategies in the education and training field, but their level of implementation is unclear as there is hardly any information on the actions implemented and their results. According to the European Commission country report 2018, the take-up of these strategies is very low. Other studies point out that this is due in particular to the low political ownership of these strategies.

The main measures implemented in this field relate to the development of the IVET and CVET systems, the introduction of dual education, the promotion of adult learning and the reduction of early school leaving. There have been some limited positive results, for instance, the increase in the attendance rates of children enrolled in one of the programmes for reducing early school leaving. However, continuous changes in their organisation, coupled with fragmentation of competences and funds, and a high administrative burden has reduced their effectiveness.

In order to fight poverty, a comprehensive package of measures (the anti-poverty package) was adopted in 2016. The package integrates measures in employment, education, health and social assistance, and strengthens the cooperation between public institutions and NGOs. However, the effectiveness of the package has been hindered by the change in the government in 2017 (from a technical to a political government) and by the delays in the implementation of the ESF, the main financial instrument for its implementation. While the new government has continued some of the measures, albeit in modified form (i.e. childcare leave), it is unclear whether the full list of measures will be implemented. This is the case, for instance, for the minimum inclusion income, whose implementation has been postponed three times (currently postponed until 2019), or for the establishment of a transparent mechanism for the definition of the minimum wage. In this latter case, the new government broke off the social dialogue process establishing such a mechanism and announced yearly increases in the minimum wage without specifying the methodological basis for its calculation. In the last two years, measures taken to reduce income inequality prioritized measures to redistribute income rapidly (e.g., increasing the minimum wage) even though this has been at the cost of compressing it at the bottom and not reaching the poorest categories who are generally outside the labour system. In some cases, the measures adopted might even increase income inequality, for example, the shifting of social contributions from employers to employees, which potentially favours full-time employees, especially in the public system, and penalises those at higher risk of poverty (e.g., the self-employed, in particular in subsistence agriculture and those who work part-time). The same applies to the reduction in the contribution to occupational pensions under pillar II and the new proposal to recalculate pension benefits.

As noted before, most of the measures planned for increasing labour participation and fighting poverty and social exclusion are funded by the ESF, through the Human Capital Programme. However, long delays in implementation and low absorption rates jeopardise the implementation of these measures and hamper their effectiveness. In some cases (e.g., measures introduced for NEET, for Roma, etc.), the high administrative efforts coupled with the instability of the target group (because of migration and overlapping ESIF programmes, beneficiaries of the ESF Human Capital programme find their original target group shrinking) make these measures less attractive for ESF promoters. The extremely low number of projects approved for these target groups confirms this.
No priorities have yet been defined for the Romanian presidency of the Council of the EU. However, the main subjects of interest for the Romanian presidency in the employment and social inclusion fields are sustainable growth, reducing development disparities, convergence, employment and social rights, innovation and digitalisation, connectivity and market competitiveness.

**Background**

The present in-depth analysis has been prepared at the request of the Committee on Employment and Social Affairs in view of its delegation visit to Romania in September 2018.

**Aim**

The aim of the present study is to provide an in-depth overview and analysis of recent developments in the field of employment and social inclusion.

This in-depth analysis covers the following issues: the macroeconomic situation and trends in GDP; the evolution of the labour market, focused in particular on the situation of disadvantaged groups such as Roma, disabled people and NEET; the evolution of the social context (risk of poverty and social exclusion, in particular of Roma and disabled people, income inequality, in-work poverty, migration); policy developments in the fields of employment, education, poverty and migration; the current position regarding EU funds and the main priorities of the Romanian presidency of the Council of the EU.
1. RECENT DEVELOPMENTS IN THEEMPLOYMENT AND SOCIAL INCLUSION SITUATION

KEY FINDINGS ABOUT THE ECONOMY

- With an annual growth rate of 8.4% between 1992 and 2015, Romania is one of the fastest-growing economies in the world. This trend was confirmed in 2017.
- Growth is unsustainable in the long term, due to an expected fall-off in private consumption, the main driver of the GDP growth.
- There are strong regional disparities in the increase in real GDP and GDP per capita.
- The current account balance deteriorated from 0.5% of GDP in 2015 to −3.1% of GDP in 2017; this trend continued in the first six months of 2018.
- The 1% of GDP deficit level required by the medium-term objective was breached because of a strong increase in the structural deficit in the last three years, fuelled by pro-cyclical fiscal policies and expansionary policies, especially in 2017.
- Several Council recommendations (in 2016, 2017 and 2018) called on the Romanian government to restrict the growth rate of net primary expenditure to maximum 3.3% in 2018 and to respect the medium-term objective.
- Public debt (as a percentage of GDP) increased by 194% between 2007 and 2017, despite a slight reduction (−10%) between 2014 and 2017.

KEY FINDINGS ABOUT THE LABOUR MARKET

- The employment rate (68.8%) is close to the EU2020 target, but below the EU average (72.2%).
- Employment growth is unbalanced (regional disparities; low employment rates for young people, for women, for people with low levels of education and from rural areas, for Roma and disabled people).
- Atypical employment levels are low and are mostly concentrated in self-employment in (subsistence) agriculture, resulting in low access to social protection in this sector.
- The unemployment rate is one of the lowest in the EU (4.9%).
- Unemployment rates are higher for young people with low levels of qualifications and for men.
- Long-term unemployment is below the EU average (1.5% versus 3.4%).
- The NEET level is above the EU average (15.2% versus 10.9%), in particular for Roma and disabled people.
- The labour workforce is shrinking due to the ageing population, unused labour supply (Roma, NEET, disabled, rural population) and increased migration, especially of active people.
KEY FINDINGS ABOUT SOCIAL INCLUSION

- The Social Justice Index shows the second worst performance at EU level on almost all dimensions.
- The poverty rate (35.7 %) is above the EU average (23.5 %) despite a slight reduction in the last year.
- Young people (in particular young men), Roma, disabled, and self-employed people are more vulnerable to poverty and social exclusion.
- The inequality in income distribution (GINI - 34.7 %) is above the EU average (30.8 %).
- In-work poverty is one of the highest rates at EU level (31.2 % versus 12.1 %), in particular for self-employed people in subsistence agriculture.
- The social benefits and social protection systems have little impact on reducing the risk of poverty and income inequality.
- Emigration has increased (+162 % between 2007 and 2017), especially among active and qualified people.

1.1. Key facts about the economy

1.1.1. Macroeconomic imbalances and competitiveness

Romania participated in a joint IMF, EC and a World Bank programme for financial assistance in 2009, which was renewed in 2011 and 2013, and brought about improvements in the trade balance. As a result, Romania improved its macroeconomic situation between 2010 and 2014, correcting its current account balance as a percentage of GDP (from -12.7 % in 2007 to -1.9 % in 2014) and re-establishing financial stability1. However, in the last two years the situation has worsened, following substantial growth in consumption-led imports. The current account balance as a percentage of GDP went from 0.5 % in 2015, to −2.3 % in 2016 and −3.1 % in 20172.

According to the Romanian National Bank, in the first six months of 2018 the current account of the balance of payments posted a deficit of €3,781 million, a slight increase compared to the same period of 2017 (-€3,526 million). In particular, the deficit on trade in goods increased by €711 million, the surplus on services income diminished by €261 million, the deficit on the primary income balance narrowed by €894 million, while the surplus of the secondary income balance decreased by €177 million3.

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Despite the continuous deterioration of the balance of payments current account, the net international investment position of Romania has continued to improve in 2018, reaching −€88,841 million in June 2018 compared to −€82,691 million in June 2017\(^4\), especially in the context of the continuous growth in GDP as underlined by the EC 2018 Report on Romania\(^5\).

**Non-residents’ direct investment** in Romania has continued to increase, amounting to €2,194 million in the first six months of 2018 compared to €1,695 million in the same period of 2017\(^6\).

At the same time, market shares (percentage of world exports) have recovered from the fall in 2012 and 2013 (from 50.2 % in 2011 to 14.2 % in 2013) and have registered a continuous increase in the last few years, amounting to **23.6 % in 2016**. The main market shares are derived from industry, machinery and equipment, even though market shares of services (especially ICT and transport) have also expanded. According to the EC country report 2018, **Romania’s trade performance** has largely benefited from integration into the EU production chain. In fact, between 2011 and 2016 Germany, Italy and France have represented the main export destinations of Romania\(^7\).

However, the increasing trend in export market shares is threatened by the increase in unit labour cost, following a shortage of skills in the main export fields, coupled with low levels of productivity compared to the EU average. In fact, the **percentage change of nominal unit labour cost went from 6.1 % in 2016 to 9.3 % in 2017**\(^8\), while the **labour productivity per person declined in the same period**. Indeed, in 2017 the **increase in real compensation per employee** is estimated to have been more than double that of productivity\(^9\).

**Figure 1:** Labour productivity per person in EU and RO between 2007 and 2017

![Labour productivity per person in EU and RO between 2007 and 2017](source: Eurostat data on labour productivity and unit labour costs, 2018.)

\(^4\) [http://www.bnro.ro/Interactive-database-1107.aspx\(^{\circ}\).]
\(^8\) [https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tipslm20&plugin=1].
According to the EC, in this context the absence of the adoption of structural measures to increase the added value of exported products, to access new markets and to take advantage of the inclusion in global value chains, is expected to reduce the export performance of Romania in the next years\textsuperscript{10}.

In 2018, Romania's structural public deficit is expected to have increased from 2.2\% of GDP in 2016, to 3.3\% in 2017 and 4.3\% in 2018, due to the expansionary policies adopted by the Romanian government, especially in the last year (e.g., continuous increase in minimum wage, reduction in VAT, increase in public wages following the Unified Wage Law in 2017 and old-age pensions). At the same time, according to the EC 2018 Romanian country report, the headline deficit remained at 3 \% in 2017 and is expected to increase to 3.9 \% in 2018\textsuperscript{11}. In addition, the proposed revision of the 2018 state budget further increases expenditure on social protection, healthcare and education and reduces spending on research and development, public infrastructural investments, tourism and culture and energy policies\textsuperscript{12}.

The increase in both the structural and headline public deficits has resulted in a breach of the medium-term objective of 1 \% of GDP. Furthermore, the budget amendments adopted in September and November 2017 have broken the rules prohibiting a rise in the deficit thresholds and in public personnel and government expenditure. According to the EC 2018 Romania country report, in 2018 the Romanian authorities have continued to breach the national fiscal framework that includes the medium-term objective for Romania and to undermine the guiding role of the medium-term fiscal strategy\textsuperscript{13}.

Following the breach in the medium-term objective, the Council issued a recommendation for Romania in June 2017, urging the Romanian authorities to take measures to make sure that the nominal growth rate of net primary expenditure does not exceed 3.3 \% in 2018. In December 2017, the Council adopted a new recommendation for Romania urging the Romanian authorities to keep the rate of net primary expenditure at a maximum of 3.3 \% of GDP and to use all gains to reduce deficit in a growth-friendly way. In June 2018, the Council adopted a new recommendation for Romania reiterating the previous proposals, following the increase in projections in the spring forecast\textsuperscript{14}.

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In the period 2007-2017, public debt (as a percentage of GDP) increased by 194 %, far beyond the EU average increase of 42 % in the same period, reaching 35 % of GDP in 2017\textsuperscript{15}. Although public debt increased by 15 % in absolute terms in 2014-2017, it decreased by 10 % as a ratio of GDP, due to a continuous increase in GDP.

Figure 2: Government consolidated gross debt (percentage of GDP), 2007-2017


According to the provisional data of the National Bank of Romania, the public external debt of Romania amounts to €95,371 million (+2 % compared to the 2017 level) in 2018\textsuperscript{16}.

Following the increase in the fiscal deficit, the EC projects an increase in the debt ratio in the coming years, exceeding the 60 % Treaty reference in 2028. According to the EC, Romania is one of the few EU countries that is expected to register an increase in debt by 2028 and the country with the largest expected debt increase. This is due in particular to an expected rise in interest expenditure and the costs of an ageing population related to healthcare and long-term care\textsuperscript{17}.

The increase in the structural public deficit and the expected increase in the public debt are two of the reasons given by the rating agency Moody’s Investors Service for maintaining the Romanian rating at BBB-/A-3. The decision, announced on 21 August 2018, confirms the 2017 downgrading from positive to stable, despite the positive economic developments in 2016\textsuperscript{18}.


1.1.2. GDP and growth

According to the World Bank, with an annual growth rate of 8.4% between 1992 and 2015, Romania is one of the fastest-growing economies in the world. This trend was confirmed in 2016 (4.8% change in real GDP compared to the previous year) and, especially in 2017 when a post-crisis peak was registered in the increase in GDP (i.e. 6.7%). As noted in the figure below, since 2011 growth has accelerated far beyond the EU average.

Figure 3: Real GDP growth rate in EU and RO

Source: Eurostat. Main aggregates per capita.

Growth has been fuelled by private sector consumption, following fiscal and budget stimuli adopted by Romanian governments (e.g., tax cuts, increase in the minimum wage, a more general increase in public and private wages, etc.). In addition, as pointed out by Ghinararu (2018) the integration of Romania in the value-added chains of the EU market has been contributing to Romania’s positive economic growth. According to Ghinararu, value-added chains (referred to as regional components of GDP) have been the biggest factor in GDP growth since 2006. Conversely, investment has provided only a modest contribution to GDP growth.

However, the EC 2018 country report on Romania warns that this growth is not sustainable in the long term in the absence of reforms strengthening investment and a higher added-value economy. In fact, in 2018, real GDP is expected to fall to 4.5% and to 4.0% in 2019, due to a predicted drop in private consumption. An increase in the inflation rate (amounting to 4.56% currently compared to the 2.50% target for 2018) may erode disposable income.

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21 In 2018, the minimum wage has reached 1,900 RON/month (equivalent of €413/month, gross value).


Potential growth is estimated to have been almost 3.7 % in 2017, compared to the 4.6 % average between 2000 and 2008. The increase in total factor productivity is considered to have been the main driver of potential growth since 2012, while capital accumulation has remained below pre-crisis levels and the contribution of labour has been nil. Increases in the age of the labour force coupled with increased emigration and a reduction in the population will have a negative effect on potential growth. This will call for improvements in labour productivity and an increase in labour participation of categories far from the labour market (e.g., Roma, women, disabled, youth).26

GDP per capita has increased from just over 40 % of the EU average in 2007 to almost 60 % in 2016.27 Despite this significant increase, in 2017, GDP per capita at current market prices remains far below the EU level: 18,700 in Romania compared to 29,900 at EU level. Romania continues to be one of the countries with the lowest levels of GDP at EU level.

