

The United Nations Development Program – UNDP

**NATIONAL HUMAN DEVELOPMENT REPORT –  
ROMANIA, 2007**

**MAKING EU ACCESSION WORK FOR ALL**

Fostering Human Development  
by Strengthening the Inclusiveness of the Labor Market  
in Romania

**Bucharest, 2007**

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## CHAPTER 1:

### Romania at the moment of the EU Accession – An overview of human development issues

#### *Romania and the European Union in the Human Development Context*

The Global Human Development Report 2006, “Beyond Scarcity: Power, Poverty and the Global Water Crisis”, shows that Romania has finally gained a place among the high Human Development Index (HDI) countries by surpassing the 0,800 value of index which makes access to this group. Data for 2004 ranks Romania on the 60<sup>th</sup> position among 177 countries and data from the National Institute for Statistics shows a further improvement in the HDI for Romania (0.808 in 2005) thanks to improvements in all the three basic components of the index: longevity, education level and standard of living, with the greater increase in the latter one.

But, unfortunately Romania still holds the last position within the European Union countries, the lag between Romania and the next country in the HDI ranking (except Bulgaria ranked 54 with a HDI equal to 0.816 in 2004) is 15 places, namely 0.045 HDI points. As it can be seen in the figure below (*Chart 1.1*), the evolution of the HDI for the European Union countries is quite uneven.

Between 1995 and 2000 the 10 New European Union member countries (accession as of May 1st 2004) registered higher increases in the HDI compared to the 15 European Union countries at that time, but afterwards, between 2000 and 2004, the trend smoothens and the two slopes become very similar. The two newest European Union member countries, Romania and Bulgaria, are far from the EU25 average and also from the ten countries that have acceded in 2004. As for the difference in the HDI between Romania and Bulgaria the latest tendencies are in favor of Romania, as the overall index increased sharper in its case and the distance between the two countries is smaller by every year that passes.

Yet, there is a very important aspect that should be mentioned regarding the Human Development Index dynamics for Romania for the period 2000-2004 and that is the significant change in its value (0.027 points increase<sup>1</sup>) equaled only by Estonia and Lithuania and outrun only by Latvia (0.030 points increase) in the European Union area. This stands for consistent evidence of the important progresses Romania achieved in the area of human development during the last years.

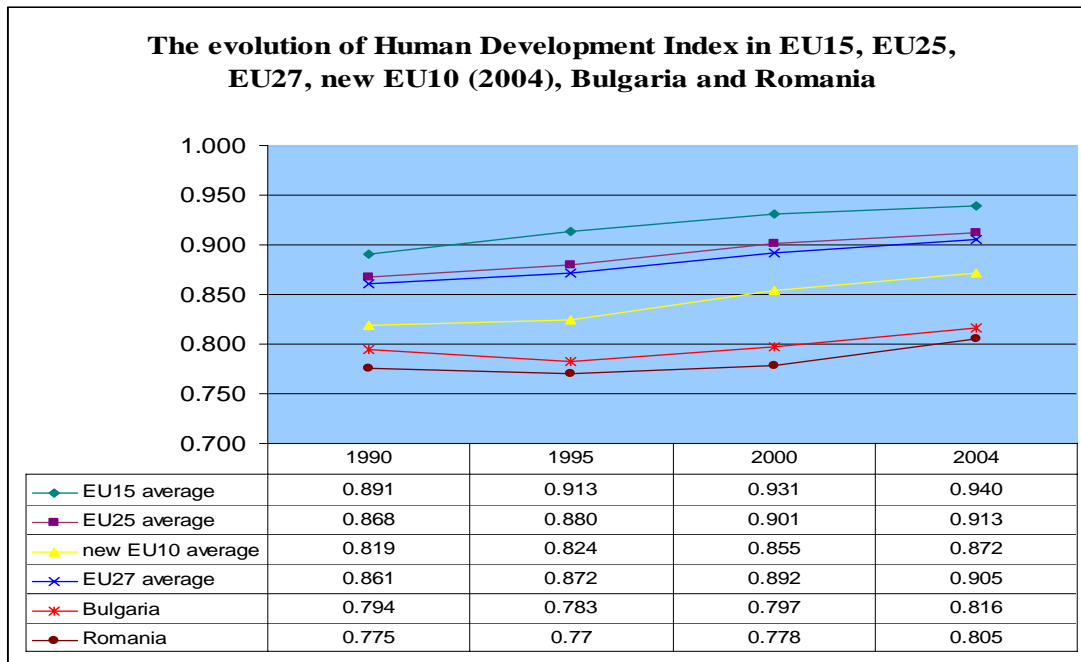
The decomposition of the Human Development Index in its three components: life expectancy index, education index and GDP index reveals some additional significant aspects. Practically, Romania is close to the EU25 average for the gross enrollment ratio and adult literacy, but still far at life expectancy at birth and at GDP per capita (*Chart 1.2*).

The life expectancy index for Romania is almost 0.1 points lower than the EU25 average which means that Romanians die earlier by an average of six years than their fellows in the rest of the Union (except Bulgaria and Romania).

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<sup>1</sup> Human Development Report 2006

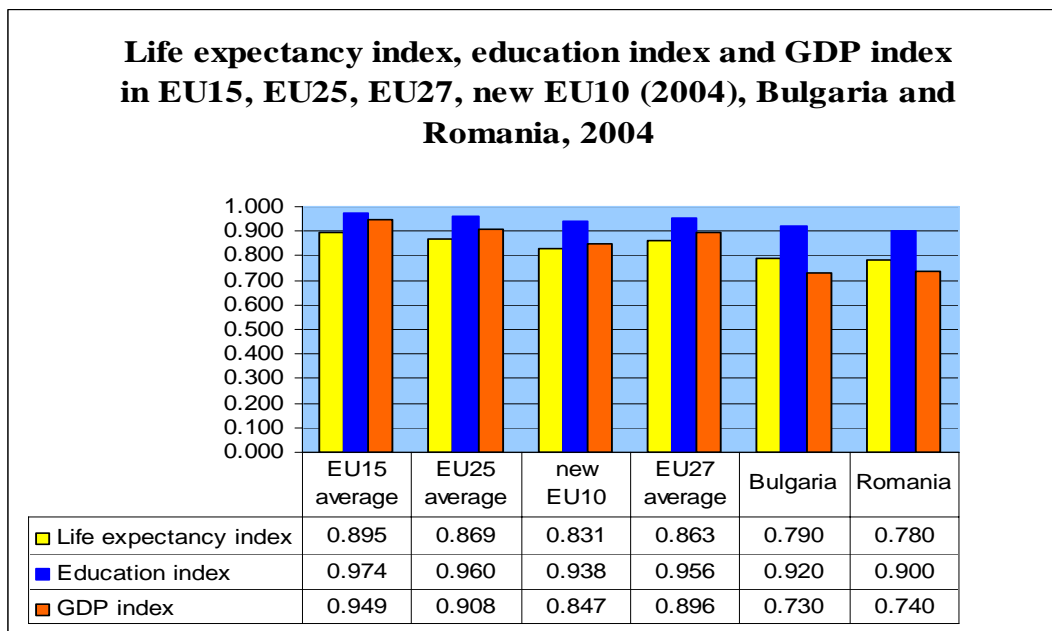
**Chart 1.1**



**Source:** Human Development Report, 2006

Starting from the year 2000, Romania has been constantly experiencing important real GDP growth rates exceeded, in the European Union area, only by the Baltic countries, Ireland, the Czech Republic and Bulgaria. For this reason and with the little help of a decreasing population, the GDP per capita, respectively the GDP index have improved substantially. However, the gap between Romania and the EU25 still remains and is not entirely reflected in the GDP per capita index, as the construction of the index is based on the assumption that one does not need an unlimited income in order to achieve a decent level of human development.

**Chart 1.2**



Source: Human Development Report, 2006

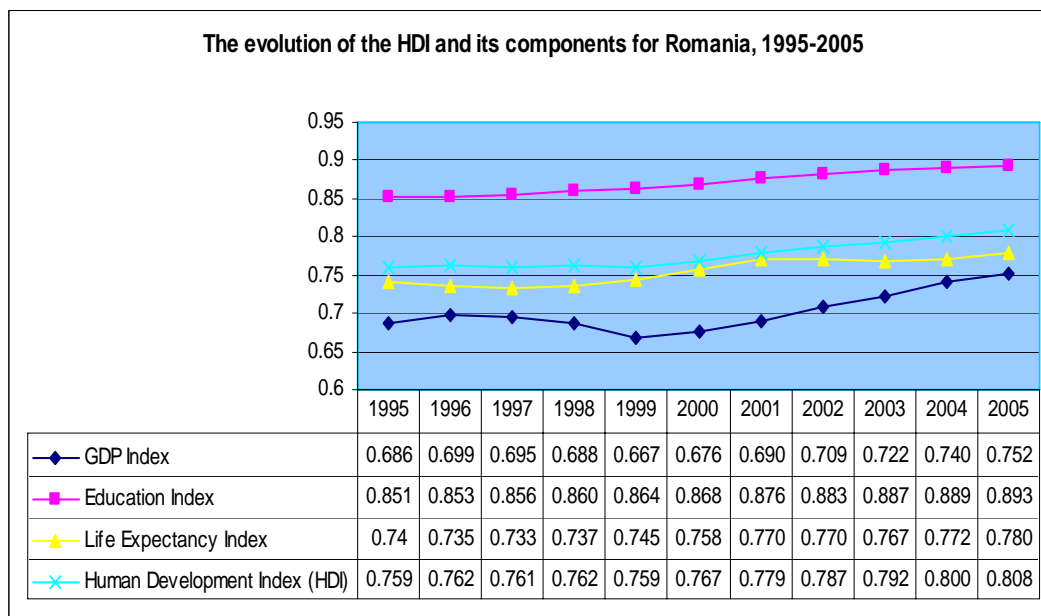
### *Last decade's evolutions in the Human Development Index and its components*

As said earlier, eventually, Romania has joined the group of countries fostering high human development, the threshold of 0.800 points was attained in 2004 and in 2005 the HDI had the value of 0.808 points. This achievement can be valued as very significant as the rise since 1995 equals 0.049 points on the human development index scale. The main driving force for the steady improvement of the Romanian HDI lies primarily in the GDP index (see the chart below) which registered a 0.085 growth in points of human development between 1999 (the lowest GDP value in the last decade) and 2005, thanks to the economic development of the country.

Although the education index has the smallest contribution to the increase of the overall index, it has the quality of being on a constantly upward trend since 1995, due to policies promoting access to education and human resource development. This tendency is given mainly by the increase in the gross enrolment ratio with 8 pp, enhanced, at his turn, by the substantial improvement in the gross enrolment ratio for tertiary schools<sup>2</sup> from 20.9% in 1995 to 47.5% in 2005, and less by the increase in the adult literacy rate with 0.6 pp between 1995 and 2005.

As for the life expectancy index, except the year 2003, it has been on an upward trend and the gain between 1995 and 2005 has been of 0.04 points, which means 2.4 years more of life expectancy at birth and is due to important improvements in most of the health indicators, thanks to more consistent health programs implemented by the Health Ministry. The breakdown of life expectancy index by gender reveals significant differences between women and men. Thus the gap between life expectancy at birth for women and men remained rather constant during the last ten years, at around 7 years in the favor of women (see **Table 1.2**). These differences are not necessarily the expression of better life of women compared to men, but rather the result of a different behavior with respect to health issues. It is quite known that men and women have different life styles (i.e. men's consumption of alcohol beverages and cigarettes being higher than that of women) and their workplaces are characterized by worse working conditions, so these seem to be the most important explanations for these differences in life expectancy index.

**Chart 1.3**



Source: National Institute of Statistics, Statistical Annexes

<sup>2</sup> Including post-secondary and foremen schools

### ***Health and Human Development***

The state of health of the Romanians and the quality of provision of medical services has been greatly affected by the negative evolutions of the economy during the first stage of transition. On one hand, the decrease in the standard of living, worsening of the economic, social and physical environment, as well as the difficulties to adapt and the dissatisfactions generated by the transition to the market economy and, on the other hand, the mal functionalities of the health system lead to the degradation of the health indicators. Then, during the second stage of transition, respectively beginning from 1995, most of the health indicators started to improve and maintain this tendency for the whole next decade.

Health is a crucial issue from the human development perspective, as being the premise of education and employment, which create welfare and sustainable development, as there is a powerful link between the state of health and the economic development of the country.

During the last decade, the mortality rate of the Romanian population has been oscillating between 11 and 12 per 1000 inhabitants, but the mortality rates by cause point constantly increases for circulatory diseases and tumors, as the main causes of death.

Infant mortality rates (per 1,000 live births) are constantly improving due to important efforts made in order to achieve the targets established by the Millennium Development Goals according to which the infant mortality should decrease by 40% between 2002 and 2005. Proactive approach, such as education for health, medical commitment in eradicating infant mortality has been undertaken in this issue with the concerted action of improving the wellbeing of the population.

Maternal mortality, another Millennium Development issue, has known an extremely significant drop since 1991, from 66.5 to 16.7 per 100,000 live births in 2005, under the circumstances of increased number of live births since 2002. The target of halving the maternal mortality rate between 2001 and 2009 has already been accomplished in 2004 thanks to improvement of women's access to family planning and contraceptive methods and modern medical care.

Romania has a small incidence of AIDS cases, but it is also the European country with the greatest number of AIDS cases among children. The target of maintaining AIDS incidence in 2007 at the level registered in 2002 set by the Millennium Development Goals is very difficult to accomplish since every year new cases of AIDS are registered. The number of AIDS cases among children is still at a high level since they get to survive even up to the age of 14 or more, that is also the reason why the number of AIDS cases increased for the age group 14-29 after 2000.<sup>3</sup> The priorities of the government are directed to the prevention side through education for health and counseling and for better allocation of resources towards the treatment and social protection of those already infected.

Tuberculosis, one of the most serious infectious diseases, is still at alarming levels, although important efforts have been made in order to stop its incidence and its deathly consequences since 1997 when the Tuberculosis Control Program was implemented<sup>4</sup>. The number of new cases of tuberculosis has been increasing between 1998 and 2002 and then set on a decreasing trend which continues at present.

As for the provision of medical services, there is a notable improvement in the population per physician indicator and the population per ancillary medical person indicator, mainly because the number of private health care units (surgeries, dentist's surgeries, medical labs) almost doubled since 1998.

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<sup>3</sup> The Millennium Development Goals, Report, Romania 2003

<sup>4</sup> Idem 3

Public expenditure on health, as share of GDP, has been growing insignificantly and inconstantly through the last decade, its value of 3.8% out of GDP in 2005 is far beyond the EU25 average of 7.4% in 2004.

As to conclude, in the area of health, even if important progress has been registered, the negative aspects seem to prevail and the challenges would be to join public and private efforts in order to make things work for all categories of people, namely to improve access for the poorer and offer alternatives for the richer. Also, another challenge could be that of developing awareness raising programs concerning certain health issues and targeted on men. These campaigns could have an important impact on the life expectancy among men; while its raising could contribute to the increase of HDI.

### ***Education and Human Development***

Alongside health, education represents the prerequisite for sustainable development. Human development is mediated by learning and has to be seen as a life-long process not limited only to school.

The education process begins in childhood being initiated by parents and completed by school. Gross enrollment rates in pre-primary education are constantly increasing, achieving a share of 74.7% of pre-primary aged children in 2005, which means a 10 pp increase compared to 1998. This increase was due to the changes of legal framework, as the last year of pre-primary education became compulsory.

Gross enrolment rates in compulsory education, respectively primary and lower secondary education are very high, 106.1% and 97.4% in 2005; rates above 100% are caused by important proportions of people involved in primary education over the official age corresponding to this level.

The share of children aged between 7 and 14 years not enrolled in total number of children of the same age has been on a declining trend, the distance between 2005 and 2004 being of 2.1 pp.

Enrolment in upper secondary education has ups and downs as the rates of continuation in the upper secondary school are oscillating, decreasing for a couple of years and then increasing and going down again. The duration of the education process is a safety net against poverty, as important studies have confirmed it<sup>5</sup>, so it could be a link between the significant reduction in the incidence of poverty in Romania and the almost doubling of the gross enrolment ratio in tertiary education, between 1998 and 2005.

The gender differences of gross enrollment rates in upper secondary education and in tertiary education points that men are surpassed by women with 1.8 p.p. and respectively 4.5 p.p. (see also **Table A.16**, Statistical Annexes). Thus, women seem to become better educated than men, while, on the other hand, positive actions for improving men access to upper secondary and especially to tertiary education in certain specialization areas could be substantiated. In terms of human capital, the gains of women in education are very important by far, but these gains have to conduct to better jobs, better promotion opportunities and better incomes. If it is as such we will see in the last subchapter dedicated to labor market issues.

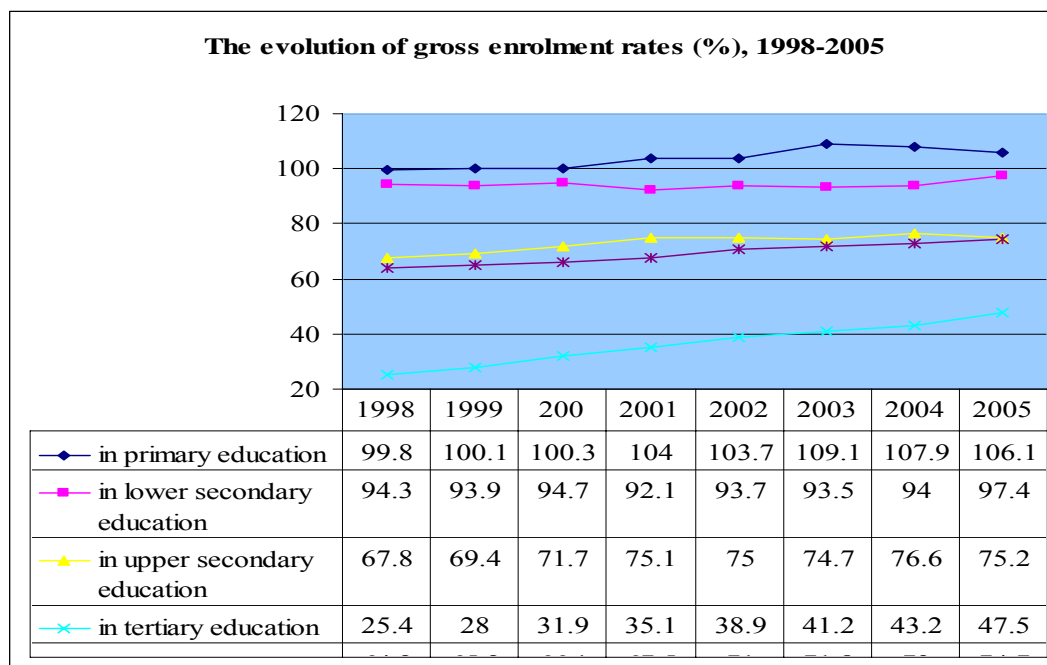
As for the adult literacy rate, although increasing, the progress is not remarkable in spite of the implementation of some programs in this context, such as the Law for prevention and eradication of social marginalization (2003), which stipulates that literacy scholarships would be awarded to poor adults who wish to complete their compulsory education and the “Second Chance Program” which offers the chance of acquiring basic competences to adults that have left the compulsory education without a stock of basic competences. Meanwhile, the adult illiterate

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<sup>5</sup> Romania Poverty Assessment, World Bank, 2003

rate is on a slow but constant decreasing trend, while the adult illiterate rate for women (3.5% in 2005) remains higher than for men (1.5% in 2005) (see also *Table A.2*, Statistical Annexes).

**Chart 1.4**



**Source:** National Institute of Statistics, Statistical Annexes

In the context of human development, granting access to education of children and adults with special needs is a must, as being the main element that provides social inclusion of people with special needs. In this respect, the Romanian authorities have developed programs to stimulate the school enrolment of children with special needs in special education, but it is also encouraged their enrolment in the regular education system, where possible, this being the main reason for the decrease in the number of children enrolled in special education in the last years. But still there are a lot of barriers that people with special needs have to overcome, such as mentalities and accessibilities.

The restructuring of the upper secondary educational system was intended to improve access to technical education, in order to provide a professional orientation for young people. Enrolment in upper secondary technical education decreased after 1991, when more than three quarters of the students enrolled in upper secondary education attended technical education, until 1999, when the trend reversed and continues in the present. But for technical universities the situation is not as good because the share of their students in the total number of students halved since 1991.

We expect that in the future public expenditure for education to grow as Romania still holds the worst position in the ranking of European Union countries by this criterion because education and consequently, investment in education are the bases of assuring a real and long term human development.

Education is the first step in building a knowledge based economy by producing valuable human resources that are going to work in the fields of science, technology, research and development. The Romanian National Strategy for Research, Development and Innovation 2007-2013 emphasizes the important role that research will play in the future, namely “research, development and innovation system will be the engine of the knowledge based society in Romania, being capable of supporting performance through innovation in all fields that

contribute to the wellbeing of the Romanian citizens”. Because research and development are the best ways to promote higher labor productivity and economic growth, research and development expenditure of a country is a very significant indicator. In Romania, the share of research and development expenditure in the GDP is very low, 0.39% of GDP in 2004, while the EU25 average is 1.85% of GDP in 2005<sup>6</sup>, but the authorities committed to enhance this level to 1.5% of GDP by 2013. In the case of Romania, the 0.35% share of researchers in total employment is the lowest in the EU, the EU25 average being 0.9% in 2004, thus being a critical point in the advancement to greater economic and human development.

### ***Economic Growth, Poverty, Inequality and Human Development***

Economic growth, greater incomes and economic stability with low inflation rates reverberate in better living conditions, thus greater human and sustainable development. A great number of researches that have been concerning with the linkage between poverty, inequality and economic growth agree on the fact that poverty reduction depends on the growth rate of average income, the initial level of inequality and changes in the level of inequality and also that there is a major relationship between the initial level of inequality and growth<sup>7</sup>. It appears that the most important part in this triangle (poverty, inequality, growth) is played by inequality because lowering its level leads to poverty reduction; it also increases poverty elasticity to growth and increases economic growth<sup>8</sup>.

Although Romania has now entered in the seventh year of economic growth, the gap between Romania and the average EU25 still remains significant as the GDP per capita of Romania, measured in purchasing power standard, represents 34.1% of the average EU25 GDP per capita in 2005<sup>9</sup>. GDP's evolution by the economic activities contributing to its formation indicates the service sector as being the less volatile component and having an increasing contribution, agriculture being on the opposite side. This fact is a great plus for the financial stability of the economy<sup>10</sup> and also for the labor market, which registers greater employment in the service sector, year by year.

The GDP formation is still based on the final consumption, but its share has decreased from 90.3% in 1998 to 87.6% in 2005, in favor of fix capital formation, whose share in GDP increased from 18.2% in 1998 to 23.1% in 2005.

The final consumption of households has been increasing in the last 6 years thanks to the real increase in incomes but also due to the individual positive anticipations regarding future incomes<sup>11</sup>. The demand pressure had great impact on the growth rate of imports which exceeded the growth rate of exports, thus unbalancing the balance of payments of the country in the last years.

Consumption patterns have changed, lower shares being attributed to food and beverage consumption (but the food quality, measured in calories and nutritional values, improved) and greater shares to housing and endowment with durable goods, communications and transportation, health and medical care, education and culture. These shifts shaped a deeper orientation to the human dimensions of development and also contributed to the reduction of poverty and severe poverty in Romania, which are calculated as an absolute measure on the basis of a consumption basket.

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<sup>6</sup> Source: Eurostat, 2005

<sup>7</sup> OECD, Economic growth and poverty reduction: measurement and policy issues, Stephan Klasen, 2005

<sup>8</sup> Idem 6

<sup>9</sup> Idem 6

<sup>10</sup> National Bank of Romania, Financial Stability Report, 2006

<sup>11</sup> Idem 9

Poverty has reduced for all age categories, especially for children and elderly, but children and young people still remain on top of the poverty list, and for all occupational status, mainly for employees.

However the Human Poverty Index computed on the basis of four dimensions of human deprivation, longevity, knowledge, decent standard of living and social exclusion shows little improvement since 1998 (1.3 p.p.) mainly because the incidence of relative poverty (measured as 60% of the median disposable income) is increasing which could point that consumption is based on a great extent on consumption credits for some categories of population at the lowest sides of income distribution and also that incomes are more unequally distributed, idea that is illustrated also by the Eurostat estimates regarding the income quintile share ratio which, although equal to the EU25 average for 2005, has an upward tendency since 2000 (increase from 4.5 to 4.9 between 2000 and 2005).

**Table 1.1 Poverty, Income inequality and per capita GDP growth, 1998-2005**

	1998	1999	2000	2001	2002	2003	2004	2005
GDP per capita growth	-4.6	-1.0	2.3	5.9	8.1	5.5	8.8 <sup>*)</sup>	4.4 <sup>*)</sup>
Poverty rate	30.8	33.2	35.9	30.6	28.9	25.1	18.8	15.6
Inequality of income distribution (income quintile ratio) <sup>**) )</sup>			4.5	4.6	4.7	4.6	4.8	4.9

**Source:** National Statistics; <sup>\*)</sup>semi-final data; <sup>\*\*) )</sup>Eurostat data

Generally, the level of income of the population has increased in the last years, especially because of the real increase of salaries, which represent almost half of the population incomes (47.5% in 2005, with an increasing trend). The monthly average net earning had a greater dynamics in the public sector, autonomous state units and state institutions, than in the private sector. We also notice a downward trend of the value of agricultural products consumed (food and other goods) from own resources (its share in total gross income decreased from 29.1% in 1998 to 17.3% in 2005), motivated by unsatisfactory agricultural outputs. There is also a growing importance of incomes from social protection and private transfers from abroad.

According to the National Bank's estimates, in the future, individual consumption will grow, as the marginal propensity to consumption is on an increasing trend and exceeds the average propensity to consumption<sup>12</sup> and as the future expectations regarding incomes is positive. As we have already seen that consumption patterns change towards education, culture, health and services we can conclude that economic growth has brought a deeper concern for human development, as little, but precious steps are made towards sustainable development and knowledge-based economy, realities where investment in human capital and human development are keys to economic growth.

### ***Differences and Disparities in Human Development***

#### ***Gender differences***

The GDI (Gender-related Development Index) is a measure of the women capabilities with respect to a "long and healthy life"<sup>13</sup>, access to knowledge (education) and a decent living standard. On the other hand, GEM (Gender Empowerment Measures) is a measure of women access to political and economic decision making. As the 2006 Human Development Report states, out of 136 countries ranked by United Nations Development Program (UNDP), Romania takes the 49<sup>th</sup> place for GDI with a value of 0.804 and the 59<sup>th</sup> for GEM with a value of 0.492.

<sup>12</sup> National Bank of Romania, Balance of Payments, 2005

<sup>13</sup> Human Development Report 2006, p.24

The evolution of these two indices during and after transition is quite similar. Thus, after the critical mass of transition is reached in 1999 and the reforms employed became irreversible, the two gender-related measures for human development, namely GDI and GEM, started their constant increases.

As it is shown in the table bellow, all the components of the GDI witnessed an “improvement”, so, the GDI tends to reach the HDI values. Moreover, same “improvements” are characteristic to GEM, where the increase in the share of women in Parliament seems to be quite spectacular, but values achieved quite insufficient. In fact, the low values for share of women among parliamentarians and managers, are responsible for the low value of GEM.

**Table 1.2: Gender-related Development Index (GDI)**

	1998	1999	2000	2001	2002	2003	2004	2005
Life expectancy at birth (years)	69.2	69.7	70.5	71.2	71.2	71.0	71.3	71.8
- female	73.3	73.7	74.2	74.8	74.9	74.8	75.1	75.5
- male	65.5	66.1	67.0	67.7	67.6	67.4	67.7	68.2
Adult Literacy Rate (%)	97.1	97.0	97.0	97.2	97.3	97.3	97.4	97.5
- female	95.6	95.6	95.5	96.0	96.3	96.3	96.4	96.5
- male	98.7	98.7	98.6	98.5	98.4	98.4	98.5	98.5
Gross enrolment rate at all education levels (%)	63.9	64.9	66.5	68.3	70.2	71.6	72.0	72.9
- female	64.8	65.9	67.8	69.8	72.0	73.4	73.9	75.0
- male	63.1	64.0	65.3	66.8	68.5	69.8	70.2	70.8
Gross Domestic Product (GDP) per capita in PPP US\$ <sup>1)</sup>								
- female	4975	4586	4890	5235	5883	6205	7117*)	7643*)
- male	7382	6334	6649	7276	8205	8984	9827*)	10518*)
<b>Gender Disparity Index (GDI)</b>	<b>0.761</b>	<b>0.758</b>	<b>0.765</b>	<b>0.778</b>	<b>0.787</b>	<b>0.791</b>	<b>0.800</b>	<b>0.808</b>

Source: National Institute for Statistics, 2006

The difference or the ratio between GDI and GEM are often used as measures of gender inequality, only one gender-related index being insufficient. Thus, the achievements of Romanian economy and society with respect to human development, from a gender sensitive point of view, are “re-framed” by the inequalities between men and women with respect to their opportunities of participating in political and economic decision-making. Well represented among active population and specialists with intellectual and scientific occupations, women are still under-represented among managers and senior civil servants, as well as among parliamentarians.

**Table 1.3: Gender Empowerment Measures (GEM)**

	1998	1999	2000	2001	2002	2003	2004	2005
Proportion of women in Parliament (%)	5.6	5.6	9.7	9.7	9.7	9.7	10.7	10.5
Proportion of women managers and officials in general government and economic (and social) units (%) <sup>14)</sup>	24.2	24.6	28.3	31.7	29.9	29.0	28.9	28.6
Proportion of women specialists with intellectual and scientific occupations (%) <sup>2)</sup>	49.7	49.9	50.3	50.3	48.4	49.0	50.4	52.9
Proportion of women in the total population (%) <sup>2)</sup>	51.1	51.1	51.1	51.1	51.2	51.2	51.2	51.2
Proportion of women in the active civilian population (%) <sup>15)</sup>	47.2	48.0	48.3	48.3	47.9	47.0	47.2	46.9
Share of women’s average earning in the men’s	78.5	81.9	82.3	80.6	81.8	81.7	85.1	86.3

<sup>14)</sup> Data is provided by the Labour Force Survey (LFS), quarters IV - 1998-2005. Starting with 2002, data were estimated based on the results of Population and Housing Census (PHC 2002) and is not comparable with previous series due to revision of definitions applied

<sup>15)</sup> Data is provided by the Labour force balance

\*) Semifinal data (2005 in lei RON)

average earning, in non-agricultural activities (%)								
Gross Domestic Product (GDP) per capita, in PPP US\$ <sup>1)</sup>	6153	5441	5750	6232	7017	7561	8439 <sup>*)</sup>	9045 <sup>*)</sup>
<b>Gender Empowerment Index (GEI)</b>	<b>0.405</b>	<b>0.401</b>	<b>0.460</b>	<b>0.474</b>	<b>0.475</b>	<b>0.477</b>	<b>0.495</b>	<b>0.497</b>

Source: National Institute for Statistics, 2006

So, even characterized by a so called “high human development”, the participating and representing mechanisms are rather inequitable for women and men and to balance more in the favor of the last ones. Thus, from a gender point a view, we could say that, even ranked among countries with high human development, the Romanian society is still rather a “traditional” and “patriarchal” one, perpetrating mechanisms that tend to under-evaluate the women human capital. Although, we also have to mention that all central and eastern European countries have lower values for GEM as compared to GDI, but the gap between these two indices is the highest for Romania.

**Table 1.4: Human Development Index (GDI), Gender-related Development Index (GDI) and Gender Empowerment Measures (GEM) for Central and Eastern European Countries, 2004**

Central and Eastern European Countries	HDI	GDI	GEM	GDI-GEM
Slovenia	0.910	0.908	0.603	0.305
Czech Republic	0.885	0.881	0.615	0.266
Hungary	0.869	0.867	0.560	0.307
Poland	0.862	0.859	0.610	0.249
Estonia	0.858	0.856	0.608	0.248
Lithuania	0.857	0.856	0.635	0.221
Slovakia	0.856	0.853	0.599	0.254
Croatia	0.846	0.844	0.602	0.242
Latvia	0.845	0.843	0.621	0.222
Bulgaria	0.816	0.814	0.595	0.219
Romania	0.805	0.804	0.492	0.312

Source: Human Development Report, 2006

#### *Territorial and rural-urban disparities*

The picture of human development in Romania is not fully painted if one does not mention about the disparities that still exist in the territorial and rural-urban distribution of some indexes.

If we take the regional Human Development Index, than there is one region with very high HDI, Bucharest with a 0.891 value of the index, followed by Center and West with levels above the national level of 0.800 in 2004, but at the other side of the distribution there are regions like North-East and South which register only around 0.780 point in the HDI. Important differences exist in each of the three basic components of the HDI, as shown in the table below.

The greatest differences in the index are given by the economic development of the regions, since the range of GDP per capita in PPP US\$ spreads between 5839 in the North-Eastern region to 16162 in Bucharest. The gross enrolment ratio is the next indicator that contributes to the widening of the regional gap, by spreading between 65.2% in South and 106.9 % in Bucharest, while the adult literacy rate is evenly and closely distributed around the country average.

The life expectancy at birth contributes the least to the regional disparities, ranging between 70.6 years in North-West and 73.5 years in Bucharest. Inside every region, distribution

of the “judets”<sup>16</sup> is more or less uniform, depending on the region and on the specific indicator at stake.

**Table 1.5 Regional profile of Human Development**

Statistical Regions	GDP per capita in PPP US\$ 2004 <sup>17)</sup>	Life Expectancy at birth (years) 2002-2004	Adult Population Literacy Rate % 2004	Gross Enrolment Ratio – all education levels, (%) 2004/2005	Human Development Index (HDI) 2004
<b>ROMANIA</b>	<b>8439</b>	<b>71.3</b>	<b>97.4</b>	<b>72.0</b>	<b>0.800</b>
REGION 1-NORTH-EAST	5839	71.1	97.5	67.0	0.773
REGION 2-SOUTH-EAST	7658	71.0	97.2	65.5	0.786
REGION 3-SOUTH	7041	71.1	95.7	65.2	0.778
REGION 4-SOUTH-WEST	7032	71.4	96.6	69.2	0.786
REGION 5-WEST	9679	70.8	98.0	76.4	0.811
REGION 6-NORTH-WEST	8203	70.6	97.5	72.2	0.796
REGION 7-CENTER	8796	71.8	98.1	68.6	0.803
REGION 8-BUCHUREST	16162	73.5	99.0	106.9	0.891

**Source:** National Institute for Statistics, 2006

The rural-urban balance in the population is a significant indicator that correlates with the regional distribution of the HDI, as regions with higher proportions of rural population seem to do worse than those with higher urban population. So, this brings us to the rural-urban disparities materialized in living conditions, education, and access to medical care.

The most obvious gap between rural and urban areas, from the human development point of view, is the gross enrollment ratio for all educational levels, which is only 44.5% in rural and 96.7% in urban (2005/2006). The governmental programs that were meant to enhance gross enrollment ratios for primary and lower secondary levels in the rural area seemed to have had a certain effect since the value of the indicator for the rural exceeded that of the urban in 2004 (100.4% to 100.2%), but unfortunately decreased again to 96.6% in 2005.

Rural areas are most deprived in human development because of the lack of access to modern medical care and education for health. People in rural areas live two years less than people in urban areas, although we expect them to live longer thanks to better environmental conditions in the rural area. Also, the infant mortality rates and maternal mortality rates are much higher. This is because rural population’s provision with health services is very poor, the medical intervention being more difficult because of the increasing of population to medical personnel ratio, which is almost nine times higher than in urban areas for physicians and seven times higher for ancillary medical personnel.

One fact that pulls the rural back from bridging the development gap is that the working age population is only around 42% of the total population, while the same indicator points 66% for the urban population. Also poverty rates are more significant in rural areas (23.2% compared to 9.4% in 2005). One of the most challenging tasks for Romania in terms of human development would be to potentiate disparities between rural and urban by increasing the chances of the rural population to get access to education, health and employment.

<sup>16</sup> Romanian administrative unit. Thus, Romania has 41 such judets, Bucharest being the 42<sup>nd</sup>.

<sup>17)</sup> Semi-final data.

### ***Human Development, Social Inclusion and Employment***

Promoting access to employment is the millstone of social inclusion, as stated at the Nice Summit (2000), when it was agreed that “the best protection against social exclusion is access to employment”. Although employment is not directly included in the Human Development Index’s calculation, it is of great importance because it creates economic and social progress and is the best path, as said earlier, to avoid the vicious cycle of joblessness and social exclusion.

But getting a job is the first step, often not sufficient. The quality of employment, as higher skilled employees and better working conditions is also to be accomplished, since they enhance labor productivity and economic growth.

In line with the Lisbon Strategy (2000), re-launched by the European Council in 2005, Romania is making efforts to stimulate employment and job creation.

The number of employed people registered a slight increase in 2005 as against 2004 (by 1.85%), witnessing a significant rise in the service sector and decline in agriculture. The industrial sector begins to gain ground in the share of employed people, after years of decline. As the public sector shrinks in favor of the private one, the latter tends to employ a growing number of people. But still, the employment rate of the working age population in Romania is behind the EU25 average (53.7% to 63.8% in 2005).

The share of employees in the total employed civilian people has been constantly increasing since 2000, as the number of employees set on an upward trend, contributing by this to the improvement of the economic dependency ratio. The real salary index has been growing since 1999 thus improving the standard of living of employees which represent 63.5% of all employed people, but its level has not reached the 1990’s level yet.

Labor force participation has decreased with approximately 5 p.p. between 1998 and 2005, especially for young and elderly people. The explanations of these facts lie in the tendency to prolong the number of years of education and very likely in youth migration, on one hand, and on early retirements, on the other hand.

Although unemployment rates are spinning around 6-8% (according to the definition of unemployment set by the International Labor Organization), the incidence of long term unemployment is growing continuously, in 2006 more than 67.1% of the unemployed have been unemployed more than 6 months, 55% more than 12 months and 35% more than 24 months.

Young people represent a particular category from the unemployment point of view, as the youth unemployment rate is above 20% in 2005. Lack of consistent policies for this category, lack of correlation between initial education and labor market demand and also differences between their expectations and the Romanian reality are the main drivers to this dangerous situation which could turn into demographic challenges such as higher levels of migration or lower birth rates.

**Table 1.6 Major Employment aggregates (1998-2005)**

	1998	1999	2000	2001	2002	2003	2004	2005
Employed civilian population (thousand persons):	<b>8812.6</b>	<b>8419.6</b>	<b>8629.3</b>	<b>8562.5</b>	<b>8329</b>	<b>8305.5</b>	<b>8238.3</b>	<b>8390.4</b>
- share of women in empl.civ.population	<b>47.2</b>	<b>48.2</b>	<b>48.5</b>	<b>48.5</b>	<b>48.2</b>	<b>47.3</b>	<b>47.6</b>	<b>47.3</b>
Proportion of the total employed civilian population in private sector (%)	<b>61.8</b>	<b>66.7</b>	<b>70.4</b>	<b>72.6</b>	<b>73.9</b>	<b>75.6</b>	<b>76.2</b>	<b>78</b>
Labor force participation rate of working age population (15-64 years) (%)	<b>67.6</b>	<b>67.6</b>	<b>67.8</b>	<b>66.1</b>	<b>62.5</b>	<b>61.2</b>	<b>62.8</b>	<b>61.7</b>
- women	<b>60.1</b>	<b>60.4</b>	<b>60.5</b>	<b>59.5</b>	<b>55.3</b>	<b>54.0</b>	<b>55.8</b>	<b>54.6</b>

Unemployment rate (%) (ILO definition)	6.8	7.2	6.8	6.4	8.0	6.7	8.1	6.8
- women	6.5	6.7	6.1	5.6	7.2	6.1	7.1	6.1
Youth unemployment rate (15-24 years) (%)	20.8	20.4	18.5	18.4	20.8	17.7	21.0	20.2
Long term unemployment incidence (proportion in total number of unemployed) (%)								
6 months and more	62.0	59.3	70.8	65.5	73.9	78.7	74.8	67.1
12 months and more	46.3	43.8	56.5	50.4	54.5	65.7	56.6	55.3
24 months and more	24.4	21.4	28.7	26.1	32.2	43.1	36.5	35.2

**Source:** National Institute for Statistics, Statistical Annexes

The activity and employment rates for men and women, as well as their unemployment rates do not necessary lead to the conclusion that women are disadvantaged on the labor market, as their performances on the labor market, taking into account only the above mentioned dimensions are slightly behind than for men. But if we take a look to the structure of employed population by gender and status in employment, and, on the other hand, by gender and groups of occupations, we can conclude that it is more probable for a woman to be employed in a low-paid job and requiring lower skills. Thus, although women educational background is quite similar with one of men, the later are better placed on the labor market in terms of well paid jobs and/or promotion opportunities (see *Table A.15*, Statistical Annexes).

One possible solution to enhance labor market inclusiveness is active labor market policy, which is the best way to create human development and social inclusion through employment, with greater effects on the short run than on the long run. Active measures with their main characteristics of redistributing employment opportunities and reducing the risk of long term unemployment began to gain ground since 2001. As the European Employment Strategy recommended, Romania tries to shift employment policies from passive to active measures, as the latter being known to produce the most important effects on employment, in quantity and quality as well. The amount of expenditure for employment active measures, as share in total expenditures for unemployment insurance fund, multiplied 10 folds since 1998 and the number of unemployed in re-qualification programs has increased by 45% in 2005 compared to 2004.

These are very encouraging trends, but not yet reflected in strong labor market inclusiveness. On the long run, in order to promote social inclusion and human development by facilitating access to employment, a wide range of active social policies should be taken into account, such as reconciling family and work responsibilities which would consequently lead to increased employment for women, investment in education which enhances the chances to get access to a job, investing in children, active policy support for disadvantaged groups such as people with disabilities, policies to increase job retention and the career prospects of low-paid workers and so on. Also, a great emphasis should be given to the job generation capacity of the economy, a basic element in the employment, economic growth and human development circle.

## **CHAPTER 2:**

### **Deepening Democracy and strengthening Macro-Economic Stability as a pre-requisite for more inclusive Labor Market and Sustainable Human Development**

#### ***2.1. The EU Accession process: pre- and post-accession issues, the challenges of the decade to come***

*What is the meaning of EU accession for Romania in regards to the process of consolidating its democracy?*

One of the major political priorities of Romania has been achieved: starting from January, 2007, Romania is a full member of the European Union. On the 14<sup>th</sup> of December 2006, for the last time, Romania took part as an observer to the meeting of the European Council. On the agenda of this meeting, bringing together Heads of State and Government the high importance topics were the future enlargement of the European Union and the way the EU will continue negotiations with Croatia and Turkey. The neighborhood policy was another topic on the agenda, as with Romania and Bulgaria becoming members of the EU new areas of cooperation will open up for the Union in the South-Eastern region of Europe. International migration within the European Union's borders was another topic debated upon by the European Council.

In this new political context, Romania has to define its position and policies to be developed and promoted within the European Union's institutional framework. It needs further development of its home institutions and political environment, in order to be able to define itself as a European Union member with clear interests and political positions based on its own economic and social interests. The political, economic and social progress that Romania has been going through in reaching this point took long, it was difficult and required significant efforts; it represented an important phase of the country's modernization and democratization process. Furthermore, besides all challenges of the EU accession process that all Central and East European countries had to face, Romania had several other burdens that „qualify” it to get the title of one of the most „difficult” post-communist candidates to accession. It started from a position of very poor rating of chances to democracy, let aside its consolidation. It had to overcome the label of the „far behind laggard” among the acceding countries, facing the threat of being left outside the EU under the effect of „enlargement fatigue” perceived in several older member states of the European Union after the 5<sup>th</sup> enlargement (May 2004). Despite of these, the reforms and the steps taken forward by the Romanian authorities and society at its large were recognized by the European Union's institutions and used as a strong argument in supporting the constant continuation of the process. There is still a strong need to proceed forward with these reforms and broaden them, especially at the level of state administration and support for the civil society. The deepening of the democratization process is required in order to reach a phase of a consolidated, “mature” democracy.

EU accession process is part of an overall process of European integration that will deepen after Romania will become a full member state. Romania's accession process gradually involved the national political elites in the EU institutional framework through the process of negotiations and preparation for the entry. This set in motion policy developments and binding policy commitments coming from the state institutions and from the whole society, in a way that also affected, directly or indirectly, domestic politics, different economic interests, and

perceptions. This enveloping process is likely to have a reinforcing effect on the democratic consolidation in the period to come.

**Box 2.1.**

“Becoming a full member of the European Union for the new democracies from Central and Eastern Europe “generates powerful, broad-based and long-term support for the establishment of democratic institutions because it is an irreversible process of an economic and political integration that will provide, in time, incentives and reassurances to a wide variety of social forces.”

**Source:** Whitehead, L. (ed.) *The International Dimension of Democratisation: Europe and the Americas*, Oxford University Press, 1996

As it has been mentioned so often in analyses of the accession process, this brought along a political coagulation of interests of different political actors of the acceding countries. The goal of becoming an EU member pushed the political elites to start several political, economic and social reforms within their own countries and accepted the harsh surveillance of the European experts and politicians on their work. A Romanian political analyst pointed out recently that “the negotiations’ phase brought a change in the way the Europeanization has been perceived in Romania as the authorities finally understood that the EU accession process largely represents the management of domestic transformation and not a sophisticated diplomatic exercise with Brussels.” (Jora, S., 2007, p.1) This is not to say that cautious negotiations with EU representatives are not important in establishing a good image of Romania, but to emphasize the importance of good work and reforms done *within* the country or strong commitments to carry on with them after accession as the base of the talks and negotiations in Brussels.

The process of ‘Europeanization’ is a broad one and it embraces both the political and legal structures, and also the economy and the civil society as a whole. ‘Europeanization’ refers to the impact of the EU integration process and EU institutions on national politics and policies. This process is viewed as a one-way influence from the supra-national to the national level, or as a two-way interaction between the two levels in which member states assimilate the influence of the EU and in turn ‘project’ their interests at the EU level.

But the impact of the European integration process on democratization is not necessarily a uniform process, across the whole society. And its effects might also not be seen and felt at the same time at all levels. The negotiations within the accession part were mostly described as a top-down relations between the representatives of the accession countries and the EU institutions and because of their nature they influenced directly states’ institutions in the way they will negotiate their own position in the new institutional construction; then gradually, they might influence the political parties through the system of political networks and parties’ integration process within the European parties. Afterwards, but with a smaller effect, civil society will show the effects of integration as this last effect takes longer and depends a lot on the general population acceptance and internalization of democratic values and behaviors. To conclude here, the European integration process in itself is a long time process, showing its effects at different moments on different parts of a society.

In the academic literature analyzing the EU eastern enlargement, the economic features of European integration have been over-emphasized and the socio-political ones neglected, or at least minimized, in the description of both Europeanization and the criteria for full EU membership. In the late 1990s, however, political harmonization - that is, the structural adjustment of the candidate countries’ politics to EU standards - rose to the forefront and became more important than the economics and the simple legal adjustments. Democratic order as one of the pre-conditions for full membership has been taken for granted. When the political characteristics and criteria for the EU integration started to be regarded as more significant, the issues regarding the proper “working” of the political systems in the accessing countries started

to surface. Problems related to a proper “functioning democracy” were discussed and tried to be given solutions in order to be able to make good evaluations of the reforms made in the accession countries. Strict benchmarking were hard to held, but the recommendations and guidelines for improving the governance and policy implementation coming from the representatives of the EU for the accession candidates were mostly followed. The EU has increasingly questioned from this perspective the Euro-capacity or Euro-conformity of the candidate countries’ policies. Simply stated, the new democratic structures, the newly (re)-organized or established institutions, still have only a rather low capacity to apply and transfer Euro-policies to their own institutions. In general terms, the actual political performance of the new democratic institutions is still insufficient. Their effectiveness, efficiency and efficacy do not yet meet the requirements for full EU membership.

Democratic consolidation demands high performance from the new democratic institutions, based on the involvement of social and civic actors in the policy-making process. Hence, politics-oriented democratization may be mostly positive in a democratic transition, but policy-oriented modernization becomes a priority during the period of democratic consolidation. Four areas serve as examples of consolidating democratic political institutions and processes and represent dependable evidence of „good governance”: *a reformed bureaucracy; the guarantee of the rule of law and a good functioning of the judicial system; the establishment of a decentralized system of government; and the creation of „a deep layer” of NGOs*. All these areas represent important aspects of the political, administrative and economic requirements that applicant countries must meet if they are to become suitable equipped EU members.

Several recent studies have stressed the importance of the professionalization of the Romanian public administration. It is perceived as an almost „natural” process, part of the democracy consolidation phase. The first-generation reforms are over and there is an increasing need for second-generation reforms.

The first-generation reforms were about establishing a market economy and democracy; its basic legislation gave a backbone to parliamentary activity. Now, it is time to turn to second-generation reforms that are much broader in scope. They are not only about fine tuning after the basic arrangements, nor about correcting the dysfunctions and negative effects of the new market economy, but about creating a social construct of consensual democracy.

Second-generation reforms are: (i) market-completing measures to correct market failures (anti-trust legislation and effective guarantees of property rights); (ii) equity-oriented programs designed to ameliorate the widening distributional gap; and (iii) institution building initiatives aimed at good governance and citizens’ involvement in the policy-making process.

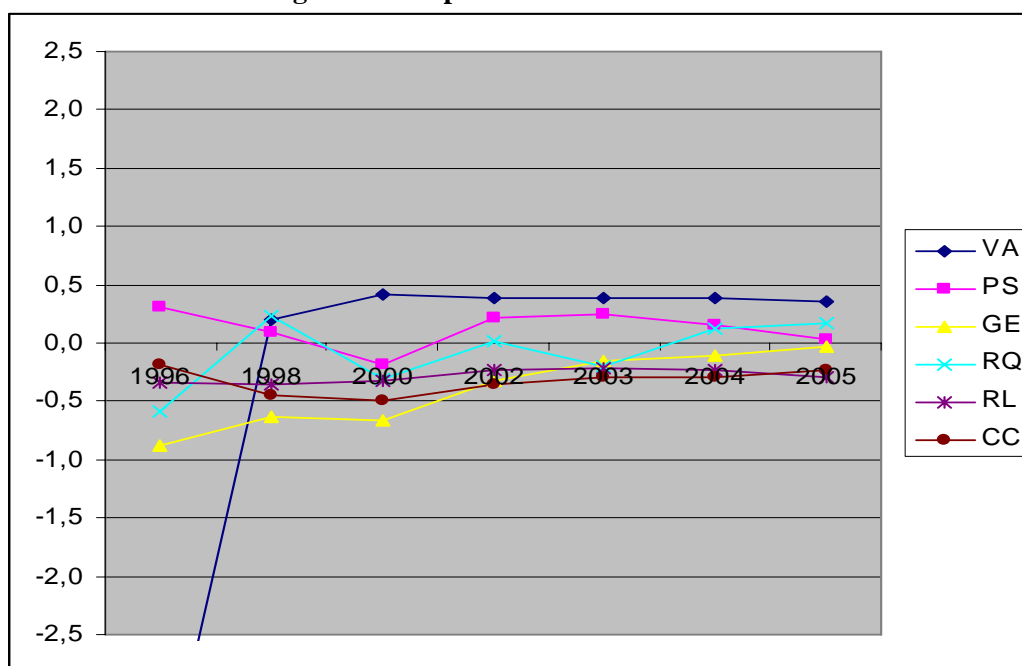
Even the consolidated democracies have to make regular corrections to maintain both the proper working and the efficiency of their democratic orders; therefore, the measures that are considered as second-generation reforms are not unknown in these countries either. (Agh, A. et al, 2005, p. 22) „In Romania, while the first-generation reforms were more or less successfully pressed upon „normal” bureaucracies by the tight relation close to overlapping between the elites and political leaders, the attempts to implement second-generation reforms led to bureaucratic sabotage and open backlashes against the initiators.” (Ionita, 2006, p7)

**Table 2.1. Democratization Indices  
Worldwide Governance Indicators (WGI)**

Country	Voice & Accountability (VA)	Political Stability (PA)	Government Effectiveness (GE)	Regulatory Quality (RQ)	Rule of Law (RL)	Control of Corruption (CC)
<b>ROMANIA</b>	<b>57</b>	<b>46</b>	<b>57</b>	<b>58</b>	<b>45</b>	<b>52</b>
BULGARIA	66	51	62	69	49	55
HUNGARY	85	71	75	83	70	70
POLAND	84	54	71	72	60	61

**Source:** Kaufmann, Daniel, Aart Kraay and Massimo Mastruzzi (September 2006), “Governance Matters V: Governance Indicators for 1996-2005” World Bank Policy Research Working Paper, and “A Decade of Measuring the Quality of Governance”, September 2006.

**Chart 2.1. Romania’s governance performance 1996 – 2005<sup>18</sup>**



**Source:** <http://info.worldbank.org/governance/kkz2005/pdf/2005kkdata.xls>

<sup>18</sup> **Legend:**

VA - Voice and Accountability; PS - Political Stability; GE - Government Effectiveness; RQ - Regulatory Quality; RL - Rule of Law; CC - Control of Corruption

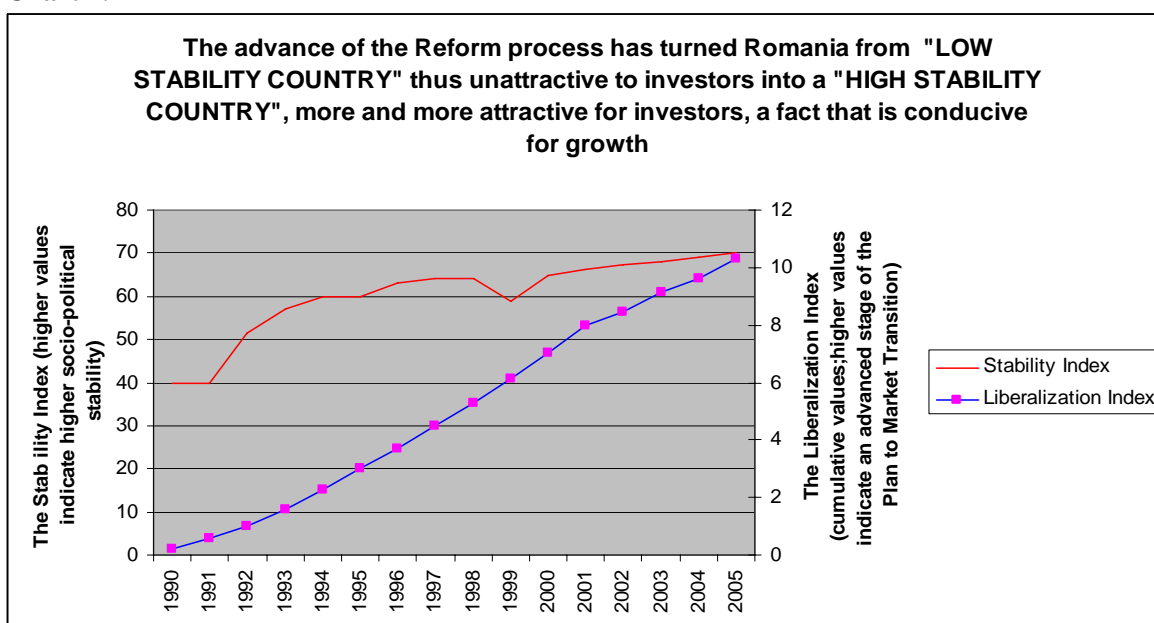
The indicators represent six dimensions of governance and are constructed using an unobserved components methodology described in detail in the paper “Governance Matters V: Governance Indicators for 1996-2005” World Bank Policy Research Working Paper. The six governance indicators are measured in units ranging from about -2.5 to 2.5, with higher values corresponding to better governance outcomes.

## 2.2. Consolidating macro-economic stability and improving predictability-assessing the readiness of Romania's economy and labor market to stand up to the competitive pressures of the Single Market

Romania started Plan to Market transition at its worst in two hundred years of modern economic and socio-political history. The oppressive character of the communist dictatorship and its blatant economic misgivings had not only confounded the country into a deep economic crisis, plagued by widespread alimentary shortages and fuel shortages but have also created an immense potential of socio-political instability, which in the end translated into the only truly violent overthrow of a Central European communist regime in 1989-90.

According to an Index of Initial Conditions, compiled by World Bank researchers and further developed for this Report, at the onset of transition, Romania, scored among its sibling Central European countries the worst, with the highest degree of central planning, not even the crudest rudiment of market mechanisms and an agricultural sector that was completely under the sway of the grossly inefficient and wasteful collective farms.

Chart 1.2<sup>19</sup>



Source: authors' calculations, based on NIS data

<sup>19</sup> The Liberalization Index is a synthetic measure of progress in the Plan to Market Transition and has been first designed by the De Mello, Denizer and Gelb for the World Bank. Its initial scale ranging from 0 to 1 has been lately expanded with a cumulative scale from 0 to 10, thus giving an indication of the progress in Plan to Market Transition over a number of years. Empirical evidence has shown that a value of 4.5 on the cumulative scale indicates the attainment of the so-called "critical mass in Plan to Market Transition" a moment from which reforms start yielding tangible benefits to the large mass of households and enterprises. The value of 10 is conventionally associated with the End of Transition;

The Stability Index is yet another synthetic measure compiled initially by the Lehman Brothers, a financial consulting firm for the use of investors. It attempts to give an indication of perceived "predictability and stability" of a certain market/economy for investors by measuring both socio-political stability as well as economic predictability. The index includes up to 60% elements that pertain to socio-political stability. On a scale from 0 to 100 the values have the following meaning: 0-20-very low stability/unstable countries/Low income countries under stress-LICUS;21-40-low stability; 41-60 medium stability;61-80 high stability; 81-100 FULL STABILITY

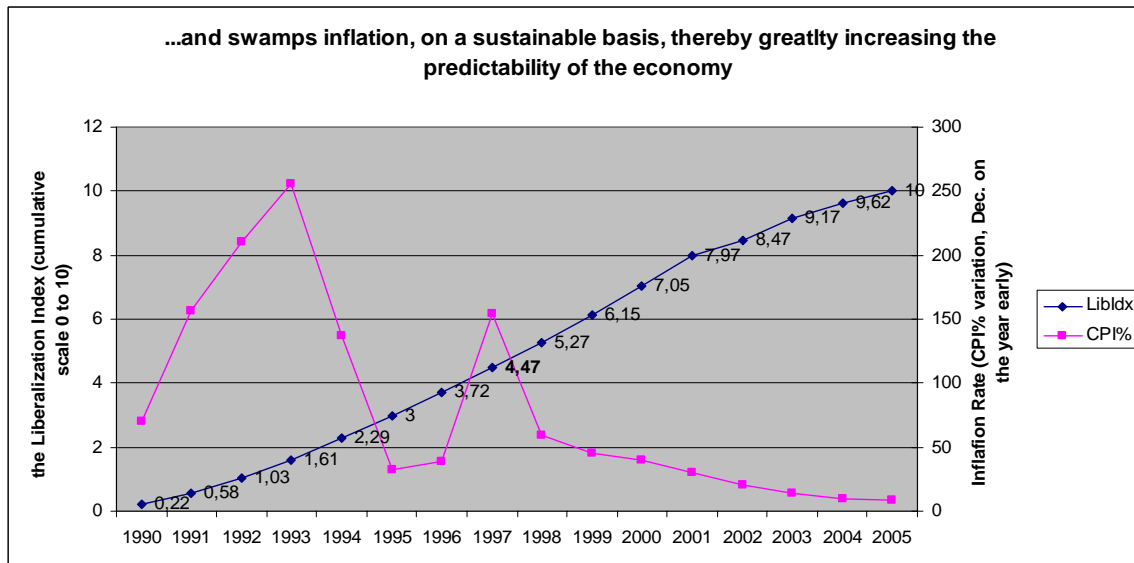
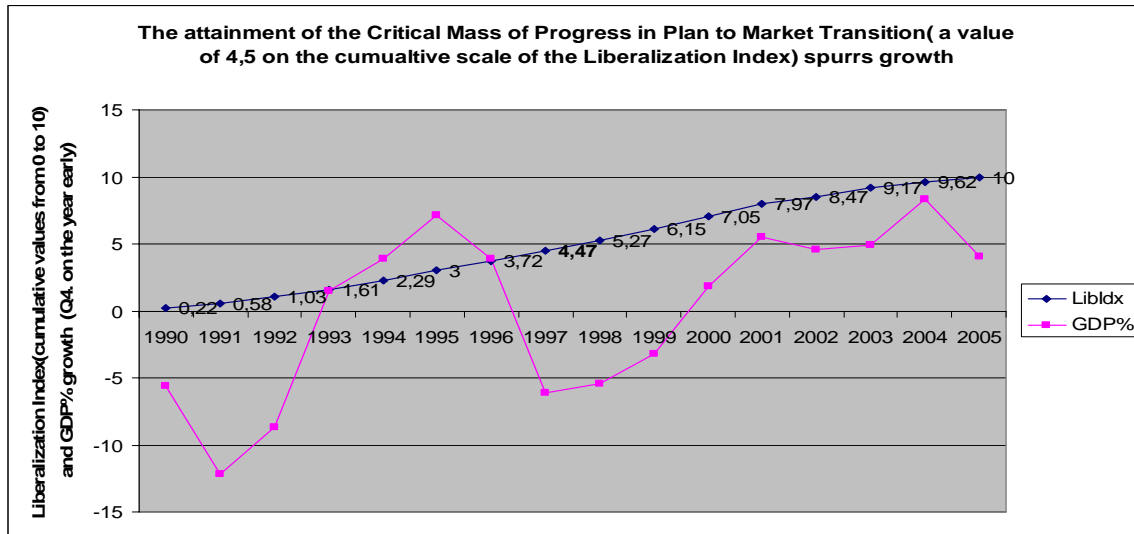
Thus, economic and socio-political conditions conspired for what will be a typical “spontaneous/chaotic” (as opposed to what is generally called “the negotiated transition” to be witnessed in the cases of Poland, Hungary and former Czechoslovakia) transition from Plan to Market, which in its initial phase will see state institutions having difficulties in asserting even basic authority over citizens and enterprises. This phenomenon triggered by itself an initial difficulty in pursuing radical, sweeping reforms, which were practically limited in the first two years after the fall of communism to the restitution of agricultural properties by the dismantling of collective farms, though even here the process will be fully completed only in 2000 and a partial liberalization of prices in the autumn of 1990. The half-way reforms as well as the ascent to power of a left wing coalition following the 1992 elections, which attempted to revive the old capital stock of the economy rather than pursuing radical purging, resulted in persistently high inflation over a long number of years. This swamped growth for years to come, without in the meantime resulting in a purging of the national economy from the debris of central planning. As such, while the economies of other Central European countries reached the Critical Mass of Progress in Plan to Market Transition as early as the mid-nineties and resumed growth while seeing in the meantime inflation falling, Romania was still muddling through, with little progress to show.

Persistently high inflation and negative growth during the first decade of transition, only briefly interrupted by a period of un-sustainable, highly inflationary growth in 1994-96, has been at the root of a both generally perceived as well as genuine unpredictability of both the economic and business environment, which has significantly deterred investment flows, thus not only hindering development by constantly hammering labor productivity but also affecting human development by maintaining salaries at around and average of US\$ 100 for practically all the decade of the nineties. In the meantime, low investment flows in the early stages of transition has also meant a devaluation of all Romanian assets, which have plunged in prices far below similar assets in other Central European Countries, thus meaning that large privatizations, anyway belated, have brought less into the coffers of successive Government further denting human development by denying resources for education, health and deferring reform of the social protection systems or pushing them into a phase of “retrenchment”, by either weakening the relation between benefits and contributions or by wholly turning what otherwise would have been contribution-based benefits into flat-rate allowances.

In the meantime, high inflation which has been the primary factor instilling an overdose of unpredictability, has to a certain extent annulled the competitive advantage of a depreciating currency, thus making exports from Romania unattractive for a long period of time.

Nonetheless, there has been, seemingly, an inadvertent advantage into all of this “Stop and Go, protect and discourage” approach to reforms which has been the characteristic of the early nineties, as once sweeping reforms have been started after the election of a Centre-right strongly reformist coalition in 1996, they were pursued not only fast but also deep. Testimony to it stands the evolution of the Liberalization Index, which on its cumulative values scale shows that while, Poland, Hungary, the Czech Republic and some of the Baltic States have attained Critical Mass values, four to five years after the onset of Transition, their journey afterwards, towards the attainment of the conventional value of 10 on the same scale which roughly signifies the End of Transition has been particularly slow, taking them in between nine to ten years.

## Charts 2.3 & 4



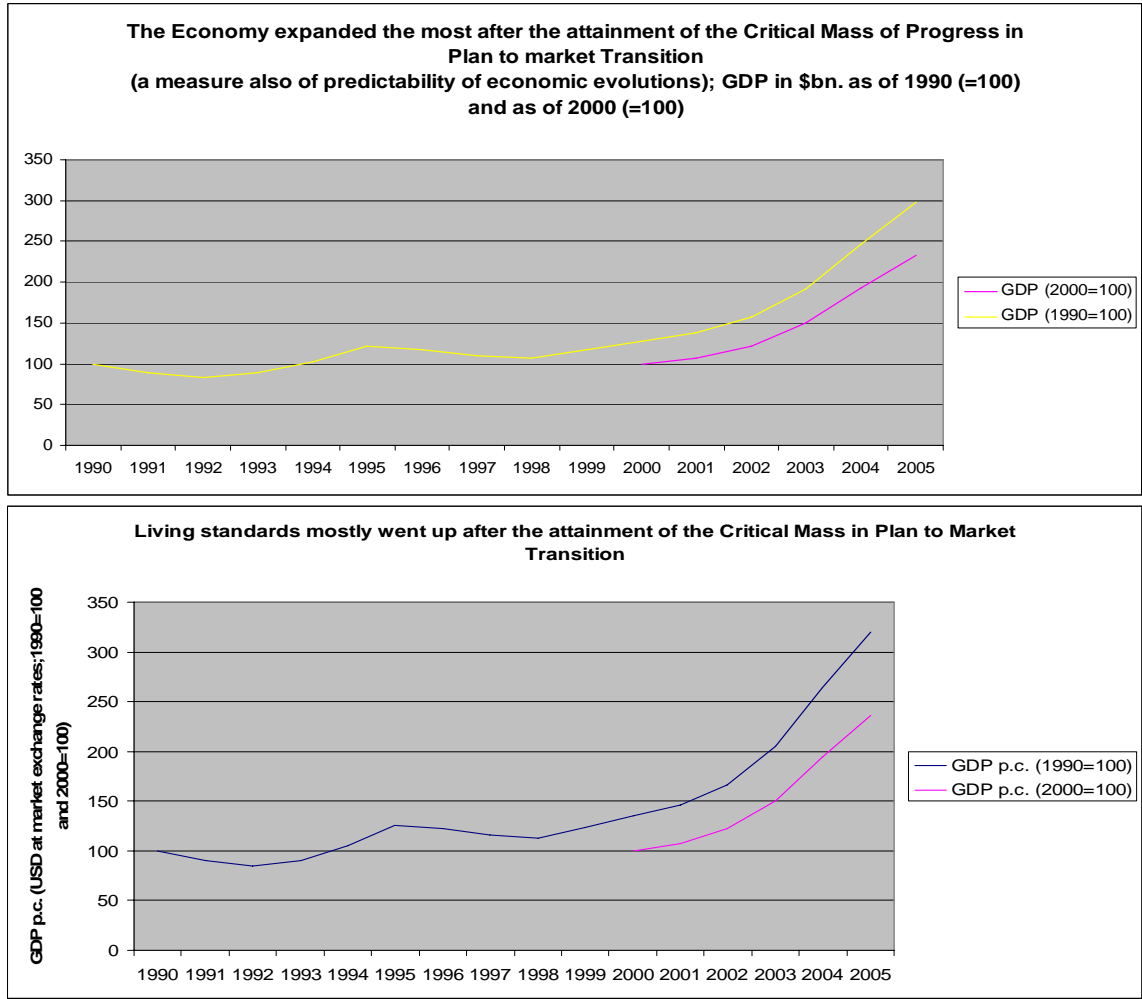
Source: authors' calculations, based on NIS data

In the case of Romania, where the attainment of the same threshold has been painfully slow, the way from the Critical Mass, attained only as late as 1998-99, to the value of 10 and thereby to the conventional End of Plan to Market Transition, which one has to say may or may not coincide with the entry into the EU of these countries, a strategic objective of the overall reform process taken at heart by all of them, has been particularly fast. It took the country no more than 6 years or roughly half of the amount of time it took the other Central Europeans.

This shows that to a certain extent hitting rock-bottom served the country well, at least from a certain point of view. First it deterred investment into what would have necessarily been just half-restructured enterprises or into enterprises that would have anyway need scrapping all along. Secondly it has avoided the highly dangerous early appreciation of the national currency, which usually triggers an early consumption and credit boom there by hindering an emergent market economy inherent advantage of low labor cost and cheap currency. Thirdly the long years of high inflation have instilled a necessary cautiousness into the behavior of central bankers, making them adamant at keeping interest rates at high levels and thus making credit relatively expensive so as to inhibit even the faintest signs of economic overheating. Fourthly it has denied Government lush funds during a period when they would have had anyway to maintain strictness

and thus helped in maintaining the overall balances even after the worst has been history. Fifth and finally, by devaluing assets it has created room for a non-inflationary price increase during the period of sustained and relatively high growth that has followed the belated attainment of the Critical Mass threshold. As such, under-priced assets have lured investors while in the meantime keeping price increases into non-inflationary limits.