Figure 4: GDP at current market prices (PPS per inhabitant)


While all the regions benefited from an increase in GDP, the growth gap between the richer regions (Bucharest-Ilfov, West, North-West) and the poorer ones (North-East, South-West) widened between 1992 and 2015 (see Figure 1 in Annex).28 In 2016, the North-East region registered the lowest level of GDP at current market prices: 10,400 in North-East compared to 40,400 in Bucharest-Ilfov.29 According to the World Bank (2017), Bucharest-Ilfov GDP exceeds the EU average by 29 %, while the North-East region is 35 % of the EU average, being the fourth poorest region in the EU.30

2018 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011:

1.2. Labour market context

1.2.1. Labour market structure

There has been a structural shift in employment sectors between 2000 and 2017 (see Figure 2 in Annex). Occupation in agriculture, forestry and fishing, which constituted almost half of the whole employment in 2000, dropped by 50% in 2017. On the other hand, employment in real estate and construction almost doubled as did ICT and professional, scientific and technical activities, even if the share of the latter remained below 5%. Despite a decrease in the employment level, agriculture along with wholesale and retail, mining and manufacturing represented the main sectors of employment in 2017 (see Figure 2 in Annex).

1.2.2. Employment level and activity rates

In the context of a continuous economic growth, the labour market situation in Romania has improved in recent years. In 2017, the employment rate for people aged 20-64 years reached 68.8% (compared to 64.4% in 2007), close to the national EU 2020 target of 70%. However, it remains under the EU average (72.2%) and under the level of other countries that had lower levels of employment than Romania in 2007 (i.e. Hungary, Poland and Malta)\(^32\).

Employment has increased in all regions between 2008 and 2016, with the exception of South-West Oltenia and South-Muntenia\(^33\). Despite this, the regional employment structure barely changed between 2008 and 2016: Bucharest-Ilfov drives employment, followed by the West and North-West regions, while the North-East continues to register the worst performance. This is due to the regional growth disparities in Romania, detailed in the previous section.

Employment is focused in urban areas (55% of overall employment in 2017) compared to the rural areas (45% of overall employment). Furthermore, in the period 2008-2017, employment in rural areas decreased by 11% compared to 2% in urban areas. This is due in particular to the fall in employment in agriculture\(^34\).

The distribution of employment by age groups and sex is unbalanced. In 2017, employment levels were particularly high for people aged 35-49, while they were lower for youth between 15 and 24 years and people over 60. In the period between 2007 and 2017, Romania has not made any progress in ensuring access to employment for young people. While the level of employment for people aged 35-49 has increased, that of people aged 15-24 has decreased. Some progress has been made in increasing the employment rates of people aged 55-64 years old\(^35\).

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The imbalance in employment is also reflected at regional level (see Figure 3 and Figure 4 in Annex). The population of 15-24 year olds has been the most affected in all the regions, with employment rates reduced by more than 7% between 2008 and 2016, with exception of Bucharest-Ilfov (-4.8%) and the North-East (+0.2%). On the other hand, the employment rate among the 35-64 age group has increased on average in all regions in the same period (highest increase in Bucharest-Ilfov), with the exception of South-West Oltenia\textsuperscript{36}. In all age groups, employment is higher (over 40%) among people with upper secondary and post-secondary non-tertiary education (see Figure 5 in Annex). Employment of people with less than primary, primary and lower secondary education\textsuperscript{37} is concentrated among the 15-24 and 55-64 age groups, exceeding the EU average. The employment level of people with tertiary education is, however, the lowest in all age groups – far below the EU average. It is particularly low


\textsuperscript{37} According to Eurostat, the level 0-2 of education is referred to as “Less than primary, primary and lower secondary education”, because it includes the following ISCED levels: ISCED 0 - early childhood education (‘less than primary’ for educational attainment), ISCED 1 - primary education, ISCED 2 - lower secondary education: https://ec.europa.eu/eurostat/statistics-explained/index.php/International_Standard_Classification_of_Education_(ISCED)#Implementation_of_ISCED_2011_levels_of_education.
among young people aged 15-24 (8.8 %) and people aged 55-64 (13.7 %), even though there was a slight increase between 2008 and 2017 (+2.5 percentage points (pps) in the first case and +1.5 pps in the latter)\(^38\).

Employment of people with tertiary education has increased among people aged 25-54 (+7.3 pps between 2008 and 2017)\(^39\).

As to the gender gap in employment, in 2017, women continued to have lower employment rates than men: 55.8 % for women (EU average 63 %) compared to 72 % for men (EU average 73 %). Contrary to the EU situation (see Figure 6 in Annex), in the period 2008-2017, Romania made little progress in narrowing the gender gap in employment: 3.3 pps increase in the rate of employment for women compared to 6.3 pps for men\(^40\).

Access to employment is also particularly challenging for other categories, such as Roma people and the disabled.

### Employment level of disadvantaged categories

#### Roma

In 2016, the numbers of Roma involved in domestic tasks and care work (40 % of the surveyed Roma) was far higher than of those in full time (13 % of the surveyed Roma) and part-time work (14 % of the surveyed Roma). Even though full-time work increased slightly between 2011 (9 %) and 2016 (13 %), it remains particularly low (13 % of the surveyed Roma population versus 91 %\(^41\) of the overall Romanian 2016 rate)\(^42\).

According to the 2016 FRA MIDIS II, levels of employment are particularly low among young Roma people and Roma women: 8 % of people aged 16-24 in full-time work compared to 17 % in the age group 45-59; 8 % of women in full-time employment. Part-time work is at roughly the same level among the various age groups but it is particularly low for women (5 % of the women surveyed were in part-time work compared to 23 % of the men surveyed).

According to the 2014 World Bank study, Roma living in rural areas have higher employment levels (63 % of those living in rural areas) than those in urban areas (52 %). This is due to a high level of occupation in agriculture (mostly seasonal or unpaid). Even when employed, formal employment of Roma people (based on a written contract and including social insurance) represents only 36 % of the overall employment of Roma, while informal or day labour is the most common form. In addition, only 34 % of Roma employment is permanent employment, which means that most of them work occasionally. Most of employed Roma are self-employed. In the period 2008-2012, 39 % of employed Roma were self-employed in agriculture, 33 % were self-employed in non-agricultural activities and only 28 % were employees (far below the 71 % level of the rest of the population)\(^43\). It is worth noting that the self-employed are not covered by minimum wage or social insurance (which are only voluntary for this type of employment) and this exposes them to high risks of in-poverty work.

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Disabled

In 2011, Romania registered the third highest gap in employment between disabled and non-disabled people at EU level: −30.7 in Romania compared to the EU average of −19.6\(^{44}\). In 2016, only 4.73% of disabled people were in employment\(^{45}\). According to Eurostat, disabled people in Romania are more often employed in part-time work and in self-employment, especially in agriculture (around 54% of disabled)\(^{46}\). High rates of atypical employment, especially in agriculture, affects not only their income level but also access to social benefits, which are not provided by self-employment.

Atypical employment in Romania has remained limited in the period 2007-2018 (see Figure 7, Figure 8 and Figure 9 in Annex). In 2017, 1.1% of employees were in temporary employment (EU level 11.3%), 6.8% in part-time employment (EU level 18.7%) and 55.8% in involuntarily part-time (EU level 26.4%)\(^{47}\). In 2016, over 15% of employees were in self-employment (EU level 14%)\(^{48}\). Temporary and part-time employment are below the EU average, due to the tight legislation introduced by the 2003 Labour Code revised in 2011. Self-employment is mostly concentrated in rural areas, in subsistence agriculture, making up most of the labour force employed in agriculture\(^{49}\). Involuntarily part-time is mostly found among people aged 15-24 and 25-49 (see Figure 10 in Annex) and men and is often due to the difficulty in accessing permanent employment, in particular for those categories furthest from the labour market (e.g., young people, Roma)\(^{50}\).

The activity rate increased slightly in the period 2008-2017 (67.3% in 2017 versus 62.9% in 2008). However, it is still far below the EU average (73.3% in 2017). The activity rate is higher among men than women (76.2% versus 58.2%) and among people aged 25-54 years old (83.4%) compared to 30.0% for those aged 15-24 years and 46.0% for people aged 55-64\(^{51}\).

1.2.3. Unemployment and inactivity rates

After a sharp increase in the economic crisis, in 2017 the unemployment level fell below the pre-crisis levels (4.9% of the active population in 2017 versus 5.6% in 2008) one of the lowest in the EU (see Table 1 in Annex)\(^{52}\). Over the period 2008-2017, unemployment remained consistently higher for men than for women, also due to a higher proportion of men in the labour market and the drop in jobs in the economic crisis: 8.1% for men and 6.0% for women in 2008 and 5.6% for men and 4.0% for women in 2017\(^{53}\).


Unemployment affects young people in particular (aged under 25 years) compared to people aged 25-74 – **18.3 %** in the former case compared to 3.9 % in the latter, in **2017**. While unemployment for people aged 25-74 has fallen back to below the pre-crisis level (3.9 % in 2017 compared to 4.3 % in 2008), this is not the case for young people, where employment remains **higher than the pre-crisis level** (18.3 % in 2017 compared to 17.6 % in 2008).

Unemployment affects people with low levels of education in particular: 45 % of the unemployed have a high school diploma compared to 12 % who have post-secondary or tertiary education54.

Unemployment is **unequally distributed among Romanian regions** (see Figure 12 in Annex), ranging from 9.9 % in South-West Oltenia and 8.9 % in South-Muntenia to 4.7 % in Bucharest-Ilfov and 3 % in the North-East region (the best performer in 2016)55.

Long-term unemployment is **1.5 % of the active population, below the EU average (3.4 %)** and the **pre-crisis level (1.8 %)**56. The **share of long-term unemployment in overall unemployment is 37.5 %, lower than the EU average (44.7 %)** and the **pre-crisis level (38.4 % in 2008)**57. However, this suggests that, despite the decrease in overall unemployment and increase in employment rates, those who are unemployed for a long period are individuals who find it difficult to find a job and need special and personalised assistance to enter the labour market58.

Despite a slight decrease in the period 2008-2017 (−12 %), Romania continues to register a **high inactivity rate (32.7 %)** compared to the **EU average (26.7 %)**. In the period 2008-2017, the reduction in the inactivity rates of men (-19 %) exceeded both the general and the women’s rates (−7 %), resulting in a significant **gender gap of almost 20 % in 2017**.

1.2.4. **NEET**

Young NEET continue to represent a **problem in Romania** despite some recent improvements (see Figure 13 in Annex). The share of NEET has increased following the economic crisis, but has **started to decrease since 2015**, dropping from 18.1 % to **15.2 % in 2017**, driven by the **strong reduction in the rate of NEET male (−19 % in this period)**. Nevertheless, it **exceeds** the 2017 EU average (10.9 %)59.

The decrease in the NEET level has been mainly **driven by the recent reduction in the rate of early leavers from education**: from 19.1 % in 2015 to 18.1 % in 2017. The reduction in the level of NEET males has also occurred in the context of a decrease in the male early leavers’ rates (−8 % in the same period), higher than that of female early leavers (−2 % in the same period). However, **early leavers’ rates remain far above the EU average (10.6 % in 2017)**, in particular **for women**: 18.1 % in Romania compared to 8.9 % at EU level. According to the World Bank, the main reasons for leaving school are financial (high non-fee costs of participation), pedagogical (low quality of education) and personal (lack of motivation, etc.)60.
The persistently high rates of early leavers, the low levels of education of young people (11.6 % in tertiary education in 2017) coupled with the continuous increase in the role of the knowledge economy in the economic structure risks further exacerbating NEET levels.

The NEET phenomenon is more apparent among women, Roma and the disabled.

In 2017, the rate of NEET women amounted to 18.4 % compared to 12.1 % for men (see Figure 14 in Annex)61.

For Roma people, the incidence of NEET is high in particular among Roma women: 77 % of the surveyed Roma are women not in education, employment or training, while men represent 52 %62.

The overall NEET rate for Roma amounts to 64 % of the surveyed Roma. The high rate of NEET Roma is explained by the low enrolment of Roma youth in education (22 % in ISCED 3 in 2015 and 0 % in ISCED 4) coupled with high rates of early leavers from education (79 % for women and 76 % for men in 2015) and low access to the labour market (see above)63. High rates of early leavers from education is also explained by the fact that most of the Roma people live in rural areas where the quality of education coupled with the income level (two of the main reasons for school leaving) are below those in urban areas64.

According to Eurostat data, more than 6 out of 10 young people with disabilities from Romania are NEET. The gap between disabled and non-disabled NEET stands at 40 % in Romania65. This wide gap is explained by the difficulties faced in accessing the labour market and low participation in education of people with a disability. Indeed, according to 2014 ANED data, the gap between disabled people and non-disabled in education exceeds 20 % compared to the 5 % average at EU level. The situation does not change when looking at the gap in training or unpaid work. ANED underlines that the participation of disabled people in education has even worsened between 2011 and 2014 (-15 %)66.

1.2.5. Shrinking labour supply and shortage of skills

The continuous decrease in population between 2008 and 2017 (-5 %), in particular of young people (-29 %), coupled with the ageing of the potential work force67, the strong increase in migration (+162 %), in particular of people of working age68, and the unused labour potential of women, young people, Roma and the disabled represent a serious problem for labour supply.

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67 +37 % people aged 45-49 years; +14 % people aged 60-64 years; +19 % people aged 65-69 years.
68 +142 % for youth and +146 % for people aged 30-49 years.
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Added to this there is a mismatch between education and the labour market. In fact, tertiary education is still significantly below the EU average. Furthermore, adult learning remains particularly low (1.2 % in 2016) compared to the EU average (10.8 %), despite the need for upskilling, and the market relevance of vocational training is insufficient. In addition, in 2016 24 % of the people enrolled in tertiary education studied business and law, while only 7 % studied ICT. Some studies point out that in ICT and STEM the number of qualified graduates is insufficient to meet the demand for labour, which has led to universities in border regions implementing specific campaigns to attract foreign students (in particular Moldovan and Ukrainian).

According to CEDEFOP, professionals in the following areas are missing on the labour market: ICT, health, education, sales, marketing and public relations, finance and legal, specialist services, forestry and administration services, while there is a surplus of supply for agricultural workers, client information workers, clerks, trade managers, street vendors, housekeeping and building supervisors.

Furthermore, according to CEDEFOP the limited skills forecasting capacities of the Romanian authorities may further increase the skills shortage.

The shortage in skills has increased competition between businesses for the most skilled, resulting in an increase in wages, especially in some knowledge sectors (e.g., ICT). This, coupled with the low levels of productivity, poses a real threat to the competitiveness and economic growth registered by Romania in recent years.

1.3. Social inclusion context

The recent economic growth in Romania has not been accompanied by a comparable reduction in poverty and social exclusion of disadvantaged groups. According to the 2017 global Social Justice Index (see Figure 15 in Annex), Romania has the second worst performance at EU level (3.99 versus 5.5 at EU level) on almost all dimensions measured (i.e. poverty prevention, equitable education, social cohesion and non-discrimination) and the worst performance on these dimensions when it comes to children. Indeed, the EC considers Romania to be in a critical situation when it comes to the risk of poverty and social exclusion, impacts of social transfers on the reduction of poverty, meeting people’s healthcare needs and ensuring equality and non-discrimination.

Bank, Romania failed to ensure an equal benefit from economic growth to people from rural areas and marginalised neighbourhoods and groups\textsuperscript{77}.

\subsection*{1.3.1. Poverty and social exclusion}

Despite a decrease in the levels of poverty in the period 2008 to 2016 (\(-4.2\) pp), Romania continues to have some of the highest rates of risk of poverty and social exclusion at EU level (38.8 \% versus 23.5 \% at EU level). Recent data published by EUROSTAT show that Romania managed to further reduce the poverty rate to 35.7 \% in 2017\textsuperscript{78}.

Although all Romanian regions, apart from South-West Oltenia, have benefited from a decrease in poverty and social exclusion risks over the period 2008 to 2017, the distribution is still unequal, reflecting the regional disparities in economic development. While Bucharest-I\-I\-f\-ov (25 \%) and Centru (25.7 \%) register the lowest levels of poverty and social exclusion, South-West Oltenia (45.3 \%) and North-East (43.9 \%) register the highest levels\textsuperscript{79}.

Over the period 2008 to 2016, the risk of poverty and social exclusion has been higher for women than men (see Figure 16 in Annex) and continued to remain so in 2017: 36.5 \% for the former versus 34.9 \% for the latter. This is related in particular to women’s lower levels of employment, higher levels of NEET (see Section 1.2), and lower retirement age and benefits\textsuperscript{80}.

In the period 2008 to 2016, the reduction of poverty rates has remained equal (\(-5.2\) pp) for both women and men, in 2017 the decrease in women’s risks of poverty and social exclusion (\(-3.3\) pp) slightly exceeded men’s (\(-2.9\) pp)\textsuperscript{81}.

In the period 2016 to 2017 there has been a switch in the categories subject to risks of poverty and social exclusion, from children (less than 16 years old) to young people (16-24 years old), driven in particular by a decrease in the last two years in the risk of poverty for children (\(-5\) pp)\textsuperscript{82}. In 2017, young people aged 16-24, and in particular men, were those subject to the highest risk of poverty and social exclusion (43.7 \% overall and 44.5 \% for men), while people aged 25-54 were less subject to this risk (32.8 \%)\textsuperscript{83}. The age gap is due in particular to the reduced access to income for young people as a result of lower levels of occupation, more frequent atypical employment and high levels of NEET (see Section 1).
Over the period 2008 to 2017, the risk of poverty has decreased in particular for people over 55 (−29 %), due to a continuous increase in pension benefits, and for children (−19 %). At the same time, the decrease in young people’s risk of poverty and social exclusion levelled out at −4 %84.

Despite the fact that the poverty and social exclusion risks of people aged over 55 have fallen considerably in recent years, poverty among pensioners remains a relevant problem for Romania, especially in the agriculture sector. Many retirees, especially in rural areas, live below or close to the poverty threshold and rely on the support of their relatives for supplementing their pension incomes. Women pensioners have an even higher risk of poverty due to shorter working careers and lower wages85.

Even though children’s risk of poverty and social exclusion decreased between 2008 and 2017, it continues to remain far above the EU average (40.9 % in RO versus 23.5 % at EU level86). Furthermore, according to the World Bank almost one third of Romanian children live in persistent poverty87. This high level is also explained by the higher risks of persistent poverty of both single and households with children88. According to EAPN – RO, children in rural areas are particularly subject to the risk of poverty and social exclusion, especially due to the lack of opportunities in formal employment and high levels of self-employment in agriculture. While education is of paramount importance for reducing the risk of poverty and social exclusion, EPAN – RO maintains that children living in poverty have less chance of remaining in the school system, which in turn risks perpetuating the poverty cycle when they reach the adulthood89. In addition, Romania registers the highest level of teenage mothers in EU (12.3 % of all births of first children in 201590), which contributes to further increasing the risk of poverty and social exclusion.

The risk of poverty and social exclusion is higher for people from rural areas, those with limited education and for the self-employed.

In 2017, people from rural areas had more than double the level of the risk of poverty and social exclusion (48.5 %) than those in urban areas (30.5 % in towns and suburbs and 19.6 % in cities)91. This difference is even wider when looking at the risk of poverty only: 37.3 % in rural areas versus 6.1 % in cities and 18.2 % in towns and suburbs92. The large gap between urban and rural areas is explained by the characteristics of rural areas: higher shares of ageing population, lower levels of employment and higher levels of self-employment, especially in (subsistence) agriculture93.

The risk of poverty and social exclusion is far higher for people with less than primary and lower secondary education (56.2 %) than for those with upper secondary education and post-secondary

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86 Last data available on Eurostat for the EU average refers to 2016.
88 43.3 % for single with children versus 19 % for single without children; 43 % in case of households versus 28.3 % in case of households without children; Eurostat, consulted in August 2018, https://ec.europa.eu/eurostat/data/database.
education different from tertiary (28.7 %) and tertiary education (7.1 %). People with upper secondary education and post-secondary education different from tertiary have registered the highest reduction in the risk of poverty and social exclusion in the period 2008 to 2017 (−16 %). This implies that in order to further reduce the risks of poverty and social exclusion, the Romanian authorities will have to increase participation in education and in vocational training and lifelong learning, especially in rural areas.

In 2017, employed people except employees have registered higher rates of poverty and social exclusion (62.4 %) than both employees (15 %) and unemployed people (42.4 %). They also represent the category that has registered the lowest level of reduction in the risk of poverty and social exclusion between 2008 and 2017 (−5 % compared to −56 % for employees). Within this category, men register higher poverty and social exclusion risks (65.1 %) than women (57.6 %). The high level of poverty and social exclusion risks for employed people except employees is mainly due to a high concentration of people in self-employment, especially in (subsistence) agriculture. Part-time workers, and casual and seasonal workers, also face high risks of poverty. Furthermore, self-employed people and part-time workers also face severe risks of material deprivation. In 2016, Romania registered the highest levels of material deprivation of self-employed people at EU level (see Figure 10 in Annex)\(^94\).

The limited access to social protection benefits coupled with low incomes explain their high rates of poverty and social exclusion risks, and material deprivation\(^95\). Romania registers the second highest share of workers without access to social benefits (28.7 %) at the EU level, the biggest share of workers without access to maternity leave (15.1 %) and one of the highest levels of workers without access to sickness benefits (11.2 %)\(^96\).

In addition, Roma and disabled people also face high risks of poverty and social exclusion\(^97\). According to the European Commission, people with disabilities have fewer chances of employability due to their lower participation in education and the unequal availability of vocational counsellors and job coaches\(^98\).

Roma people have a higher risk of facing poverty and social exclusion than non-Roma people, irrespective of their age, level of education and whether they live in rural or urban areas. Roma people face a tenfold risk of being trapped in poverty and social exclusion compared to non-Roma people. This risk is even higher among Roma children\(^99\). According to FRA MIDIS II, 70 % of the Roma surveyed were

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\(^98\) Ibidem 97.

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at risk of poverty (below 60 % of median equivalised income after social transfers)\textsuperscript{100}. The risk of poverty and social exclusion of Roma is explained by their low levels of education, high levels of unemployment and NEET, concentration in occasional and seasonal work and self-employment, discrimination in the labour market and education, and segregation in marginalised areas, mostly inhabited only by Roma\textsuperscript{101}.

In Romania the \textbf{social benefits system has a low impact on reducing the risk of poverty} (see Figure 17 in Annex): 23.5 % of people were at risk of poverty after social transfers in RO compared to 28 % before social transfers, in 2017. This holds particularly true for Roma people\textsuperscript{102}.

It is interesting to note that while the \textbf{risk of poverty before social transfers decreased by 2 pps between 2008 and 2016}, it \textbf{decreased} by only 0.1 pp after social transfers in the same period, demonstrating their ineffectiveness in reducing poverty over time\textsuperscript{103}.

1.3.2. Income inequality and in-work poverty

Despite its strong economic performance in recent years, Romania still faces \textbf{high inequality of income distribution}. The GINI coefficient amounted to \textbf{34.7 % in 2016} compared to \textbf{30.8 % at EU level}, even though a further decrease has been registered in the last year (33.1 %)\textsuperscript{104}.

Furthermore, in Romania the \textbf{richest 20 % of the Romanian population has an income} that is over \textbf{six-and-a-half times higher} than that of the \textbf{poorest 20 %}\textsuperscript{105}, compared to five times at the EU level. It is worth noting that \textbf{inequality is higher among the active age} working groups\textsuperscript{106} (7.0) than among \textbf{pensioners} (4.4)\textsuperscript{107}, reflecting the relatively equal income structure that prevailed throughout the working lives of the latter in the past\textsuperscript{108}. While the S8/S20 ratio for people over 65 has maintained more or less a similar level in the last eight years, with the exception of the 2015 peak year, that of people under 65 years old has fluctuated more in the same period (see Figure 18 in Annex). This shows that the austerity measures taken by the Romanian authorities during the crisis period have affected the active and affluent categories more, while pensioners and people on lower incomes have experienced a more modest decrease in their income\textsuperscript{109}.

The \textbf{social protection system (pensions) has a low impact on reducing income inequality}. While the GINI coefficient before pension transfers amounts to 36.5, it increases to 51.6 after pensions, the lowest level registered since 2009\textsuperscript{110}.


\textsuperscript{106} People less than 65 years old.


While participation in the labour market is the most important factor in reducing poverty rates, having a job in Romania is not a guarantee of being free of the risk of the poverty trap. Romania still has one of the highest in-work poverty rates at the EU level (31.2 % in RO compared to 12.1 % at the EU level), even though a reduction has been achieved in 2017 (28.2 %; −3 pp between 2016 and 2017). The in-work poverty risk is higher for atypically employed people (64 %) than for employees (0.8 %), due in particular to the concentration of a large proportion of workers from the former category in self-employment in (subsistence) agriculture. There is also a gap in the in-work poverty rate between full-time (14.3 %) and part-time (64.7 %) employees.

Income inequality and in-work poverty not only contribute to increasing the risk of poverty and social exclusion, but also to hindering access to healthcare. In 2016, 61 % of the people not taking medical examinations (8.6 %) and 75 % of those not taking dental examinations (7.6 %) could not afford to do so. In the case of Roma, 84 % of Roma households report that inability to afford healthcare services is one of the main reasons for not accessing them.

1.3.3. Migration

Romania continues to be a country of emigration. Following the de-industrialisation of the 1990s and the impoverishment of citizens, especially in poorer regions (e.g., North-East), external migration started and continues to increase to the present day. According to the World Bank, Romania is the sixth largest country of emigration in the EU in absolute terms and the largest in relative terms (percentage of the overall population). Romania is also the EU country with the highest emigration rate of active labour market participants (83 % of permanent emigrants in 2016; +144 % in 2007-2017), in particular highly qualified people. The brain drain especially affects IT specialists, doctors and students. Job search, personal reasons and studies represent the main reasons for emigration, while corruption, political instability, the poor quality of public services (in particular education, health and social services) and the poor quality of social, green and physical infrastructure represent the main reasons given by emigrants for not returning to Romania.

Permanent emigration peaked between 2011 and 2013, dropped drastically in 2014, doubled again in 2016 and continuing its upward trend in 2017. In the period 2007-2017, permanent emigration increased by 162 %. Emigration increased for all age groups, but especially for young people: +189 % for people aged 0-29 compared to +146 % for people aged above 30 (see Figure 19 in Annex).

The issue of asylum seekers and refugee has not affected Romania significantly, as it is mainly a transition country. The peak of asylum requests was in 2017, but it remains far below that of other European countries: 4,820 asylum requests.

2. RECENT DEVELOPMENTS IN ROMANIAN EMPLOYMENT AND SOCIAL POLICIES

KEY FINDINGS ABOUT EMPLOYMENT AND EDUCATION POLICIES

- Increased funding has been devoted to active labour market policies (absolute value) and several active measures are available, focused mainly on financial incentives for labour insertion.
- ESF projects (eSPOR, INTESPO, etc.) will increase the capacity of the National Employment Agency.
- Active labour market measures were revised in 2016, 2017 and 2018: new measures (e.g. insertion bonus) were introduced, these measures were extended to other categories (NEET, long-term unemployed), profiling services and personalised counselling for particularly disadvantaged groups were introduced, and financial bonuses were introduced and/or increased.
- Despite positive results in increasing employment, several challenges persist: overlapping measures, low coverage and ineffective targeting of active labour market measures, low capacity of employment services and their lack of integration with education and social assistance services, especially at local level.
- Several national strategies were adopted in the areas of education, vocational education and training, but there is low implementation of these strategies and weak/absent monitoring: National VET strategy 2016-2020; Lifelong learning strategy 2015-2020; Strategy to reduce early school leaving 2015-2020; Strategy for tertiary education; Strategy for the modernisation of educational infrastructure.
- The dual VET system, introduced in 2016, was modified in 2017 and again in 2018.
- The National Authority for Dual Initial Vocational Training was created in 2018.
- Persisting weaknesses of IVET and CVET hinders their effectiveness.
- Improvements in the lifelong learning system are slow, resulting in low rates of adult learning.
- Several measures and ESF initiatives to reduce early school leaving are focused more on the social component rather than improving the quality of education; effectiveness in tackling the problem of early leaving especially for Roma and the disabled is limited.

KEY FINDINGS ABOUT POVERTY AND INCOME INEQUALITY

- An anti-poverty package was adopted in 2016 including measures to tackle both poverty reduction and income inequality, mostly funded by ESF and external grants; it is not clear whether it will be continued, given the change in government.
- A law on a minimum inclusion income was adopted in 2016 but implementation has been postponed three times.
- An increase in the minimum wage has reduced income inequalities to some extent but it compresses income at the bottom and has little impact on the poorest categories.
- The process for establishing a transparent mechanism for increasing the minimum wage was suspended with the entry into office of the new government in 2017.
- The shifting of social contributions from employers to employees in 2017 might negatively affect those already at risk (those in atypical employment).
- There have been continuous changes to the pension law, with contradictory effects; no decision has been made on equalisation of men’s and women’s pensions.
- Continuous modifications to the law on childcare allowances between 2016 and 2018 may reduce income inequality, but it compresses it at the bottom (after the 2018 changes).
- Measures adopted for the inclusion of Roma and disabled people are insufficient to tackle the magnitude of the issues at stake.
- An ESF programme has been introduced to attract skilled emigrants back home.
2.1. Employment

2.1.1. Active labour market policies

Since 2010, the amount dedicated to active labour market measures implemented through the National Employment Agency has continued to increase, reaching 180,797,443 RON in 2016. However, in the same period their share of GDP has decreased, dropping to 0.2 % of GDP in 2016, because of the faster rate of GDP growth118.

Measures foreseen by the law 76/2002 revised in 2016

Law 76 of 2002 provides for several active labour market measures:

1. *Measures for increasing the employment chances of those looking for a job*: information and professional counselling including several free services for people looking for a job; free work mediation (e.g., organisation of job fairs); professional training; evaluation and certification of professional competences; consultancy and technical assistance to start a business; stimulation of employees’ mobility through granting mobility, installation and relocation bonuses when a job is accepted in a different area than the domicile (residence); insertion bonus equal to the reference social indicator for graduates above 16 years old registered with the National Employment Agency who find a full-time job for more than 12 months; insertion bonus119 for unemployed graduates registered with the National Agency for Employment who find a job for over 12 months during their unemployment period.