**Charts 2.5&6**



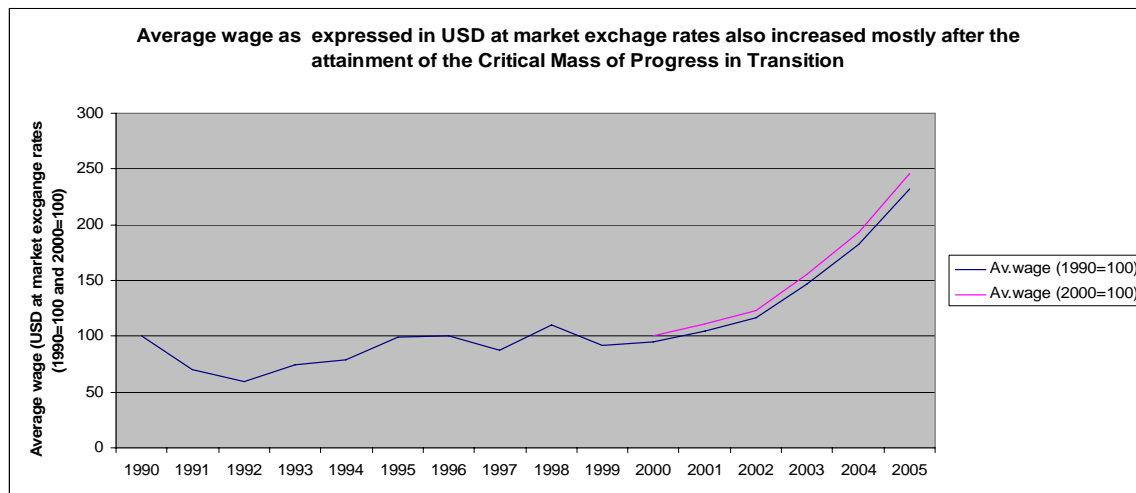
**Source:** authors' calculations, based on NIS data

In the meantime, it is beyond doubt that prolonged unpredictability as reflected by negative growth rates and high inflation rates, persistent over a long number of successive years have dented human development to its highest extent. Not only that incomes have stayed depressed thus deterring investment of households in durables, with the sole exception of personal cars which have witnessed constant growth throughout transition years, which in itself show an increase in living standards but employment and incoming earning prospects have been subject to constant deterioration. Thus, subsistence employment in small family farms which sprung following the application of laws aiming at the restitution of properties forcibly confiscated by the communist regimes has become a major component of Romanian labor market, removing practically a swathe of almost 50% of total employment from all social formal social protection systems and rendering the incomes of a large share of the population dependent on household production for own final consumption, to a significant extent. While other countries have experienced unemployment rates at above 15%, Romania has never seen more than an 11%,

at least when talking in the terms of the LSF-ILO definition of unemployment. Moreover, one has to be true and say that for all its inherent disadvantages, the primary one being the removal from the formal market circuits of a large share of the labor force, which thus has been denied human development at its full extent, this type of employment has also generated incomes that have been able to supplement rather meager social allowances or unemployment benefits that were bearing less and less relation to contributions paid. Small family plots have relieved the budget from what would have been otherwise a formidable pressure. In the meantime, one has to finally point out to the fact that while removing a part of the demand from the actual market and locking it into a subsistence non-market economy, the small family farm has greatly contributed to falling inflation rates in the years that followed the attainment of the Critical Mass threshold. It is thus not at all a coincidence the fact that the when the economy as a whole crosses the threshold of Plan to Market Transition (1998-99), the share of agriculture in total employment reached its peak of more than 40% of total employment (1999-2001).

However, while overall budgetary and current account balances might have been kept in check, with the help of the small farms also, it is in the meantime true that high unpredictability, negative growth rates and high inflation, have dented both public finances as well as social protection systems the possibility to contribute to really contribute to the alleviation of transition shocks. Moreover, the persistent lack of funds, one of the most direct consequences of negative growth and it itself the primary victim of unpredictability and instability , has delayed by at least 5 to 7 years the start of social protection reform and especially the start of pension reform.

**Chart 2.7**



**Source:** authors' calculations, based on NIS data

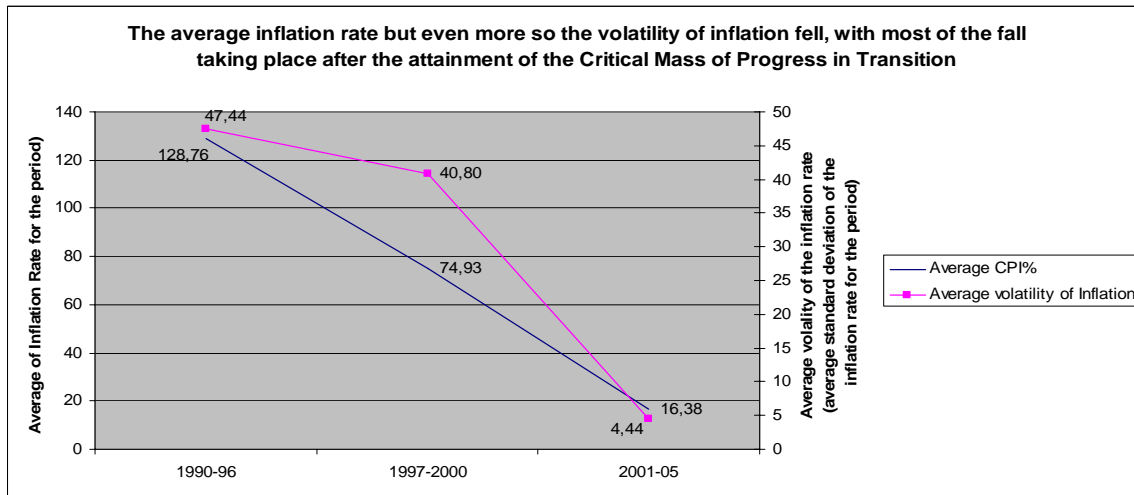
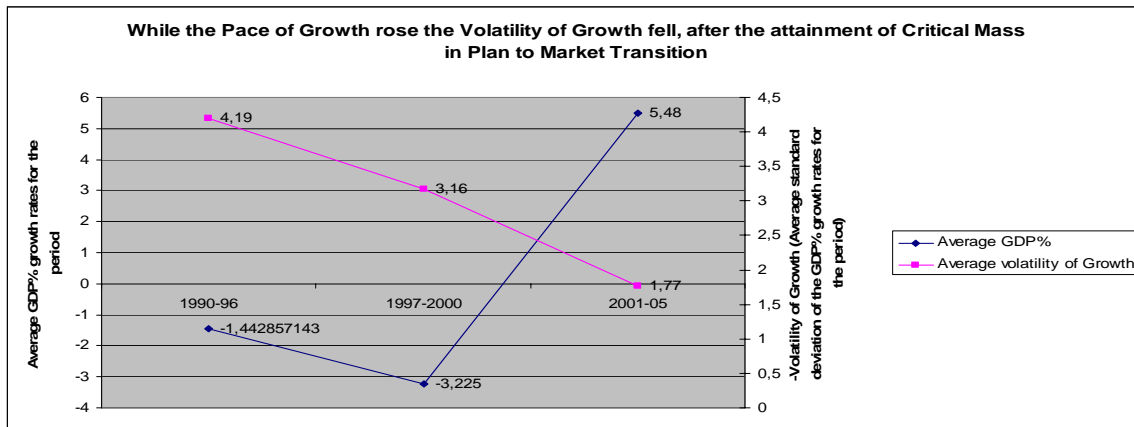
Prolonged periods of instability also tend to have a damaging effect on unemployment insurance systems, which though initially designed as rather generous and with strong links to contribution had to be re-designed, so as to weaken progressively the link with contribution as delayed restructuring led to their widespread abuse while lack or impossibility of compliance plunged them into deficit.

Calculations performed showed that alike with pensions, unemployment insurance have been adversely affected by transition gyrations in Romania, with their contribution links severed gradually as instability created by the Stop and Go approach prolonged itself and finally ending into a flat rate allowance, not at all strangely a couple of years after the Critical mass had been reached and while the economy had already entered its growth path. This again points to the fact, that prolonged instability has powerful and long lasting effects on social protection systems, which tend to deplete their resource base and thus drift towards flat rate allowance systems that not

only that disgruntle their beneficiaries but, in the case of unemployment benefits, can prove a powerful disincentive for further participation on the labor market and thus a powerful incentive towards a massive slide into various forms of undeclared work/shadow economy.

Moreover, what is severely damaging for human development is that fact that unpredictability by depleting the resources of social protection systems and sending them adrift into what is a flat-rate allowances area, pushes the needy even more in need. It deprives them from an absolute minimum of resources which will allow them to bridge over difficult periods and thus in most cases discourages them from participating on the labor market, or at least on the formal one, thereby pushing them into the shadow economy and further alienating them. What is even more dangerous is the fact that it induces a culture of non-compliance and neglect towards social protection systems which by themselves are an essential vehicle of sustainable human development by pushing them into derisory, as contributions seem no longer to pay off. It is this probably that is the most damaging effect at all to stem out of prolonged periods of unpredictability, alike the ones Romania has been through.

### Charts 2.8&9

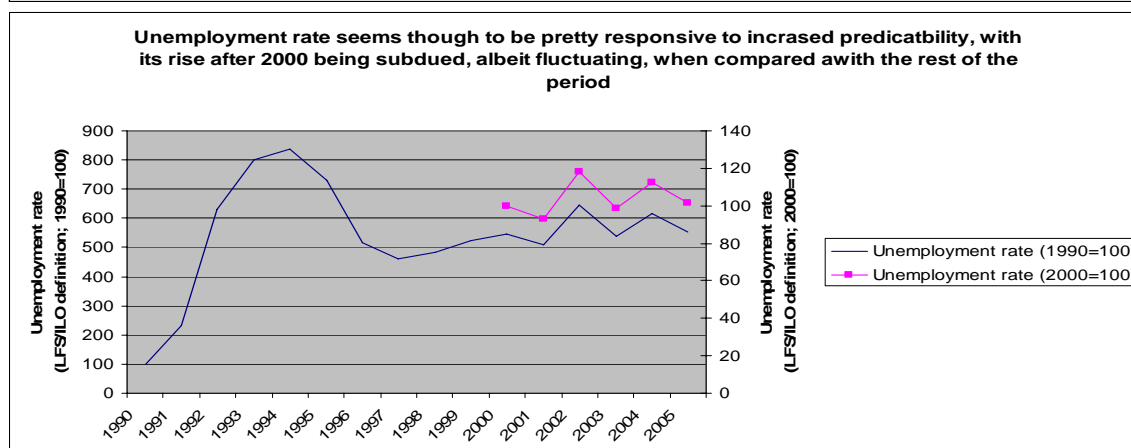
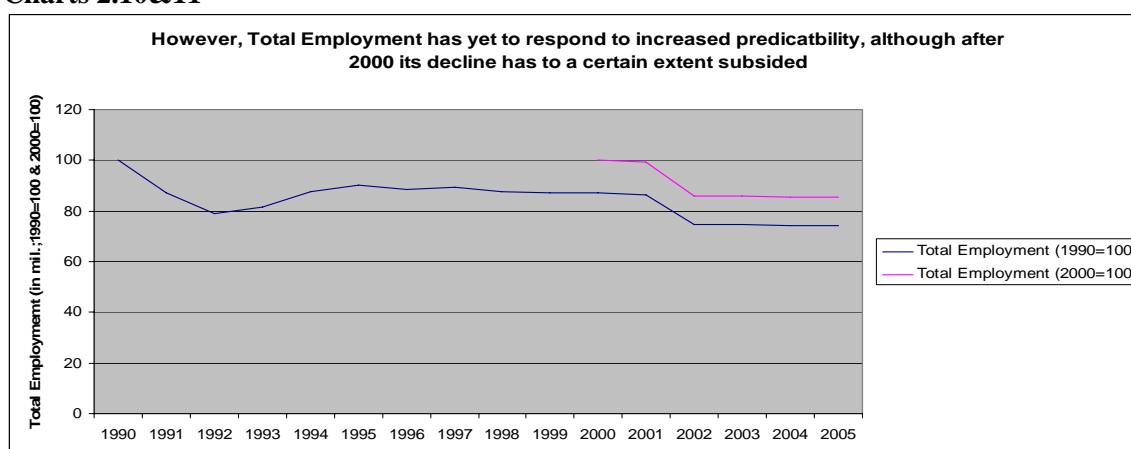


Source: authors' calculations, based on NIS data

Nonetheless it is now a fact that Romania, after muddling for more than a decade into the unpredictable waters of transition has finally moved on to higher ground, with the economic growth resuming shyly in 2000 but getting stronger from one year to another. One has to remark here that sine its resumption six years ago the pace of growth itself has risen year on year, by an average 2-3 percentage points. This squarely means that although volatility of growth has stayed high, at least it has stayed high while climbing, which by far better than what happened during

the nineties when it was also high but while falling. Stabilizing the volatility of growth will thereby the task of the decade to come and will come as investment flows will get more and more consistent with the country's adhesion to the EU, on the one side and the inadvertently acquired advantages of low costs, still rather cheap currency and still under-priced assets. However, low volatility will be advisable only if growth stabilizes at a year-on-year rate of between 6-8%, thus signaling consistency with positive or at least near-positive Output Gap values. Positive Output Gap values will mean that economic growth will start showing also some real job-generation potential with gains in productivity being thus high enough so as to lead to the emergence of new activities, which in turn will mean that job-losses due to gains in productivity in certain sectors will be compensated by jobs generated in new sectors, sub-sectors or activities that will spring precisely because of gains in productivity. As such growth will not only start feeding into salaries, via productivity and not only via appreciation of the national currency but will also start fuelling a rise of salaried labor force, which now barely accounts for half of total employment. It will be precisely this rise in salaried employment that will be the most conducive for inclusion and human development. Meanwhile, such growth will also feed into genuine, higher value added self-employment, a fact that will benefit the drive for diversification in social protection schemes.

**Charts 2.10&11**

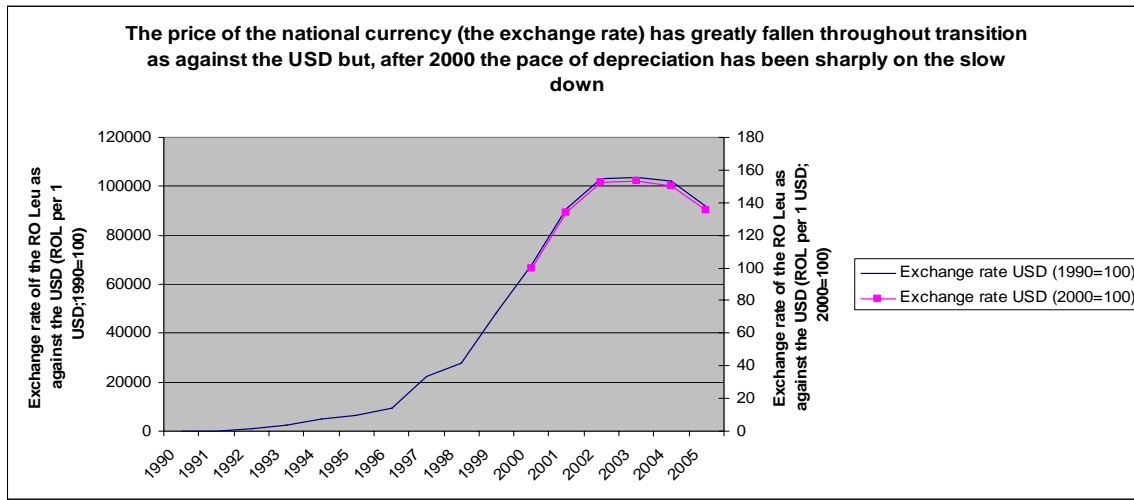


**Source:** authors' calculations, based on NIS data

It is thus clear that the constant drive towards predictability, which already started to translate into lower volatility of inflation, will have to see a translation in lower volatility of

growth, but at a level that will have to be consistent for year to come with positive Output Gap values to render it really conducive for human development.

**Chart 2.12**



**Source:** authors' calculations, based on NIS data

Thus up until recently the drive for predictability has not been conducive, to put it mildly, for human development. This has helped in creating a rather negative and pessimistic perception of the country's realities even as these realities are taking a definite turn for the better. The lack of confidence in the economy's prospects even if this shows clear signs of strong and sustained growth bodes bad for investment perspectives, especially for domestic one which will have to be on the rise in the years to come. Moreover, lack of confidence means that even the mildest shock can cause spurs of high volatility both of inflation and, as consequence, of growth. As we have seen before, high volatility is not conducive for human development. Thereby maintaining an environment that will be conducive for high growth at low volatility of the growth rates, even if this might entail sometimes a slight overshooting of the inflation rate, will be paramount in the years to come. As such, the National Bank will have to increase the transparency of its inflation targeting and even provide an indicative projection of interest rates for the years to come. This will greatly increase and even entrench the confidence of market players and will help burry the current mood of lack of confidence which is the most unfortunate legacy left by prolonged instability. Instilling a bit of optimism in the economy will be thus highly beneficial as a betterment of perception will trigger higher investment rates and consequently feed into growth rates up to the threshold need to sustain positive Output Gap values for years to come. Inflation targets might be then prime victims triggering a vicious circle that will hinder both the competitiveness of the country while in the EU properly as well as delaying its entry into the EURO area, an achievement that will itself will mark the full entrenchment of stability an predictability via a solid monetary anchor. As such, EU membership will be just the first step on the road to predictability that will benefit the large mass of individuals and enterprises.

Arriving to this point one might ask what was the cost paid and especially that human development cost, for making the transition possible and achieving at least a minimum of stability and predictability. Was this cost too high and did truly hamper human development or on the contrary the benefits that have been extracted so far already and especially the ones ahead far outweigh even the popularly high perceived costs?

In spite of a widespread popular belief which derives precisely from the above-mentioned skepticism and lack of confidence, the answer has to be a definite YES. Advantages and gains,

although only now visible or to put it better perceptible to a larger mass far outweigh any costs and the ratio will only improve. This means that in spite of the difficulties of transition, human development has not actually suffered. Fact is that at the onset of transition human development was at its lowest.

The changes brought by transition, also brought instability and unpredictability but one has to remember that any transformation carries with itself instability and the more radical the transformation the higher the instability it brings. Therefore, while society has started to transform itself, some of its members were faster to climb the ladder towards prosperity while others have been left aside. Therefore, taking into consideration the starting point, poverty has actually been on the fall throughout the whole of the transition. The only noteworthy observation that has to be made is that this fall has not been linear, a consequence of the Stop and Go type of transition which has prolonged instability and thereby limited the benefits of market reforms to a limited segment of the society for a far too long period of time. As such, the rise in inequality has been sharper and more visible than would have otherwise been and especially that it had been in countries that achieved Critical Mass of Progress in Plan to Market Transition earlier in the nineties. This rise in income inequality and the associated and even sharper rise in the inequality of income distribution, meant that while the large mass has remained for far too long mired in egalitarian poverty out of which it has been getting out at a frustratingly slow pace, a minority situated at the very top of the social ladder was reaping a disproportionate share of the benefits of market reforms and democratization of the society. Looking from this perspective and again taking into account the genuine and not the faked realities at the onset of transition one can plot the evolution of poverty, measured as income poverty (i.e.: the “poverty rate”), as a line that slowly slides downwards at the beginnings of transition, goes rising again for a brief while in the mid-late nineties as the country undergoes sweeping but delayed reforms, only to start again going firmly downwards as the economy firmly resumes growth. Therefore, what has actually led to a resurgence of poverty in the middle of the transition period was not the transformation process in itself, which on the whole was beneficial but its speed. Low speed of transformation during the first half of the first decade of Plan to Market transition made benefits of market reforms and democracy available and tangible only for a minority. Thus inequality of incomes climbed too fast while income poverty went downwards far too slow.

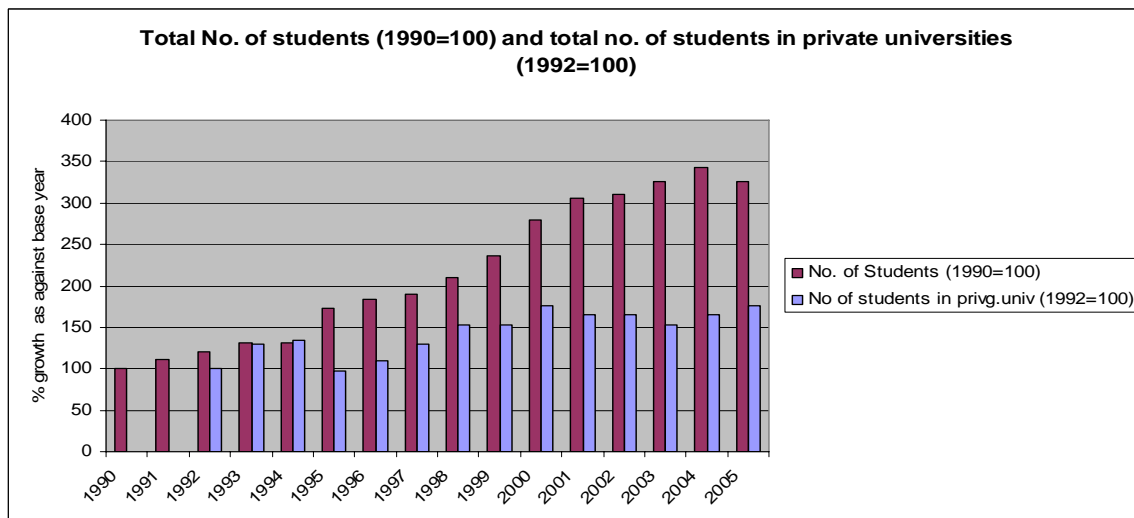
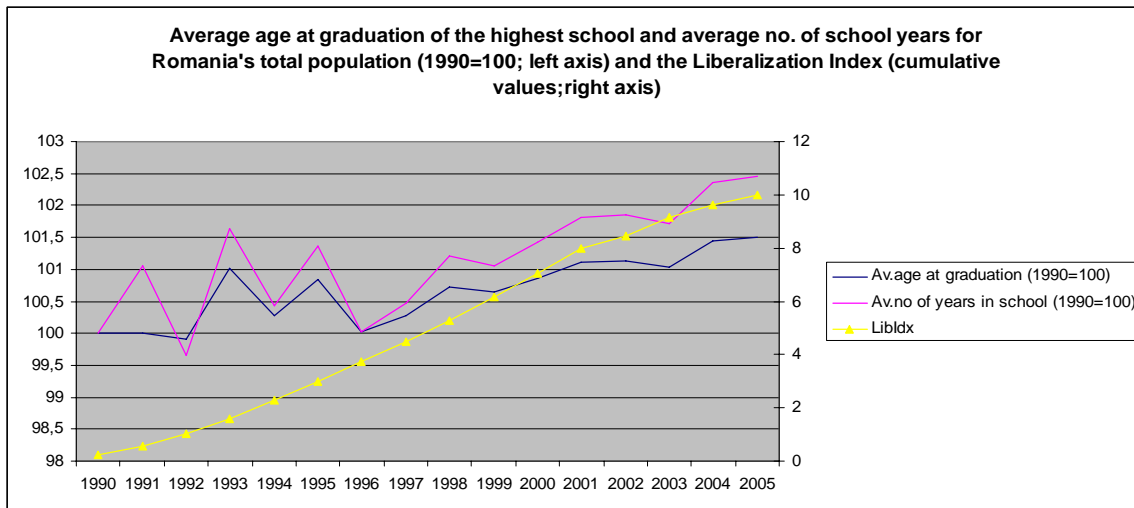
As such, prolonging instability and uncertainty/unpredictability by slowing down the reform process in its initial phase in the false belief that this will protect whatever achieved human development and inclusion proved in the end detrimental to human development. It actually denied benefits for those that were the most in need while providing them for the few ones that were the least in need. Moreover, it prevented the unlocking of the forces of market which unleashed to their full extent make benefit not the few but the many.

This is more than visible by empirical evidence, as while growth in GDP per capita at market exchange rates is evident for the entire period that starts in 1990, its increase in the initial phase is more than modest even witnessing an outright fall towards the end of the nineties with most of the actual rise for the whole of the period occurring during the last six years. Thereby, prolonging instability and unpredictability by delaying necessary reforms has delayed a genuine and significant rise in living standards for the large mass of households and enterprises, seeding instead a sense of pessimism and lack of confidence in the country’s perspectives that does not bode well for future stability and makes every attempt to strengthen it twice more difficult.

Other measures of human development also testify to the fact that it was not transformation in itself that brought a slump in human development only belatedly to be recovered after the resumption of sustainable growth. As such, the average age at graduation of the highest school has been on the rise for the entire period of transition, being now almost two years higher than it was in 1990. Nevertheless, the highest rise took place only after the Critical

Mass of Progress in transition has been reached, at the end of the nineties. Same goes for the average number of years in school as well as for the number of students, which now is three times higher than in 1990. The strongest and most poignant growth took place after 1999-2000.

**Charts 2.13&14**



**Source:** authors' calculations, based on NIS data

Finally, life expectancy at birth, maybe the measure best to capture evolutions in human development, while taking slump in the mid nineties, when uncertainty and unpredictability were at their highest, slowly rebounded and entered a slow path of growth that is more than likely to continue, thus showing that unfavorable initial conditions needed not a slow pace of reforms as nothing was to preserve practically but instead a faster one as everything stood to gain. The faster would have meant the better.

Fostering predictability and lowering volatility of both growth and inflation will be daunting tasks for which full membership of the Union will prove just one of many anchors.

To entrench growth and thus generate a perception that will finally overwhelm the memory of high and prolonged instability which acted as a drag on human development, the country will have to:

- Encourage productive investment as an engine of growth and thus will have to keep a favorable taxation climate, which will fully translate in keeping the flat rate income tax for

the entire decade to come; Foregoing some public revenues will probably be painful but benefits in the future will be enormous;

- Discourage speculative investment and keep the currency from an early and steep appreciation which will demand for a delicate balancing of key interest rates. Overshooting inflation targets from time to time should not be considered a threat but over-appreciation of the currency for sure will have to be, as it will erode too early one of the competitive advantages of the national economy that is still needed;
- The perilous drive towards carving-out contribution rates for compulsory social protection schemes will have to stop. While it had some rationale in an environment characterized by progressive taxation it has no rationale after the introduction of the flat rate. Keeping contribution rates at levels that make them probably not very attractive for the present but which enhance the robustness and sustainability of the schemes in the future is one of the handiest and cheapest vehicles of social inclusion. By keeping at an adequate level and by adopting an approach that goes for their top-up when new schemes are added, will give the guarantee that future benefits will be not only paid but that they will be adequate. It will ensure that the link between benefits and contributions is fully restored and thus will make participation on the formal labor market more attractive, as it will show that work pays also in the long run. In the meantime, it will also contribute to a rise in the general feeling of predictability and stability of which the country is such dire need;
- Promote labor market and salary policies ensuring that growth in salaries is more closely linked to productivity and not the appreciation of the currency, thus further discouraging speculative investment and speculative rise in the price of assets. Minimum salary, while maintained as a core institution of an inclusive labor market will maintain a ratio to the average salary that does not make unattractive for the majority of employers to share the rise in productivity with their employees, rather than leave the increase in purchasing power solely on the shoulders of currency appreciation. As such, minimum salary has to be kept in strict correlation with price increases (i.e.: with the rate of inflation as measured by the CPI) only, thus allowing its ratio to the average salary to fall;
- In the meantime, social protection benefits, including unemployment benefits, will have to come back in line with contributions paid; Restoring the severed link will mean that work on the formal labor market will really pay off and will truly mean inclusion. It will also mean that spells of joblessness will no longer translate in a drift outside of the mainstream but will allow individuals to reshape career course and go back to work not in the shadow economy but in the formal one;
- Finally, a growing stream of income in taxes from a growing economy will have to be weighed against a growing need of spending in practically every imaginable field of public intervention. Human development will of course greatly benefit from higher public spending, possible both due to higher taxation incomes as well as due to transfers from the Union. But human development will be hampered and hindered if these expenditures get out of hand and the derail the country's hard and painfully achieved stability. Henceforth, maintaining low income taxes and keeping them flat so as to increase disposable income as well as stopping the drive towards the carving down of the contributions to social protection schemes, which has no rationale any longer, so as to make work pay in the long run and encourage participation on the formal labor market, will prove, for the decade to come, useful and rather cheap vehicles;
- Public expenditures should therefore come only as a top-up to individual expenditure in human development and not as a substitute. Companies and individuals alike have to learn to put their newly gained and growing prosperity to good use and not waste it the hope that public budgets boosted with EU funds will make up for it.

Empowering individuals and companies with the responsibility of human development will greatly increase a self-confidence they lack after decades of deprivation. This newly gained perception, which is of utmost importance for the market will entrench predictability to its highest extent and reduce volatility of both prices as well as growth, thereby not only reducing the vulnerability of the economy to random exogenous shocks that might as well come but also reduce the effect of such shocks, as the perception of predictability is known to be able to do it, with the opposite perception of instability being known for extending the harm done beyond its real boundaries.

Exorcising therefore the memory of high volatility of both inflation as well as growth will be beneficial for human development. But for this to happen, human development will have to rely in the decade to come less on the perceived abundant public funding, which is in itself an expensive vehicle and more on cheap vehicles like low taxation, robust contributions to social protection schemes and a restored connection between benefits and contributions.

This will render more resources into the hands of individuals and companies which will thus receive an encouragement to invest in human development as a source of competitive advantage, when all the other ones (cheap labor, depreciated currency, abundant labor supply etc) will be only a memory. This type of human development will be a fully sustainable one as it will come from the sheer need to keep a measure of competitiveness on a market with more than 500 million sophisticated consumers, fact without which, all human development that might be achieved, would be largely in vain.

### ***2.3 Together for a consolidated democracy and a dynamic emergent market economy – the role of civil society, social partners and international organizations in harnessing Romania’s Human development potential following the moment of EU Accession***

#### ***The role of the civil society***

##### **Box 2.2.**

*“...a strong civil society activity strengthens good governance and democratic development, by creating a mechanism for people to participate in economic and social activities in their communities and to influence public policies.”*

**Source:** National Human Development Report. Romania, 2003-2005

The role of the civil society and social partners in supporting and enriching the human development potential within a country is recognized and encouraged within the European Union’s institutions and policies. In the latest EU Commission documents the need of the civil society and of the social partners’ participation and role in the development policy and actions is clearly stated.

##### **Box 2.3.**

###### *Participation of civil society*

18. The EU supports the broad participation of all stakeholders in countries' development and encourages all parts of society to take part. Civil society, including economic and social partners such as trade unions, employers' organizations and the private sector, NGOs and other non-state actors of partner countries in particular play a vital role as promoters of democracy, social justice and human rights. The EU will enhance its support for building capacity of non-state actors in order to strengthen their voice in the development process and to advance political, social and economic dialogue. The important role of European civil society will be recognized as well; to that end, the EU will pay particular attention to development education and raising awareness among EU citizens.

**Source:** Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus' (2006/C 46/01) THE EUROPEAN CONSENSUS ON DEVELOPMENT

Civil society organizations with their proximity and understanding of defined constituencies, and their capacity to articulate their specific interests, can make an important contribution at all stages in the processes of development cooperation. The civil society participation as an important actor for the promotion and support for democracy and development is a well accepted point of view. The 'added value' that such participation can bring is not only based on the knowledge and experience that civil society has, but also their ability to bridge a critical 'gap' between strategic goals and their practical realization.

Civil society organizations also have a comparative advantage in raising awareness of development issues both among the general public and decision-makers. This function of development education will play an important role in committing the decision-making and political representatives to achieving and sustaining the UN Millennium Development Goals<sup>20</sup>. Civil society also acts as a monitor for the objectives of sustainable social and economic development and poverty reduction, pressuring national governments and international institutions to uphold these objectives in a coherent manner, across all policy areas that impact on the lives of the poor, from trade, agriculture, fisheries and environmental policies to health, education and social policies.

The civil society in its narrower sense of the concept, referring to non-governmental organizations and not-for-profit ones, has been one of the most dynamic sectors in the Romanian society in the period of transition. It had periods of strong development, but also moments of stagnation and even signs of fatigue.

It has been subject to several analyses by international and national researchers, and its' evolution in time is well documented and traced. A main problem discussed concerning the NGO sector has been its financial independence and thus its sustainability and continuation along the time. It has been vividly discussed the problem of local NGOs being driven by the international donors, their entire stability depending on the foreign funds. This situation could hamper the legitimacy of the NGOs towards the local constituencies, and, also, it could cause mistrust in their activities and support for different causes. It is a very important issue concerning the sustainability of the local sector of NGOs as the whole concept of civil society and its importance in the consolidation of democracy plays a role. The process of accession to the European Union, the harmonization of laws, and the need to fulfill a number of economic and political criteria presented a window of opportunity for NGOs to promote their agenda with the public administration and also get involved in projects implementation and thus funds accession and better their professional stance. The PHARE funding area created specifically for the support of civil society and its development in order to improve sustainability is one of the programs that tries to give an answer to a part of the problem. But there still is a need of the creation and development of a culture of philanthropy, of improvement of relations between the NGO sector and the business one, and also a better involvement and support coming from the states' institutions.

As the sector has been developing, the need for resource centers increase and they developed as a necessity to coagulate information and representation of the NGOs in Romania.

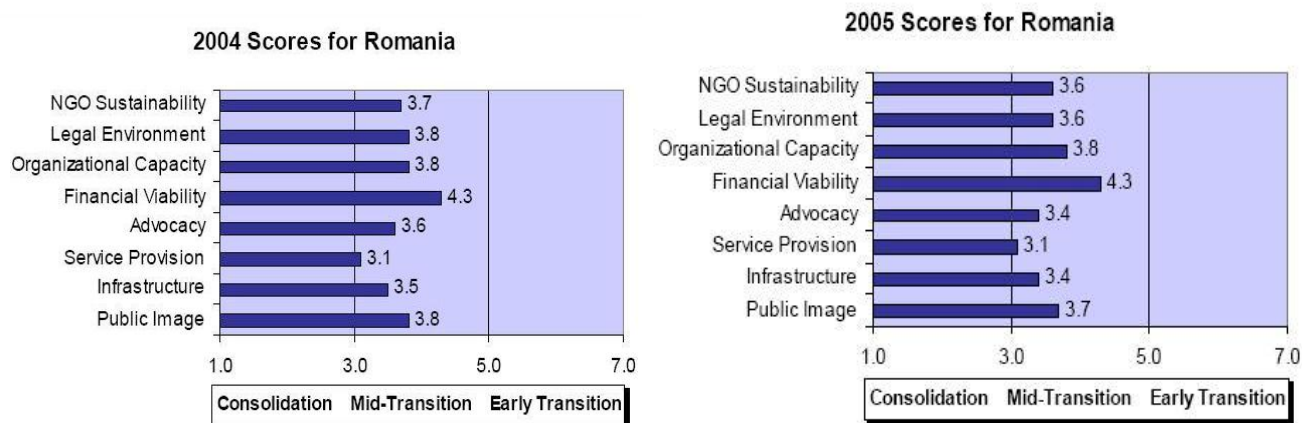
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<sup>20</sup> The goals include: eradicating extreme poverty and hunger, achieving universal primary education and gender equity, reducing child mortality and maternal mortality by two-thirds and three-quarters respectively, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability, and developing a global partnership for development, with targets for aid, trade and debt relief.