2. *Measures for incentivising employers to create new jobs and to employ unemployed people*: funds offered to employers for employing secondary, post-secondary and tertiary graduates as well as disabled graduates; financing for employers who employ unemployed people aged over 45 or unemployed people who are single parents and support one-parent families; funds for employers who employ previously unemployed people who need to work for a further five years in order to qualify for a pension.

3. *Measures for the participation in the labour market of youth at risk of social marginalisation*: personalised social counselling; dissemination and awareness-raising activities to increase employers’ awareness of the employment of youth at risk of social marginalisation; stimulation of employers to employ youth at risk of social marginalisation through financial incentives120.

According to the study ‘Evaluation of the effects of the active policy measures on the reduction of unemployment and increasing employment’, the above-mentioned active policy measures have registered positive results in the period 2010 and 2013 (period studied). This includes increased employment and reduced unemployment; 84 % of those benefiting from professional training found a job one year after training, and 55 % of them consider that they would not have found a job in the absence of the measure. Beneficiaries of the employees’ mobility scheme have three times more chances of finding a job than those not benefiting from it. The level of occupation of unemployed people employed through the scheme ‘financial incentives for employers that employ people aged over 45’ is 44.7 % higher than that of those not using it. The rate of activation of registered

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119 The bonus consists of payment of the unemployment allowance for the whole duration of the unemployment period to which they are entitled.

unemployed went from 6% in 2010 to 7.4% in 2013 and to 10% in 2016\textsuperscript{121}. However, the study underlined that the employment potential of these measures was hindered by the limited budget allocated to them\textsuperscript{122}.

Following the conclusions of this evaluation, in 2016 the technical government decided to increase the funds allocated to these measures and their extension to other categories (i.e. NEET, long-term unemployed and Romanian citizens benefiting from the right to free movement in the last 36 months)\textsuperscript{123}. Thus, the government adopted Emergency Order 60 of December 2016, which aims to improve the support offered to employees, the unemployed, those looking for a job and to people from the diaspora to participate in the labour market and to better target vulnerable categories in the labour market.

The main integrations and amendments to the above-mentioned measures introduced by Emergency Order 60/2016 are detailed below.

1. Measures for increasing the employment chances of people looking for a job:
   - These measures will be extended to NEET and the long-term unemployed.
   - People registered with the local offices of the National Employment Agency will be profiled in order to increase their chances of employment and better target interventions (easy employability; medium employability; hard employability; very hard employability).
   - Counselling services will be provided for the social and professional integration of people categorised as hard or very hard to employ for a period of 3 months after employment.
   - An tax-exempt insertion bonus amounting to 500 RON will be offered to unemployed people who do not receive unemployment benefit if they are employed full time for at least 3 months. Following the adoption of Emergency Order 60/July 2018, the activation bonus amounts to 1,000 RON\textsuperscript{124}.
   - There are changes to the amount of the mobility bonus offered to unemployed people registered with the local offices, who relocate more than 15 km from their domicile for work. The bonus amounts to 0.5 RON/km up to a maximum of 55 RON per day for the days in which the person works out of the home; this is offered monthly for 12 months.
   - There are changes to the amount and the delivery of the installation bonus offered to unemployed people, registered with the local employment offices, who change their domicile/residence to more than 50 km away in order to accept a job offer. Only people that change their domicile/residence from or to the localities included in the National mobility plan can benefit of this incentive. The benefit is also offered to Romanian citizens who have exercised the EU right to free movement of workers for a period of 36 months. Not only has the amount of the benefit increased to 12,500 RON, but it is

\textsuperscript{121} Eurostat, consulted in August 2018, \url{https://ec.europa.eu/eurostat/en/web/products-datasets/-/LMP_IND_ACTRU}.

\textsuperscript{122} Ministry of Labour, Social Protection, Family and Social Justice (2015) Evaluation of the effects of the active policy measures on the reduction of unemployment and increasing and employment: \url{http://www.mmuncii.ro/j33/images/Documente/ProiectePrograme_/Eval_Ef_Mas_Active.pdf}.

\textsuperscript{123} Ghinararu C., (2018), Peer country Comments Paper – Romania, step by step, …by step – linking active labour market policy measures with (monetary) social support, \url{http://ec.europa.eu/social/BlobServlet?docId=19788&langId=en}.

\textsuperscript{124} \url{https://lege5.ro/Gratuit/gi4dqmbvq2a/ordonanta-de-urgenta-nr-60-2018-pentru-modificarea-si-completarea-unor-acte-normative-din-domeniul-fortei-de-munca}. 
also extended to the spouse who changes their domicile/residence (15,500 RON if only one spouse has the right to the installation bonus and 3,500 RON if both of them have this right). The bonus is lower if the employer also offers accommodation. The amount is paid in two tranches: 50 % at the installation date and 50 % after 12 months of employment\(^{125}\).

2. **Measures for incentivising employers to create new jobs and to employ unemployed people:**

- These measures have been extended to NEET and the long-term unemployed.
- There is a change in the amount of the financial incentive offered to employers for employing the following: graduates, disabled graduates and disabled people, unemployed people aged over 45, long-term unemployed people, NEET, single parents, unemployed people who have 5 years left before reaching statutory retirement age or alternatively, have 5 years left before retirement. The amount is 900 RON for 12 months on condition that the respective employee is employed for at least 18 months\(^{126}\). Following the adoption of **Emergency Order 60/July 2018**, the amount of the financial incentive provided to employers **increases to 2,250 RON**\(^{127}\).

Since 2018, **unemployed people can receive unemployment benefit** even if they earn income from **other activities** recognised by the law, as long as they remain under the national reference indicator (500 RON).

Most of the above-mentioned measures are also included in the annual programmes implemented by the National Employment Agency\(^{128}\).

**In 2017**, \(91.56\ %\) (90.34 % in 2106) of **unemployed people** registered with the local offices of the National Employment Agency benefited from active employment measures. In the same year, \(99.54\ %\) (98.08 % in 2016) of **young people** (aged 16-24 years old) registered with the local offices of the National Employment Offices benefited from active employment measures during the first four months after their registration. The rate of participation in active labour market measures of **adults** during the first 6 months after registration with the local employment offices was **86.52 %** in 2017 compared to 84.16 % in 2017. Overall, **374,650 people** benefitted from the active measures implemented by the National Employment Agency in 2017\(^{129}\).

In particular, regarding the measures adopted or modified following the adoption of Emergency Order 60 of 2016, the following results were registered in 2017:

- **A total of 27,129** unemployed people benefited from the **activation bonus**, of which **52 % were women**, **52 % were aged over 45** (of which **26 % were over 55**), **19 % were between 35 and 45**, **16 % were between 25 and 35 years old** and **13 % were less than 25 years old**; **55 % of the young beneficiaries were NEET**.


A total of **29,383 people** were employed through the **financial incentives offered to employers**, of which **76.3%** were **unemployed aged over 45 years or single parents**; **4.5%** were NEET; **0.3%** were long-term unemployed; **1.7%** unemployed left 5 years until statutory retirement; **16.3%** graduates. Among graduates, **tertiary graduates benefited most** from these measures: **46.2%** were tertiary graduates, **45.5%** upper secondary and post-secondary non-tertiary graduates, **7.7%** vocational training graduates and **0.6%** primary graduates.

A total of **1,879 people** benefited from mobility incentives, of which **64%** benefited from the installation bonus. In the first quarter of 2018, **68,670 people were employed** following the **overall active labour market measures** implemented by the National Employment Agency. Of these, **93.9%** were employed as a result of work mediation measures, **4.5%** through activation bonus, **2.5%** through financial incentives offered to employers, **0.6%** through employees' mobility and **0.02%** through consultancy for starting a business. **Most of the employed people** benefiting from active measures are **people aged over 45 years (34%)** and **between 35 and 45 years (27%)**, while **young people** account for only **16%** of the employed. **NEET are 53% of the young people employed and 8% of the overall employed people. Most of the beneficiaries have completed secondary education and post-secondary education (non-tertiary) (34%) and professional education (24%)**, while **tertiary graduates** account for **11%** of the employed beneficiaries.

While **active labour market measures** have registered positive results in both 2017 and 2018, **coverage of unemployed people was limited** (8% of overall employees in 2017 and 7% in the first quarter of 2018) and did not adequately reach those further from the labour market: NEET and young people.

Furthermore, according to the EC, besides the low coverage and ineffective targeting, active labour market measures also require a high level of administrative burden, which limits employers' interest in them.

**Special programmes foreseeing active labour market measures**

In addition to the measures foreseen by Law 76/2002 amended in 2016, the National Employment Agency implements several **special programmes that include active labour market measures** for specific areas or categories.

Between 2016 and 2018, the following special programmes were implemented.

- **Programme 50** addressed 50 urban areas characterised by a high share of unemployment and reduced level of economic development. In 2017, this programme was renamed Programme 53 as the number of urban areas increased to 53.

- **Programme 155** targeted 155 rural areas characterised by a high share of unemployed people and a reduced level of economic development. In 2017, this programme was renamed

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Programme 153 as the number of rural areas decreased to 153 and again in 2018 (Programme 150) due to a further reduction in the number of rural areas involved.

- **A Special programme for students** to support their occupation during school breaks for a maximum period of 60 days.

- **An employment programme for young people aged 16-26 years old at risk of social marginalisation** was established to increase the employment level of various categories of young people: institutionalised youth, disabled youth, young people without a family or whose family cannot support them, young people with children in their care, prisoner/ex prisoner youth and young people who are victims of trafficking. This was achieved through personalised social counselling and financial incentives for employers. It is interesting to note that while the sum allocated to active measures has increased over time, the allocation to this programme has decreased by 22% between 2016 and 2017. In the first quarter of 2018, the programme amounts to 1,539,556 RON\(^{134}\).

The table below presents the main outcomes registered by these programmes.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Outcome (people employed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme 50/53</td>
<td>14,453 → 16,156 → 2,473</td>
</tr>
<tr>
<td>Programme 155/153</td>
<td>5,788 → 6,683 → 1,375</td>
</tr>
<tr>
<td>Special programme for students</td>
<td>2,575 → 2,358 → N/A</td>
</tr>
<tr>
<td>Employment programme for youth at risk of social marginalisation</td>
<td>425 solidarity contracts signed; 297 people employed → 269 solidarity contracts signed; 143 people employed to which another 34 were added (employed through job fairs) → 198 solidarity contracts signed; 63 people employed(^ {138})</td>
</tr>
</tbody>
</table>

Source: ANOFM, [www.anofm.ro](http://www.anofm.ro).

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Data also include the results of the second quarter.
Apprenticeships and traineeships

Besides the above measures, the National Agency for Employment implements two additional financial incentives aimed at improving the skills and insertion into the labour market of both young people and adults.

- **Financial incentives** up to 60 % of the national social reference indicator are available to employers for apprenticeships granted to both youth and adults, allocated for the whole duration of the contract. According to the provisions of Law 164/2017, the financial incentives allocated to employers amount to 1,250 RON for graduates of upper education. Following the adoption of the Emergency Order 60/July 2018, the financial incentive increased to 2,250 RON.\(^\text{139}\)

The measure is implemented within the apprenticeship system regulated by the law. Law 279/2005 amended in 2008, 2011 and 2013 was enacted in order to i) increase flexibility in the provision of apprenticeships; ii) reduce the administrative burden on employers; iii) ensure an increase in the take-up of apprenticeships by removing age barriers; iv) diversify the fund’s sources by the funding of apprenticeships through the ESF.\(^\text{140}\) Currently, the ESF Human Capital programme and the Youth Guarantee also funds apprenticeships in particular for NEET (see next section for further details).

In the period 2016-2018 (first quarter), 1,027 people\(^\text{141}\) benefited from an apprenticeship through this measure. Despite a slight increase in the number of people benefiting from an apprenticeship, the take-up of this measure is still rather low. As underlined by a 2015 study by the World Bank, the main reasons for low take-up of the measure include the bureaucracy related to apprenticeship; the high number of duties and limited time for the workers to coordinate apprentices; the high cost for the training provider; very high costs for the apprentice’s salary.\(^\text{142}\) According to the same study, to these social-cultural factors can be added ‘a negative image of VET among young people and a low perception of the relevance of specialised skills among employers and young people’.\(^\text{143}\)

- **Financial incentives**, introduced by Law 335/2013 on traineeships for tertiary graduates, to employers for traineeships targeted to tertiary graduates; the financial incentive amounts to 1.5 the value of the social reference indicator, taking into account the available funds, and is provided for 6 months corresponding to the duration of the traineeship. However, in 2017 it increased to 1.350 RON for traineeships for graduates of upper education (Law 164/2017). The financial incentive can be paid both through the budget of the social insurance system and


ESF. Following the adoption of the Emergency Order 60/July 2018, the financial incentive increased to 2,250 RON\textsuperscript{144}.

In the period 2016-2018, 132 people benefited from a traineeship through this measure. The take-up of this measure is extremely low. This may also be due to a concurrence of measures since traineeships can also be funded under the ESF Human Capital Programme.

**Active labour market services**

The European Commission has called on the Romanian authorities to take measures to increase the integration of employment, social assistance and education services in order to better target those furthest from the labour market (e.g., Roma, NEET and long-term unemployed).

In recent years, the Romanian authorities have taken several measures to improve employment services further:

- Strengthening the institutional capacity of the National Agency for Employment in order to adapt their services and structures to the needs of the labour market with the aim of better matching labour demand and supply, and better targeting those furthest from the labour market through several projects funded by ESF 2014-2020. These consist of the following: i) training of the agency staff; development of customized services, call centres services and electronic kiosks for citizens; creation of databases and development of the interoperability of databases regarding employers, education units and inactive people; introduction of case management and recruiting of case managers (strengthening the institutional capacity of ANOFM project); ii) targeting 21,000 employers using PES services, storage of 100,000 vacancies on the agency website; development of procedures/instruments to enable correlation of the labour demand and offer; monitoring and assessment of PES (eSPOR project); iii) profiling 160,000 NEET with low levels of education and who have failed social integration, registering them with PES services and implementation of personalised support for their insertion in the labour market (INTEPSO).

- The degree of coverage of social services dedicated to the disabled jobseekers is increasing, through a specific ESF project.

- Profiling procedures are being introduced (see above).

- Counselling services are being introduced for three months to support the integration into the labour market of people profiled as ‘hard to employ’ or ‘very hard to employ’.

- The creation of integrated community centres through ESIF (ERDF and ESF funds) will offer integrated services, especially in disadvantaged communities\textsuperscript{145}.

Despite these measures, the EC notes that various weaknesses persist, limiting the effectiveness of employment services in covering the most vulnerable groups and integrating them into the labour market. These are i) delays in the introduction of the case management procedure; ii) still limited integration of employment, education and social assistance services, and national and local public services in this field, in particular at the local level\textsuperscript{146}; iii) limited progress in advancing the creation of


Social and employment policies in Romania

2.1.2. Tackling labour supply and skill shortage

In order to tackle the shrinking labour supply and skill shortage (see Section 1.2.5), the Romanian authorities have taken several measures to improve education, in particular vocational training and education, to prevent early school leaving and to increase participation in education, in particular for NEET.

IVET

The Romanian authorities have developed work-based and work-placement learning measures, in order to improve the participation in the labour market of young and adults and to tackle the shortage of skills. This happens within the framework of the initial vocational education and training (IVET) system, regulated by the National Education Law no 1/2011 and subsequent amendments, and the continuing vocational training system, regulated by the Adult Training Law 129/2000, as updated in 2014.

In 2016, the Government adopted the National Vocational Education Strategy for 2016-2020 which aims to: i) increase the labour market relevance of VET; ii) increase participation and facilitate access to VET programmes; iii) improve the quality of VET education. The strategy is accompanied by an action plan that provides for the update of instruments regarding occupations, curricula and curricular auxiliaries; the review of the IVET curricula; the development of mechanisms for anticipating skills needed in the labour market and for job profiling; and the creation of flexible mechanisms for the recognition and validation of learning outcomes.

The IVET system has undergone several changes in recent years:

- The two-year school-based programme, introduced by the educational law in 2011, was replaced in the school year 2014-2015 by a three-year ‘school- and work-based VET’ programme, opened to graduates of the eighth grade and to graduates of the ninth grade if willing to re-enter education. The programme provided for students to have apprenticeship contracts with employers.

- The adoption of Law 164/2017 on apprenticeships and traineeships for graduates of tertiary education introduced an increase in the financial incentives granted to employers for each apprenticeship and traineeship (see paragraph on active labour measures). This also involved changes to the levels of qualifications for which an apprenticeship can be signed up for (from level 1, 2, 3 to level 2, 3, 4) and in the duration of the contract (12 months – level 2; 24 months – level 3; 36 months – level 4).

- The dual VET system was introduced in the 2017-2018 school year, following the provisions of Emergency Order 81/December 2016 and the methodology adopted by the Ministry of Education in 2017. The methodology adopted in 2017 specifies that: i) the employer and the schools involved in the dual system share equal responsibility; ii) work-based training will take

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149 https://www.avocatnet.ro/articol_44422/Cei-care-angajeaz%C4%83-ucenici-pot-primi-de-azi-mai-mul%C8%9B-bani-de-la-stat.html.
place only at the premises of the employer and with formally appointed tutors; iii) IVET will be delivered through a three-year VET track programmes (without the full involvement of employers in curriculum development and on school management boards) or in schools delivering dual educational programmes that provide for full involvement of employers\(^{150}\).

With the adoption of Law 82/March 2018 for the approval of the Emergency Order 81/2016 regarding the modification and integration of the Educational Law 1/2011, which formally approves the dual system introduced by the 2016 Emergency Order, the dual system underwent further changes. According to the new law, specific school units that provide dual education can be created if they provide for no fewer than 100 students. The law also states that a contract has to be signed between the various actors involved (schools and economic operators, other local actors) and between parents and the children’s tutors, the economic actors involved and the school. The law also specifies that the school curriculum must be developed by the school within the community local development framework, i.e. in collaboration with local public institutions/economic actors, to ensure it is adapted to local labour market needs. Also, two additional members representing economic actors and other local actors involved in the dual system can be added to the school management board. In order to stimulate the participation of economic actors in the dual education system, the law provides that economic actors involved in a dual system can benefit in terms of payment of taxes to the state budget, social budget, the budget for special funds and local budgets. According to the law, dual training for levels 4 and 5 of the national qualifications framework will be implemented from the school year 2019-2020.

- The National Authority for Dual Initial Vocational Training in Romania was created in June 2018. The authority is responsible for the coordination, development and implementation of the dual IVET in Romania and for ensuring a continuous liaison between training units and economic actors. The authority was created under the direct responsibility of the Romanian Government and includes eight territorial offices. The creation of a new authority risks complicating the already complex institutional framework of the IVET system in Romania that is characterised by fragmentation and overlapping competences between different institutions\(^{151}\).

In order to encourage participation in the IVET system, the Romanian authorities offer direct support through the Professional Scholarship programme. This targets all students participating in school and work-based VET programmes, and consists of a monthly financial support of 200 RON. Indirect financial monthly support is offered through the high school money programme (180 RON) for students enrolled in upper secondary, including VET, the state allowance for children going to school, including VET schools, discount support measures consisting of a 50 % discount for local transport for pupils and students, and other scholarships\(^{152}\).

Despite numerous measures taken over the years to improve the IVET system, it is still characterised by several shortcomings. The effectiveness of measures aimed at aligning qualifications with labour market requirements still needs to be improved. An integrated and robust system for collecting feedback from employers about the relevance of qualifications has yet to be developed, even if some


individual educational institutions have good experience in this area. Guidance and counselling services are still underdeveloped and they lack a common methodology to be effective across all educational levels. Further efforts are also needed to improve the attractiveness of VET as a career choice and not mainly as a ‘second choice’ option.

In terms of results, the share of students in three-year VET and four-year technological high schools was 49.79% in 2016, above the 40% EU average but down by 10.31 pps compared to 2008. The share of students in school and work-based programmes of all students enrolled in upper secondary education IVET has been increasing since 2014-2015 due to the changes in the system: from 6.5% in 2013-2014 to 18.7% in 2015-2016.

CVET

In Romania, the CVET system aims to support the upskilling and the specialisation of the adult population in order to facilitate their insertion into the labour market and their social integration. According to Ordinance 76/2014, vocational training programmes allow participants to acquire competences consistent with occupational and training standards recognised at national level. Adult vocational training includes the following measures: courses organised by training providers, courses organised by employers within their institutions, internships and specialisations, and other forms of training.

The most recent developments regarding CVET consist of the following.

- The adoption of Law 78/2014 on volunteering activities recognises volunteering as professional experience and provides a certificate of competences acquired through volunteering (eight competences are recognised).
- The adoption of Government Decision 481/2015 on improving the coordination, efficiency and relevance of adult training through the monitoring of adults’ lifelong learning participation. It links training and retraining measures for adults with the qualifications recognised by the National Register of Qualifications in Romania, increases the participation of sectoral committees, the National Authority for Qualifications and the Ministry of Labour in the review of the methodology of occupational standards as well as increasing the role of NAQ in the coordination of the accreditation of training providers.
- The Romanian lifelong learning strategy, adopted in 2015, promotes a number of objectives. These are: i) improving the national qualifications framework and strengthening coordination between stakeholders; ii) improving the quality and availability of information on lifelong learning; iii) assessing skills and developing a broader skillset; iv) financing to enhance demand; v) supporting the unemployed and inactive people through financial incentives and counselling; vi) financing to diversify provision; vii) developing the lifelong market; viii) supporting participation in European mobility programmes; ix) involving higher education institutions in lifelong learning; x) recognising prior learning, including qualifications obtained abroad; xi) establishing a quality assurance, monitoring and
evaluation system for lifelong learning. However, according to the European Commission, the implementation of the strategy has suffered several delays.

- The update of Labour Code Law 53/2003 in 2016 refers to the employer’s obligation to ensure employees’ continuous professional development. This is required every three years for companies with less than 20 employees, and every two years for companies with more than 20 employees. As noted by the Saber country report, since the law does not provide any penalties for failing to comply with it and since there is no direct financial support, many companies do not respect it. According to the same source, training is mostly offered by big companies, while it is quite rare among SMEs.

- Community centres for lifelong learning were established in 2017. However, capacity building measures and support for training the adult learning professionals have not yet been developed.

As noted by both the Saber country report and the EC Education and Training Monitor, the adult education system is characterised by several weaknesses: i) fragmentation of funds and competences; ii) different levels of development of the various components of the system (e.g., well-developed validation of prior competences, but lack of a database providing information on training opportunities and matching the demand and offer of adult training); iii) limited data collection and feedback on the outcomes of the measures; iv) limited educational infrastructure and adult training opportunities in rural areas; v) limited cultural of participation in adult training especially in rural areas and of people involved in subsistence agriculture; vi) limited financial incentives to employers for the training of their workforce coupled with a high administrative burden for their use; vii) limited funding.

The shortcomings of the current system also hinder its effectiveness. In 2017, adult participation in education was 1.1% (−0.9 pp compared to the peak year 2013; −0.1 compared to 2016), far below the EU average (10.9%).

Preventing early school leaving

Recent policy developments in this area include the following.

- The strategy to reduce early school leaving 2015-2020, which aims to increase participation in early education and care; ensure access to quality primary and secondary education; improve the attractiveness and quality of VET; ensure adequate provision of ‘second chance’ programmes; develop the institutional capacity and implement, monitor and evaluate the strategy. The strategy is mainly implemented through the ESF Human Capital Programme. However, there have been delays in the implementation of this programme and the implementation of the strategy. Currently, the following relevant ESF calls have been

157 https://edu.ro/strategia-na%C8%9Bional%C4%83-de-%C3%AEnv%C4%83%C5%A3are-pe-tot-parcursul-vie%CF%83ii.
opened\textsuperscript{164}: i) the programme ‘school for all’, introduced with the anti-poverty strategy package adopted in 2016, to which the authorities allocated €173 million in order to provide support to 17,000 children in pre-primary education and to enhance the continuance in education of 41,000 school children and of 16,000 people in second-chance education; ii) the programme ‘motivated teachers in disadvantaged schools’ to which €25 million is allocated with the aim of reducing early school leaving by attracting talented teachers to work in disadvantaged schools; iii) improvement of the primary and lower secondary school curriculum\textsuperscript{165}. According to the 2018 national reform programme, 138 projects were selected within the call ‘school for all’ and 28 projects within the call ‘motivated teachers in disadvantaged schools’\textsuperscript{166}.

- The provisions of Law no 284/2015 regarding encouraging the participation of children from disadvantaged families to participate in preschool education have been implemented through granting vouchers of 50 RON to beneficiaries whose attendance in kindergarten exceeds 50 % of the overall level. Initially, the law provided that social vouchers would be granted to children between 3 and 6 years old and that they could be used only for school materials and clothes. Emergency Order 14/2016 eliminates the age limit for children with disabilities and learning difficulties enrolled in kindergartens and extends the use of the social vouchers to include food and hygiene products. While the impact of the project on enrolment rates is modest\textsuperscript{167}, it has managed to improve the attendance rates of participants\textsuperscript{168}.

- Improvement of the preschool education curriculum is being achieved through an ESF non-competitive project, ‘inclusive and quality early education’.

- The revision of the national parental strategy was the subject of public debate in mid-2018. Following several controversies and heated debates over the concept of what is a ‘traditional’ or ‘new’ family, the Ministry of Education abandoned the project of revision and announced the rewriting of the strategy to be followed by a new public debate.

- The national strategy for the modernisation of the educational infrastructure adopted in 2017 provides measures for improving educational infrastructure in order to increase participation and continuance in education of children, in particular from disadvantaged groups and areas. However, as noted by the European Commission, no specific budget has been allocated to the implementation of the strategy and implementation capacity is rather low\textsuperscript{169}.

- An early warning mechanism, implemented through an ESF funded project, will identify and monitor children outside the education system.

- The methodology for the implementation of the ‘school after school’ programme, an optional and complementary programme to the compulsory school curriculum, was revised in


2017. According to the new methodology, the programme should specifically target prevention of school dropout and early school leaving, improvement in school performance, and personal development and social integration. However, several representatives of NGOs claim that the programme fails to address the main targets at risk as no funds have been allocated to the programme and often enrolment in it is subject to payment170.

- **The programme ‘second chance’** targets children, young people and adults that have dropped out of school without achieving the minimal competences needed to obtain a job. It addresses the issue of improving their qualification level in order to support their insertion into the labour market. A **non-competitive expansion of the programme** was decided on in 2017. Despite increased participation over the years (from 8,000 students in 2013 to 12,000 in 2016171), the programme still faces a **series of challenges**: lack of flexibility of the programme design, in particular for adult learners; limited accessibility due to low proposals in rural areas; organisation of the programme only during specific periods of the school year. **Ministerial Order 4093/2017** deals partially with these challenges by specifying that, in exceptional cases, a person can join the programme even after its start and that for projects implemented through European funds, the programme can also be organised in other periods of the year172. The programme will be complemented by the ESF projects implemented in the ‘school after school’ programme and the INTESPO project aimed at profiling 160,000 NEET to better integrate them in the training and labour market.

- The proposal for a public debate on the 2018 Emergency Order for the continuation of the **programme of food support for preschool students and other students**, which was implemented for the first time in the school year 2016-2017. The programme offers hot meals in 50 schools in rural and urban areas, and in particular in schools from disadvantaged communities. According to the data included in the Emergency Order in the first two years of the programme this **contributed to reducing dropout from 6.1 % before its implementation to 4.3 % at the end of the second year of implementation**173.

According to the European Commission, prevention measures of **early school leaving** tend to be **focused on the social component** and less on providing **quality education** and educational infrastructure174. Furthermore, their effectiveness is still limited: the share of early leavers in Romania is 18.1 % compared to 10.6 % at the EU level175.

**Tertiary education**

Tertiary education is of paramount importance for ensuring a qualified labour supply and preventing skill shortages, especially in specific sectors.

In 2015, Romania adopted the **strategy for tertiary education** that aims to: i) improve participation at all levels of tertiary education; ii) ensure strategic involvement by business sectors; iii) develop high quality, flexible and labour-market relevant study programmes. In order to achieve these objectives,  

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173 https://edu.ro/proiect-de-ordonan%C5%A3%C4%83-de-urgen%C5%A3%C4%83-privind-aprobarea-programului-pilot-de-acordare-unui-suport.


the strategy plans a revision of accreditation procedures to ensure their modernisation, an increase in the flexibility of institutions to redesign education programmes, the development of a mechanism for continuous evaluation of programmes, core skills and entrepreneurship skills, and the improvement in the use of ITC in curricula. According to the European Commission, the implementation of the strategy is still slow.

Several challenges characterise the Romanian tertiary system: low flexibility of financial mechanisms for offering incentives for efficiency, modernisation, innovation or equity; unequal quality of education among universities, in particular in private ones; low labour market relevance; low involvement of the rural population; the quality of academic ethics and of doctoral schools; recent limitation of the involvement of foreign peers in the evaluation of national research projects.

2.2. Poverty and income inequality

Fighting poverty and social exclusion remains a relevant priority for Romania which still faces several problems in this area (see section 1.2).