Nowadays there are several resource centers for non-governmental organizations that provide guidelines, support, documentation, advice, and most of all, handle funds that help non-governmental organizations survive and perform their much needed activities. In the *NGO Sustainability Index Country Report from 2004* mentions that the number of NGO resource centers increased from 2003 to 2004. Currently, 13 volunteer centers exist in cities around the country, linked in an informal network. The rating for the “Infrastructure” dimension in the latest *USAID NGO Sustainability Index* is a moderate 3.5, indicating a situation where resource centers are active in major population centers, and provide services, such as distributing grants, publishing newsletters, maintaining a membership database, running a library of NGO literature and providing basic training and consulting services. This finding is supported by the results from the regional stakeholder survey, where half of the respondents assessed the level of support infrastructure for civil society to be quite low and another 40% considered it to be sufficient.

As the values of the different scores shown in the two pictures bellow, there has been a small progress within one year time in almost all areas of the investigation of the sector. What remained constant though is the financial viability of the sector. The problem of the financial viability of the NGO sector in Romania is an issue vividly debated and put forward by many NGOs’ representatives and members. It is an issue were solutions have been looked for the funding legislation of non-governmental organizations’ activities is one of the solutions, plus the strong encouragement for the state institutions and different state agencies to cooperate with NGOs and attract them within their programs and projects, to have them as partners.

#### Charts 2.15&16



**Source:** The 2004 and 2005 NGO Sustainability Index. ROMANIA

The area of action of non-governmental organizations is broad and takes as many lines of interest as possible, starting with tourism and entertainment for free time, to culture, environment, social assistance, lobby and advocacy, research, minorities’ representation, development, youth, and volunteering.

During the transition time in many Central and East European countries, it has been acknowledged that the NGO sector took the role of the state in providing the social assistance necessary to the population. As a proof to this there are the main areas of activities and sustainable support given by several NGOs to the citizens: children aid organizations, HIV/AIDS persons aid and advocacy organizations, several minorities’ rights organization like Roma people, the Hungarian minority, sexual orientation minorities’, education and research as a base for advocacy and lobby organizations.

These organizations manage to coagulate the interests, time, efforts, and intellectual energy of many people.

**Box 2.4.**

“Most of the active NGOs in Romania (at least two-thirds) are engaged in activities related to culture and entertainment, although many provide much needed social services and educational research that weakened state institutions cannot. It is estimated that one in four NGOs in Romania provide social services to children, the young, the poor and the elderly population.”  
 Source: National Human Development Report. Romania, 2003-2005

At the same time, many enduring structural weaknesses remain. There is limited involvement of citizens in associational life as there is no uniform geographical or aerial distribution within the country. In examining the distribution of NGOs around the country, evidence shows that NGOs are largely concentrated in urban areas. Two-thirds of NGOs are based in urban areas and one-third in rural areas. The regional distribution of registered NGOs suggests that around one-fifth of NGOs are Bucharest-based; more than two-fifths are based in western counties; less than one-fifth are based in Moldavia and the rest are based in the south of the country.

**Table 2.2. Distribution of NGOs by region**

Region	% of NGOs	% of population
<b>Bucharest</b>	<b>19.9</b>	<b>16.3</b>
Banat and Crisana	13.2	13.4
Moldova	14.9	18
Muntenia and Oltenia	14.7	24.6
<b>Transylvania</b>	<b>37.3</b>	<b>22.2</b>

Source: *ONGBit in CIVICUS Civil Society Index Report for Romania*, p.26

This data reflects the image of a numerically strong NGO sector based in Bucharest and Transylvania, and a weak sector in the east and south of the country. The regional distribution of NGOs was explained through the distribution of resources for NGOs across the country. Most of the resources available to NGOs are concentrated in Bucharest, in the major urban areas and in Transylvania, since these regions are traditionally better developed in terms of economy and infrastructure. Research has shown that citizens in different regions of Romania have different perceptions, degrees of trust and level of participation in NGOs. For instance, a study published in 2005 (Badescu, Gabriel: 2005) confirms that inhabitants from Transylvania are more aware of NGOs than individuals in other parts of Romania.

The *USAID 2004 NGO Sustainability Index Country Report* evaluates that “human resource capacity is a serious problem. NGO personnel are generally not well trained, especially in management, and many NGOs operate with very small staffs, usually just three or four people”. Many NGOs have suffered from an inability to retain well-qualified staff. Since NGOs lack resources it is difficult for them to keep trained, often unpaid, staff who are attracted by employment in business which offers better salaries and career development opportunities. Difficulties in raising funds for salaries force many NGOs to reduce permanent staff or to hire personnel on a project-by-project basis. Volunteers have become a very important resource for many NGOs, for some it is the only one available. The stakeholder consultations provided evidence that many small grass-root organizations rely on the work of volunteers without having the necessary professional staff.

On average, NGOs have most of the technological and infrastructural resources they require to achieve their defined goals. Possession of a proper infrastructure (a permanent office and IT and communication equipment such as computers, faxes, printer and copiers and internet

connection) represents an essential aspect for NGOs in implementing their activities. Donors, like the European Union, have allowed the beneficiaries to buy equipment through the PHARE Funds and a number of Romanian NGOs have benefited from these opportunities. Some types of organizations seem more likely to be affected by the lack of technological and infrastructural resources, not surprisingly these are the small grassroots NGOs as well as environmental, cultural and youth NGOs.

#### *State-NGOs relation*

Generally speaking, civil society organizations and governments play complementary roles. The role of government is to ensure that there is universal access to basic social services. If civil society organizations are involved in the provision of social services, care should be taken that they are not co-opted into government structures to the degree that they lose their independent voice as lobbyists. The capacity of the civil society organizations to work in the interests of their constituents with their national governments in an effective way depends on their level of independence and autonomy as well as the resources available to them. In order for civil society organizations to participate actively in structured dialogue a greater investment in capacity-building support is needed as it is equally necessary to build up the capacity of the government to engage in a fruitful dialogue with the respective civil societies' organizations.

But, within the situation of Romania, NGOs generally feel that interaction is better at the local level and that their opinions and suggestions are listened to and taken seriously. Still, there are areas in Romania where the relationship with local authorities remains weak. At the national level, lately, the NGOs are invited quite often to participate in the formulation and discussion of new legislation or policies. The weak part of this cooperation is that in most of the cases there are constantly the same NGOs that have more or less national representation but they are the ones placed in Bucharest and with the most financial power. The smaller, local grass-roots organizations do not usually have human and financial resources to keep constant contact with the national administration representatives. In terms of representation of interests and as a „voice” as one can observe there is no much equality among NGOs. But the civil society representatives' participating to the public hearings and discussions argue that it is mainly for PR purposes and that actually the Government rarely takes into account suggestions coming from civil society.

There is very limited access to the legislature, which inhibits the contribution of NGOs to the development of public policy. This problem has found a solution as many of projects developed by national institutions through pre-accession funding, mainly PHARE Twinning projects, had a strong component of civil society implication as a necessity. In these terms, the relationship between several NGOs and national institutions has improved and the civil society representatives have found ways and channels to make their voices heard, to influence legislation. Problems with Romania's capacity to implement the reforms needed for European accession have constrained the Government to initiate cooperative working groups between the Department of European Integration and the NGOs across the country. The Government started to consult the civil society actors especially in preparing the accession negotiations with the EU for several *acquis* chapters, as well as in drafting the bills concerning NGOs activities. NGO lobbying played a significant role in Parliament's adoption of a "2 % Law"; other campaigns focused on a wide range of issues in areas such as corruption and lack of transparency, parliamentary ethics, electoral law, equal opportunity, environmental issues, and child protection and social services. The mobilization of NGOs around judicial reform also prompted the government to invite public debate on draft laws previously sent to the Parliament, despite already having the necessary majority to pass them. In the process, the government's perception of NGOs has continuously improved and NGOs' expertise and contributions are increasingly being acknowledged.

Since October 2006, 15 representatives of the civil society are part of the Social and Economic Council in Romania and they can make their voices heard and make an important contribution to the future social and economic policies, to the promotion and development of the social dialogue.

The major structural weaknesses of the Romanian civil society remain low levels of citizen participation in associational life, together with a poor level of organization and limited inter-relations among civil society organizations, which represent obstacles for the development of a strong civil society sector. Despite many attempts by NGOs to mobilize citizens around issues of public concern at both local and national level, the response from the population has remained modest<sup>21</sup>.

Although it has slowly and gradually improved, the level of organization within Romanian civil society remains weak, with limited communication and cooperation among NGOs and across the different sectors. Albeit an essential issue for the development of the NGO sector in Romania, financial viability continues to be an enduring weakness. Romania still struggles with difficult social and economic conditions, and since individual charitable giving, state funds and private companies' contributions remain limited, Romanian NGOs continue to rely heavily on foreign financial support.

There are also a few positive aspects. There is a good representation of the various social groups among NGO members. Volunteers continue to remain a very important resource for many Romanian NGOs. Another positive aspect is that in the past considerable investments have been made, mostly by international donors, for the creation of resource centers which can continue to be utilized.

#### *A short comparative evaluation*

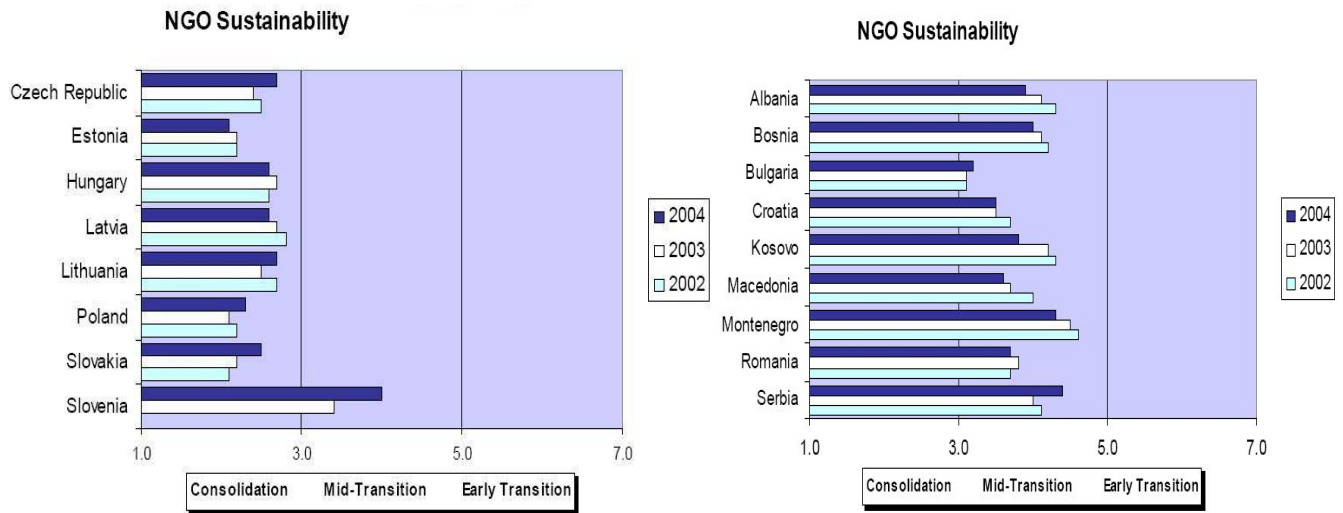
The Romanian NGOs sector follows a trend specific actually to the Central European countries even if it was located among the Balkans' ones. And the following two graphics, both from the USAID 2004 NGO Sustainability Index, clearly show this kind of trend. The data for Romania and Bulgaria also show a coming closer towards a more consolidated sector than all other countries in the Balkans, but a bit lagging behind, with the exception of Slovenia, of other Central European countries and the Baltic States. This resemblance in following similar tracks should be taken into account as the experience of the earlier EU integrated countries from central Europe and the Baltic states of the NGO sector can help NGOs in Romania overcome similar difficulties.

The capacities of the NGOs to develop and maintain the professionals in its activities will be a great asset for its future sustainability. The capacity to attract and work with UE funded projects will depend a lot on the professionalism of the NGO sector and its members. The role of volunteers will be important also, but more on the level of projects' implementation and not funds attraction and reports writing. The networking and lobby/advocacy capacity of the national NGOs will represent another important resource for their future existence and continuation of activity. Their affiliation to the already existing European networks will provide them with a space where national problems and issue can be formulated and put forward directly to the EU decision making and taking bodies. There is a new channel of lobby and influence that national NGOs can and should learn to use in order to influence national decisions.

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<sup>21</sup> The information for this part of the Report is based on several researches on NGO sector in Romania, and mainly on the information provided by "Dialogue for civil society. Report on the state of civil society in Romania. 2005" research documented and written by Civil Society Development Foundation for the CIVICUS Civil Society Index international research.

## Charts 2.17&18



**Source:** USAID 2004 Sustainability Index for Central and Eastern Europe , Eighth Edition, 2005

### *The role of international organizations*

The Pre-Accession Policy aims to support the membership perspective of candidate and pre-candidate countries, and the European Neighborhood Policy aims to build a privileged partnership with neighboring countries, bringing them closer to the Union and offering them a stake in the Community's internal market together with support for dialogue, reform and social and economic development. Whilst these policies have a clear integration focus, they usually include significant development aspects. Poverty reduction and social development objectives will help to build more prosperous, equitable and thus stable societies in what are predominately developing countries. The instruments that may provide technical and financial assistance to support these policies will include, where appropriate, development best practice to promote effective management and implementation. Policies guiding these instruments will be realized within a broader framework, set out in the European Neighbourhood and Pre-Accession Policies, and will form an integral part of wider Community external actions.

The development and consolidation of democracy is one of the European Union's general policy objectives. The EU therefore has a key role to play in fostering the development of the new member states' civil society organizations, and particularly in supporting the involvement of the civil society in national development strategies. Furthermore, the civil society organizations have to be supported in having better access to adequate resources and capacity-building support in order to achieve effective participation. There are several funding lines for NGOs to apply to, especially in the area of developing democracy, civil participation and a well-informed citizenship. The youth is another special category that receives financial support through the European Union funds and of the Council of Europe.

### **2.4. Agenda for the decade to come**

Romania has achieved macro-economic stability at a high cost and in a period of time that classifies as the longest in Central and Eastern Europe. Thus, macro-stability is an asset to be

cherished and should not be jeopardized for short-term goals and objectives no matter how much of appealing these might look.

Nevertheless, it has to be remembered that macro-stability is in Romania associated with growth and with strong growth while instability and unpredictability, due to the peculiar characteristic of Romania's transition are associated with recession and economic stagnation. Therefore, while macro-stability has to be preserved it can only be preserved by fostering high growth rates. The memory of slow growth and recession are to closely associated with a climate of high inflation and thus of instability or volatility for someone to disentangle the two of them. Thereby, any sign of slow-down in the pace of growth will be interpreted as a sign of volatility and thus will endanger stability and that will be a characteristic to watch for the decade to come. As growth is paramount for human development, we genuinely believe that the agenda for macro-stability for the decade to come should focus on the following fundamentals:

1. Maintaining high rates of growth preferably at levels that do exceed the potential of the economy or in other words at levels at which "real GDP" exceeds "potential GDP", meaning a positive Output Gap;

2. Maintaining such levels will not see inflationary pressures rise as higher growth will mean of course a higher demand but will also mean a higher competition on a market that is already opening and this will keep inflationary pressures at bay;

3. Meanwhile, equilibrium should be kept in the economy by instilling more competition on the domestic market and by encouraging new entrants in all fields of activity. This will not only keep consumer prices down but will also exert a pressure on asset prices, especially the real ones which otherwise might feed into inflation via the back-door. Encouraging market-entry will also mean that credit policy could be kept rather loose and thus adding to growth;

4. Thereby, while the inflation targets would have to be met almost religiously and no concessions should be granted on this front, special attention should be shown to the so-called "regulated prices", where the highest potential for competition distortion still remains, growth rates should keep at an annual average of above 7% or in between 7-8% GDP growth on the year early, so as to ensure that the economy runs at Positive Output Gap values for a long number of years to come; this would inherently keep at bay inflationary pressures as it will mean more competition on the market attracted by a higher demand. Moreover it will mean gains in productivity that will squarely translate in gains competitiveness thus outweighing the gradual loss of exchange rate competitiveness resulting from the steady appreciation of the national currency;

5. As such, one should aim for the end of the decade to have a stable rate of inflation hovering in between 2-4% annual average, combined with a growth rate in between 6-8% on the year early; this would squarely ensure that when approaching the entry into the EURO-ZONE the economy would have grown enough so as not to trigger necessarily an overheating due to an abrupt lowering of the interest rates. This will also ensure that before the EURO-ZONE entry prices would have grown enough but in the meantime apace, so as not to affect the purchasing power of the consumers, thus the need for strong growth throughout the whole of the decade to come. In the meantime, the price-rise following the immediate aftermath of EURO-ZONE entry would not be significant.

6. In terms of the NGO sector and its future chances to increase stability and sustainability, a better performance economy, more stable and with constant rates of growth can offer a good environment to promote business relationships and charitable activities. Of course that civil society does not mean only funds and money for activities, but also implicit voluntary actions and participations from citizens. But, as long as the economic sector of Romania is not performing well, the importance of the international and philanthropic organizations will be constant. A better performance of the economy can support a better activity of the state institutions and

agencies will to cooperate with the NGOs and to support their activities. As it often is said, a good economic performance increases a lot the changes of a democracy's consolidation.

## **CHAPTER 3:**

### **The demographic challenge - harnessing the potential of a large working age population**

“It is important to recognize that ... people must be central in development” *Gavin W. Jones*

#### ***3.1. Romania's population – where to from now on?***

##### *Half a century of demographic shocks and challenges of the half a century ahead*

Writing about the evolutions of population and their determinants/causes and implications for the last fifty years is rather a daunting task, as the size, growth and/or decline, as well as composition of population are strongly linked with social, economic and political context for a certain period of time. The factors which shaped the demographic profile of our society are multiple, and their consequences call for specific interventions in order to achieve a sustainable human development; and this is one of our aims for the topic at stake, namely *substantiating future directions for action*.

As a matter of fact, this chapter is dedicated to a larger extent to the links of population's evolutions with human development issues, the demographic analysis being used as a background for our debate. Our approach consists in building on the existing demographic analyses and linking them with education, health, living and employment policies from a specific moment in time in order to obtain a complex description of the human capital as main resource of development.

We also have to mention that, even if we use the generic term of “*population*”, we must be always aware of the heterogeneity of a population, which comprises men and women, youth and elderly, active and inactive people, inhabitants in rural or urban areas etc. So, in spite of this diversity which is so difficult to know and understand completely, we will try to address to the specific situation and needs of all these different sub-groups.

Population as a macro-economic and social variable displays special features. Thus it has a low sensibility to recent or contextual evolutions; in other words, it presents on short term a quite important “resistance” to the variations from social, economic or political areas<sup>22</sup>. All these imply, on the one hand, the necessity to analyze the dynamics of populations using long series of data and, on the other hand, that all the distortions in the evolution of populations must be interpreted carefully. Major unrepeatable events could also be considered, but they can explain the evolution of population just for short periods of time, the above discussed “resistance” of populations bringing the evolution (of population) to its “normal/current” trend.

Meanwhile, the evolutions of population and the so called demographic behavior of individuals are strongly influenced by the individuals' perceptions and attitudes with respect to the economic, social and political evolutions. Moreover, these “perceptions” are reproduced and transmitted in the process of socialization from one generation to the other. So, we will have to consider in our analysis the “traces” of the communist demographic policies in the collective memory of the society and mainly of the Romanian women. We should also assume the

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<sup>22</sup> Of course we do not include here those unpredictable events like wars, revolutions, natural disasters, economic crises or unrepeatable and unique phenomenon like transition from plan to market.

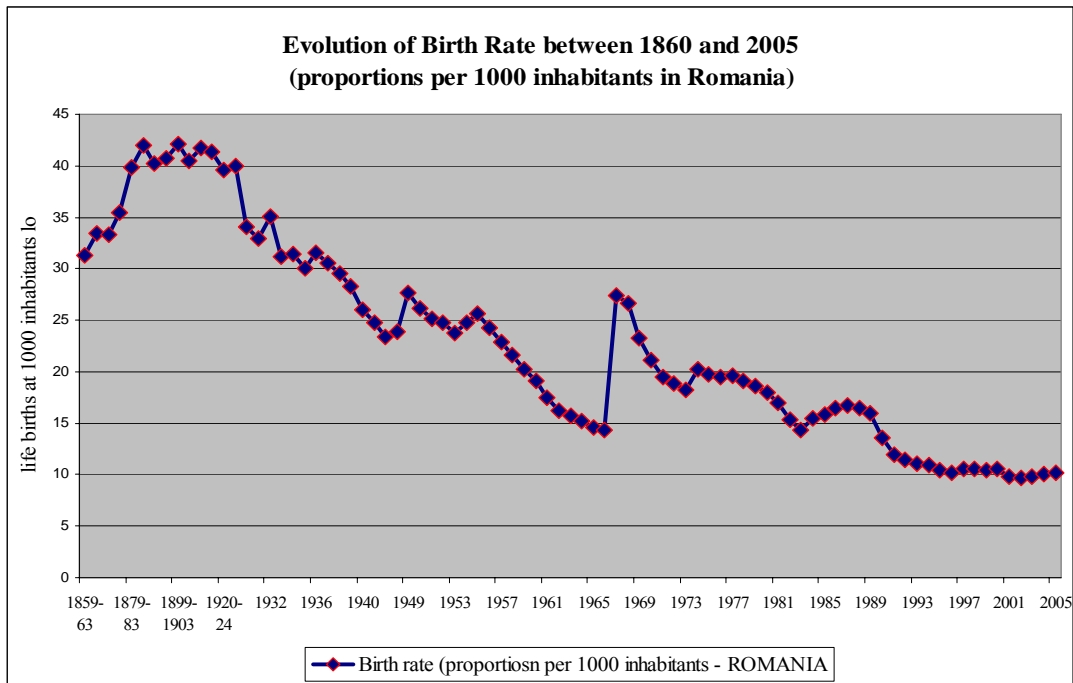
following pre-requisite for our analysis: the population and its evolution are in itself **a function of stability**; in other words, the higher the stability of the economic (i.e. the predictability of economic trends), social (i.e. peace and social cohesion) and political (i.e. a political system based on the “equilibrium of powers”) areas, the higher the probability for a population to fulfill its entire potential.

Considering the fact that the entire recent demographic history is shaped by a range of direct and strong indirect interventions on the demographic behavior of the individuals, let us begin by sketching in few words the evolutions of population before the WW II, period known as the only one characterized by a “natural evolution of population”. Then we will focus on and detail the recent demographic history and its implications on human development.

### *Before WW II*

The period before the WW II could be considered in our demographic history as one of “natural evolution”. We understand here as “natural evolutions” those trends displayed without direct and invasive pro-birth policies and without significant intrusions in the organization of traditional Romanian household, mainly agricultural-type one. These “natural evolutions” do not necessarily imply the lack of family planning, but rather the capacity of individuals to decide upon their filiations<sup>23</sup>. Although the 19<sup>th</sup> and the first half of the 20<sup>th</sup> century displayed a slow but continuing trend in declining of the fertility rate, it continued to assure the generation replacement level and even more.

**Chart 3.1.**



**Source:** authors’ calculations, based on NIS data and other available sources

We do not want to further our analysis in the characteristics and within the demographic phenomena displayed during this period of time, we just want to mention that the last time when our population was left to find its rut was long time ago. The communist policies with respect to property, economic production, fertility and generically named *welfare* will pervert this “natural

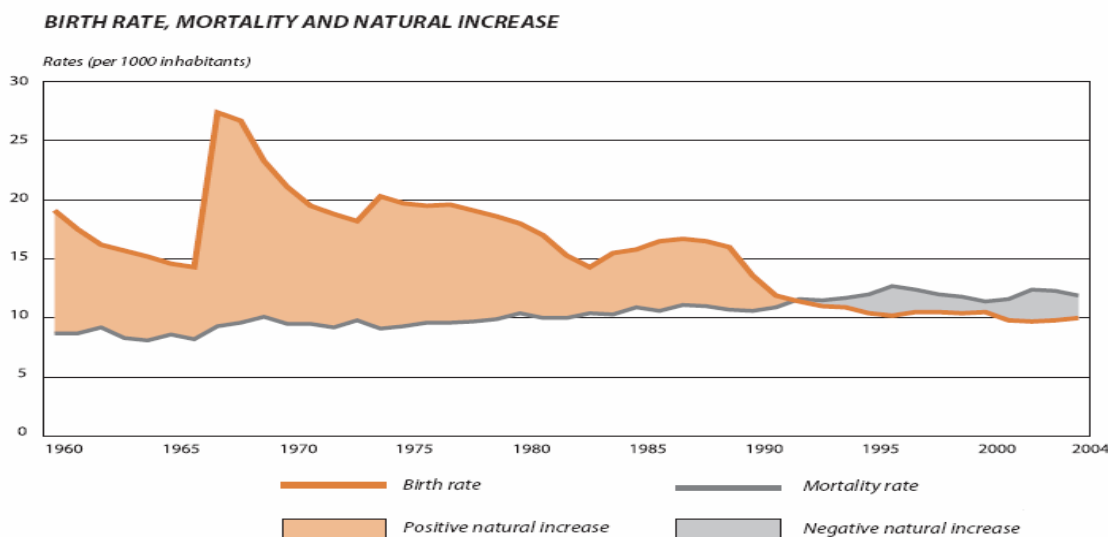
<sup>23</sup> Traian Rotariu, *Demografia și sociologia populației. Fenomene demografice*, Polirom, 2003

evolution” for almost half of century and will leave a demographic legacy, both in terms of number of people and demographic behavior, which will strongly affect the evolution of population for a long time from now on.

### *Romanian men and women and demographic policy of the communist regime*

The evolutions of populations during communism are atypical, not “normal” and in the same time represent a measure of the “insecurity” and “instability” of a totalitarian regime. Unlike Western Nations which recorded during the economic growth of the years of ’50-’60 the so called “baby boom”, consisting in numerous generations which represented and still represent nowadays large segments of the working age population in their countries, Romania and other eastern communist countries display in the same period of time “a declining birth rate”. Several Romanian specialists connected this decline with the measures regarding the “liberalization of abortions”<sup>24</sup> enforced at that moment, although there are numerous examples of countries where the family planning and the liberty of aborting were always a matter of course, and still they displayed the baby-boom phenomenon and high birth rates in the absence of explicit pro-birth policies.

**Chart 3.2.**



**Source:** Statistical Yearbook of Romania 2005, National Institute for Statistics

There were a lot of explanations provided by different analyst with respect to the declining birth rate during the communist regime, out of which we could mention the following:

- the collectivization of agriculture, ended in 1962, which practically conduced to the dissolution of the traditional rural household, and implicitly, on a long term, to the dissolution of a family model and a specific demographic behavior;
- the forced urbanization and industrialization of the country, when large segments of rural population (former small farmers/ landowners) were uprooted and tugged into new “urban” areas. These two initial actions of the communists had for certain a powerful impact upon the perceptions of people with respect to the lack of stability and the unpredictability of the new regime. Although large cohorts of rural population were moved into urban areas, unfortunately they had not brought their values and traditional

<sup>24</sup> The regulation on the liberalization of abortions was enacted in 1957.

practice to their new urban space. Birth rates in those new and forced developing urban areas continued their sharp decline<sup>25</sup>;

Thus, between 1950 and 1966 the birth rate decreased from 26.2 % down to 14.3 %, decline which could not be explained by a fundamental change in the population's mentality, as the period is too short for such an assumption. The structural changes of the society, the strong interventionist measures and the ideological and educational activity of the new regime seem to represent the explanations of the changing reproductive pattern of the society.

These measures, alongside with others such as the compulsory education or the actions for stopping the influence of the religion, were wrenched in 1966 with the forbiddance of abortions. In less than 15 years, the communist authorities enacted brutal regulations which conducted to a different "baby boom" in Romania. The fertility rate was practically double in 1967 as against 1966 (see Charts 3.1 and 3.2.), which induced a strong disturbance in the structure of population. This is the largest generation in our post WW II history. But, surprisingly, after almost two years the population seemed to return to its "natural" behavior, the birth rate continuing its decline and quickly aligning to its precedent pattern and figures. Thus, at the beginning of the eighties the anti-abortion regulations became stronger, as a new set of forbiddances were enacted, and so, new numerous generations were born in the eighties. The "resistance" of population had again a tougher impact, but with new and increasing costs for women's health, as they were this way pushed towards illegal abortions carried out in inappropriate conditions and "tricks" hard to imagine. The pro-birth policies of the communist regime, coupled with the ideological policy called "mother and child" placed the entire burden of giving birth on the women shoulders. The men missed from all the communist pro-birth and "family-friendly" policies. The impact on women health is nowadays reflected in the morbidity rates for women and their causes. The pro-birth policies were also coupled with the economic crisis of the communist regime during the eighties, which practically induced famine for all people, but especially for the new born generations exactly in their early childhood. Also, the forced industrialization was characterized by unfavorable working conditions for all working age people, and this has already gravely and will certainly continue to grave on the people's state of health from now on. These realities of the eighties have now and for certain will continue to have on a long term a significant impact on the people's health, even if the connections seem to be rather empirical for the moment.

If we could say until this point that the health component has a rather "negative" impact on human development, the education component seems to have a "positive" one. The communist policies concerning education, with their goals of ideologically impregnating the people, using compulsory education, contributed significantly to the rather high level of human development index for communist countries.

The education policies were developed mainly in the late seventies and affected especially the large segments of population born during the sixties. Thus, two large cohorts of population entered on the labor market at the beginning of transition process and at the end of nineties, well educated generations, with certain expectations, and also without any knowledge about capitalism, free market, liberal democracy and the phenomena coupled with them. These cohorts of population with higher level of education (but mainly with professions for an economy based on industry and production sectors) will shape the labor market profile during transition and the policies addressed to human capital and its sustainable development.

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<sup>25</sup> Traian Rotariu, *Demografia și sociologia populației. Fenomene demografice*, Polirom, 2003

### *Plan to Market Transition Developments*

After 1990, Romania's population practically took over both the shock of the deep economic crisis which marked the end of the communism, but also the shocks of the transition process, translated in instability, unpredictability, poverty, unemployment and surviving strategies built on the subsistence-type agriculture. The economic unpredictability, illustrated by high inflation and low wages, mass lay-offs and in-depth restructuring process of industry - to indicate just a few of the phenomena associated with transition - the social and even political instability marked upon the fertility behavior of population, that had become "excessively prudent". The slow rhythm of change, the persistence of high inflation, the low levels of wages, as a proxy for the welfare of households, could be considered the main "driving" forces in the significant decline of total population. The decline of total number of population was mainly explained by the decline of fertility rates associated with high mortality rates, as the generations born "on the eve" of WW II and right after it were practically biological "mined" by the adversities of their life through communism and therefore characterized by lower levels of life expectancy. A certain role in the decline of population in the early nineties was played by the emigration "wave" in 1990, when almost 100,000 people left Romania, mainly due to the political instabilities which marked the beginnings of democracy in Romania. After 1990, the emigration decreased its "explanatory" role in the decline of population.

Even if mortality rates are on a descending trend, and even if emigration is also on a declining trend, the extremely low rates of fertility grave upon the total number of population. In just 15 years, the total fertility rate decreased from 1.8 in 1990 to 1.3 in 2004, while the total number of population fell from an approx. 23.2 mil., to an approx. 21.7 millions. That lack of security and predictability of economic evolutions led to an "extremely conservatory" behavior of Romanian families with respect to fertility, or, better said, with respect to the deliberate abstention from giving birth to more than one or two children in a family, and all the authors and analysts of the demographic behavior through transition agreed on this economic determinism for the evolution of population after 1990.

Although new types of socio and demographic behavior have emerged during transition, such as single member families, co-habitation, the increase of the average age at first marriage as well as of the average age of mother at birth, and although sometimes they are analyzed *extensively* when it comes to the fertility decline after 1990, the authors of this report consider that all these types of new behavior had a certain impact, but it could be considered rather marginal. Moreover, the institution of marriage and the behavior of avoiding the marriage are strongly influenced by the economic unpredictability associated with the "stop and go" transition, which marked the Romanian society between 1990 and 2000.

As we will see, alarming is not only the decreasing trend of population, but also the continuing damage of the age structure of population, which announce multiple implications on the sustainability of social security schemes. In other words, the danger consists in the unbalanced demographic structure of population, with very important economic and social repercussions on the labor market, pensions systems, provision of health care services, education, incomes and public expenditure etc.

### ***3.2. The current state – working age population at a historic peak?***

Working age population is the most dynamic segment of the country's population. It generates the resources needed for development and in doing so it sows the seeds for the development of future generations. As such, glancing at its development provides an insight both

to what human development meant until now and its consequences but even more important, it sheds light on future developments for decades to come.

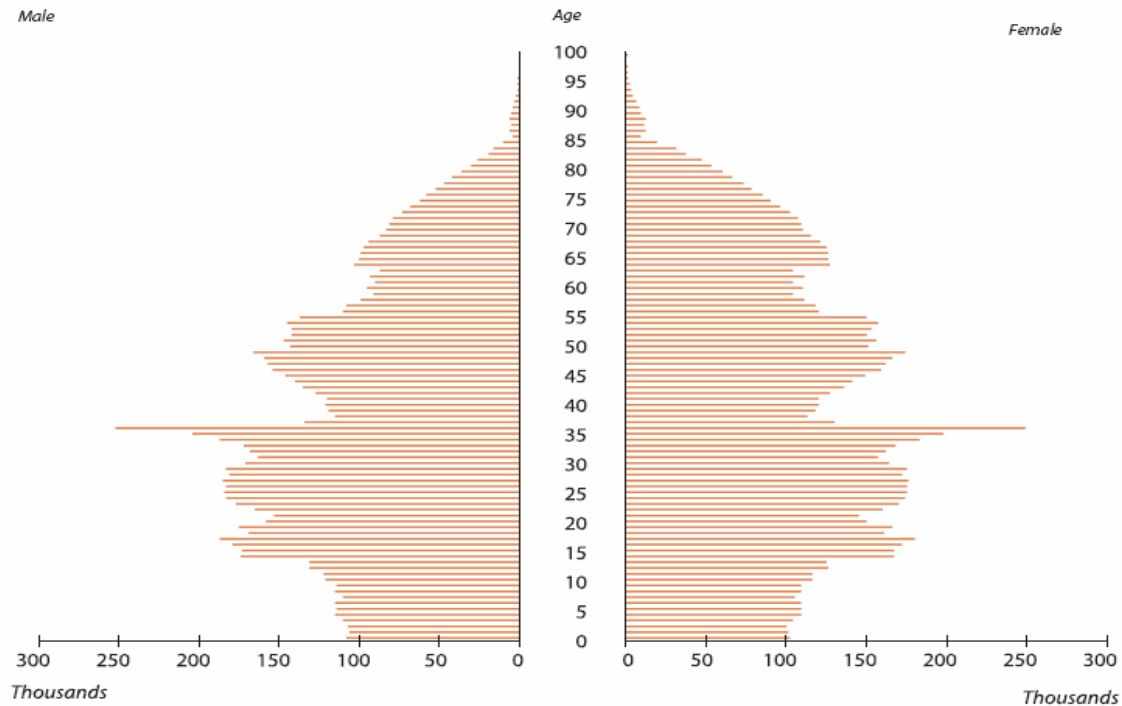
The problems which the EU-25 member states and acceding countries have to cope with are almost similar, the difference being made - at least for Romania - by the lower economic performances, and thus a lower impact on the social and demographic issues for the years to come.