In 2015, the Romanian government approved the national strategy on social inclusion and poverty reduction that aims to reduce poverty and social exclusion. This is done through the integration of income, labour market, education, health, housing and social participation policies and area-based interventions for poor regions, rural areas, small cities and marginalised areas (urban/rural, Roma). The strategy targets the most vulnerable groups in Romania (i.e. poor people, children and young people deprived of parental care and support, lone or dependent elderly, Roma, people with disabilities, other vulnerable groups and people living in marginalised communities). The strategy combines proposals in the field of employment, social transfers, social services, education, health, housing, social participation, area-based policies and administrative capacity and includes a series of flagship initiatives:

- Introduce a pro-work benefit formula in the new consolidated means-tested benefit, that exempts part of the earnings of households from the definition of the family means;
- Develop, in the larger marginalised areas, multifunctional community centres to provide integrated services to (primarily though not exclusively) families in extreme poverty;
- Revise the existing child protection services to enhance the quality of care provided while reducing the duration of stays to the minimum necessary;
- Develop new tools or validate the existing ones to identify poor localities, villages and marginalised communities;
- Strengthen the capacity to monitor and evaluate the measures under the strategy;

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• Expand the coverage and functionality of social assistance management information systems by i) developing the local customer relationship management (CRM) solutions and ii) developing a new social assistance MIS;

• Develop a modern payment system that will use modern technologies and service delivery\textsuperscript{179}.

In order to implement the strategy, the government created a working group bringing together several ministry representatives. However, according to an interview of an ex-state counsellor in the Cioloș Government, by the end of 2015 when the Cioloș government took office, no progress had been made in implementation of the strategy, apart from the preparation of nine action plans by the World Bank\textsuperscript{180}.

In April 2016, the Cioloș government adopted an integrated package for fighting poverty focused on providing integrated services to people at risk of poverty and social exclusion through use of ESIF funds allocated to inclusive growth and social inclusion, as well as the use of the state budget. The anti-poverty package combines employment, education, social assistance, healthcare and long-term care measures. A list of the main measures is included in the Annex (see Table 2 in Annex).

The main measures implemented within the framework of the package by the end of October 2016 tackle both inequality of opportunity and income and consist of the following\textsuperscript{181}.

• The creation of an anti-poverty coalition, bringing together interested public institutions, social actors and civil society actors to define and monitor the implementation of the package.

• Simplification of the procedures for obtaining identity cards for new-born children to reduce the number of unregistered minors and increase their access to social assistance, healthcare and education services.

• The creation of an institutional framework and training of child educators (preschool educators) by allocating €13.5 million (ESF Human Capital Programme).

• The adoption of a national programme for healthcare services in rural areas based on the model of the project ‘medical caravans in rural areas’, with an allocation of €502.5 million from the SEE programme and Norwegian grants.

• The provision of kindergartens through the strategy for educational infrastructure funded by the ERDF - the strategy was adopted under the new government, but its implementation is slow; 165 contracts for the creation of kindergartens signed in 2017 – see above.

• Implementation of the law on encouraging participation of children from disadvantaged families in preschool education (see paragraph on early school leaving).

• Supplementation of the social vouchers system for school materials and clothes provided for in the above-mentioned law by those granted through the ESF programme ‘school for all’ and the new operational programme for supporting disadvantaged people.

• Implementation of the programme for food support of preschool children and other pupils (see paragraph on early leaving).


\textsuperscript{180} http://www.ziare.com/social/ajutoare/5-lucruri-demne-de-stiut-despre-pachetul-integrat-pentru-combatere-a-saraciei-1408923.

\textsuperscript{181} The last activity report was prepared in October 2016, as the Cioloș government was replaced with a new government installed after the December 2016 elections.
• The extension of the programme providing fresh fruit for preschool children to private kindergartens.

• Implementation of the initiatives ‘school as an engine for social inclusion’, ‘school after school’, ‘grants for disadvantaged schools’, ‘schools accessible to children’ and ‘second chance’ through the ESF programme ‘school for all’ to prevent dropout and early leaving (see paragraph on early school leaving).

• Training of teachers from disadvantaged schools through the ESF programme ‘motivated teachers in disadvantaged schools’ (see above paragraph on early school leaving).

• Allocation of ESF grants (€38.25 million) for proposals regarding traineeships for students and pupils from the agro-food, industry and services sector. It will also cover modernisation of the mandatory school curriculum for lower and upper secondary education.

• Funding of sport through SEE and Norwegian grants to help prevent dropout.

• Allocation of ESF grants to the programme ‘second chance education’ (see above paragraph on early school leaving), in addition to those provided through the programme ‘school for all’.

• Adoption of Emergency Order 60/2016 on measures for increasing participation in the labour market in particular by disadvantaged groups, such as NEET, long-term unemployed and disabled people. Improvement of the quality of employment services—see above paragraph on active labour market measures (according to a recent study, measures for the stimulation of the insertion into the labour market of disadvantaged groups have a moderate impact on the decreasing of income and opportunity inequality)\textsuperscript{182}.

• The launch of community grandparents programme funded by the ESF Human Capital Programme. The programme has undergone changes with the election of the new government and now aims to provide social assistance services to elderly people; the call was opened in 2018\textsuperscript{183}.

• Home care for elderly people funded by SEE and Norwegian grants.

• Launch of the national programme ‘increase in the life quality of institutionalised elderly people’, aimed at integrating local budgets with funds from the national budget for the improvement of services offered by elderly care homes.

• Adoption of methodological norms for the implementation of Law 194/2015 on the social economy that introduces social enterprises and social inclusion enterprises (whose employees from vulnerable groups and their working time account for 30 % of the overall employees and 30 % of the overall working time). Strengthening of the creation of social enterprises and social inclusion enterprises through the ESF call for proposals ‘solidarity’, which grants a maximum of €100,000 euro per project for their creation, and the call for ‘support for the drafting of local development strategies’.

• Implementation of the project ‘elaboration of the plan for the deinstitutionalisation of children from care institutions and their transition towards community care’ through ESIF. The call for proposals, opened in 2018, registered several objections from civil society organisations as,


\textsuperscript{183} http://www.fonduri-ue.ro/presa/noutati-am-oii/details/6/495/am-pocu-lanseau%C4%83-apelul-%E2%80%99E bunicii-comunit%C4%83%C8%9Bii-servicii-sociale-%C8%99i-socio-medicale-pentru-persoane-v%C3%A2rstnice%E2%80%9D-ap-4-pl-9-i os-4-4.
according to them, the measures proposed do not aim to promote community care, but rather to reduction the dimensions of care centres (from institutional centres to family houses).  

Another important measure introduced in 2016 is the adoption of Law 196/2016 on the minimum inclusion income that aims to regroup the various allowances provided currently for income support (family allowance, allowance for house heating, minimum guaranteed income, etc.) into a single allowance aimed at reducing income inequality for vulnerable people. While the provisions of the law aim to reduce income inequality and poverty, it is not clear to what extent it will achieve this objective. The amount of income to be provided is anchored to the social reference index, which has not been increased since 2008 (500 RON) and no indexation mechanism is included in the approved law. The law was supposed to be implemented in 2017, but its implementation was first postponed to 2018 and afterwards to 2019, due the lack of institutional capacity to manage the granting process following the failure to finalise the Social Assistance National Information System. According to the 2017-2020 government programme, 700,000 families will benefit from the minimum inclusion income. As pointed out by ECE in its study, since most of the poor people in Romania are to be found outside the categories of employees (full time especially) and pensioners, the delay in the implementation of the law will result in an increase in income inequality and poverty for these groups.

Currently one of the main measures for reducing income inequality and poverty is the minimum wage. The minimum wage has undergone several increases over the years (twice in 2014 and 2015) and such increases have been decided by means of a government decision. In 2016, the technical government Ciolos started a process for the creation of a transparent mechanism for the increase in the minimum wage by initiating a consultation with trade unions and employers, commissioning a study on the minimum wage and creating a work group of experts appointed by all interested parties. In December 2016, the government organised a meeting of the National Tripartite Council for Social Dialogue where a proposal was advanced for a minimum salary amounting to 1,450 RON for 2017. However, by the end of 2016, no decision had been taken and the efforts to create a transparent mechanism were frustrated by the installation of the newly-elected government at the beginning of 2017. Despite the requests of the European Commission for the adoption of a transparent mechanism for the increase in the minimum wage, in 2017 the government decided to increase it to 1,450 RON and announced a yearly increase without specifying its methodological basis and without any consultation of stakeholders. Thus, a further increase in the minimum wage was implemented by means of a governmental decision in 2018, increasing it to 1,900 RON.

According to the study commissioned by the 2016 government on minimum wage, its continuous increases over the years have contributed to levelling income distribution, meaning that inequality in income has fallen, but at the cost of the compression of salary incomes at the bottom. Moreover, the study concluded that its increases have contributed less to the reduction of poverty as most of the poor in Romania are not employees, but rather self-employed, especially in subsistence agriculture where the minimum wage has little impact. Nevertheless, with the adoption of the 2018

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changes to the social taxes paid by self-employed people\(^{189}\), it might have a negative impact especially on the self-employed who earn less. The study also concluded that, while in the short run it does not seem to have an effect on undeclared work, in the long run and in the context of a continuous increase there might be negative effects on undeclared work\(^{190}\).

Other relevant measures that have an effect on income inequality refer to wages and pensions.

For wages, in 2017 the government adopted the Emergency Ordinance 79/2017, according to which the burden of social contributions was shifted from employers to employees who now pay 35% of their pay compared to the 2.25% met by the employer. The measure might have a negative impact on some categories of employees (e.g., private workers that earn more than 1,593 RON, part-time workers), according to a simulation by the European Commission JRC. According to the European Commission simulations, those that gain from the new law are public employees in the upper part of the income distribution. The income inequality is partially compensated by the increased personal income (PIT) tax-free allowance. However, the redistribution effects of the increased free PIT allowance are diminished by the reduction in the PIT rate from 16% to 10%\(^{191}\).

When it comes to pensions the main measures taken in recent years are the following:

- **Law 142/2016 modifying the conditions for early retirement**, according to which the penalty level for early retirement depends on the length of time still to go before the retirement age. Thus, the longer the period worked after the completion of the full contribution years, the lower the penalty for taking retirement before the official age. The law also reduces the pension age by two years for workers living in areas polluted by heavy metals.

- **Law 186/2016 allowing people who have not contributed to the public pension system to obtain an old-age pension by making retroactive payments** by signing up to a pension contract with the National Pension Houses and paying the contribution for a period covering 5 years prior to the date of the contract. The measure is meant to benefit workers in the informal sector or workers abroad who might not manage to have a pension otherwise.

- **Continuous indexation of the pension point** which reached 1,100 RON in 2018 and is set to double in 2020;

- **Reduction in the contributions to the II pension pillar**. This might increase income inequality in the future as well as weaken pension sustainability;

- **Adoption of Law 221/2018 consisting in the reduction in the pension contribution** from 35 years to 25 years and in the pension age (a 13 years reduction) for all workers from sectors with special working conditions and for artists and the increase in the pension points used for the pension calculation for workers from group I and group II (special working conditions)\(^{192}\);

\(^{189}\) Since 2018, self-employed social taxes are no longer anchored to the income obtained from their activities, but to the social minimum salary.


Proposal of a new **law on pensions**, presented in August 2018, **which will completely change the calculation system of pensions**, resulting into an increase in the pension level, according to a statement from the Ministry of Labour\(^{193}\). However, since this measure would apply indiscriminately to all pensioners (with low or high pensions), for those with special pensions, if adopted, it **might risk increasing income inequality** rather than reducing it. Furthermore, according to this proposal the **companies managing the II pillar pension funds will have to pay 0.5 of the commission earned to the National Houses of Pensions**\(^{194}\). If adopted, this measure may put at risk the sustainability of the II pillar pension funds.

It is worth noting that **neither the Ciolos technical government nor the new elected government has taken any decision to equalise the pension age of women and men**. Furthermore, the issue is **not included in the proposal for the review of the pension law** put forward in August 2018. This contributes to maintaining an inequity of income between women and men due to women's lower pensions following interruptions in career and fewer contribution years.

### 2.3. Labour market and social inclusion of disadvantaged groups

This chapter discusses three main disadvantaged groups: women, disabled and Roma.

**Women**

In 2016, the Romanian government adopted **Law 66/2016 modifying childcare allowance granted to parents taking care leave**. Subsequently, the new elected government **amended the law three times in 2017** through Emergency Order 6/2017, Emergency Order 55/2017 and Emergency Order 82/2017.

The **main modifications** introduced by the 2016 law and subsequent amendments are detailed below.

- The introduction of a single leave option: the leave lasts until the child is 2 years old or 3 years old in the case of disabled children.

- The amount of the allowance has been redefined: the amount increases from 75 % to 85 % of the average net monthly income of the person for the 12 consecutive months prior to the leave, without exceeding 8,500 RON (this limit was eliminated in 2016, but reintroduced in 2017). It must not be less than 2.5 times the national social reference indicator equal to 1,250 RON in January 2018 (in 2016, the limit was 85 % of the national minimum wage). The modifications introduced in 2017 seem to reduce income inequality as they tend to favour parents (generally women) with lower incomes and penalise those with higher incomes. However, inequality is reduced at the cost of the compression of the income towards the bottom.

- The period of the allowance has been increased (up to 3 years, or **4 years in the case of disabled children**) if the parent taking the leave returns to the labour market at least 60 days before the end of the period.

- There is a change in the value of the early-return financial incentive provided for returning to work before the end of the leave: 50 % of the minimum value of the allowance, equal to 532 RON in 2016, 617 RON in February 2017 and 650 RON in April 2017.

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- A 5% increase in the value of the allowance will be offered to people who care for a disabled child aged less than 7 years or disabled people who take care leave.

- A new allowance has been introduced for people active on the labour market who take care of disabled children and who have opted for a part-time job. The allowance amounts to 50% of the minimum child care allowance, equal to 532 RON in 2016 and 617 RON in February 2017.

Furthermore, it is worth mentioning that both parents have to take care leave, with the parent other than the one applying for the childcare leave having to take one month. If the other parent does not take this month, the duration of the childcare leave is reduced.

In the first quarter of 2018, 170,638 people benefited from the childcare leave allowance (+11.7% compared to the first quarter of 2017) and 88,960 people from the early-return incentive (+52.3% compared to the first quarter of 2017); 9,191 people benefited from the allowance for the care of disabled children (+4.6% compared to the first quarter of 2017).

The increase in the early-return incentive is aimed at speeding the reinsertion on the labour market of carers (especially women), contributing thus to the reduction in income inequality. Furthermore, in the context of scarce supply of care structures and high costs of such structures and services for disabled children, there is the introduction of a financial benefit. This is for part-time workers (generally women) in charge of caring for a disabled child and aims to compensate for the drop in their income as a result of part-time work and to increase the access of part-time workers to such services and structures.

Another measure that might favour women’s insertion on the labour market, especially of those who are disadvantaged, is the system of social vouchers provided to disadvantaged children in preschool education (see paragraph on early school leaving).

Disabled

In 2014, Romania adopted the 2014-2020 national strategy for the social inclusion of people with disabilities. The main aim of the strategy is to increase the quality of life of people with disabilities through the mainstreaming of the disabled equality principle in legislation, improvements in the organisation and quality of services provided to disabled people and effective and transparent management of resources allocated to disability. The strategy includes a series of measures to reach the following objectives:

- Ensure equal access to good and services, including public ones;

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• Increase the participation of disabled people in community life;
• Ensure equality for disabled people in all areas of life;
• Increase participation in the labour market of disabled people;
• Promote an inclusive education and continuous training for disabled people;
• Promote decent living conditions for disabled people;
• Ensure social equity and equal access to healthcare services.202

However, the strategy does not stipulate any timetable for the measures included, nor does it allocate resources or specify the institutions in charge.