As a consequence of the changes suffered during communism and transition, and we sincerely hope that these two periods and their associated phenomena are unique and unrepeatable in our future history, the age structure of Romania's population displays severe and alarming distortions, having numerous generations born between 1967 and 1989, and reduced generations born in the last seventeen years.

As the chart below clearly shows, the working age population (15-64 years old) comprises very large cohorts of population, while the number of younger (0-4 years old) merely reaches half of the quantum of precedent generations. According to the calculations of the National Institute of Statistics, starting with 2007 the replacement ratio of active population will enter a declining trend as the generations born after 1989 will begin their "active" mission on the labor market. Therefore, it seems that, projecting the current demographic trends, the current working age population reaches an historic peak, and, moreover it is very hard to say if in the future so many people as in the sixties will ever be born again. Our experience and, to a certain degree, our common sense tend to say that the effects of intrusive pro-birth policies are very hard to catch in conditions of "natural evolution".

### Chart 3.3

*POPULATION BY AGE AND SEX ON JULY 1, 2004*



**Source:** Statistical Yearbook of Romania 2005, National Institute for Statistics

As we already said, those large generations born due to the explicit pro-birth policies of the former regime, raised and educated during the communism, were those that had to actually do

the Plan-to-Market transition. While the generation of the “decree” entered the labor market exactly in the last years of the communism and at the beginning of the transition, succeeding to a certain degree to take advantage of some opportunities offered by the early years of transition, the one born in the eighties had tougher times when they entered the labor market at the end of nineties.

While the '66-'67 generation was the first one who had to cope with lay-offs and unemployment, phenomena completely unknown at that moment in the Romanian society, although some employment opportunities were offered to them mainly as a consequence of the massive retirement policies coupled with the institutional development of a society who had to prepare and rebuild itself for democracy. Thus, several market niches were offered to this generation in terms of employment, even if most of its formal qualification was inappropriate to the jobs performed in a new and dynamic economy.

The situation became worse for the '80 generation, as their entrance on the labor market happened at the end of transition, period characterized by low levels of vacancies. Thus, the new cohorts of educated youth had almost no employment opportunity at the end of nineties and beginning of the new century. The domestic economy was not prepared for them in terms of its capability to generate new and better jobs, fit to their high qualifications and ever higher expectations. In fact, the entrance of the '80 generation on the labor market coincides with increases in the youth unemployment rates.

These aspects pose serious problems in terms of human development as the Romanian economy seems to have important difficulties in assuring appropriate levels of benefits, both in terms of employment and employment of quality, for its youth generations. These trends unfortunately question the sustainability of social security systems, in absence of rapid and well focused policies targeted on the current working age population.

### ***3.3. Can the current trends be reversed? Alternative demographic forecasts and scenarios and their potential impact on Human Development and Labor Market Inclusiveness***

Demographic trends influence the social and economic evolutions as they have significant impact on labor markets, economic growth and social cohesion. In fact, demographic phenomena determine changes with regard to both the volume and structure of human capital leading to certain social and economic problems. Therefore, it is crucially important to project the most likely future evolutions of the demographic processes for the purpose of policy-making and strategic planning in order to promote sustainable development.

As it was shown in the previous sections, the Romanian recent demographic evolutions are characterized by population reduction and ageing. Most specialists agree that these evolutions are determined by a complex of historic, social, economic and cultural factors and events and cannot be explained, on long term, through one single causal theory. Population forecasts are designed by projecting the evolutions of birth and mortality rates, as well as the level of the net international migration rate (immigration and emigration) on the ground of certain hypotheses. Still, one must point out that the demographic shocks from the last half a century which were determined by some highly intrusive state interventions and significant changes at political, social, economic and cultural levels make the population forecasts even more difficult to be done.

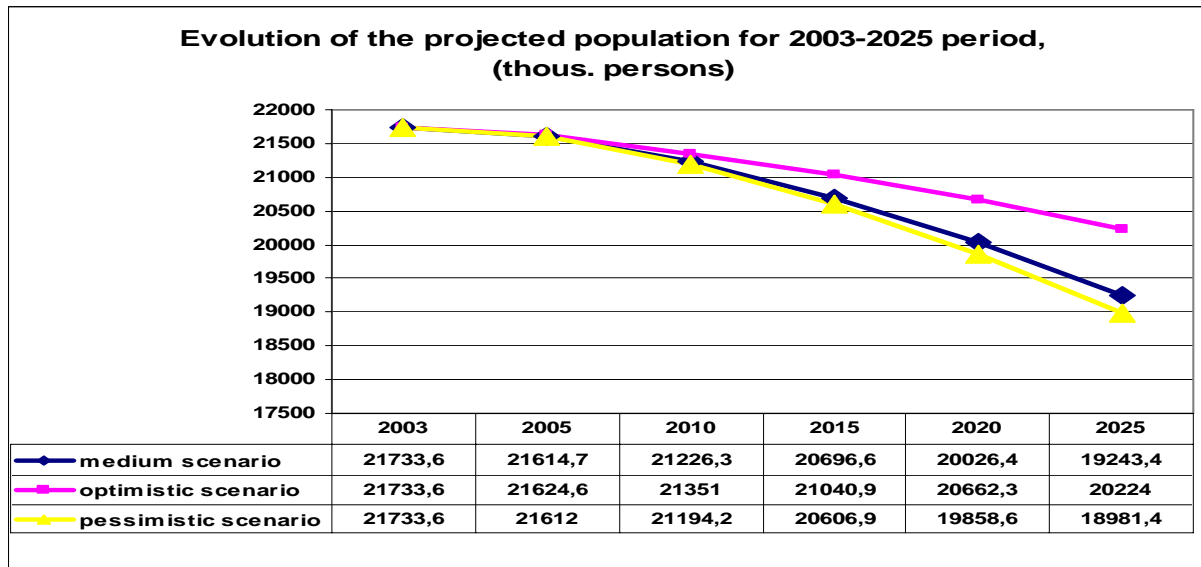
The National Institute of Statistics carried out a population projection<sup>26</sup> for the year 2025 based on the Romanian population structure at the 1<sup>st</sup> of July 2003 and on the demographic phenomena evolutions during the recent years: the maintenance of a low fertility level (1.3

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<sup>26</sup> National Institute of Statistics, *Proiectarea populatiei Romaniei in profil teritorial pana in anul 2025*, 2004

children per woman), a slight increase of the average life expectancy at birth and a negative net international migration rate. Thus, three possible scenarios are projected: the medium one (of reference) keeps constant the average values of the main demographic phenomena for the period 2000-2003, while the optimistic and pessimistic ones are grounded on the demographic trends at county level as against the national average during the same period for fertility, life expectancy at birth and net migration.

**Chart 3.4.**



**Source:** National Institute of Statistics, 2004

The medium scenario shows that the Romanian population will continue to decrease over the next 22 years from 21.7 million people at 1<sup>st</sup> of January 2003 with almost 2.5 million persons. Actually, if the main demographic phenomena maintain their average evolution from 2000-2003, the population will decrease slowly until the year 2010 (with an annual average rate of -0.28%) and then faster (with an annual average rate of -0.52%). From a human development point of view, the projected loss of over 10% of population within the next two decades represents, in fact, a potential threat for the sustainable development of the country which we must be able to address through the quality increasing of the human capital. However, such constant evolutions of the demographic processes are improbable, especially with regard to the fact that Romania improves more and more its policy-making process and development pursuing capacity within various socio-economic areas which influence in a positive manner the demographic evolutions (on long term). From this point of view and regardless the fact that a future evolution of the net migration rate is very difficult to assess with accuracy, it is reasonable to expect an “amelioration” of the demographic trends of the population evolution. For these reasons, the optimistic scenario is the one to be considered<sup>27</sup>.

Still, a population reduction by more than 1.5 million persons (for the 2025 year) is projected. The worrisome fact is that the descendent trend of the population accelerates at the end

<sup>27</sup> The optimistic scenario is based on the hypothesis that counties characterized by a fertility level below the national average will move toward it, while counties with a current fertility level higher than the average will continue their evolution on a ascendant trend toward the replacement level without reaching it though; it also assumes that the average life expectancy at birth will increase in a significant manner starting with the middle of the next decade, reaching a national average of 70 years for men and 81 years for women in 2025, while the net migration rate will register stable values during the projection period

of the projection period, which means that not only a progressive loss of human capital will happen, but also that this “snow ball” effect will be very hard to counteract. Therefore, whatever the future evolutions will be, it is very hard to believe that Romanian population can reach its historic peak again during the following decades. Also, with regard to future trends of the average life expectancy at birth, one can argue against the accelerated positive evolution as the generations living their adult life in the communist regime become older.

Due to low levels of the projected fertility, as well as to the fact that larger generations become older, the population structure by age will continue to change as the number and share of youth will decline simultaneously with the increase of the number and share of old age population. Therefore, the Romanian demographic evolutions for the decades to come will be characterized by a significant ageing process. Thus, the share of old age population will be increasing during the next two decades from 14.3% to 17.4%, while youth will be reducing its share in total population from 16.7% to 13.1%<sup>28</sup>. Obviously, these trends will determine problems of social inclusion for a larger and larger old age population and challenge the financial sustainability of the public social security systems, with a special regard to the pension one. The working age population (15-64 years old) will not decrease its share in total population within the next 20 years. However, National Institute of Statistics projects a decline in the number of working age population by over 1.5 million persons, which together with the imminent ageing of the labor force will determine significant imbalances on the labor market with respect to the labor force demand and supply, labor productivity and labor market mobility. As a matter of fact, the ageing process will determine, first of all, the increase of the expenditures on health, pensions and elderly care which will increase the fiscal burden. However, if it happens there will be also some positive effects by strengthening the capacity of working longer in good health, which together with the increase of the share of older workers will stimulate the returns from human capital in terms of experience. Also, ageing will increase the need of additional investments in human resources, with special regard to continuing vocational training of older workers who are currently characterized by the lowest training participation rates. One can point out that labor costs are going to increase due to the decline of the returns from the physical capital of the workers and their low motivations. Also, ageing of the labor force will induce imbalances between the demand and supply of young workers (resulting potential age discrimination on the labor market in terms of equal opportunities/wages) and decline of the mobility of workers (both geographical and occupational) on the labor market. Obviously, ageing will produce sustainability-related problems for the social security schemas, reducing, as a result, the welfare of elderly and determining social inequalities and inter-generational conflicts. There will be an increasing need of strengthening the social cohesion via enhancing the old age population social participation. Unless efficiently addressed, all these problems will produce negative effects in terms of human and economic development on long term.

Other specialists<sup>29</sup> consider fertility increase as the main path for Romania in order to slow down/stop the rhythm of its demographic decline and that is why their population projection for the year 2050 is grounded on the fertility increase hypothesis. Thus, three possible scenarios are projected: an inferior one which keeps the total fertility rate constant at 1.25, a medium scenario in which the replacement rate value (2.1 children per woman) is reached in 2050 and a superior one of reaching the replacement level in 2020. All three scenarios are based on the assumption that the average life expectancy at birth will increase from the 67.7 for men and 75 for women in 2002 to 76 for men and 82 for women in 2050. A reference scenario which

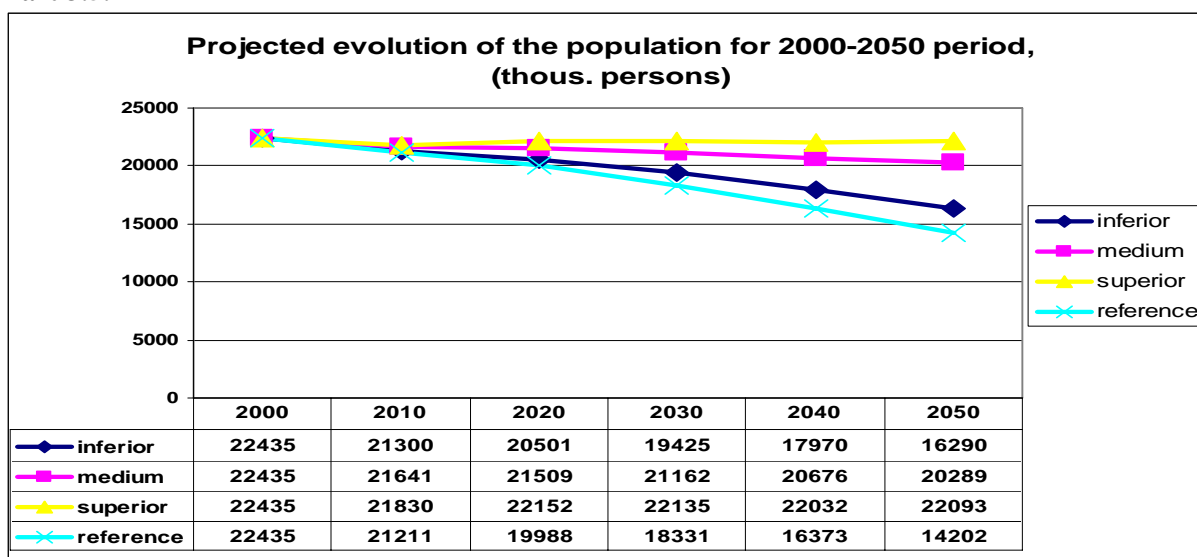
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<sup>28</sup> National Institute of Statistics projection, 2004

<sup>29</sup> V. Ghetau et al., “Vladimir Trebici Centre of Demographic Research”- National Institute for Economic Research, Romanian Academy, 2003

maintains constant both fertility and average life expectancy at birth values was added. Bottom line, the message is that for Romania “increasing fertility is not an option, but rather a compulsory condition for improving the demographic situation of the country” (V. Ghetau, 2003, p.9).

**Chart 3.5.**



**Source:** Vladimir Trebici Centre for Demographic Research - National Institute for Economic Research, 2003

As the previous forecast showed, maintaining the current levels of both fertility rate and average life expectancy at birth (the reference scenario) will induce a significant acceleration of the demographic decline while Romania will reach a population of 14 million people by the 2050 year, with significant problems related with the human capital loss and high age imbalances. Also, the inferior scenario projects a less accelerated but still significant decline. Therefore, only a fertility rate increase up to the replacement level during the next five decades (medium scenario) will produce a slightly decreasing trend of the population, but on long term, it seems to ameliorate its current evolution. Highly improbably, a rapid increase of the fertility rate to the replacement rate value by 2020 determines a stabilization of the population to about 22 million people. Still, all these projections didn't consider the implications of the migration process which affects not only the number of the population, but also its age structure as the migrants are, predominant, young and adult age people. However, a fertility progressive/durable and significant increase represents the only path for Romania in order to reverse its current demographic trends and address its effects. Also, the hard lessons of the demographic shocks from the past half a century highlight the need of sustainable fertility increase, so that its positive effects will influence the population evolution on long term. However, one can argue against this projection which seems to be grounded on some unrealistically high assumption on future fertility.

Actually, for assessing the probability of ameliorating the current trends, one must analyze also the set of values and aspirations of the Romanian population nowadays, as well as the potential evolutions of the socio-economic environment for the decades to come as important determinants for the demographic behavior. For instance, Romanian fertile age women consider that the ideal family should have, on average, 2.24 children, while the desired/expected number of children per women is, on average, 1.9<sup>30</sup>. Less than 1% of them consider that family with no

<sup>30</sup> Traian Rotariu and team, *Ancheta asupra unor fenomene populationale si emergenta unor stiluri de viata in Romania*, Metro Media Transilvania

children is the ideal one! So, the set of values which characterize the Romanian population “sustains” an increase of the fertility rate up to the replacement level. Fertile age women who don’t wish to have a child (or another one) motivate their decision in relation with the “costs” of giving birth and looking after children: material, psychological and health costs. Out of total fertile age women who don’t wish to have a (another) child, 81% declare that this is their final decision, while 7.3% are willing to reconsider their position, in case their economic situation will change in the future.

Determinants of the population evolutions cannot be closely associated with any economic or social phenomenon alone. Therefore, in order to find a suitable explanation, one has to compound the economic, social, and political factors into a synthetic measure able to capture the variations of the political, social and economic environment as a whole. The National Research Institute for Labor and Social Protection<sup>31</sup> carried out a population forecast assuming the correlation between the population evolution and a stability measure conventionally called “the stability index”<sup>32</sup> as the only one able to provide sufficient explanation for the evolution of the demographic phenomena, with a special view to fertility and migration. This synthetic measure proves to be a powerful explanatory variable for population evolutions.

The forecast indicates that the major shocks in terms of stability from the last century lead to a significant decline of the population during the first half of the 21<sup>st</sup> century (according to four of the six projected scenarios). The pessimist scenario projects a “disastrous” decline of population which would reach about 10 million persons to 2050. However, it cannot be taken into account as probable to happen. In fact, the most probable three scenarios (highly conservative, conservative and moderate conservative scenarios) indicate a decrease of the population to about 16.5 million people for the year 2050. Unfortunately, it would represent the lowest population increase from one century to another for the last four hundred years. Although highly improbable, a significant improvement of the country’s stability with respect to its politic, economic and social environment would lead to a spectacular increase of the number of population (optimistic and highly optimistic scenarios). Unfortunately, it seems that the major shocks which had been suffered by Romania during the last century compromised the near demographic future of the country and “cost” us a significant reduction of the human capital. (see Chart 3.6.)

Regardless the methodological debate, Romania have to action for ameliorating its population decline, as well as for addressing the complex problems induced by the recent/future demographic evolutions with respect to their impact on labor market, economic growth and social cohesion. Human capital represents an essential resource/path for the sustainable development process, with regard to both its quantity and quality and therefore, there is need to address them both.

Also, we must learn from the hard lessons of the past and not to design intrusive intervention measures which determine mostly demographic shocks and not a sustainable population increase. Only a long term fertility increase is able to ameliorate the population decline and produce human capital development. From this point of view, friendly support policies for families and children together with the development of paths for women to

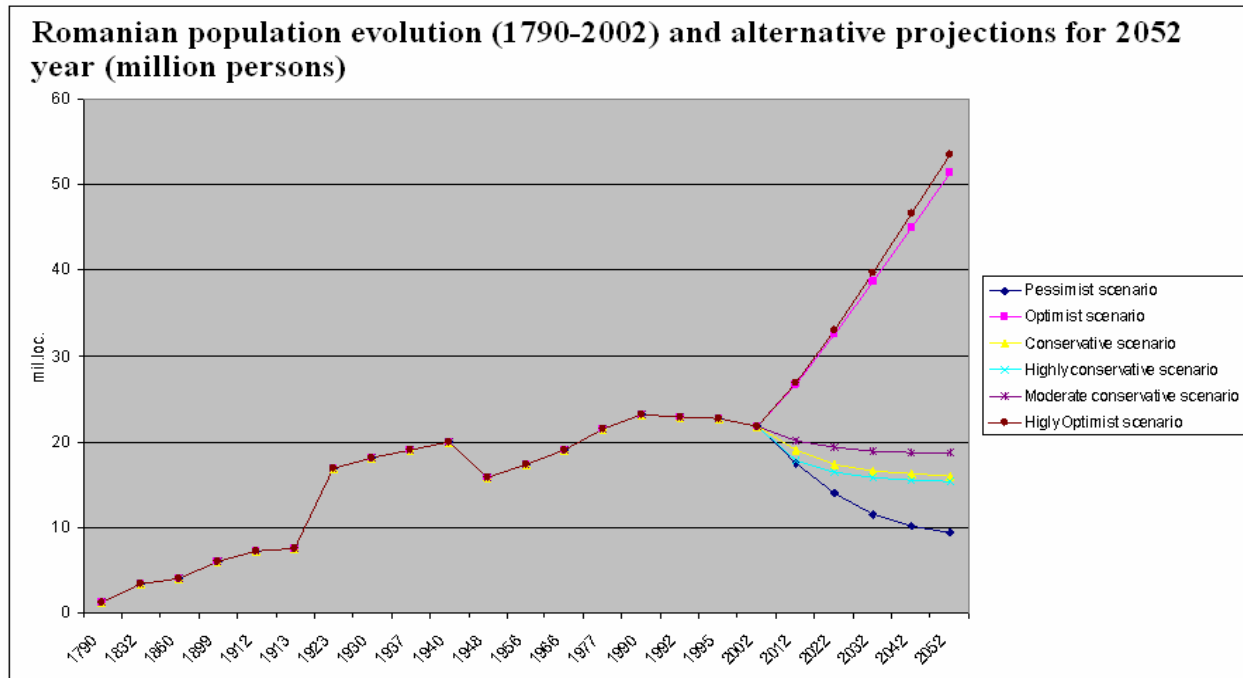
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<sup>31</sup> Catalin Ghinararu, 2006

<sup>32</sup> The consulting company Lehman Brothers calculates “The Stability Index” on a regular basis [www.lehman.com](http://www.lehman.com). The index includes elements that give information on the country’ stability with respect to political, social and economic dimensions. It is also used as an indicator of the economy’s resilience to external shocks. Catalin Ghinararu has reconstructed a series of this index for Romania. Subsequently, the resulting values have been regressed on the statistical series for population. The result has been a significant degree of explanation by the stability index of total population variations over the time .

participate to the labor market will reduce the “costs” of the giving birth and looking after children and will induce positive effects at the fertility rate level.

**Chart 3.6.**



**Source:** National Research Institute for Labor and Social Protection, C.Ghinararu’s calculations, 2006

### 3.4. Agenda for the decade to come

Analyzing the evolutions of population as well as foreseeing future changes are important prerequisites for any study meant to substantiate a strategy for improving the current trends of human development. Phenomena like the decline of population and ageing are not questionable anymore and nobody doubts of these realities, while their impact on family structure, labor market dynamics, social cohesion, sustainability of social security systems, etc. is on the rise.

The demographic changes which Romania have to cope with, as well as other nations worldwide are determined by the increasing average life expectancy at birth, lower levels of fertility rates and, although to a smaller extent, by the emigration flows. Although these phenomena affect almost all developed and developing societies, the measures which have to be enforced in order to alleviate their consequences are different from one country to another, according to their specific features.

A consensus regarding the opportunity to tackle demographic phenomena by promoting direct demographic policies was not achieved yet, as we had a unique and painful experience during the communist regime and its memory is still vivid among most women and men. Obviously, as previous sections underlined invasive measures do not induce a natural and sustainable population growth.

Therefore, good governance cannot ignore the need to react to the population decline and ageing as well as to their complex effects on the long run. Policies addressing population

evolution have to be considered both in order to capitalize on the existing opportunities and to minimize the potential losses:

1. Prolonging the active life, but taking care of incorporating gender differences within the policies design, as the values of life expectancy at birth are different for men and women. These measures must be coupled with actions to encourage the retired persons to continue their careers and active life.
2. Developing health care services in terms of their accessibility, capability and not at least quality in order to meet the increasing challenges and needs of an ageing population. These measures have to be coupled with awareness raising campaigns on the importance of having a healthy lifestyle.
3. Designing family-friendly policies, with focus on the accessibility and affordability of child care services, as well as flexible working arrangements, knowing that policies for better reconciliation of work and family life proved their significant impact on raising the fertility rates. The set of values which characterizes the fertile age women sustains the family model with two children, but only in conditions of economic wellbeing of their households and stability of the political, social and economic environment.
4. Developing appropriate policies to foster immigration, targeted if it is possible, on communities which would adapt faster to our culture and meet our society needs.
5. Combating inequality, fostering social inclusion of the so called disadvantaged groups and promoting their empowerment by active labor market policies, as employment is the “headstone” of a life of quality.
6. Reshaping and redesigning the social security systems, with a focus on the private pensions systems, as a solution to an increasing dependency ratio resulting from the ageing of population.
7. Promoting quality employment and mainstreaming the labor market inclusiveness, as main tools for raising the human resources competitiveness and the innovative potential of our economy.

## CHAPTER 4:

### Advancing Labor Market Reforms. Bettering Labor market Governance as prime tool for higher inclusiveness and stronger social cohesion

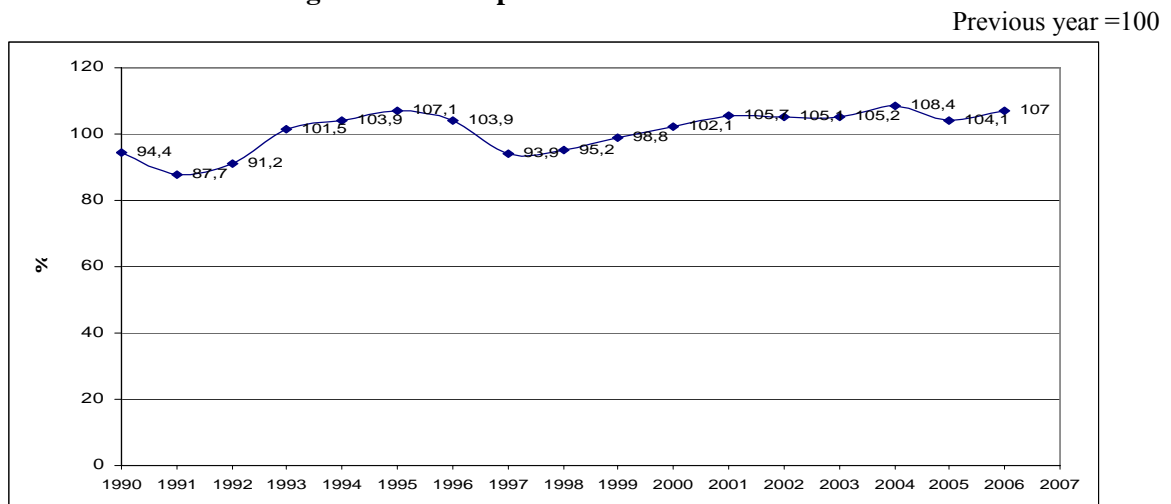
#### *4.1. Growth Potential and Job Generation Potential. To what extent does Growth Potential foster Job Generation Potential and Human Development?*

One of the main challenges faced by the Romanian economy in the decade to come, one of EU integration, is the achievement of full employment which is equivalent to achieving a sustainable economic growth, without inflationary increases.

In the period of the transition, the Romanian economy has registered one of the most drastic periods of recession. The economic growth model achieved by the Romanian economy in the period 1990-2005 was characterized by large fluctuations of real GDP. The first decade of transition, the 90's, was characterized by a short period of macroeconomic stability and then by a drastic fall of GDP.

Starting in 2000, the Romanian economy registered a strongly ascendant tendency and the increasing rate of real GDP reached in 2004 the historical value of 8.4%. The GDP's growth tendency continued during 2000-2006, reflecting durable economic stability, based on the getting over of the critical threshold of progress in transition and of structural reforms.

**Graph 4.1. Growth variation of gross domestic product**



**Source:** Romanian Statistical Yearbook, 2006; Data for 2005 and 2006 are from National Commission for Prognosis

Despite this sustained economic growth, the Romanian economy doesn't have a proven capacity to create more and better jobs in order to retrieve the massive losses from the first transition years. Moreover, if the elasticity coefficient of employment to GDP during 1991-2004 is analyzed, one will notice that employment was almost inelastic to economic growth.

**Table 4.1. The elasticity coefficient of employment to GDP**

Year	Annual rate of employment growth	Annual rate of GDP growth	Elasticity Coefficient
1991	-0.5	-12.9	0.0
1992	-3.0	-8.8	0.3
1993	-3.8	1.5	-2.5
1994	-0.5	3.9	-0.1
1995	-5.2	7.1	-0.7
1996	-1.2	3.9	-0.3
1997	-3.8	-6.1	0.6
1998	-2.3	-4.8	0.5
1999	-4.5	-1.2	3.7
2000	2.5	2.1	1.2
2001	-0.8	5.7	-0.1
2002	-2.7	5.1	-0.5
2003	0.5	5.2	0.1
2004	0.5	8.3	0.1

**Source:** Data calculated based on the information from the Statistical Yearbooks, National Institute of Statistics, Romania

Although the economic forecasts show that for the following 10 years, the Romanian economic growth will be placed around its potential value (according to forecasts from the National Commission for Prognosis, the average annual growth ratio of GDP will be of approximately 5.7%), the employment growth rate will continue to be low.

The source of work force will be influenced both by the sold of external migratory movement, including the temporary one, and by the forecasted demographic trends (the decrease of total population with approximately 0.4% yearly and the registered ageing of population).

Although the employment growth of the last years is still modest, the fact that this growth was achieved without affecting the productivity or the competitiveness must be mentioned. The experts ascribe this result to the healthy economic growth of the last few years.

For 2006-2013, it is estimated that the active population will grow with approximately 145 thousand persons and the employed population will grow with 340 thousand persons. This growth will not substantially reduce the level of inactive population in working age registered in the transition period. Thus the full employment objective settled through the Lisbon Strategy will continue to be out of reach.

**Table 4.2. Forecasts regarding Labor Force in the period 2005-2013**

	2005	2006	2007	2008	2009	2010	2011	2012	2013
	<b>% changes in previous year</b>								
<b>Active population*</b>	-1.1	0.3	0.3	0.4	0.3	0.4	0.3	0.3	0.3
<b>Employment*</b>	-0.1	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.3
<b>Employees</b>	-1.9	0.5	0.5	0.4	0.3	0.1	0.2	0.2	0.4
	<b>%</b>								
<b>Activity rate*</b>	62.4	62.5	62.8	63.0	63.3	63.5	63.8	64.0	64.3
<b>Employment rate*</b>	57.7	58.1	58.4	58.7	59.0	59.3	59.6	60.0	60.3
<b>Unemployment rate</b>	7.2	6.8	6.7	6.6	6.5	6.4	6.3	6.1	6.0

**Source:** National Commission of Prognosis, 2006

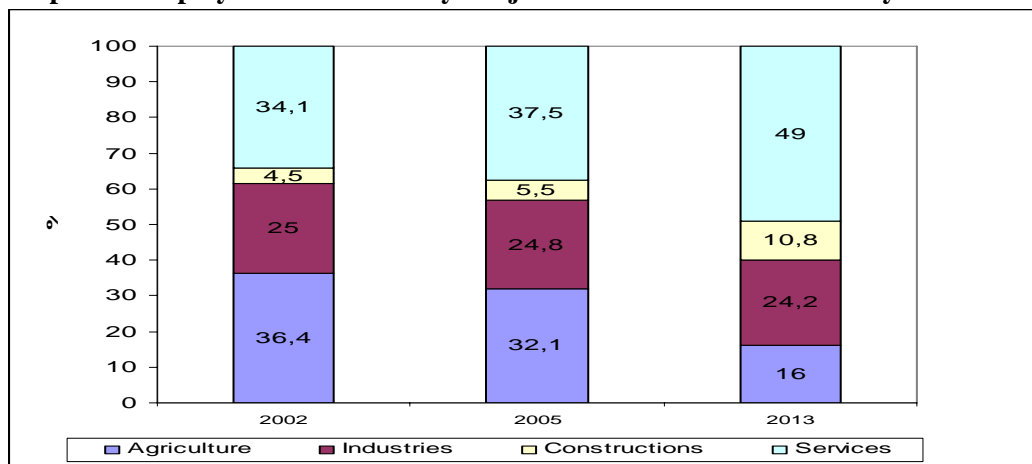
\*) population 15-64 years

The high rates of inactivity and a salary level that is still unattractive will increase some deficits of labor demand in industries with rapid growth potential. It is estimated that around 2013 almost 400 thousand jobs will be appropriated by other active population categories originating either from outside the country or from groups above the working-age limit.

A positive fact is the structural improvement of employment. In 2005 the population employed in agriculture decreased by 4.3 percentage points (pp) compared to 2002 (from 36.4% to 32.1%). The population employed in the services' sector increased by 3.4 pp. Although these structural changes of employment prove the tendency of the economy to orientate towards the tertiary sector, this trend is still rather slow.

According to forecasts, in 2006-2013 the population employed in agriculture will decrease with 16% and the population employed in the sector of services will increase with approximately 11.5%.

**Graph 4.2 Employment structure by major sectors of economic activity**



Source: author's calculations based on statistical data

The improvement of the employment structure by economic sectors will be accompanied by an improvement of the structure by employment status. Thus, the share of the remunerated employment in total employment will increase, which, in principle, may lead to a higher quality of employment. Towards 2013, the medium number of employees is estimated to approximately 6085 thousand persons, a 2.8% increase compared to 2005. Significant increases of employee number are expected in industries such as constructions and services.

Towards 2013, the non-remunerated employed population will be at a high level, but with an obvious structural improvement. The number of persons employed in agriculture – in 2005 they had the status of contributing family workers, will diminish, some of them moving towards the status of employers or self-employed. The phenomenon has already been signaled on the Romanian labor market and it may increase together with the accelerated application of agriculture modernization programs.

**Table 4.3 The structure of employment on major sectors of economic activity :**

	2002	2004	2005	2013
Total	100,0	100,0	100,0	100,0
Agriculture	3,5	3,2	3,0	3,6
Industry	39,4	38,4	37,3	35,1
Constructions	6,3	6,6	6,9	7,6
Services	50,8	51,8	52,8	53,7

Source: The National Commission for Prognosis

As such the capacity of the Romanian economy to generate more and better jobs is not in accordance with requirements of the Lisbon Agenda and thereby its capacity of sustaining a pace of economic growth close or even above its “potential”(Zero or Positive Output Gap values) will have to owe a lot to a combination between the contributions of labor and capital as factors of production.

In the last period of time, many research preoccupations focus on studying the influence of the labor (L), productivity (Q/L) and capital (K) factors on the economic growth achieved in Romania in the transition period and in the period after the date of accession.

Recently, some European Commission recommendations regarding the contribution of employment to economic growth were oriented towards both the increase in employment and the improvement in labor productivity, that are seen as the fundamentals for the long-term increase in the EU potential for economic growth. The European model for sustainable economic growth involves the achievement of a higher employment – full employment simultaneous with an increase in productivity.