The 2014-2020 national strategy on education and training, the 2015-2020 national strategy on tertiary education and the 2015-2020 national strategy for lifelong learning and the strategy to reduce early school leaving also target disabled children. In some cases, they introduce specific measures: e.g., adapted educational curricula and additional materials, subsidised accommodation for young people enrolled in VET programmes, sheltered workshops for young people with disabilities, allocation of scholarships, subsidies for transport, student loans, etc. However, as noted previously the implementation of these strategies is rather slow.

A specific measure targeting disabled children is the elimination of the age limit that regulates access to social vouchers for increasing children’s participation in preschool education (see paragraph on early school leaving).

The main measures introduced for ensuring inclusive education are:

• Promotion of the adaptation of curricula and training of teachers through ESF projects203
• Recognition of the sign language in exams204
• Emergency Order 51/2017 that includes some modifications to the provision of educational services for disabled children: disabled children have the right to teaching in their native language; disabled tertiary students have the right to 50 % deduction of taxes for students’ accommodation and meals in the public student houses.205

However, the ANED 2016-2017 country report notes that in 2017 ‘a young girl reported during a hearing organised by the Human Rights Parliamentary Steering Committee in May 2017 that, by an official letter from the Ministry of Education, she had been denied access to the use of a computer with assistive software for the visually impaired for a bachelor degree exam’.206

The high rate of disabled people not enrolled in education (40 % of them in 2014; see section 1) shows the lack of effectiveness of the educational system in ensuring the participation of disabled people in education.

When it comes to insertion into the labour market, it is worth recalling that in 2016 an **increase in the financial incentives provided to employers employing a disabled person** for at least 18 months was adopted (see Section 2.1). Disabled people also benefit from the other active policy measures described in Section 2.1 and from those for childcare (see paragraph above). In 2017, **225 disabled people were employed** through the **financial incentives provided to employers**, while **92 people were employed through the same measure** in the first quarter of 2018\(^207\).

In 2017, the Romanian authorities adopted the **Emergency Order 60/2017** where **public institutions and companies that do not have their share of disabled employees** (4 % of the overall number of employees) have to organise **specific job advertisements** until reaching it. Otherwise, they have to pay a **penalty** amounting to the **minimum wage multiplied by the number of unfilled places** set aside for disabled employees. In addition, there is an exception where sheltered units created within organisations tackling the disabled issue could offer selling/intermediation activities on condition that up to 75 % of the income is dedicated to social inclusion programmes targeted at disabled people. The order **was contested by several NGOs**, claiming that, while it will have a positive impact on increasing the state budget, it will have a negative impact on the life and employment of disabled people\(^208\).

In **July 2018**, the government introduced a series of proposals for amending the disabled act (Law 448/2006). Some of the most relevant refer to **deinstitutionalisation** (from large disabled centres to small day centres, family houses, etc.), the introduction of a **monthly allowance** for the maintenance of **personal assistants** (600 RON for personal assistants of disabled people and 750 RON for personal assistance of people with serious disabilities) and **simplification of the access to** the disability **social benefit**\(^209\).

**Roma**

The main policy on Roma integration consists of the 2015-2020 strategy for the inclusion of Romanian citizens belonging to the Roma minority.

The strategy aims to: increase the education level of Roma people; ensure the access of Roma children to quality education; increase participation of Roma people in the labour market; improve the health status of Roma people and increase their access to preventive and palliative treatment; improve living conditions of Roma communities and the social conditions of disadvantaged Roma categories; develop an integrated approach to Roma social inclusion\(^210\). In 2017, an Interministerial Committee was established for the monitoring and evaluation of the strategy, but its activity is not systematic nor integrated with other policy actions\(^211\).

The **most recent policy developments** include the following:

- Affirmative measures in education in 2016 will include 622 places dedicated to Roma students in universities, 265 places available for Roma students for Masters and 3,150 places for students

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in secondary schools; training of 110 teachers of the Romanes language; 400 school mediators available in the public education system.

- Teaching of the Romanes language and the history of Roma people will be included in the national curriculum and provided upon request of the local Roma community.

- There will be compulsory study of Roma slavery and the holocaust of Roma and Jews within the history curriculum, from the school year 2017-2018.

- The 2016 order banning segregation of Roma children in schools will be enforced and an action plan will be adopted.

- Implementation of the special programme for communities with a large number of ethnic Roma (2015). In the period 2016-2018\textsuperscript{212}, around 4,800 Roma\textsuperscript{213} people were employed in this programme.

- The allocation of £5 million in 2016 for the programme ‘Social housing for Roma communities’ was started in 2008 and aims to build at least 300 social housing units. The programme implementation is rather slow: 168 flats completed and 231 under development in 2016\textsuperscript{214}.

In addition, Roma people benefit from the education and employment measures presented previously. For instance, in the period 2016-2018\textsuperscript{215} a total of 7,998 Roma people were employed through the active work measures implemented by the National Agency for Employment.

However, the European Commission considers that while institutions dealing with Roma are more committed, their work depends on the impact of other bodies. Furthermore, the measures adopted are completely inadequate considering the magnitude of the challenge of Roma social inclusion\textsuperscript{216}.

### 2.4. Migration policies

The main programme for attracting Romanian emigrants back in Romania is the **diaspora start-up** launched in 2016 within the 2014-2020 ESIF framework, and in particular within the ESF Human Capital Programme. The programme targets all Romanian regions apart from Bucharest-Ilfov and allocates €30 million to incentivise the creation of innovative and non-agricultural enterprises in urban areas. The main target group is Romanian people who have lived abroad for at least one year in the last three years and who have previous entrepreneurial experience abroad, specific work experience and professional training in the investment area. In order to qualify for the grant both the entrepreneur and the enterprise have to be located in Romania.

The programme is expected to produce 300 small and medium enterprises in 2017 and 600 new jobs in 2018.

\textsuperscript{212} 2018 data refer to the first quarter.


\textsuperscript{215} 2018 data refer to the first quarter.

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After several delays in the implementation phase, a call for proposals was opened in 2017 and 33 projects amounting to €78.583 million were selected at the end of 2017. These are currently in the implementation phase\(^\text{217}\).

Another measure that may have a positive effect on Romanian emigrants wishing to come back is the possibility to **contribute retrospectively to the pension system** in order to have an old-age pension (see Section 2.2).

When it comes to **immigration policies**, the SGI country report notes that ‘Romania scores particularly well with respect to anti-discrimination and labour market mobility, but policies are less welcoming with respect to access to education and citizenship. Moreover, foreign workers are not represented by labour unions and often fall victim to dubious contracts leading to worse working and pay conditions than initially promised\(^\text{218}\). In the context of an increased emigration and shortage of labour supply, Romania will have to pay more attention to integration policies.

For **refugees**, since 2004 the government has been implementing the **integration programme** that targets beneficiaries of international protection and offers several services: free Romanian language courses; mediation services and labour market integration services; financial support for renting; material and income assistance to specific categories of beneficiaries; free legal assistance; free social counselling and psychological services\(^\text{219}\). In 2017, the participation in the programme increased by 477\(^\%\)\(^\text{220}\).

3. **THE FUNCTIONING OF EU FUNDING IN PRACTICE**

As noted previously, many of the priorities regarding labour market and social inclusion of disadvantaged groups are addressed within the framework of the 2014-2020 ESIF and in particular through ESF and ERDF.

ESF support is delivered through the Human Capital Programme, which also includes the Youth Employment Initiative, and through the administrative capacity programme, while ERDF support is delivered through the regional operational programme and competitiveness programme.

The **regional operational programme** contributes to the objective of increasing labour market participation, reducing poverty and fighting social exclusion through: i) the improvement in

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educational infrastructure; ii) support of the physical, social and economic revitalisation of disadvantaged communities in urban areas; iii) development of the quality and accessibility of health and social infrastructure, in particular in marginalised and poor areas; iv) support of the economic development in poor areas; vi) sustainable urban development, especially of marginalised urban areas, and local community development. In particular, it is worth mentioning that CLLD interventions are funded by both ERDF and ESF interventions.

The Competitiveness OP contributes by sustaining the development of and by easing access to e-educational, social and health services.

The administrative capacity programme supports employment and social inclusion and poverty reduction by supporting the development of public services.

The Human Capital Programme is the main programme supporting employment, poverty reduction and social inclusion in Romania. It is funded by €4,432,838,744 from the ESF and it builds on the experience of the 2007-2013 POSDRU (Programul Operațional Sectorial Dezvoltarea Resurselor Umane). The programme also includes the European Youth Employment Initiative that aims to promote the participation on the labour market of NEET, including also the long-term unemployed and people not registered with the National Employment Agency, through apprenticeships, traineeships, job placements and further education leading to a qualification.

The Human Capital Programme includes the following main priorities:

- Facilitating access to employment, especially for the long-term unemployed and economically inactive, older workers, the disabled, and people with a lower level of education;
- Facilitating transition from tertiary and non-tertiary education to work, especially in the economic fields identified within ‘smart specialisation’;
- Incentivising cooperation between universities and firms in facilitating transition from education to the labour market;
- Encouraging labour mobility between different regions in Romania, and helping jobseekers find work;
- Supporting disadvantaged people, including Roma, to access the labour market, by improving their skills and supporting entrepreneurship and social enterprises;
- Developing community-based solutions for children, the elderly and people with disabilities;
- Reducing early school-leaving by supporting second-chance education for NEETs and improving the access to and quality of education, training and vocational training, especially in the fields identified in ‘smart specialisation’;
- Improving the efficiency, transparency and accessibility of Romanian public services and courts.

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223 Vasilescu, C., (2018), Romanian case study in long briefing note on the European Social Fund: Beneficiaries’ experience in the current funding period (not published).

224 Vasilescu, C., (2018), Romanian case study in long briefing note on the European Social Fund: Beneficiaries’ experience in the current funding period (not published).
The programme is structured into **seven axes**: Axis 1 – the initiative ‘jobs for youth’; Axis 2 – improving the condition of young NEET; Axis 3 – jobs for all; Axis 4 – social inclusion and fighting poverty; Axis 5 – CLLD; Axis 6 – education and competences; Axis 7 – technical assistance.

Despite the relevance of the programme for increasing labour market participation, social inclusion and reducing poverty, **its implementation has been delayed several times**, especially because of the frequent changes to the institutional framework of ESIF in Romania, following frequent political changes, and delays in the designation of the managing authorities. In addition, the implementation of both competitive and non-competitive projects is proceeding slowly even in 2018.

A recent study conducted by the author showed that **several problems hinder the implementation** of the Human Capital Programme: i) delays in launching the calls for proposals compared to the proposed calendar; ii) continuous changes in beneficiaries’ guides and contradictory provisions; iii) long evaluation periods and inconsistencies of evaluations; iv) the instability of the target group, in particular with regards to NEET and unemployed people, and rigidity in accepting changes to the target of the MA; v) long contracting periods; vi) the unpredictability of norms and retrospective decisions; vii) limited implementation capacity of some beneficiaries; viii) differences in the interpretation of the same issue at the level of intermediary bodies; ix) high administrative burden. In addition to these, there is a high rate of project rejection (in some cases 50 %). In order to reduce the rejection rate, the programme MA intends to publish a set of guidelines of frequent errors.

As at **August 2018**, the **absorption rate is the lowest among all ESIF projects managed by Romania** at 0.46 % (amount requested to the European Commission); 0.41 % (amount reimbursed by the European Commission). In the same period, the payments made to beneficiaries amount to 2.82 % of the overall programme value. **This triggers the risk of decommitment** of €597,980,745. However, according to the minutes of the Monitoring committee of POCU, held in April 2018, **several measures have been taken to reduce this risk**: a 25 % increase in the staff of the managing authority; the creation of a monitoring mechanism for the implementation through the active involvement of the eight regional intermediate bodies; identification of initiatives funded by the state budget that could be funded instead by the Human Capital Programme; utilisation of the over-contracting mechanism for certain interventions; increase in the elaboration of the pre-financing requests, reimbursement and payment requests.
At the end of June 2018, 740 projects were funded of which 5% were finished and 95% were in the implementation phase. Most of the projects implemented are about the promotion of jobs for all, education and social inclusion, and reducing poverty. The number of projects specifically targeting NEET and young people is the lowest. However, these are also two of the categories furthest from the labour market.

Figure 7: Projects implemented in the Human Capital Programme by axis


4. PRIORITIES OF THE UPCOMING ROMANIAN PRESIDENCY OF THE COUNCIL OF THE EU

- There is no decision yet on the priorities of the Romanian Presidency of the Council of the EU.
- One theme focused on employment and social inclusion – ‘Converging Europe: growth, cohesion, competitiveness and connectivity’ – is the subject of wide debate. It includes sustainable growth, reducing development disparities, convergence, employment and social rights; innovation and digitalisation; connectivity and market competitiveness.

The priorities of the Romanian Presidency of the Council of the EU are still being defined. According to a recent press announcement, the document presenting the priorities of the Romanian presidency has still to be approved by the government and discussed with the General Secretariat of the Council. However, during the preparatory work Romania has defined a series of interesting issues for the Romanian presidency of the Council, among which the first refers to employment and social affairs: ‘Converging Europe: growth, cohesion, competitiveness and connectivity’. This theme includes three main subjects relevant for Romania: i) sustainable growth, reducing development disparities, convergence, employment and social rights; ii) innovation and digitalisation; iii) connectivity and market competitiveness.

The issues have been the subject of a wide debate involving institutional, economic, social and civil society actors and the results will be presented in October 2018. These will be considered in the definition of the overall priorities of the Romanian presidency of the Council of the EU.

234 http://www.fonduri-ue.ro/
235 https://www.romania2019.eu/priorities/
236 https://www.facebook.com/victorneqrescu/photos
A forum, EU-RO 2019, was created within the public debate framework to discuss the main issues of interest identified by the Romanian government and to defining a series of proposals for priorities together with citizens, civil society, institutional, social and economic actors. The forum includes several working groups among which is the Working Group on the Employment of the Workforce and Social Policy, and the Working Group on Education and training.

The main proposals for priorities on employment from the Working Group on the Employment of the Workforce and Social Policy include the following issues:

- The future of work relations in the context of the digital economy, in particular
  - the preservation and role of human work in the context of a digital future;
  - training of the workforce to face a better future based on artificial intelligence and robotics;
  - a tripartite platform for work.
- Workforce migration/cross-border employment;
- Work through temporary work agencies: incentives, advantages, social protection and A1 certificates;
- Posting of workers – tax jurisdiction and taxes on wages;
- Recognition of qualifications at the EU MS level;
- Creation of a European labour authority.

The main proposals regarding social inclusion and social protection put forward by the working group are:

- Creation of an European authority for social inclusion and solidarity;
- Revision of EU citizenship so it is no longer related to national citizenship and can be granted temporarily to refugees;
- Social protection of workers in the context of work mobility in the EU;
- A European global income guaranteed by the Central European Bank;
- Social protection of self-employed workers;
- Sustainable economic transition;
- Inclusion of fighting poverty as a relevant priority of the next programming period.

Three supplementary proposals have been identified: work relations in the context of the digital economy, education for the labour market, and non-discrimination and gender equality.

Several proposals of the Work Group on Education and Training are also relevant for employment and social policies:

- Ensuring education and training for insertion on the labour market through: the creation of a tripartite platform for improving access to training and employment; promotion of inclusive education and training; strengthening European apprenticeships and internships; development of the initiative ‘digital skills’ and ‘jobs coalition’, etc.;
• Connecting education: implementation of the international standard ISO 21001; finalisation of the negotiations regarding the Erasmus+ dossier; development of digital and linguistic competences;

• Development of an inclusive education;

• Increasing the quality of early education through common guidelines at EU MS level;

• European Platform of Education: development of lifelong learning education; bonuses for teachers recognised at the EU level for encouraging youth to enter the teaching profession;

• Dissemination of EU values through education and training;

• Promotion of anti-discrimination, tolerance and respect of diversity.

The main proposals identified by the group include the role of human work in future societies; the consequences of Brexit on education, training, security and common values of the EU; promotion of an EU initiative on the competitiveness of youth.
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- [http://www.fonduri-ue.ro/presa/noutati-am-oi/details/6/495/am-pocu-lanseaz%C4%83-apelul-%E2%80%99Bunicii-comunit%C4%83-%C8%9Bii-servicii-sociale-%C8%99i-socio-medice-pentru-persoane-v%C3%A2rstnice-%E2%80%9D-ap-4-pi-9-ii-os-4-4](http://www.fonduri-ue.ro/presa/noutati-am-oi/details/6/495/am-pocu-lanseaz%C4%83-apelul-%E2%80%99Bunicii-comunit%C4%83-%C8%9Bii-servicii-sociale-%C8%99i-socio-medice-pentru-persoane-v%C3%A2rstnice-%E2%80%9D-ap-4-pi-9-ii-os-4-4).

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## ANNEX

### Annex 1: Suggested questions for discussion

<table>
<thead>
<tr>
<th>Issue</th>
<th>Suggested questions for discussion</th>
</tr>
</thead>
</table>
| Economic context | What are the main measures planned in order to reduce the structural and headline deficits and achieve the targets set by the medium-term objective?  
What are the main measures to be taken in response to the Council recommendations from 2016, 2017 and 2018 that net primary expenditure growth should not exceed 3.3%?  
What are the main measures planned in order to mitigate the risk of a continuous increase in the public debt?  
How are the Romanian authorities planning to mitigate the risks of the weaker trade performance recorded in the last few years?  
How are the Romanian authorities going to ensure the maintenance of the growth rates of real GDP and GDP per capita of recent years?  
How are the Romanian authorities planning to tackle regional disparities in growth? |
| Labour market context | How is Romania planning to maintain the current employment level in the context of a continuous increase in wages that exceeds that of productivity?  
How is Romania planning to reduce the employment gap of disadvantaged groups (i.e. women, Roma, the disabled, youth, in particular from rural areas) and use their untapped labour potential?  
How is Romania planning to narrow the NEET gap for women, Roma and the disabled?  
How is Romania planning to reduce the level of early leavers, in particular women and disadvantaged groups (e.g., Roma, disabled, people from rural areas)?  
How is Romania planning to increase tertiary education and participation in VET and LLL?  
How is Romania planning to face the shortage of skills and skills forecasting issues? |
| Social inclusion context | How is Romania planning to reduce poverty and risk of social exclusion among Roma, NEET and young people considering the low implementation of the respective strategies and low attractiveness of ESF measures dedicated to them?  
How is Romania planning to reduce the poverty risks of self-employed people, especially in subsistence agriculture, considering the possible negative impact of the shift in social contributions from employers to employees? |
<table>
<thead>
<tr>
<th>Labour market policies</th>
<th>Education</th>
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<tbody>
<tr>
<td>How is Romania planning to attract Romanian emigrants back home, considering the recent protests in August 2018? How is Romania planning to stem the continuous increase in emigration, especially of young people?</td>
<td>What is the current position regarding the implementation and results of the strategies adopted by the Romanian authorities in the field of education and vocational training (e.g., VET strategy, lifelong learning strategy, early leaving strategy)? What measures are planned for this year and what are the expected results?</td>
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<tr>
<td>Are there any measures planned to improve the coverage and targeting of active labour market measures for NEETs and young people, considering that they are furthest from the labour market and are not being reached by existing measures? How is Romania going to continue the current active labour market measures? Are there any specific measures planned for Roma and disabled people, besides ESF projects and the special projects of the National Employment Agency? What are the current results of ESF projects addressed at improving the institutional capacity of the National Employment Agency? How will sustainability of results be ensured? When will the case management procedure be in place?</td>
<td>Are there any measures planned for increasing the attractiveness of IVET and CVET, besides the increase in the financial incentive offered to employers for apprenticeships and traineeships? Are there any measures planned for collecting feedback from employers about the relevance of qualifications? How will the Romanian authorities ensure the integration of the institutions already involved in IVET and the newly established national authority for dual initial vocational training? How is Romania planning to incentivise the take-up of adult learning in rural areas, considering the slow implementation of integrated community centres and the lack of a culture of lifelong learning in rural areas? Is Romania planning to create a database matching the demand and offers of training opportunities? Is Romania planning to consolidate the programme for food support of preschool children and to other schools? What measures are planned for increasing the quality of preschool education, especially in rural areas? How is Romania planning to increase the enrolment rates of children in the programme planned for reducing early school leaving among disadvantaged children (Law 284/2015)?</td>
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<tr>
<td>Poverty and income inequality</td>
<td>Will the minimum social inclusion income be implemented in 2019?</td>
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<td>Is Romania planning to restart the process for establishing a transparent mechanism for the increase in minimum wage?</td>
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<td>What is the current state of implementation and what results have been achieved by the ‘package for fighting poverty’ adopted in 2016? How will the implementation of the measures introduced by the programme be taken further?</td>
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<td>How is Romania going to reduce the potentially negative impact of the shift in social contributions from employers to employees on fragile categories (self-employed, part-time workers) and ensure that this measure does not further deepen existing income inequalities?</td>
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<td>Is Romania planning to equalise the pension age of women and men?</td>
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<td>What is the status of the draft bill on the change in the calculation system of pensions?</td>
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<td>How is Romania planning to tackle the persistent poverty among Roma and disabled people? Which measures from the strategy for the social inclusion of Roma are planned for this year and next?</td>
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<td>What are the main results of the diaspora start-up programme?</td>
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<td>Are there any other policy initiatives planned for attracting Romanian emigrants back?</td>
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<td></td>
<td>How is Romania planning to tackle the high delay in the implementation of the ESF funds and the risk of decommitment?</td>
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<td>How is the ESF MA planning to increase the attractiveness of the measures targeting Roma and NEETs?</td>
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<td>What is the state of implementation of CLLD measures and in particular of integrated community centres?</td>
</tr>
<tr>
<td>Romanian presidency of the Council of the EU</td>
<td>What are the main priorities of the Romanian authorities in the fields of employment and social inclusion?</td>
</tr>
</tbody>
</table>
Annex 2: Figures and tables

Figure 8: Gross domestic product (GDP) at current market prices (PPS per inhabitant)

Source: Eurostat, Gross domestic product (GDP) at current market prices by NUTS two regions.

Figure 9: Employment by activities of national economy in 2007 and 2017

Source: INSSE, Employment, by activities of national economy CANE Rev.2 and by professional status and 2010 – CON108B.

1. Agriculture, forestry and fishing; 2. Mining and quarrying, manufacturing, electricity, gas, steam and air conditioning production and supply, water supply, sewage, waste management and decontamination activities; 3. Construction; 4. Wholesale and retail, repair of motor vehicles and motorcycles, transport and storage, hotels and restaurants; 5. Information and communication; 6. Financial and insurance activities; 7. Real estate activities; 8. Professional, scientific and technical activities, activities of administrative services and of support services; 9. Public administration and defence, social insurance of public sector, education, health and social assistance; 10. Shows, culture and recreation activities, repair of household goods and other services.
Figure 10: Employment rate by macro region and age

Source: INSSE, Employment rate by age group and sex, by macro-regions and development regions – AMIGO.

Figure 11: Employment rate by macro region and age

Source: INSSE, Employment rate by age group and sex, by macro-regions and development regions – AMIGO.

Figure 12: Employment by educational attainment level and age group

Source: Eurostat, Employment by educational attainment level – annual data.
Figure 13: Employment by sex in EU and RO

![Employment by sex (% of total employment)](image)

Source: Eurostat, Employment and activity by sex and age – annual data.

Figure 14: Atypical employment in Romania 2007- 2017

![Atypical employment in Romania](image)

Source: Eurostat, LFS indicators.

Figure 15: Evolution of temporary employment in Romania and EU 2008-2017

![Temporary employment (% of total employees)](image)

Source: Eurostat, Temporary employees as a percentage of the total number of employees by sex and age (%).
Figure 16: Evolution of part-time employment in Romania and EU

Source: Eurostat, Part-time employment as a percentage of the total employment by sex and age (%).

Figure 17: Evolution of involuntarily part-time in Romania and EU

Source: Eurostat. Involuntary part-time employment as percentage of the total part-time employment by sex and age (%).

Figure 18: Self-employment in Romania and EU

Figure 19: Evolution of unemployment by macro-regions

Source: National Institute of Statistics, ILO unemployment rate by age group and sex, by macro-regions and development regions – AMIGO.

Figure 20: Evolution of NEET in Romania and EU

Source: Eurostat, Young people aged 15-24 not in education, employment or training (NEET), by sex (percentage of total population) – annual averages.

Figure 21: Evolution of NEET by gender in Romania and EU

Source: Eurostat, Young people aged 15-24 not in education, employment or training (NEET), by sex (percentage of total population) – annual averages.
Figure 22: Social Justice Index 2017 in Romania and EU MSs

Source: EU Social Justice Index 2017, 
https://www.fundacionbertelsmann.org/fileadmin/files/Fundacion/Publicaciones/EU_Social_Justice_Index_2017_Key_findings_EN.pdf.

Figure 23: Evolution of the risk of poverty for men and women in Romania

Source: Eurostat, People at risk of poverty or social exclusion by age and sex.
Figure 24: People at risk of poverty before and after social transfers in Romania and EU

Source: Eurostat, At-risk-of-poverty rate before social transfers (pensions excluded from social transfers) by poverty threshold, age and sex – EU-SILC survey, At-risk-of-poverty rate by poverty threshold, age and sex – EU-SILC survey

Figure 25: Evolution of the inequality of income distribution (income quintile share ratio)

Source: Eurostat, S80/S20 income quintile share ratio by sex and selected age group – EU-SILC survey.

Figure 26: Permanent emigration of Romanian population by age groups

Source: National Institute of Statistics, Permanent emigrants by age group, macro-regions, development regions and counties of departure.
Table 2: Unemployment (% of active population)

<table>
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<tbody>
<tr>
<td>EU</td>
<td>7.0</td>
<td>9.0</td>
<td>9.6</td>
<td>9.7</td>
<td>10.5</td>
<td>10.9</td>
<td>10.2</td>
<td>9.4</td>
<td>8.6</td>
<td>7.6</td>
</tr>
<tr>
<td>RO</td>
<td>5.6</td>
<td>6.5</td>
<td>7.0</td>
<td>7.2</td>
<td>6.8</td>
<td>7.1</td>
<td>6.8</td>
<td>6.8</td>
<td>5.9</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: Eurostat, Unemployment by sex and age - annual average.

Table 3: List of measures included in the anti-poverty package

<table>
<thead>
<tr>
<th>Target group</th>
<th>Measures foreseen</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 years</td>
<td>Increasing the availability of kindergartens, especially in urban areas, and granting financial payments for carers in rural areas (e.g., old people, women employed in subsistence agriculture, unemployed, inactive). Increasing the access to healthcare services in rural areas through the adoption of a national programme based on the model of the project ‘medical caravans in rural areas’.</td>
</tr>
<tr>
<td>3-6 years</td>
<td>Financial incentive for increasing the participation of disadvantaged children in preschool education (Law 248/2015) and its monitoring. Provision of school materials and clothes for children enrolled in preschool education who receive social tickets (Law 248/2015). Promotion of a national nutritional and health programme for preschool children enrolled in preschool education in disadvantaged communities (see paragraph on preventing early school leaving).</td>
</tr>
<tr>
<td>6-18 years</td>
<td>Increased integration between educational, healthcare and social assistance services by transforming the school into an engine for social inclusion in disadvantaged areas. Implementation of a national programme ‘school after school’ in disadvantaged schools. Increasing the number of schools in disadvantaged areas involved in the national ‘second chance’ programme. Provision of grants for schools in disadvantaged areas. Adoption of a national programme based on the model ‘teach for Romania’. Increasing the accessibility of schools for children. Prevention of early leaving through sport.</td>
</tr>
</tbody>
</table>
| 16-24 years | Introduction of a national integrated programme for NEET.  
|            | Improvement of IVET in urban and rural areas.  
|            | Reforming the National Agency for Employment.  
|            | Social inclusion and insertion on the labour market of youth enrolled in the special protection system. |
| 24-65 years | Promotion of active labour market policies.  
|            | Development of rural and urban entrepreneurship.  
|            | Development of social entrepreneurship. |
| +65 years   | Implementing and monitoring the national strategy for active ageing and social protection of elderly people.  
|            | Involvement of elderly people in care programmes addressed to children.  
|            | Integrated community centres.  
|            | Special conditions (e.g. financial incentives for employing elderly people, training for elderly people), for elderly workers.  
|            | Development and funding of services for home care of elderly people.  
|            | Improvement of medical and care services addressed to elderly suffering from old-age health conditions. |
| Families    | Social housing.  
|            | Grants for improving housing conditions.  
|            | Financial stimulus (vouchers) for casual workers.  
|            | Financial instruments for guaranteeing microcredit.  
|            | Reduction in domestic violence.  
|            | Creation of a community integrated intervention team.  
|            | Preventing the division of families.  
|            | Deinstitutionalisation and transition towards community care.  
|            | Improving the interaction system between minors and justice.  
|            | Implementing the law on social economy.  
|            | Promotion of healthcare services in rural areas.  
|            | Creation of mobile social canteens, especially in isolated and disadvantaged rural areas based on the French model.  
|            | Promotion of a national programme based on the model of the project ‘first light’ (photovoltaic panels in isolated rural areas). |
| Other measures | Mainstreaming of successful projects of NGOs and local authorities in national policies.  
|            | Social inclusion of disabled people.  
|            | Digital education of people from marginalised communities. |

This study aims to provide an overview of the economic, employment and social inclusion context and recent policies in Romania. The document was prepared at the request of the European Parliament’s Committee on Employment and Social Affairs in view of its delegation visit to Romania in September 2018.