*Aspects regarding the contribution of employment and productivity to economic growth in the endogenous theory hypothesis for economic growth in Romania in the period of transition*<sup>33</sup>

Certain research results have imposed, in the past decades, the endogenous theory of economic growth. Within the neo-classical theory of economic growth, the technological change was considered **exogenous to the economic system**, with an implicit independent development. The response sensitivity and ability of the technological changes to economic signals, such as prices and profits, have demonstrated that they are **endogenous to the economic system**. In light of the new approaches, „economic growth is achieved through the costly and risky innovation activity, which appears to a significant extent as a reaction to economic signals”

To the quantitative factors of production K and L, a qualitative factor of production called TFP (Total Factor Productivity), is added. Productivity cannot be increased only extensively, but mostly intensively, by means of technological input and technological change. Thus, the TFP expresses the efficiency in using the combination of resources (K and L) as a whole in various forms, such as: infrastructure developments, light industry developments and the increase in the design capacity, structural adjustments, human resources development also called generically „technical progress level”. „The TFP is a superior method for the overall efficiency of using rare factors, including the production process management.

Because the growth limits are known, both for K and for L, we may say that there is a **transition from the increase in labor productivity (product/worker) to the increase in the total factor productivity (TFP)**. The acknowledgement of the TFP’s importance in economic growth was made by the Singapore government as early as 1995, by means of creating an institutional framework called „The Standards and Productivity Commission” within the Ministry for Trade and Industry, as well as by establishing precise targets such as: „...maintaining the TFP at a level of 2%/year in order to reach a 4% rhythm of annual increase in labor productivity (expressed as a Q/L ratio) and a 7% annual economic growth”.

***Today, many specialists recognize that, alongside the technology, human capital plays a fundamental role for the sustainable economic growth.*** In the economic literature, some growth models treat human capital as an additional input in the production function, alongside physical capital and labor, while other models link the stock of human capital to the creation and absorption of new technology.

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<sup>33</sup> Estimates according to a methodological approach elaborated by the National Scientific Research Institute for Labor and Social Protection

Since human capital and technology are seen as key determinants of productivity, however, especially in a knowledge-based economy where technological progress can create an economic imbalance, it is not only the level of human capital or its composition, but also adaptability that matters for economic growth. Adaptability of workers is crucial for effective reallocation of resources in response to change in economic conditions. Although the capacity to adapt to change is one of the main features of a well educated workforce, it is correct to assume that the degree of adaptability of the workforce is sensitive to the forms of work organizations workers face.

Using a calculation methodology based on the theory of endogenous growth (see Annex no.4) the National Scientific Research Institute in the field of Labor and Social Protection, determined the contribution of employment, capital and TFP to the economic growth, in the period of transition, in Romania.

**Table 4.4. Contribution of the K, L and TFP factors to economic growth in Romania throughout Plan to Market Transition**

	Variant 1				Variant 2			
	$SL=Rs/Q+(Q-R)*R/Q^2$				$SL=(R/L_{sal}*L)/Q$			
	Actual increase in economic growth	Contribution made by an increasing K	Contribution made by an increasing L	Contribution made by TFP	Actual increase in Economic growth	Contribution made by an increasing K	Contribution made by an increasing L	Contribution made by TFP
	<b>Gr(Q)</b>	<b>CK</b>	<b>CL</b>	<b>CTFPG</b>	<b>Gr(Q)</b>	<b>CK</b>	<b>CL</b>	<b>CTFPG</b>
1992	-0.093	<b>1.893</b>	<b>0.093</b>	<b>-0.986</b>	-0.093	<b>2.135</b>	<b>0.080</b>	<b>-1.215</b>
1993	0.015	<b>1.686</b>	<b>-1.021</b>	<b>0.335</b>	0.015	<b>1.843</b>	<b>-0.901</b>	<b>0.058</b>
1994	0.039	<b>1.260</b>	<b>-0.221</b>	<b>-0.039</b>	0.039	<b>1.365</b>	<b>-0.192</b>	<b>-0.173</b>
1995	0.069	<b>1.890</b>	<b>-0.158</b>	<b>-0.732</b>	0.069	<b>2.030</b>	<b>-0.139</b>	<b>-0.891</b>
1996	0.039	<b>1.310</b>	<b>-0.331</b>	<b>0.021</b>	0.039	<b>1.402</b>	<b>-0.295</b>	<b>-0.107</b>
1997	-0.063	<b>-0.426</b>	<b>0.149</b>	<b>1.277</b>	-0.063	<b>-0.451</b>	<b>0.134</b>	<b>1.317</b>
1998	-0.049	<b>0.279</b>	<b>0.190</b>	<b>0.531</b>	-0.049	<b>0.291</b>	<b>0.171</b>	<b>0.538</b>
1999	0.161	<b>-0.368</b>	<b>-0.055</b>	<b>1.423</b>	0.161	<b>-0.376</b>	<b>-0.052</b>	<b>1.428</b>
2000	0.022	<b>-1.412</b>	<b>-0.138</b>	<b>2.550</b>	0.022	<b>-1.418</b>	<b>-0.137</b>	<b>2.554</b>
2001	0.056	<b>0.975</b>	<b>0.038</b>	<b>-0.014</b>	0.056	<b>0.977</b>	<b>0.038</b>	<b>-0.015</b>
2002	0.049	<b>0.623</b>	<b>-0.077</b>	<b>0.454</b>	0.049	<b>0.627</b>	<b>-0.076</b>	<b>0.449</b>
1992-1997	0.001	1.269	-0.248	-0.021	0.001	1.387	-0.219	-0.169
1998-2002	0.048	0.020	-0.008	0.989	0.048	0.020	-0.011	0.991
<b>1992-2002</b>	<b>0.022</b>	<b>0.701</b>	<b>-0.139</b>	<b>0.438</b>	<b>0.022</b>	<b>0.766</b>	<b>-0.124</b>	<b>0.358</b>

Where: CK+CL+CTFP=1

Source: date calculated by National Scientific Institute for Labor and Social Protection

The analysis of the main factors of economic growth leads to the following results:

- 1. the K factor makes the most significant contribution to the economic growth in Romania**, irrespective of the length of the interval under analysis;
- 2. the L factor continues to maintain its negative contribution in the three intervals analyzed** (1992-1997, 1998-2002 and respectively 1992-2002);
- for the period 1992-1997, an average level of 1.27 of the K contribution (supraunitary) is reached, but it is not used through the corresponding participation of the other factors L (decreases by 0.24) and TFP, the total factor productivity (decreases by 0.02);

4. in the second period, 1998-2002, the economic growth collapsed, this becoming noticeable especially because of the TFP contribution which tends to 1;
5. the economic growth maximum (0.161) is reached in 1999, year in which the TFP contribution maximum of 1.43 is recorded;
6. The unilateral over-charge of the capital contribution neither does offer a solution nor does it represent an alternative in the future development of Romania. In this respect, what becomes **an obvious priority is the support for the labor factor contribution increase, both quantitatively and qualitatively – the TFP (especially with its aspects related to supporting and encouraging innovation, technological absorption, the development and integration of management as a main factor of economic growth).**

*The potential of growth and employment for the period 2004-2008*

After the year 2000, the Romanian economy registered a sustained economic growth, and according to the prognoses presented by the National Commission for Prognosis, for the 2005 – 2010 period, the annual GDP increase will continue to be maintaining to values over 5.7%. The economic growth will still be remaining under its full potential and, although the employment will register moderate annual increase rates, it will remain under the values of “full employment”.

According to the forecasts made by the National Commission for Prognosis, the potential economic growth in Romania, during 2005 – 2025, will have an average annual rate of growth of approximately 5.5%. This rate of growth will be reached in the following circumstances:

- The growth of the activity rate of active civil population will be of 5% in the mentioned period
- The maximum rate of investment will be of 30% of GDP
- The preservation of a high degree of re-distribution of the national revenue in favor of the population, in order to drive to a convergence of Romanian’s income and standard of living to that of the EU
- A high rate of assimilation of the new technologies and the intensification of innovative capacity of Romanian economy
- The increase of the investment in human capital, through a coherent policy of vocational training both initial and continuous

Under these circumstances, the decisive contribution to economic growth will be that of capital (K) and total factor of productivity (TFP)

**Table 4.5. The potential economic growth and its determinants for 2005-2025**

	Factors' contribution			
	GDP Potential	Capital	Labor	TFP
2005-2025	3.11	1.72	1.02	1.77
Contributions	5.4%	2.6%	0.1%	2.7%

**Source:** The National Commission for Prognosis, Ion Ghizdeanu, Veronica Tudorescu, Marian Neagu

For the next 20 years, Romanian GDP may treble, in real terms, under the circumstances of intensive development, the total productivity of production factors being, mainly, an effect of techno-scientific progress and of human capital development.

#### ***4.2. Advancing Labor Market Reforms beyond EU Accession date – How to prepare Labor Market Institutions for EURO-zone entry at the end of the decade to come***

##### *Entering the EURO zone – THE Challenge for the Decade to Come*

Economic growth and especially strong economic growth is undisputedly the primary engine of job creation. But strong economic growth is impossible to achieve, in an economy that has already become global, without competitiveness and without making the most of what we generally “competitive advantages”

One of these advantages that often play hard in the competitiveness equation of a global economy is the price of currency or what we generally call “exchange rate”. Depreciation and appreciation of the currencies via different levers either by central banks or by Governments have often been at the source of economic booms and busts, of recoveries if they were well timed and well tuned or of recessions if they were either ill-timed or in-appropriately tuned to the realities of the market. However, for the European economies, or at least for those that signed for the EURO zone and thus relinquished their national currencies can no longer do that.

Romania, alongside with other member states form the Central and Eastern region which barely completed a tortuous Plan to Market transition have been using to a fairly large extent, with the sole exception of the Baltic States where currency board regimes are in place, the price of their currencies in order to generate a competitive advantage allowing them to sell their products and to a limited extent services on the markets of the developed world. Nonetheless and unlike the older EU-15 member states that have consolidated economies which were anyway no longer dependent on the exchange rate mechanism or at least not to such a large extent, these emergent economies will have no opt-out option of the EURO zone. In other words, they will have to relinquish their currencies sooner or later during most probably the decade that will start after 2010. Of course, for most of it this process will be a beneficial one as it will procure them yet another anchor of stability for which they long but on the other hand and leaving the readiness for the EURO zone apart, relinquishing their currencies will deprive these economies, at a stage of development that is far earlier than the one at which the member states of the Old EU-15 did it, of a sometimes crucial competitive advantage.

Obviously the advent of the EURO has brought huge benefits for the final consumer which in the end, is the prime focal point of all Single Market Policies, but will these advantages be distributed relatively even among all the consumers of the marker? Will even citizens from countries that have less developed economies benefit to the same extent from the advantages offered by the EURO? Or, it will be rather an equal distribution that will negatively affect human development, will prompt even higher migration flows and will deepen to a certain extent, before of course narrowing it as markets are proven to work for the better, at least in the long term, the discrepancies that now already loom larger and larger inside the enlarged Union?

Finally, what are the lessons to be drawn from the experiences of both the countries that have adhered to the EURO zone as well as from the experiences of the ones that obviously will get there sooner than Romania and moreover what will the EURO-zone accession and its subsequent preparation mean for the development of the country in general and most of all for the development of its broad human capital?

These and other thorny issues will be the focus of this section of the NHDR, issues which we will try to address to the full extent of the current knowledge, plotting in the meanwhile alternatives for the future in our AGENDA FOR THE DECADE TO COME.

A decade to come which, will most probably see the almost disappearance of the exchange offices from Romania’s streets and shopping alleys as the country will adopt the EURO and the LEU will fade into the pages of economic history.

*Do currency and exchange rate arrangements matter and if yes to what extent?*

At the onset of transition practically all the economies of Central and Eastern Europe entered with currencies that commanded actually no real value on the market and which were subject to tight administrative controls. Some of these countries, like the Baltic States or Slovenia had even no currencies of their own as they had seceded from former disintegrating communist federations. This being the setting of the onset of transition, some of these countries had no other choice than to resort to currency board arrangements, which are in existence even now, more than a decade after they have been initially established.

The inherent advantages of the currency board have been financial discipline, a low level of public expenditures and therefore an intrinsic brake on Government lavishness, especially with regard to protection of state enterprises as well as to different types of pseudo-social protection and most of all a stable currency with a stable exchange rate, which in turn meant that at least one channel of inflation, represented by depreciation, sometime erratic, had been blocked. Low inflation was another advantage as tight money supply meant that practically no excess liquidity was allowed on the market and credit in itself, though theoretically aligned to a low inflationary environment was actually severely limited. Salaries thus had no room grow thereby blocking yet another channel of inflation while in the meantime social security schemes have been often turned, as in the case of the Baltic States into flat rate social assistance schemes once allowing strict public expenditures discipline and the creation of reserves. Of course such arrangements were also suitable as they have applied to region-like countries, with no more than a couple of million inhabitants but they have nevertheless prepared those economies for the joining of the Euro area as the pegging of their national currencies has been usually to the Deutsch Mark, a currency that was the strongest in the EU before the introduction of the EURO and which served as anchor for the very creation the single currency. Thus, these economies have already low inflation and due to their tight money supply arrangements they are not prone to any inflationary shocks. In the meantime, their assets already have prices that are aligned to prices in the Euro area as the currency board arrangements also meant an appreciation of their national currencies and thus a hike in prices that that well preceded the joining of the EURO. However, as the economies governed by currency board arrangements are small and most of their assets have already been purchased by investors, the entry into the EURO area will not make much of a difference. Consumer prices are also unlikely to get higher as they are already too high for the level of development of these countries due precisely to the currency board arrangements that have allowed their newly created currencies to come on the market “ready-appreciated” if one can use such a term.

But as said previously, these economies are fairly small and therefore they are unlikely examples for what will happen to the Romanian economy and what will be actually the impact of joining the EURO on the Romanian economy and labor market.

Fact is that Romania, entered transition with an economy in tatters and with meager currency reserves although with almost no sovereign debt. As a large country in the region which already had its own currency, it was obvious that a currency board arrangement was not suitable although there have been a number of voices that have advocated precisely such a solution in the early nineties when hyperinflation was denting every effort of development. Nevertheless, there were was one good thing in this period of hyperinflation and constant, steep depreciation of the national currency. It meant that enterprises had to be restructured thoroughly and prices adjusted to true market levels while assets that commanded no market value whatsoever were disposed. Meanwhile depreciation of the national currency meant that salaries, although increasing domestically due to inflation were kept low when converted in international reserve currencies. This gave those enterprises that turned to export a competitive advantage allowing them not only to survive in hard times but also to amass the necessary resources for development. It also meant

that whatever assets remained after the thorough purge of the debris inherited from central planning have seen their market value plunged. This means that they entered the period of growth that started in 2000 strongly undervalued, which leaves them room to grow, almost in the same manner that Spanish assets or Irish ones had room to grow when growth and stability kicked in. Moreover, harsh restructuring also meant that a marked divesting process ensued, which squarely means that now the economy is hungry for investment, while not being littered with useless investment. Thereby, it has room to accumulate even slack as it started to grow from what practically was a “ground zero” level.

As such, currently the economy is able to grow fast without stoking inflationary pressures, due precisely to the fact that prices of all assets are actually far below their value. In such circumstances, even if the economy grows fast during the next years, inflationary pressures will not stoke in. On the other hand, one has to realize that domestic demand although rising strongly is still at meager levels and thereby it also has room to grow. This means that rising demand will not necessarily push prices very high up, although it necessarily will to a certain extent but competition, that is getting stronger and will get even stronger after full EU accession in January 2007, will manage to keep a strong lid on those increases.

In the meantime, strong depreciation of the currency for a long period of time means that the current process of currency appreciation that started around two years ago can go on relatively unabated as the Romanian currency is, like any other asset, undervalued or in currency terms still a depreciated currency. Of course the margin of appreciation is finite and over-appreciation might as well hurt the economy before joining the EURO although, on the other hand it might as well force a second wave of restructuring and investment that would increase competitiveness and shed away those enterprises that have solely build their competitiveness on a depreciated currency. But in the meantime gradual appreciation of the currency will also mean that purchasing power on the market and thus solvency of demand will increase without necessarily stoking inflationary pressures via nominal salary increases.

Consequently, what initially looked like a less than advantageous currency arrangement, as it precluded early financial discipline and allowed high inflation and steep, erratic depreciation to be the rule for a long period of time, might in the end and to a certain extent inadvertently become a good arrangement as it has forced tough restructuring, divestiture of non-viable assets and kept the price of labor low thereby preventing it from fueling excessively into inflation. In the meantime, by deterring an early flow of investment, into an incompletely restructured economy, it prevented assets from growing too strong in an environment that was still the one of transition and not an emergent market economy. Inadvertently by keeping investors at bay for a long number of successive years, high inflation and a depreciated currency has allowed the economy to touch “ground zero”, without necessarily resorting to the quasi-artificial mop-up of the market, the currency board is associated with.

As such two groups of countries, from the former Eastern block will enjoy a net benefit from EURO area entry. The first will be obviously made of the small economies that have been working under currency board regimes and which have already seen prices at a level far much higher than their actual level of development will allow. Thus, there, although some small price increases are not be ruled out, fact is that there is no longer any room for any price increase. On the other extreme, countries that went through prolonged periods of inflation and depreciation have their asserts so much undervalued that there is plenty of room for price increases, but these will occur for most of their part before the entry into the Euro zone which will probably take place quite a while after full accession. Moreover, as these increases will take place on the back of strong growth, they will neither stoke inflationary pressures nor will they affect living standards nor dent their competitiveness. The worse fare those economies that are in between the two extremes. In other words those that neither experienced with a currency board regime nor

registered long periods of inflation and depreciation. As a result of early but not-completed reforms these countries attracted large inflows of investment that boosted purchasing power and over-appreciated their currencies, thus luring their Governments into over-spending. For a while increases in prices have been weathered by growth although this has not been high enough. Recently though, growth has slowed down but prices have continued to increase. Slow growth before the entry into the Euro zone, will mean that prices also will grow slower. Therefore there will be some room to grow left for after the entry into the EURO zone. This price-rise room will be for surely filled afterwards dealing a further blow to growth. The only way to avoid such a development will be to cut on public spending, which of course will be painful.

Fortunately for Romania, it falls into the second category, which means that by the entry into the EURO area, most of the price increase will have already taken place and, provided no exogenous random shocks to derail the economy it would have taken place on the back of strong growth.

#### *Growth and competitiveness - Costs and benefits for jobs and wages*

Thereby, the potential for growth is now high and thus the room for price increases is high without the danger of inflation, neither via consumer prices nor via asset prices.

The economy thus can be allowed to grow at rates resulting in positive Output Gap values for a long number of successive years. Interest rates can be pushed lower and lower so as to attract investment even with the risk that some of this investment will be speculative and thus will create slack. Nevertheless, interest rates will not have to go too low as the entry into the EURO area will have to be allowed to make a difference. In other words, interest rates after the entry into the EURO area will have to look lower than they were before.

In any case, if the economy will be allowed to grow at high rate thus leading the Output Gap firmly into positive territory for a long number of successive years, inflation will still loom a little bit higher when compared with EUROLAND targets. Nevertheless, this will be a good thing as it will signal that the economy expands and thus assets command higher prices as they become more attractive to investors. Meanwhile, it means that salaries are on the rise, through a combination of productivity growth and appreciation which means that domestic demand is on the rise, again a good thing as it means stronger competition. Thus while a higher inflation rate will mean that there may be a stronger incentive for a hike in prices immediately after the entry into the EURO area, stronger competition in a climate of growth will act as a deterrent and will compensate. However, one has to mention that a first shock will take place in the immediate aftermath of the country's accession into the Union. Here also, the same combination will act. Inflation that is higher than the average in the EU and which induces a certain type of behavior will act as an incentive for price increases but on the other hand, as consequence of strong growth and increasing competition on a market that still has limited solvency and relies to a fairly large extent on household production for own final consumption, will limit this drive. Of course in the year to come after accession, the share of subsistence type economy will decline, though one does not have to be certain of the fact that it will diminish to such an extent that it lose any importance, which might mean that with a lot more demand on the market, the drive towards price increases on a market that will be already on the rise might as well be higher.

Examining this issue, we can conclude that in the period preceding the entry into the EURO area, one will do good not to put the brakes on the economy and not to try excessively to curb price increases. Growth rates have to be as high as possible, so as to lead the economy firmly for a fairly long number of years into positive Output Gap territory. With most of the assets still undervalued, it will attract investment and boost productivity, albeit at the cost of a certain degree of speculation. Positive Output Gap and the ensuing high investment will mean that most of the increase in prices will actually occur before the entry into the EURO zone.

Moreover, as inflation will be somewhat higher than EURO area targets, interest rates will have to be kept higher prior to the entry. Thus, the entry in itself will mean mark a real gain as the lowering of the interest rates will be perceived as real and will give a further boost to investment.

If in the pre-entry period, it will be mostly foreign investors that will benefit and to a certain extent speculators (i.e.: one has to say that speculators also classify as investors and indeed they are!), which will benefit from the still lower prices of the domestic assets in the period following the entry, it will be the turn of domestic investors to benefit, like in the Spanish case, from lower interest rates and a more stable domestic environment. Thus one growth boom that will capitalize on the development gap, lower prices and an increase in solvency of demand will be followed by yet another period of growth that will capitalize on low interest rates and increased price stability.

Both the first and the second boom will benefit labor and will have a decisive impact on the inclusiveness of labor market but the extent to which they will do it, is still debatable as are also the costs at which these benefits will come.

#### *Maximizing benefits for labor and fostering inclusion*

Employment as an aggregate is known as being not very responsive to economic growth or at least not recently, when globalization has increased the supply of cheap labor which means that low, even mid-value added goods and more recently even services, though this is debatable, can be produced at far lesser costs outside Europe while in the meantime, strides in technology, which are making for a large share of the increase in productivity have had as immediate effect more job-shedding than job-generation, at least in the wealthier parts of the world. Therefore, lately it has been noticed that capital and not labor was the primary beneficiary of this second era of Globalization the world is experiencing now.

However labor in Central and Eastern Europe still classifies as cheap, with Romania and Bulgaria being considered from this point of view the cheapest. Even when taking into account the seemingly large and complex social protection schemes that are run by these countries, Romania included, costs of labor are still only a fraction when compared to the developed world. Meanwhile, one has to take count of the fact that most of these countries, in a bid to foster growth and thus attract investors have repeatedly cut into the contribution rates for their different social protection schemes and are looking even further so as to shift even more of the financing of these schemes, notably pensions, towards individual savings based schemes.

Such being the facts and labor costs being still considerably lower than in developed countries, even when taking into the cost added by what is nominally at least a wide-coverage social protection system, competitiveness of their economies will not be dented by increases in salary costs which will come with the appreciation of their currencies, as their start level is anyway dirt-low.

If appreciation will not hurt then it means that plenty of room for investment, which in turn will lead to more appreciation, exists. If investment and especially non-speculative, direct one will supposedly come in plenty to take advantage precisely of the low cost of labor and low price of assets, productivity will have to rise strongly from the current levels.

Now, here is precisely the trick with growth and job creation. Generally speaking and in the first phase as we know from a long economic history, the effects of a rise in productivity, especially if incremental are a drop in the number of jobs. Therefore, as empirical evidence has shown, there is a certain time-lag between the actual gain in productivity and the moment when, due to a deepening of the social division of labor, ignited precisely by that particular gain in productivity, jobs are generated, generally in new activities that have emerged precisely because of the leap in productivity that occurred in a given pre-existing sectors, which itself gets transformed. Considering this lag between an actual gain in productivity and the moment when

jobs are generated as a result of it, it plainly results that the immediate effect is actually a drop in the number of jobs and not an increase. If gains in productivity are only incremental then, actually more jobs will be shed than generated, at least for quite a long period of time. If on the contrary, gains in productivity are strong and occur at fast rate then not only that the time lag will be shortened and new jobs will appear quite soon, thus compensating pretty quickly for the initial loss but one productivity will enter a spiral of growth that will only benefit the economy. Strong productivity growth usually translates in strong economic growth. But also, strong economic growth triggers leaps in productivity as a climate of growth, even one that does not necessarily root itself into what we generally call high-productivity activities call for it. Thus, high productivity investment will flock towards those areas that display strong growth rates as they will perceive them as growing markets with growing opportunities and will of course shun areas of slow growth.

Thereby maintaining high rates of growth is paramount to leaps in productivity and especially to leap-frogs in productivity which actually only come when growth rates do result in positive Output Gap values (i.e.: see again the Irish case). Positive Output Gap values usually associate with high and spurring productivity gains, a fact which at its turn means that jobs lost are rapidly replaced and moreover, new ones are generated.

Another evident plus of positive Output Gap values is the rise in salaries. Although salaries will not necessarily grow at a very high rate and some of the expectations that are linked in the general folklore with EU Accession will most certainly fail to materialize, the rise will be nevertheless genuine. The trick comes from the fact that a large part of this rise might as well come from the appreciation of the national currency. This appreciation will itself stem from investment which will lead to the gradual rise in value of national assets. The gradual appreciation of the currency will slowly erode the competitive advantage of the exchange rate which, at its turn, will become practically a residual rate, the closer the moment of joining the EURO area. As the competitive advantage of the exchange rate will diminish, domestic enterprises will start putting the brakes on salary increase so as not to further lose competitiveness. This in turn will mean that most of whatever growth salaries will record, which by no means will be the case, will come from the appreciation of the currency.

The higher the investment, the higher the growth rate and thus the higher the chances for the economy to register positive Output Gap values, which in turn will result in a more consistent job creation rate. Moreover, it is supposed that a more consistent job creation rate will also mean that most of the newly created jobs will be in activities with higher value added and thus will yield job-holders higher salaries. As such, the growth of salaries will come both from the appreciation of the currency, which will be a blessing for all salaries as well as from the spurt in better (to read high salary) jobs, which will be probably a blessing only for a part. Nevertheless, as increased competition will shed mostly low productivity jobs, one can suppose that while the economy will advance towards EURO zone entry, a larger share of the increase in wages will start coming not necessarily from appreciation, though this will remain an important factor for the decade to come but from the increase in the number of better paid jobs.

Better paid jobs will mean not only higher purchasing power, which in itself fosters inclusion but also to a certain extent higher savings, which will have an effect on the balance of the current account as will also have and at a higher extent, investments. Equilibriums of both the public budget as well as of the current account are fundamental elements not only of the EURO zone entry but also of the underlying approach that aims at continuously increasing both the flexibility as well as the incorporated security elements of labor market institutions.

*Keeping the financial balances and incorporating both security and flexibility into labor market institutions – the challenge for the decade to come*

Higher investment and especially higher foreign direct investment will mean that current account balances will be in deficit, or at least they will be in deficit as long as domestic savings and domestic inward investment will not be at least a near-match for foreign flows. However, higher investment, irrespective of its domestic or foreign character will have a positive impact on the budget balance, as more investment will mean more resources for the budget through higher tax income, a fact that is practically already visible.

As such and taking into account that the Government and the Central Bank will have to watch both parameters as a prerequisite of EURO zone entry, keeping the balance while in the meantime catering for the needs of a developing economy and rapidly changing labor market will be a rather difficult balance to keep.

Taking first the current account balance, while foreign flows will be of course beneficial to the economy as a whole and to the labor market in particular due to their effect on both jobs and salaries as we have seen before, their effect on the current account balance, will not be quite the same. This is due to the fact that foreign flows will be matched not by domestic saving nor by domestic inward investment. Although foreign investment will mean that better paid jobs will appear in higher numbers in the economy as a whole, higher salaries will not necessarily mean, in the first phase at least, higher savings. Households will not save but on the contrary they will tend to spend more. Of course, some of this spending might as well count as investment as it will go towards real estate, but in the meantime, as real estate price will constantly be on the rise, with a sort of “long movement” being the rule of the market, the temptation of spending and borrowing, using the rising value of the real estate as collateral will also increase. Moreover, as salaries will not grow too fast, due to the effect of appreciation which will dampen the growth from productivity so as not to offset completely and too early before the joining of the EURO the competitive advantage of the exchange rate, it is most likely that a first wave of purchases-investments by households will be followed by a period when only purchase will be the rule thereby swamping savings once more. In the meantime, one has also to count the investment of domestic enterprises. While this has been up to a recent date relatively subdued as they could still count on the advantage of the exchange rate in a relatively shielded market, once the EU Accession itself will be completed, with shielding against competition gone completely and with exchange rate turning gradually into a residual, they will have to rely on investment in order to survive and eventually, at a later stage thrive. EU funds which will enter Romania will be of great help as it will be the increasing regulatory pressure of the EU, but however, one barrier will remain and this barrier will be credit. In order to keep inflationary pressures in check, the Central Bank will have to keep interest rates real positive in relation to CPI inflation, which will mean that credit will still be relatively expensive. Moreover, borrowing rules will get stricter as the Bank would like to clamp also on rising credits in foreign currency, which will start looking cheap with the appreciation of the national currency (the LEU). Thus while EU funds will create a window for investment for the domestic enterprises, this window will be only half open, as interest rates will still stay rather high in order to keep inflationary pressures in check and actually bring inflation down to EURO zone required rate. These, will further mean that investment/saving of the enterprises, while on the rise, will still be by no means a match for the foreign one. As such, and in order to keep this particularly delicate balance, Government will have to be rather strict on spending.

This will be particularly difficult. The budget will probably not be on the surplus soon enough, but current deficit is not large. Nevertheless, largesse in the years to come is not advisable. Needs are of course in the plenty and there will be more as the country will need to modernize infrastructure as well as institutions to keep up with the competitive pressures once

inside the EU. But these needs have to be weighed in as against the need to keep the budget balance stable and even generate a surplus. This will mean that although tax revenues will be on the rise as consequence of higher economic growth this will not have to entail a corresponding rise in expenditures. On the contrary, Romania will have to take example from some of the Baltic States, which have set aside surplus income coming from windfall growth, in a Reserve Fund to cater for economic downturns, which might as well as Romania's economy, though growing strongly is still vulnerable to random exogenous shocks.

At such this will mean that the country will have to embark with care rather than with enthusiasm on large development projects, including institutional ones, in spite of the temptation of large dollops of money coming from Brussels. This in turn will mean that Romania will have to contain its projects to the ones that can be financed either from domestic resources or from earmarked EU funds that do not require co-financing or at least to those that do not require large amounts of co-financing. A delicate, tight balance will have to be kept in between growing revenues from taxes, the need to create a reserve fund to cater for exogenous shock that might derail growth, growing development needs and the inflow of EU funds for development.

On the labor market institutions side, this will mean that social security will have to be turned firmly towards the contributor. Social protection schemes will have to more closely related benefits to contribution while removing the remaining redistributive elements that usually deter individuals and companies as well from contributing mostly from contributing to full extent. Contribution rates will have to be hiked, in compensation for maintaining a flat rate income tax that is beneficial for business and for investment. Newly introduced social protection schemes will have to operate rather on the principle of a contribution rate "top-up" rather than on then principle of a contribution rate "carve-down", which unfortunately seems to be the prevailing philosophy. This top up of contribution rates as well as the strict enforcement of the contributory principle will increase savings via savings in the contributive social protection schemes, especially in the ones that will operate with individual accounts. This will bode well for the current account balance and will relieve the pressure on the budget to finance eventual deficits of the schemes, which will mean that it will also contribute at a better budget balance.

As such, all non-contributory schemes including the ALMPS, which currently burden a social protection scheme (unemployment), while not being actually social protection but assistance for development will have to be separated from it. The same will have to happen to pensions, where a separate non-contributive pillar should be set up, to be financed from the state budget and provide a minimum pension, while removing the remaining redistributive elements from the public mandatory system.

To compensate for the supplementary expenditures with what will be actually a social-assistance pension the current law that provides that so-called minimum guaranteed income will have to be scrapped as it has been proven to deter employment and formal economic participation.

In the meantime, ALMPS will have to be turned into an economic development assistance tool with an incorporated social inclusion (i.e.: employment basically) dimension. Consequently, their budget will have to be separated from the unemployment insurance budget and become part of the general state budget or, to a growing extent of the local budgets. This will also turn them from practically subsidies or measures aimed at easing the pain of industrial restructuring into tools of inclusion and cohesion of the communities. Meanwhile, this devolution will also mean that one-size fits all solutions that were currently implemented also in order to cope with realities of Plan to Market Transition, will be replaced with customized solutions that will genuinely benefit those in need. This institutional evolution one must say will not come easy, as it will be hard to pass from ALMPS that were adequate to the realities of Plan to Market Transition to

ALMPS that are suitable to an economy that aims at entering the economic area of an international reserve currency!

This particular mix of institutional developments that will consist of an enhanced shift towards contribution and contribution related benefits in the social protection schemes, the elimination of those non-contributive social protection schemes that have proven to be a deterrent for employment in the working age with their concomitant replacement by non-contributive social protection schemes that shield against social risks outside the working age and finally of the devolution of institutional arrangements pertaining to ALMPS towards tiers of the administration that are closer to the people and thus can make better use of resources while devising customized solutions that suit the needy, will:

- on the one hand keep the consolidated budget in balance and ensure that a surplus appears, with its advisable channeling into a Reserve Fund to shield against the still significant volatility of the economy;
- help in getting the current account in an adequate balance for EURO zone entry, by increasing domestic savings or at least the propensity towards it;
- diversify social protection by devising systems that will cater both for those able to contribute as well as for those that are unable to do it;
- create an incentive for employment and especially for formal employment as this will be perceived as bringing advantages also on the long-term (linking social protection benefits to contribution to the strongest possible degree, including with respect to the unemployment benefit);
- increase labor market flexibility by generating, through the devolution of ALMPS to tiers of the Government closer to the people, of customized solutions that will suit local communities and thus genuinely promote cohesion via inclusion;
- make sure that the opportunity of Structural Funds will be seized for development and not for spending that is out of touch with the level of development and ultimately absorption capacity of both the economy and the labor market. This will mean that the degree of absorption of EU funds should be gradual as excessive inflows are proven to be as damaging as the scarce ones.

This change will not come easy as it will have to replace a mentality which considers that funds are there to be spent and not that funds are there for development and that this development while fast will only come at a certain measured pace. However, this institutional change, as outlined above, will have to come as it will have to replace a set of labor market policies that have been perfect so as to suit a prolonged Plan to Market Transition, with a new mix of policies which will have to aim at enhancing the country's stability and entrenching strong growth, both of which are essential if the country truly aims for joining the EURO area. This entry, though not made for rush-run, will have to come about as it will benefit both the economy and the labor market as whole, as examples from once poorer members of the EU-15 clearly shows. The entry as such, when it will come during the next decade, will mark the crossing of a threshold of maturity for the country's market economy and the democracy it underpins.

#### ***4.3. Labor Market Inclusiveness and Human Development. Assessing the impact and fostering innovative approaches with respect to active and passive Labor Market Policies***

In the context of the current "flexicurity" debate and according to the new vision of the European Commission, the effectiveness of active labor market policies (ALMPs) and a better design of the unemployment insurance system are two of the essential ingredients to achieve an optimum between labor market flexibility and employment security. Effective ALMPs are the

best policies that can support better transitions between jobs as well as from unemployment and inactivity to employment.

Although, both theoretical and empirical evidence shows that high unemployment benefits available for a long duration have an adverse effect on labor market performance, (i.e. decrease job-search intensity, increase the reservation wage and put upward pressure on wage bargaining and finally, rise the level of unemployment), the unemployment benefits may allow jobseekers more time to find better matches, thereby enhancing job stability and productivity. In addition to these, adequate income support for the unemployed is widely seen as being necessary for cushioning the impact of job losses on living standards. Regarding this antagonism, no real good recommendation can be made concerning the appropriate unemployment insurance system.

It is obvious that the best decision regarding the reducing, or not, of the generosity of the unemployment insurance system is dependent to the real conditions on the labor market.

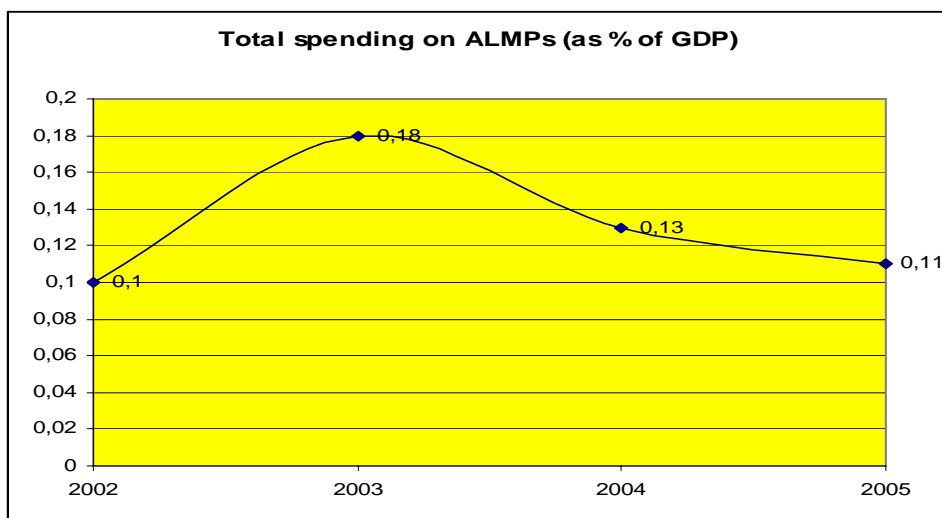
As, in the past five years the Romanian labor market changed radically its comportment, the low unemployment rates (about 5% - 6%) and the high inactivity rates (about 35%) coexist with some unsatisfied demand, the unemployment insurance system, in particular, and the Labor Market Policies , in general, must be reexamined.

The European Employment Strategy has recommended the following actions: firstly, to shift resources from passive LMPs (i.e. those concentrating on providing income support) to active LMPs (i.e. those attempting to improve the labor market prospects of participants); and secondly, to take better account of the interactions between ALMPs and tax and benefit systems, preferably in the framework of activation strategies, in order to increase the effectiveness of ALMPs.

The disincentive effects of relatively high and long-lasting unemployment benefits on labor supply can be, at least partially, counteracted by adopting well-designed ALMPs. On the one hand, providing adequate insurance income through unemployment benefit, when not appropriately linked to contributions, can act as a significant disincentive to job search, and have a negative impact on the wage-setting behavior of employees and employers. On the other hand, ALMPs, particularly when well designed and integrated into activation strategies, can raise future employment and income prospects for participants in programs.

Under these circumstances, in Romania, passive measures continue to be in the top, regarded from the expenditure allocation point of view, although their quantity has been reduced lately because of the fall in the number of eligible unemployed and the reduction of the period for which unemployed receive unemployment benefits. It is obvious that since the introduction of a new legal framework, Law no. 76/2002, the philosophy of employment policies has changed radically, going in the direction of better balances between active and passive policies. The reduction in the period of allotting unemployment benefits together with narrower eligibility criteria and adequate stimulus for re-employment before the legal period of unemployment benefit has expired, are real steps towards reforming and drawing near a more dynamic and inclusive labor market.

#### **Chart 4.3**



**Source:** The National Agency for Employment, The Activity Report, 2005

Although, in Romania, in the last two years the balance between active and passive measures somehow shifted, the public expenditures for active labor market policies (ALMPs) are still very low (about 0,11% as share of GDP). In 2004, spending on active measures, excluding Public Employment Services (PES) averaged 0,5% of GDP in the EU Member States, down on the maximum average spending of close to 1% registered in 1995.

During transition, the share between active and passive employment measures was fluctuant. Expenditure for active measures reached its maximum at 15% of the total expenditure in 1995 and then suddenly decreased to shares of less than 2.5% during the second half of the 90's, while some active programs have been financed by the World Bank or other funds. In 2001, the share of expenditure for active measures in total expenditure increased to 12% in 2003 and 14% in 2004. This upward trend of the share of expenditure for active measures in total expenditure continued also in 2005 and 2006, when it reached approximately 19.5%.

Unfortunately, the vocational training courses, the active measure which is considered to play the most important part in the sustainable development of human resources and in increasing labor market inclusiveness, had only a marginal role, in 2005 its share in total expenditure for active measures being of only 6%. Presently, the unemployment rate for low-skilled persons is increasing and there is an obvious tendency of the labor market to produce unbalances between the demand and supply for some occupations. Although there was an increase in the public expenditure for training courses in the last three years, this rate is not enough, but it is going to be accelerated through accessing the European Social Fund.

Obviously, if the policy of building an inclusive, dynamic and efficient labor market focuses on applying a developed system of active measures to the detriment of applying a generous system of unemployment insurance and in the context of an increasing flexibility of the employment's protection law, it will count weather the system is a an efficient or a less efficient one. Following the principle that when a new or an improved system is applied, the effects of an already existing one must be known, or at least the effects of an equivalent one applied on a similar market must be evaluated, the most effective solution in order to achieve this objective is the development of a true culture of evaluation. But evaluating and monitoring the process of putting into practice these objectives is not possible unless modern theoretical and empirical scientific methods and models are applied. These models and methods are capable to establish the correlations between the definitive variables of the labor market performances (the level of unemployment, the level of employment, and others ) with the variables of the efficiency and efficacy (impact) of the policies in this field on the economic and social variables (inflation, economic growth, standard of living, poverty, human

capital's performance, and others). The substantiation of the employment policies, both on UE level, and on the Romanian level, imply complex analyses, using adequate research instruments. Although in Romania the practice of continuous evaluation and monitoring is far from becoming a true culture, in the last few years, scientific research institutes realized, at the request of NAE, MLSSF, some studies focusing on the assessment of the Romanian labor market active policies' impact.

During 2002-2006, National Scientific Research Institute for Labor and Social Protection elaborated a series of studies dedicated to the evaluation of the net impact of Romanian ALMPs and to the evaluation of the efficiency and quality of these programs from the employers' point of view.

The net impact's estimation is the method indicated in order to measure the additional value generated by a certain employment measure. Such a method has to answer the question: "What is the effect of an employment measure on the individual that participated in the program?" In other words this method focuses on the changes of a certain individual's situation on the labor market as an effect of his participation in the program, comparing to his situation if such programs never took place. The data offered by this method tell us if the employment measures applied in certain areas should continue be reduced or be extended. This method is applied occasionally on limited regions.

For example, the results of impact assessment of the active measures carried out for the North-East region offers an overall picture of the impact of each of the four employment stimulation programs:

- o POSITIVE impact on short term for the participants in the "vocational training", "labor mobility stimulation" and "counseling for starting a new business" programs, NEGATIVE impact on the participants for the "temporary employment" program.

- o POSITIVE impact on the long run for the participants in the "vocational training", "counseling for starting a new business" and "labor mobility stimulation" programs, NEGATIVE impact for the participants in the "temporary employment" program.

- o NEGATIVE impact on the participants in the "temporary employment" program in the case of "probability to be long term unemployed", because the statistical processing of data revealed that the participants in this program are more likely to become long term unemployed.

- o The participants in the "counseling for starting a new business" and "labor mobility stimulation" obtained, in a significantly greater share than the non-participants, salaries "over 450 RON" (at the moment of investigation – 2005), while the participants in the "temporary employment" program got salaries "under 300 RON", in a significantly greater share than the non-participants in this program.

#### ***4.4. Participatory Mechanisms and their role in Advancing Labor Market Inclusion as bulwark for strengthening Social Cohesion***

Participation is a key component in **human development** as understood and pursued by UNDP because all members of society should have the opportunity to participate in its development (*development by the people*). All men and women should have a voice in decision-making that influence their lives as a fundamental human right, materializing human development. The mechanisms through which people may exert influence can vary widely: as individuals they can cast a vote or engage in entrepreneurial activities, as groups they can belong to trade unions or different organizations. Finally, participation liberates women's capacities and allows for gender based development.

Many times, Human Development Reports concludes that many obstacles faced to achieving global objectives of human development arise from governance problems. Participation is one of the principles underpin a **good governance**, being an important component of a democratic inclusive society that assure sustainable human development. The quality, relevance and effectiveness of policies depend on ensuring wide participation throughout the policy chain, from conception to implementation. Improved participation is likely to create more confidence in the end results and in the institutions which implement policies. Participations crucially depend on central governments following an inclusive approach when developing and implementing EU and national policies.

Also, for advancing **labor market** inclusion it becomes essential to integrate a culture of participation of individuals and social actors' partnerships. In a cohesive society where individuals take part at social processes and are integrated, at value level there is trust, tolerance, reciprocity and at actionable level, the individuals are engaged in associations, social actions and political life. At social level there is a network of organizations and associations where people could participate.

The Romanian situation is tributary to historical context. In the communist regime there were promoted individual distrust, institutional fearfulness and rigidity. The society was very fragmented, with family-relatives relations within, but with no relation between them. The state-controlled civic participation wasn't a real one so we can say that Romanian people don't have a "culture of participation" at social and political life. Also, there were no real opportunities or institutional framework for participating.

After 1989, when a new real democracy was born, it was necessary to create a new infrastructure of participatory mechanism and new opportunities. On the other hand, the new legislative and institutional framework appeared with the aim to enablement citizens to participate at community life because they have the right and the duty to influence the political, economical and public interest decisions.

#### *Social Dialogue – The Main Participatory Mechanism on Labor Market*

The participation of workers' and employers' organizations together with the representatives of governments in the shaping of social and economic policies which have a direct impact on the world of labor and enterprise is vital for the stability of society and competitiveness of the economy.

Social dialogue plays a pivotal role in sustainable human development, an approach that places people at the centre of all development activities. The central purpose is to create an enabling environment in which all human beings lead secure and creative lives.

In Romania, in the last decade, a number of measures have been taken by governments to lay the foundations of a sound system of industrial relations, including the protection of the principle of freedom of association and the right to collective bargaining, the reform of the legal framework and the setting up of institutions for social dialogue. There are still a number of problems preventing social dialogue from operating properly in the region, such as the insufficient legal framework, the weakness of social partners, the ineffectiveness of the institutions of social dialogue and a lack of experience in social dialogue.

#### **Short History of Social Dialogue in Romania**

Social dialogue in Romania was first documented in 1827, when the Prince of Wallachia suppressed a number of strikes involving salt miners. The first trade unions are mentioned around 1860. The General Association of Romanian Workers was established in 1872 and the Romanian Ploughmen's Society in 1898. The General Association of Romanian Trade Unions was set up in 1907, having separate structures for women and young people. The first Romanian trade unions were under the strong influence of Marxist thinking and of socialist parties. They co-existed with the guilds and corporate bodies (organizations including both employees and employers).

After World War I, the government and the unions initiated a dialogue with a view to tackling and regulating relationships between employees and employers, particularly with respect to collective labor disputes. UGIR, the first Romanian employers' confederation, was created in 1903 and became one of the most important European employer associations with a remarkable institutional capacity, focusing on domestic capital but also collaborating with foreign capital. The organization was very influential in the Romanian political environment, as it contributed to the development of a number of laws and institutions such as the Customs Office Code, the Industry Law (providing incentives for industrial development), the Trade Consortium and Industrial Credit. UGIR was abusively abolished and all its assets confiscated by the communist regime in 1948.<sup>34</sup>

<sup>34</sup> Social dialogue in Romania: from a forgotten tradition to a renewed practice, *Georgeta Ghebrea*

During the communist regime, every employee had to be a trade union member, completely subordinated to the Communist Party. The organization had no role in protecting employees' rights. Its activity was limited to implementing party decisions, strictly related to production plans, propaganda, ideology and the like.

After 1989, trade unions were set up in every Romanian company and the workers trust and participation were massive and unconditioned. For the new-born trade union movement it was a huge challenge. Due to economical changes and social tenseness, the trade unions requirements was numerous and ardent ones. Many times, the dialog with authorities was moved in the street and the trade unions power was significant. In 1991 there were 27 trade union confederations participating at negotiations of the first Collective Agreement at National level with the government. In fact, in these first years, there were just two partners of dialog and negotiation at national and sector, trade unions and government, because the entrepreneur's organizations practically don't exist.

Since 1995, the Romanian trade union movement was transposed to an institutional framework, from claiming to participative one. Hence, the legislative and institutional framework was substantially improved. New fundamental institutions of social dialog appeared (Social and Economic Council, Commissions of Social Dialog, National Agency for Employment and Vocational Training) as well as fundamental laws (Law of negotiation of Collective Agreement, Law of Labor Disputes).

A basic precondition and legitimizing basis for participation is adequate representative. In 1996, the Law on labor collective agreement defined the criteria for representative, so the representatives of trade unions and entrepreneur's organizations are able to participate legally, effectively and constructively in the opinion-forming and decision-making process. Unfortunately, due to the massive collective dismissal and restructuring processes, the number of employees diminished dramatically so as the workers enrolment in trade unions. The 1997 trade union census confirmed the fact that the number of members decline dramatically. Furthermore, in 10 years, the enrolment in trade unions fell more than a half, from 90% in 1990 to 44% in 2002).

In 2001, 2002 and 2004, the 5 trade unions organizations and 10 entrepreneurs organizations representative at national level, together with Government signed a **Social Agreement** sustaining the reform, employment policies and laws with social impact, assuring the social pace and stability. Along with regulation of labor relations and social dialog, the number of labor disputes is decreasing significantly (from 324 labor disputes registered in 1993 to 79 labor disputes in 2004).

So the Romanian social dialog experienced an evolution process from a claiming, random, rude organized movement toward a participative, targeted, organized in respect with the legislative laws, institutionalized and harmonized with European principles.

In Romania, there are many regulations that protect employment relationships but at the core of that it stands the **Labor Code**, a normative act that sets out the minimum general conditions for conducting relationships between the participants on the labor market. After three years of negotiation between social partners, on 1 March 2003 the new Labor Code came into force. That was a major step on the way harmonizing labor relationships in the attempt to come into line with European Union standards. Also, The Labor Code granted more power to social partners in order to regulate social policy issues through collective agreements.

The debates were carried out between trade union and employer organizations and the government was involved only in the stage of the adoption of the law assuming responsibility before the Romanian parliament. The Labor Code was adopted in the form agreed by the social partners at the end of the process of negotiation. So, the Romanian Labor Code is mainly the result of agreement between the social partners, with the social dialogue playing the main role in the negotiations process. Expressing the success in the area of social dialogue and labor relations that was an important exam of democratic maturity, that demonstrates the capacity of social actors to participate as responsible actors at governmental process.

Also, the decentralization of administrative decision on labor relations gives to the social partners the possibility for implying in social policy coordination on: employment, vocational training, social assurance and social assistance.

All these prove that Romanian social dialogue have the potential to solve important economic and social issues, encourage good governance, assure social peace and stability as fundamental requirements of sustainable human development.

#### ***4.5. Agenda for the decade to come***

Labor market policies and measures have gone a long way in Romania, from a rather rudimentary to a fairly sophisticated system. However, this system seems to be mired in the realities of Plan to Market Transition and has more than slight difficulties in adapting itself to the realities of a labor market, where true, opportunities are more diverse but also imbalances are also more difficult to locate and even more difficult to untangle.

As an essential ingredient of human development in modern, open economy, labor market policies and active measures will have to undergo a structural revamp in the decade to come, which might as well follow the following agenda:

1. The One-Size fits all Approach that has been the feature of transition should cease and the earlier the better. Policies and measures have to get tailored and customized to suit the needs of various regions, communities and why not even individuals. Consequently the legislative framework will have to suffer major changes so as to allow this tailoring to take place both at community as well as at regional and local level; National standards for specific broad types of policies should ensure a framework within which regions and communities would enjoy space for maneuver and innovation;
2. However, this tailoring cannot actually occur unless the entire process does not actually undergo a thorough operation of devolution. Regional and “judet” authorities and even local authorities to a certain extent must necessarily have a say in the design, development, implementation and first and foremost in the allocation and use of financial resources for labor market policies. As such, funds that are collected for the Unemployment Insurance Fund should be managed by the Public Employment Services alone, only for the part that concerns the unemployment benefit and other so-called passive measures that have nation-wide relevance. In the meantime, for the part that concerns the active policies and which usually differs and has to differ from one region and from one community to another, regional and local authorities should share into the management duties and rights of the Public Employment Service and have a say in the decisions affecting actually the very communities and regions for which they are accountable;
3. Also, all the measures and policies have to be turned more to the client, to the insured and as such instill both security as well as flexibility into a system that currently lacks actually both of them to a fairly large extent. While the unemployment benefit must necessarily become more generous and relinquish its link with the minimum salary, which will need to have a restricted growth in the years to come not to artificially jeopardize competitiveness, it will also need to make this growth a balanced one. Thereby, while the monetary benefit would not need to grow by much though more weight should be given in the calculation formula to the contribution base, a non-monetary part in the form “labor market services vouchers” should be introduced thus ensuring a higher measure of flexibility and greater customization of the services as well as a higher degree of security and greater competition between specialized service providers;
4. Still, key to all these is more investment in Human Resource Development and especially in the R&D sector. Both the public sector as well as the private one should start injecting more into the research and development activities without which the inherent comparative

advantages of the nation would not turn into competitive advantages, thus giving it a distinct market niche where to thrive. Consequently the need to encourage companies to invest in R&D especially in those domains and activities that are identified as comparative advantages and which can be subsequently turned into competitive ones, thereby creating an impetus for human resources investment and finally development. Without R&D investment the incentive for human development will be dismal and the country will lose valuable resources and valuable, actually irretrievable time.

It is this last thing that is actually the essence of it all. Time and timing are actually at the core of human development. As labor market is THE Market that is the most intimately linked with the human resource, the earlier these reforms are enacted, the faster results will spring up, for the benefit of an as much as comprehensively possible human development.

## **CHAPTER 5:**

### **Bridging the development gap – bringing the rural into the mainstream and learning to manage urban development**

#### ***5.1. Romania's agricultural richness – turning a comparative advantage into a competitive one***

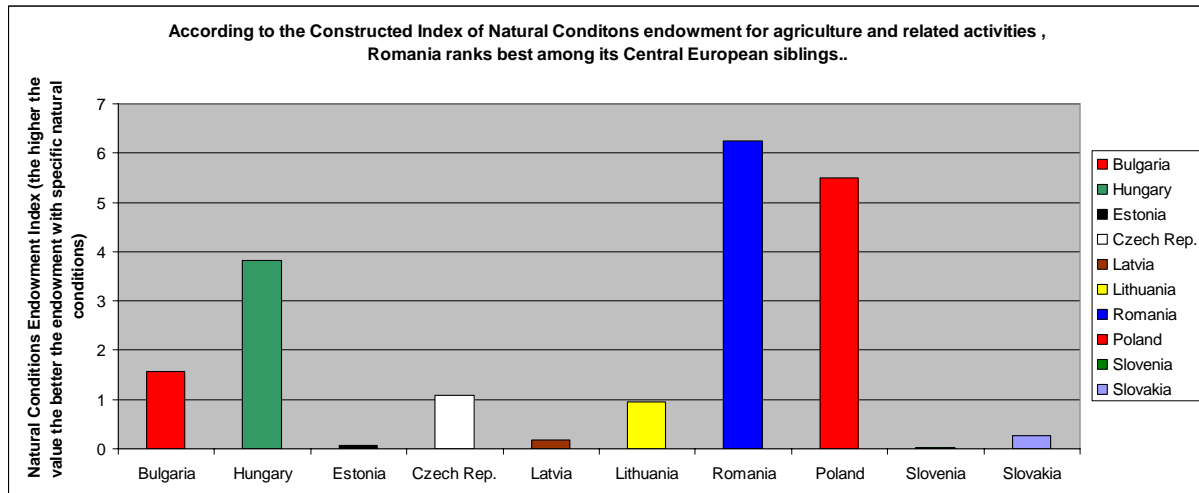
In an era of scarce natural resources and rising prices for raw materials owing to a growing global demand as more and more economies are opening on to the global market Romania, practically alone among the other Central and Eastern European countries and also, to a certain extent in continental Europe, save for Russia, retains a relatively significant endowment with natural resources. Moreover, in a time when the overcrowded peninsula of the large Eurasian landmass that is Europe per se, had lost almost all of its natural habitats, Romania, again alone, boasts untouched natural beauties that single it among its European siblings.

Prime among these assets that cannot be neglected for human development and especially for what is a sustainable human development that places environment and the very concept of environment-friendly growth at its core, lies the country's vast agricultural and agro-tourist potential, yet to be tapped at its full.

The surface of the territory which places the country as the second largest in its sub-region after Poland and among the medium-sized countries in Europe as a whole enjoys a fairly unique distribution of the major forms of landscape placing them in an almost perfect balance. This bodes specifically well for agriculture as allows for a diversity of agricultural activities and agriculture-related activities that few countries in Europe, with the sole exception of France enjoy. The variety of soils and the prevalence of high quality agriculture soil, including the well-known black-earth or the "cernoziom", which is particularly favorable for cereal production, together with the favorable climate that mixes influences from all the major climate areas of Europe, create a particular blend of the natural factor that is more than conducive for what we would call "eco-farming" or the production of high quality, safe, healthy food for which there is a growing demand in Europe.

If we were to measure the "quality" of the natural factor, which is essential for agriculture as in global economy one should not attempt at creating a comparative advantage where it is not or where it is scarce, but, harness it where it already exists in the plenty then, taking into account the main factors that would define the intrinsic quality of the natural factor, i.e.: size of the territory, share of the arable surface, variety of landscape, disposition of landscape, quality of soil and finally the suitability of the climate for an as large as possible spectrum of agriculture and agriculture-related activities and bundling them into a composite index, would yield results substantiating the statements above. We would see that among countries in Central and Eastern Europe, with which it shares a common, though unfortunate history, Romania will emerge as the most endowed with respect to the quality of its natural factor for agricultural use.

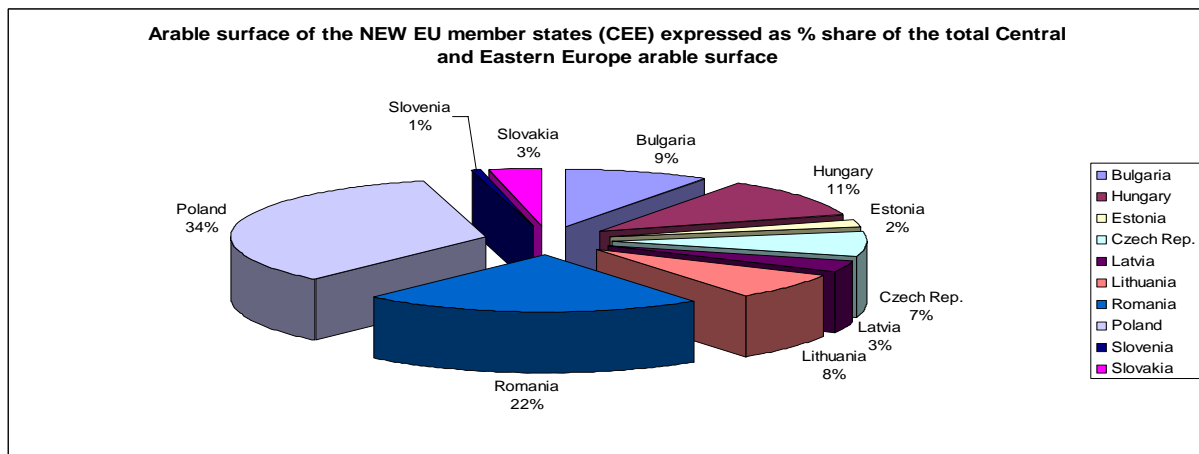
**Chart 5.1.**



**Source:** author's calculations based on NIS data

What it loses in surface it gains in the diversity of its landscape and what it loses with respect to the arable surface it compensates in farming surface, thereby once again showing its potential for diversity. Finally, what it loses with respect to climate in compensates in the quality of the soil and especially in the richness of its water resources, courtesy to the fact that two thirds of the Carpathian range, Europe's second largest source of fresh water, stretch on its territory.

**Chart 5.2.**



**Source:** author's calculations based on NIS data

Nevertheless, it is well known that not only the natural factor, in itself a powerful advantage, though also a largely static one, determines a country's agricultural prowess, but also the way in which property over farming land has evolved throughout the history, taking into account that ownership of land, as a fundamental factor of production identified by the founding father of Economics as a science itself, influences that ways in which a comparative advantage which is nothing more than a potential advantage, turns into a competitive, dynamic advantage.

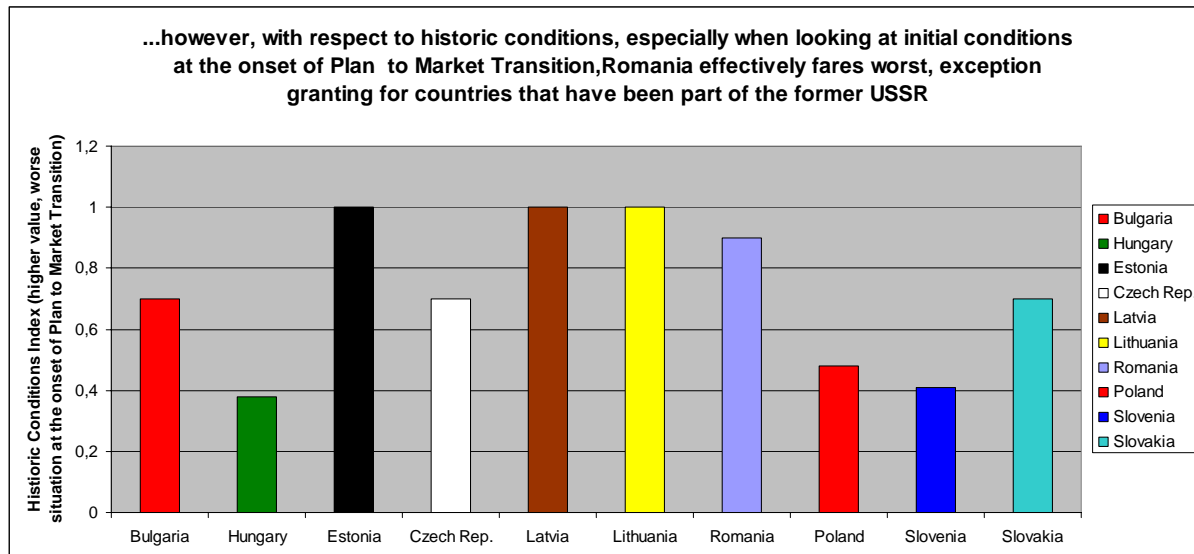
Moreover, the way in which property over land and especially over farming land is regulated, tremendously influences human development, being able both to act as a catalyst of it or as powerful hindrance. Truth is that from this perspective, Romania and its siblings in Central and Eastern Europe have not been very fortunate. Capitalism made a belated arrival in Romania, entrenching itself only after the mid of the 19<sup>th</sup> century. As its arrival has coupled with growing political stability following the country's full independence in 1877, it also coincided with a strong demographic growth, coming after more than one century and half of utter instability which has prevented any significant advance in population growth up until the 1860s. As such, strong demography has created a powerful pressure for a rather more social than market driven approach to rural estates. Following strong tensions in the rural areas that often went into fully-fledged peasant uprisings, the end of the First World War has brought a radical land reform, which fragmented large rural states into tiny peasant plots, thus yielding a measure of social stability but hampering productivity and the country's capacity to turn its comparative advantage onto a competitive one, a fact that was not redeemed by the time WW-II started. The end of the 2-20<sup>th</sup> century bloodiest conflict has brought yet another shock, with the soviet-style collectivization of the agriculture wiping out both what was left of the large farms as well as the peasant's farm. The regime quelled social unrest by using brute force to an unprecedented extent and resorted to massive industrialization which has rendered rural areas into a practical wasteland for human development. Villages were simply left to die by de-population if they were not simply wiped out, not necessarily by demolishing them but by depriving them from the essential of community life, which in most cases meant dismantling schools in communities that were deemed as too small. Unable to substitute the vast amounts of labor it had displaced with capital and turn what was vastly household production for final consumption into an industrial agriculture, the communist authorities were finally forced to dragoon population for even the most insignificant tasks that are associated with farming. In the end, the decade of the 1980's, has seen the country plunging into near-famine, with devastating effects not only on human development in rural areas but on the overall human development and most poignantly on the very fabric of the Romanian society fact which, has left a deep and long-lasting scar, yet to be mended.

As such, one of the first tasks of Plan to Market transition was to proceed to a restitution of properties that would on the one hand lift the country out of chronic alimentary shortages and on the other hand, redress the social injustice of forced collectivization. Stretching over more than a decade, this process, which has gradually led to a full restitution of agricultural properties to their former owners, has brought with it a mix of social and economic effects that again already have and will affect human development maybe for decades to come. On the positive side of course it has meant that chronic alimentary shortages are all but a fading memory of a distant and dark past. At this we can add the fact that restitution of small agricultural holdings has created an employment-buffer, which has shielded the labor market when unavoidable and sweeping restructuring or sometimes even outright closing of ailing state enterprises has seen hundreds of thousands of workers, sometimes entire communities going on the dole. Without the buffer employment of small agriculture, which has found its statistic expression at the turn of the 21<sup>st</sup> century in staggering share of agriculture in total employment of more than 40%, the country would have confronted mass unemployment and possibly social unrest of magnitude that would have rendered the continuation of market reforms a daunting task for the most daring of governments.

As such, if we were to measure in the same way as for the endowment with natural resource, by turning to a composite, constructed index, the suitability of the property structure and the extent to which, property structures at the beginnings of Plan to Market Transition as well as property structures before the ascent to power of communist regimes, to which restitution

policies of transition have had to return, are conducive for the development of agriculture and for turning a comparative advantage of the natural factor into a competitive advantage on the markets then, we would sadly see Romania falling at the bottom of the class.

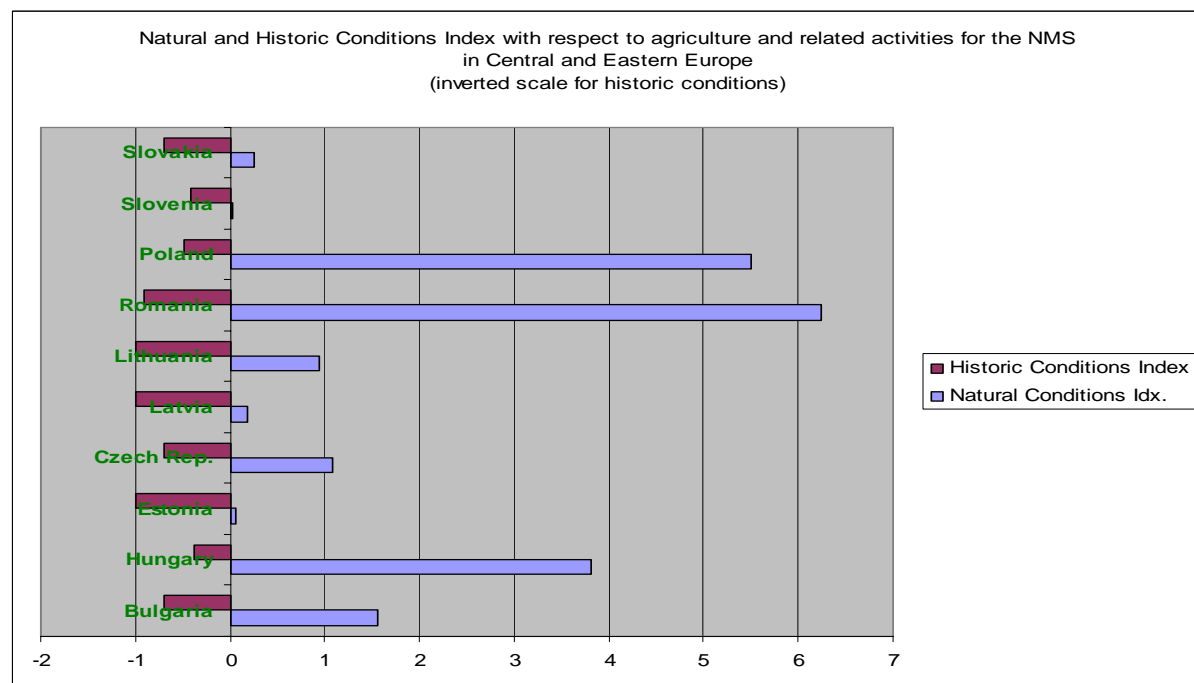
**Chart 5.3.**



**Source:** author's calculations based on NIS data

It is actually the legacy of this unfortunate past that has sent rural areas plunging into underdevelopment for half a century, while turning afterwards into the buffer of a stop-and-go transition which is even nowadays, obscuring the huge potential of Romanian agriculture.

**Chart 5.4.**

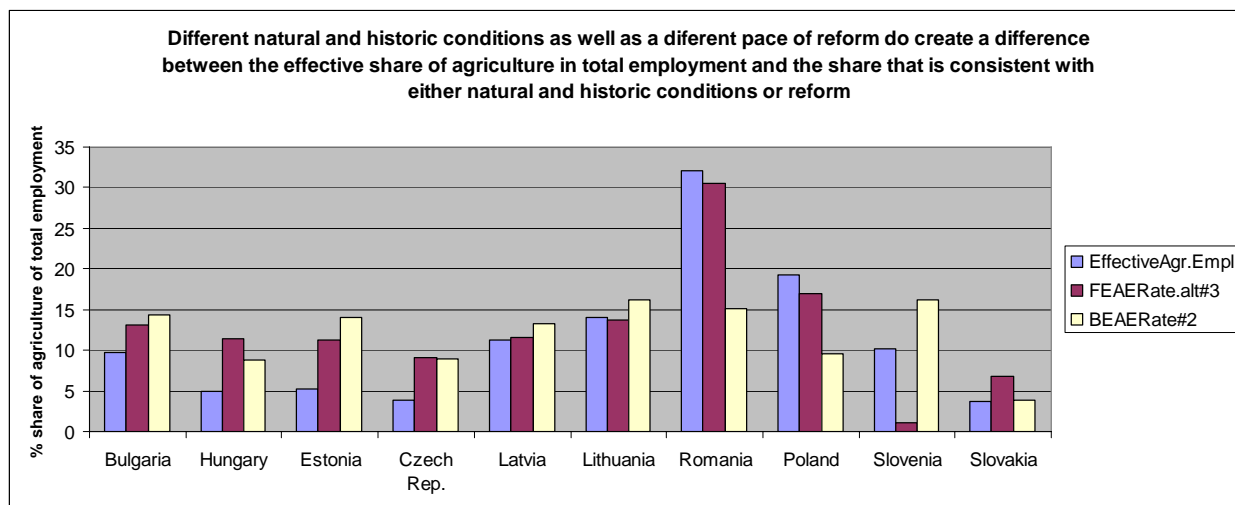


**Source:** author's calculations based on NIS data

Entering the European Union with such a natural endowment, Romania has an agriculture which, for its largest part is just household production for own final consumption. For the rural population which makes almost half of the total population, the monetary equivalent of household produced food staples makes up to half of the household income, while on the average for the whole of the households, both rural and urban ones, household produced goods account for roughly one-fifth of consumption. This has and mostly had its advantages as supply of household produced goods has helped in easing down inflationary pressures associated with the restructuring of the economy and its transition from Plan to Market, but on the other hand it also means that a vast amount of labor is trapped in a form of underemployment, which prevents human development to its full extent and mostly it means that any attempt to modernize farming methods and techniques will be done at snail's pace as small farms cannot muster enough financial resources. Consequently it means that they are not able to get actually on the market at a scale sufficient to specialize and move away from their counterproductive self-sufficient way of making agriculture and also that with the advent of full accession they will be unable to cope with competitive pressures brought on by a common, continental market. This, together with massive flows into migration for employment abroad that originate mostly in rural areas or in small urban communities that closely link with the rural, will again turn rural areas into a wasteland for human development, thus hampering general human development as depopulated rural areas and over-congested towns will put heavy pressure on the environment in a country that still lacks the resources to properly cater for its environment on the one hand and, on the other hand, needs to maintain high growth rates so as to bridge the development gap that separates it from the developed members of the wealthy club it has just joined.

Of course, one could easily point to the fact that agriculture as it is now is only just a drag on the Romanian economy as a whole. It depresses labor productivity and it has a meager contribution to GDP formation, which in unfavorable years, as it was the case only just recently with 2005, it can even turn negative, thus acting more as a hindrance than as an engine for growth. Of course by making such a statement and embarking upon such a logic one would only easily forget that when transition shock hit the hardest, small farming has acted as the only shield against mass unemployment and widespread social unrest, preventing an dive into abject poverty for millions of Romanians, on the one hand, while on the other hand, it has helped in easing down appalling and resilient inflationary pressures stemming from the restructuring of an economy, which, among the economies of Central and Eastern Europe, has been the hardest hit by the aberrations of central planning, with the sole exception of the economies of the former Soviet Union.

#### **Chart 5.5.**



**Source:** author's calculations based on NIS data

Consequently if agriculture may seem today as a drag on development, one does not have to forget that in the more than recent past it has acted as the only prop against total economic collapse and that without it Romania's economy would not have probably managed to survive what was a long and tortuous transition. Moreover, it is slow and incomplete reforms that have left agriculture with such a low productivity in spite of the fact that it is the sole sector of Romania's economy that sits upon an inherent comparative advantage, most probably the only of such a kind the country enjoys.

Therefore, the fact that currently agriculture still accounts for a disproportionately large share of total employment is a mere reflection of the combination between a favorable endowment with natural factor and unfavorable historic conditions, both with regard to the very recent history as well as with regard to the more distant one.

While the economy, safe for some random exogenous shocks which nobody is able to reasonably foresee, will grow at a pace which will far exceed the average for the whole of the EU as well as the average for the New Member States, courtesy, to a certain extent of course, to the low start base, more and more labor will sift from agriculture towards the more productive, better paid jobs that will be generated in industry and in the service sector. However, this sift will only be gradual and it is highly unlikely that in the decade to come, the share of agriculture in total employment will fall from the current level, which largely corresponds to a fundamental equilibrium rate, that is consistent with the natural and historic conditions to a level (i.e.: in this case lower) consistent with productivity developments and with the general level of development of the economy as a whole. Moreover, one has to realize that not investing in agriculture in the decade to come, will mean that, owing to competitive pressures that will necessarily mount following the EU accession, a disproportionate flow of working age individuals will start flooding Romania's large cities, all of which are still ill-prepared, both in terms of infrastructure, not to mention the availability of job opportunities, to receive them. This will lead to a disruption of the current development trend which has to be avoided at any cost. Meanwhile, a policy of non-investment or a policy of low and ill-coordinated investment that will leave aside the bulk of agricultural establishment, squarely meaning by that the small family farms will trigger yet another increase in the flow of migrants for employment abroad, most of which will no longer harbor the desire of returning one day home but which will prefer to option of settling permanently in the destination countries. Such a path will prove damaging for overall human development and for the future of the nation itself.

Thereby, one will have throughout the decade to come, to invest heavily in agriculture, attempting to turn an inherent comparative advantage into a competitive one. Small farms will have to be the focus of this investment that will need to harness the full potential of the Structural funds. A massive flow that will lead to the depopulation of rural areas, the crowding of urban and areas and another surge in migration for employment abroad will have to be avoided.

Human development in the decade to come, not only for the inhabitants of the rural areas, making today almost half of the total population and being home to a larger share of the population between the ages of 0 and 14 than the urban areas, depends on the investment decisions that will be taken in the years or actually in the couple of years immediately following Romania's full EU membership.

Thereby, as the rural areas and agriculture constitute without a shadow of a doubt the ancestral cradle of the Romania nation in its entirety and as they are the depository of a tremendous and yet untapped comparative advantage, they also hold the key to future human development in a sustainable way.

More has to be invested in rural infrastructure so as to keep a larger part of the active population in the rural areas, either for participation in agriculture or agriculture-related activities or for participation in other types of activities that are not necessarily connected with agriculture and which can take place even in the adjacent urban areas. As such, one would on the one hand avoid over-population of urban areas and depopulation of the rural areas.

Investment in the education infrastructure will have to be promoted, with rural schools involving themselves into specialized vocational training, with an emphasis on environmental preservation. Keeping the rural inhabited and populated by a large active population will also mean preserving the environment. Depopulated areas are not turning into havens of wildlife but into degraded areas that hamper the quality of life for individuals and households not only inside and around them but also farther away. Keeping the rural populated will mean protecting the environment and ensuring quality of life for residents of rural and urban areas alike.

Investment in the improvement of the agricultural production processes inside small farms has to be at the core of it all. Specialization of small farms has to be encouraged and supported. Farmers have to be aided in identifying their strong-points taking into account the advantages and the disadvantages of the natural factor specific to their area, their current and prospective endowment with infrastructure and the availability of human and financial resources. Small farms have to relinquish their universal, self-sufficient character and be turned into small market oriented units, taking stock of their eco-friendly, traditional way of production, enhanced by the application of hygiene, safety at work, animal welfare, packaging and labeling standards and procedures. Training for small farmers should concentrate on this.

Finally, human development and the development of agriculture and rural areas go hand in hand. Rural areas are the depository of traditions that have been developed by hundreds of generations and which by themselves constitute a treasure of human development that does not have to be wasted. Traditional products and traditional methods of production are generally environment friendly and thus conducive for human development. Traditional products can make for specific brands that incorporate a lot of value added and can command a high price on the market. Developing such brands and bringing traditional, environment friendly processes of production into modernity by applying hygiene, labeling, packaging, animal welfare and safety at work standards will mean a wealth of *real human development* that will be brought into the rural areas and to the rural population.

Agriculture and especially eco-farming, taking into account also Romania's relatively large size, the diversity of its agriculture related natural resources also hold a promise for the energies and fuels of the future. As reserves of fossil fuels are depleting or they tend to be located in volatile regions of the globe and with emissions of greenhouse gases on the rise, the world has

to diversify its energy sources and the obvious alternative are renewable sources. The European Union, of which Romania has become a member on January the 1<sup>st</sup> 2007, has set itself ambitious targets in this respect. Romania's agriculture if turned towards the markets can greatly contribute to the supply of raw materials for bio-fuels. Taking into account the fact that the country is one of the few in Europe to hold its own hydrocarbon reserves and have a significant processing sector, conditions for developing an industrial sector of bio-fuels to which agriculture can contribute by providing the raw materials are more than promising, they look even exciting. Thus, a new gateway for human development that will lead from the development of eco-farming as a way of producing safer, high-quality food while in the meantime preserving the environment to the development of high-value added industry making use of breakthrough technologies.

As such, investment in agriculture and the transformation of a comparative, static advantage into a competitive, dynamic one will not only help in improving the prospects of growth and development for the immediate future as it will make yet another major sector of the economy fully contribute at the formation of the nation's GDP but it will have a far stronger multiplier effect. It will nurture the creation of a new industry, the one of bio-fuels, which will need highly qualified labor force and bring high value added investment, thus giving a boost to human development that far outpaces the any immediate gains. Pursuing such a visionary path will not mean chasing the wind but seizing one of the most promising opportunities of the decade to come.

## ***5.2. Agro-tourism –making natural beauty accessible and preserving it for the future***

Most of Europe's citizens and business people live today in urban areas or in rural areas that only differ from their urban counterparts in terms of population density. Thereby their awareness of the treasures that still lie hidden in traditional rural areas that have managed to preserve themselves like the Romanian rural habitat is scarce. Moreover, they are even more unaware of the potential these areas held for the future development of the continent and its people, not only in terms of providing an alternative way of living, which is more environmental friendly or of providing an abundant source of healthy food but also in terms of becoming the source of raw materials for renewable energies. This applies almost alike to dwellers of Romanian urban areas, which for most of their part and in spite of the remarkable inroads that have been made in the last years with respect to the quality of living still inhabit crammed dormitory neighborhoods built during the long years of communist dictatorship. They are also utterly unaware and sometimes even display a hostile ignorance towards the potential rural areas and rural development hold for the future development of the country and its people, in a sustainable manner, treating them mostly as a piece of exotic, which can be easily done away with.

Removing this ignorance and opening an avenue of awareness, means not only bringing into the rural areas the much needed investment and thereby making the first step in turning an inherent comparative advantage into a competitive one but also means creating practically value added, as the avenue of awareness becomes itself a lucrative activity, capable of lifting rural communities out of their subsistence economy and making them face the markets with an enhanced measure of successfulness.

This avenue of awareness for the rural economy come in the shape of agro-tourism, in itself a lucrative opportunity, already discovered by some of Romania's rural communities but still miles away for many more.

Small family farms are usually universal-type agricultural establishments trying to cater for all the needs of an extended family and selling only a surplus on the market. Of course this makes a weakness, when considering the necessity of becoming competitive as it usually

prevents modernization, which in the case of such small establishments can only come via specialization. But while specialization may be an option for some of these small establishments some of them may turn the inherent weakness of being universal in terms of agricultural production into strength. This can be done by making the option for agro-tourism. This will mean that the current character can be kept as it will provide visitor from urban areas usually, both fellow nationals as well as foreigners with a taste of the traditional ways of operating a farm, enticing them into the consumption of the healthy food and beverages and making them aware of the potential they hold on the market. It will also open the gate towards the regions in themselves as it will show today's visitors which might as well be or become tomorrow's investors the potential and the resources that lie untapped, in most cases only a day's journey away from their headquarters. Of course in order to do that, these households will have nonetheless to invest in their infrastructure, to associate themselves for purposes of promotion and marketing and to make at least the minimum investment in up-grading the hygiene, animal welfare and safety standards of their universal small-scale agricultural production. These will not come necessarily cheap, but examples from various regions of Romania, like the region of the famous Bran castle, where agro-tourism has started to flourish since the early nineties or of the county (judet) of Suceava, in the North of Romania, home to one of the most beautiful collection of medieval monasteries in Europe, where for a few years agro-tourism has made important inroads shows that this is possible.

Meanwhile, it has to be kept in mind that agro-tourism in itself while being an important opportunity for the development of rural areas is most of all a gateway towards their agricultural production potential per se. Thereby, strengthening the agro-tourism arm does not in any way mean weakening the core element of rural development which is agricultural production. Agro-tourism and that has to be well remembered when planning for future development, is not a cheap alternative for development but an expensive, rather exclusive niche that can only flourish at its full potential if investment is made in eco-farming and rural infrastructure. If the majority of small farms do not specialize in order to become truly competitive on the market, minority of farms will not be able to maintain their universal character for tourist use. Specialization will mean that communities will gradually become wealth and will, be able to invest in infrastructure, at least at its basic level so as to make them accessible for tourists and visitors in general. As such, a few that will choose to go for agro-tourism will be able to tap into the market and offer their services to exclusive buyers. Agro-tourism will never be a mass business and will never replace mass tourism to already established destinations but will by all means increase its market share as more and more people join the club of the wealthy and as the wealthy become more and more sophisticated in their tastes.

As such, agro-tourism can bring value added to agriculture and rural development but one has to keep in mind that it is at the upper most end of the value added chain and thereby only accessible when the other components of the chain are well and solidly established.

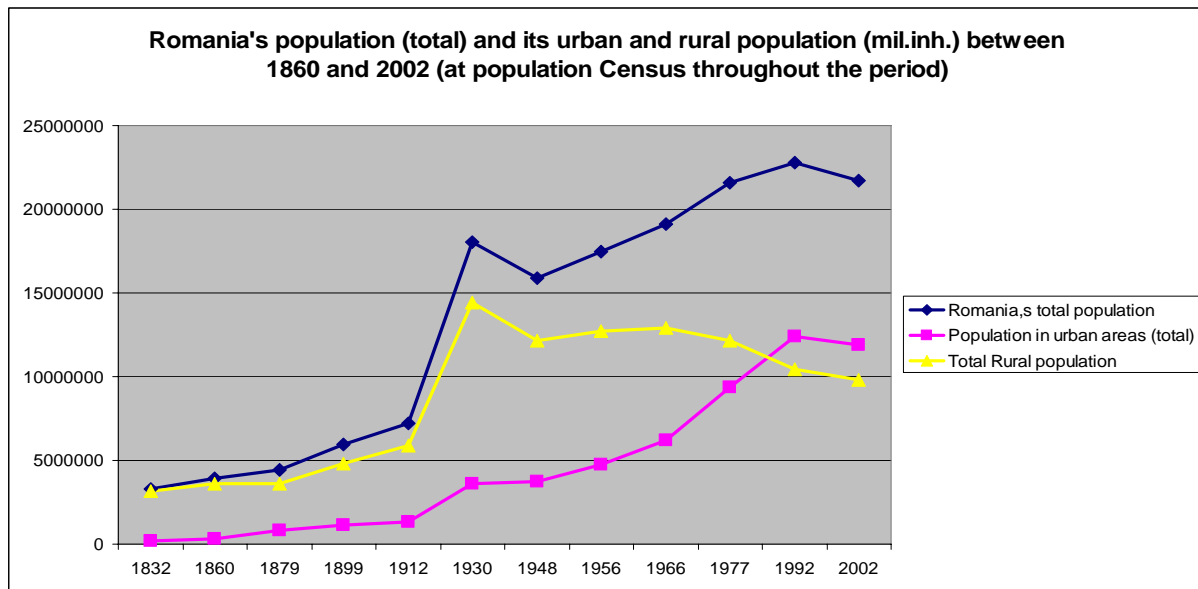
Agro-tourism in the meantime is a window for human development. It means that population living in the rural areas will have the opportunity to access, aiming user of their resources an exclusive market and thereby will have to develop themselves as professionals of it. This will mean the development of knowledge and skills as well as the emergence of attitudes that have more to do with what is commonly associated to inhabitants of urban areas and to workers in the service sector rather than to workers in agriculture and moreover will have to combine these new skills with their old ones as they will have to maintain their farming and what is more and will be even more difficult, thus adding to the exclusiveness of the sub-sector in itself, their universal farming character. This will be hard to do and in this process it is more than probable that some of the agro-tourism clusters will survive while others will disappear but however it will be, this leap will provide the residents of these areas with valuable knowledge

which they will be able to use in order to further turn their production towards markets, as the only way to ensure sustainable development of rural areas and to prevent them from falling into dereliction chiefly by depopulation.

### 5.3. Urban and rural development – avoiding over-populated towns and depopulated rural areas

Romania is still a sparsely populated country. If at its territory, it will have the density a small country like Belgium, it will have a population of more than 50 million inhabitants, a fact which will greatly add to its development potential. The current state is the result of long periods of sheer instability which throughout many centuries have been plaguing the country's geographic and geopolitical region.

Chart 5.6.



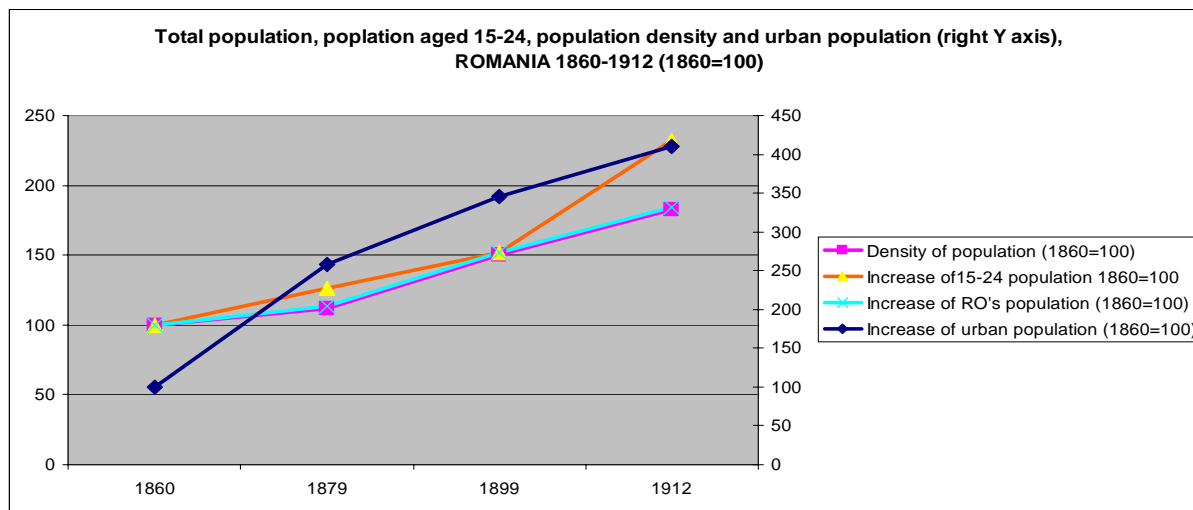
Source: author's calculations based on statistical data

Only with the advent of the mid-nineteenth century and the creation of the Romanian modern state, stability has started to improve and owing to the first era of globalization, the country's population grew strongly, being at the onset of WW-I, after an unprecedented forty years of peace, a staggering 150% higher than it had been in 1860 when the modern nation state has witnessed its creation. This unprecedented population increase which has taken place without any increase in territory, as it will be the case with the population increase that followed the conclusion of WW-I, when the nation state added Romanian-inhabited territories formerly inside

the borders of the Austria-Hungary and Tsarist monarchies, took place almost at equal intensity in both of the residential areas, urban and rural alike. This squarely meant that while the urban population saw itself a major rise and urbanization started to take hold on the Romanian lands for the first time ever actually, with the sole and notable exception of Transylvania, where medieval, albeit largely German inhabited towns, a characteristic nonetheless of most towns in Central and Eastern Europe, have been flourishing all-throughout the middle ages, rural areas where the vast majority of the population resided also witnessed strong population growth. A genuine urbanization process which was thus taking hold, particularly visible in the rise of the capital city of Bucharest or of country's the main city-port of Constantza on the Black Sea Coast, becomes sometimes hard to notice as strong population growth takes place simultaneously in both of the residential areas.

Broadly, for the first three quarters of a century of modern development that come to an abrupt end with the communist takeover of 1945-47, urban population has been growing at a fast pace but following nevertheless the development of urban infrastructure and economic opportunities alike. While this rapid rise owes a lot to migration from rural to urban areas it has never resulted in the depopulation of the former in favor of the latter. On the contrary, rural areas have preserved their role as a vital reservoir of strong natural growth of the population. Young population, the driving engine behind population growth has been enjoying a steady ascending course.

**Chart 5.7.**

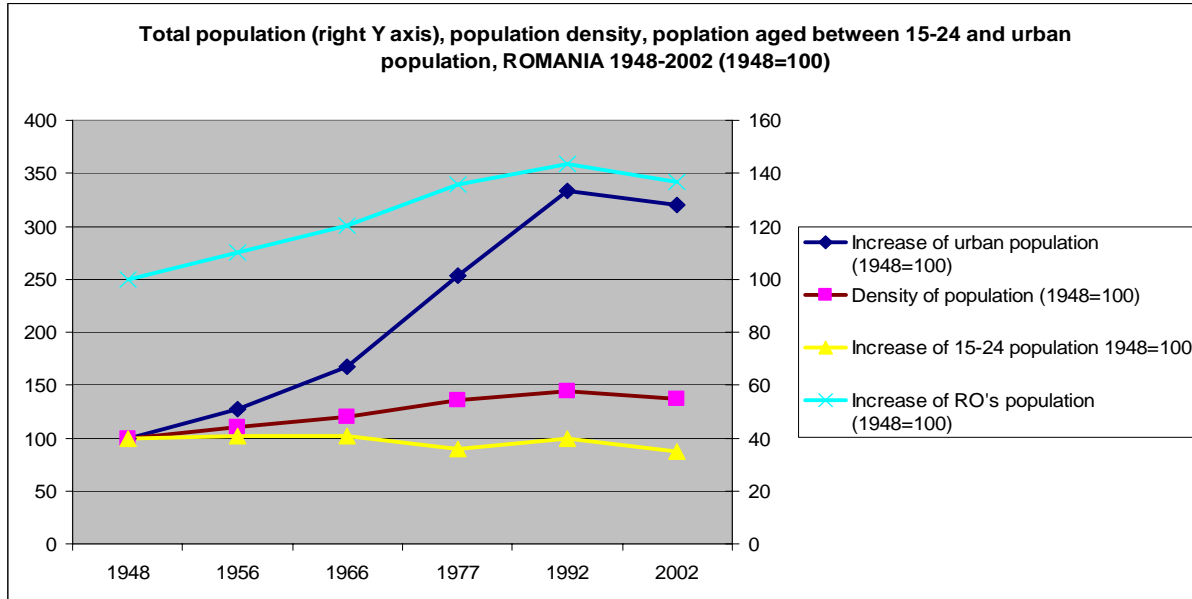


**Source:** author's calculations based on statistical data

A dramatic change occurred following the communist takeover of the country. Forced industrialization policy which has enveloped the country for more than four decades has turned rural areas and rural population into its prime victims. Large swathes of rural population have been forced by the confiscation of their farming land via collectivization into the dormitory neighborhoods that have been built all throughout Romania's towns, sometimes disregarding even the most basic requirements of modern infrastructure and in most cases with the barbaric demolition and de-structuring of the already existing urban habitat in attempt to wipe out community memory and nullify communities altogether. Young population, namely population between the ages of 15-24 entered stagnation, mostly as a result of the catastrophic fall in birth rates. Therefore, it is only correct to assert that destruction, via forced collectivization of the agriculture of the rural areas, the ancestral cradle of the Romanian nation and its reservoir of

demographic growth has ultimately triggered the inexorable decline of Romania's population, with profound and far-reaching consequences for human development.

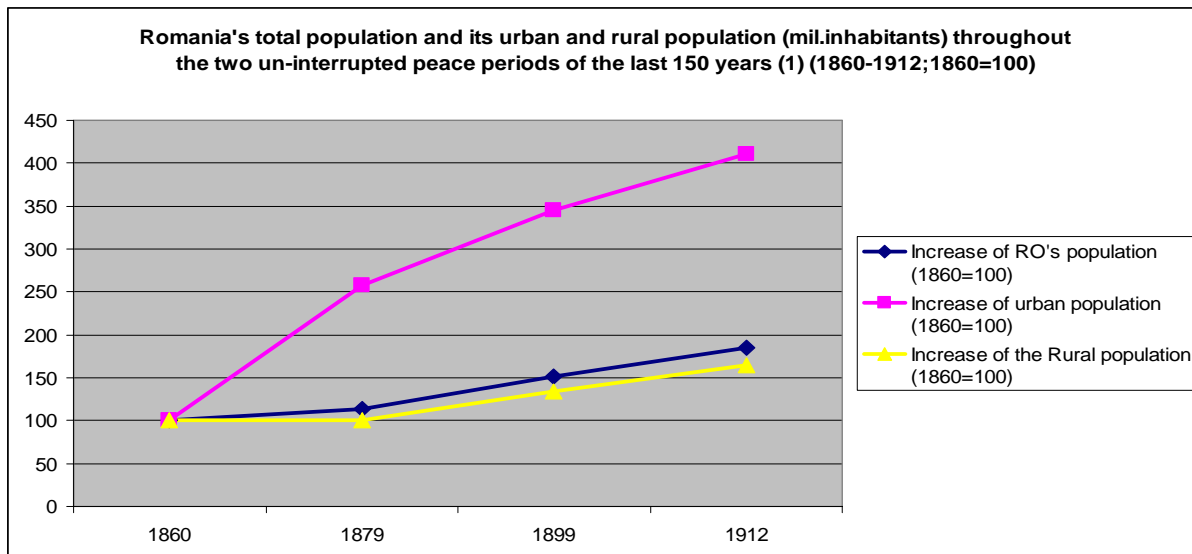
**Chart 5.8.**



**Source:** author's calculations based on statistical data

Although Romania has enjoyed from 1945 to 1989 an un-interrupted period of peace, which more or less, in terms of its time-span, equals the one enjoyed by the country prior to WW-I, but in a larger and better endowed with resources territory, its total population and that has to be said plainly, in spite of brutal pro-birth policies, was in 1989 only 53% larger than in 1948, when the first communist-era Census has been performed. This squarely means that although endowed with a larger territory and enjoying the existence of a stock of investment at which the generation of the 1860's could have only dreamed, Romania's population had grown in a period of un-interrupted peace spanning over more than a generation (i.e.: more than 30 years), by only half the growth rate it had enjoyed during a similar period of time between 1860 and 1912.

**Chart 5.9.**

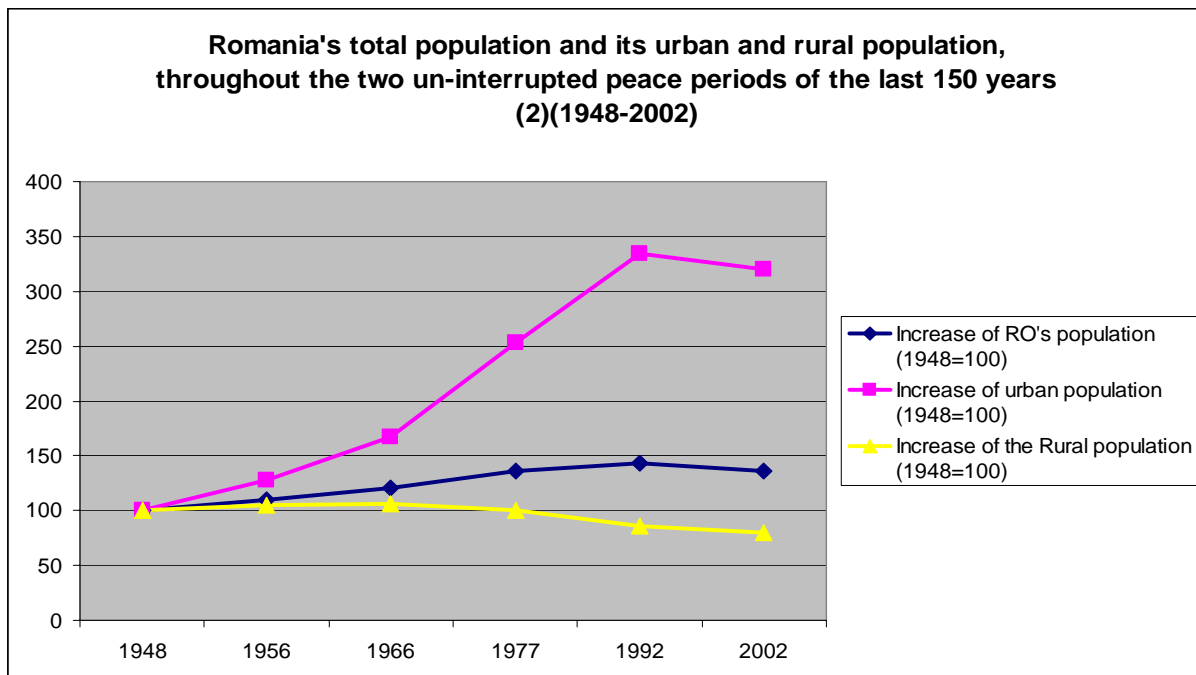


**Source:** author's calculations based on statistical data

In the meantime, however, one would witness, sharp, one could even say abrupt decline of the rural population or more correctly of its share in the total population, which dips below 50%. Taking into consideration the fact that the country's population had not witnessed a major increase, which would have been probably even more so, would it had not been for the administrative pro-birth measures enacted, it is crystal clear that the so-called urbanization process boasted by communist authorities for more than four decades has been nothing else than a brutal shift of population, using administrative means, which has created over-crowded and poorly equipped cities and depopulated rural areas.

Inadvertently of course, the very Stop and Go character of the Romanian transition and its extremely long duration which, spans for more than a full decade have restored some of the lost balance, though in a manner that goes contrary to modern development. As such, starting from the mid-nineties and continuing albeit at a lower intensity even nowadays, at more than a decade since it was first recorded by official statistics, the domestic migration flows have for the first time in more than a century and half of official Romanian statistics reversed themselves and started to go mostly from the urban areas, affected by industrial restructuring towards the rural areas, turned into last resort shelter for the huddled masses of dislocated workers. Some of these unfortunates have thereby witnessed twice in their lifetime a major dislocation, first from their ancestral rural habitat depleted by collectivization to the ill-equipped neighborhoods of dormitory blocks and then, one again, from these grayish surroundings back to their original country side, in an attempt to weather the worst of a painful, yet necessary liberalization of prices and restructuring of industrial enterprises. The cost to human development of this forced migration that involved large masses of people and which occurred twice in the time-span of a generation can hardly be imagined and their measuring is very difficult, although the damage they have done is evident.

**Chart 5.10.**



**Source:** author's calculations based on statistical data

The rural areas which those displaced workers have found while making their return journey in the late-mid nineties, did not unfortunately differ much from what they or their parents on many cases left when were forced to flee them in the late fifties or early sixties. Most of the rural localities of Romania at the onset of the 21<sup>st</sup> century lack even basic utilities. Gas networks have made their first significant inroads only after the 1990, telephony, talking here about the fixed ones, alike. But most of all, running water and especially canal are simply *rara avis*. This actually means that sanitation is still more than poor for a European country at the turn of the 21<sup>st</sup> century. This helps explain both the fact that the health state of the rural population is far much poorer, with infant mortality higher than in urban areas as well as the fact that basic education and health infrastructure is far much less developed as both schools as well as hospitals and polyclinics count access to running water and canal among their vitals. In the meantime, poor equipment with canal and running water is also a hindrance in improving animal health and animal welfare, which thereby act as a barrier to market access of traditional products obtained in small family farms.

All of these create a vicious circle, of poor living conditions and underdevelopment, which make rural areas just an area of refuge in the face of industrial restructuring. As this process is for most of its part completed and more opportunities are arising in front of the working age population of the rural areas, the direction of the migration flow will soon reverse itself again. Working age individuals will either migrate towards the cities or migrate abroad. In most cases, they will never go back to their rural homeland.

On the other hand, while some progresses have been made since the onset of transition with regard to the improvement of the derelict infrastructure of Romanian cities, a component of urbanization which communist planners have always neglected in their pursuit of amassing ever-growing number of proletarians, easy to control once moved into de-personalizing huge blocks of flats, still much remains to be done. Although Romanian urban areas do benefit from far much better equipment with utilities, especially when considering water supply, canal, access to gas and telephone, still, what statistics do not usually account for is the quality of these networks. In most cases this is, in spite of recent improvements that have occurred in the last four-five years, since the effects of economic growth have started to make themselves felt in the urban communities, rather unsatisfactory.

Consequently, urban communities are in most cases unable to cope with a growing flow of people from the rural areas. As such, non-investing or investing at a slow pace in the infrastructure of rural localities, will not impact negatively on the development of a market oriented agriculture and the development of agro-tourism as a high value-added production niche but will also have a negative impact upon the development of the urban areas. It will lead to a rise in income inequalities in the urban areas, on the one hand and, on the other hand, it will create even more pockets of degradation and urban poverty as result of over-crowding. Moreover, this will put an enormous strain on still not sufficiently improved infrastructure and although one might argue that demographic pressure will put more pressure on local authorities to modernize this might not be the case. Usually, what follows immediately is even more degradation as urban agglomeration increase their dimensions at a faster than the average pace, struggling to cope with migrants from rural areas. Slumps tend to appear, prices of residential property go skyrocketing, entire neighborhoods get deserted by the more affluent which tend to cluster outside city limits in exclusive compounds, while city centers and other areas as well fall into decay. In the initial phase, authority are unable to cope with such a pressure and it normally takes years, years during which misery and degradation take hold, so as to restore things to normality and resume development.

Therefore, with its cities in tatters following four decades of failed socialist industrialization and more than one decade of transition which has seen an inevitable de-

industrialization, encouraging a rapid, abrupt move of rural population towards the urban areas would be outright folly. Taking into account Romania's current level of development as well as its reasonable perspectives in the short and medium term, it would be better to encourage rural living and on the one side and consistent, step by step, urban development.

Rural areas would need to be the constant focus for infrastructure investment, which would not only foster the development of modern eco-farming and agro-tourism but would also keep a large part of the population, especially of the working age one into the rural areas, thus preventing their depopulation and the degradation of the environment which usually follows suit. This takes into account the fact that distances in Romania are not big and therefore no village is in a distance of more than 40-to 50 km from the nearest urban centre, which actually means an hour's drive at the most. This means that encouraging population and especially working age population to stay in the rural areas would by no means decoupling the two residential areas but keeping their development in balance.

In the meantime, authorities in the urban areas would have to concentrate on developing their infrastructure, taking stock of the investment that has started to flow into their localities and of the fact that their communities are made out of the most affluent segments of the society. Also, they would have to concentrate on revamping and sometimes even completely restoring their historic centers, so as to turn them from derelict sites into the focus of attraction for business and tourism alike.

It is thus paramount to keep the rural populated and to prevent an early massive flow into the still ill-prepared urban areas, in order to foster not only economic development but mostly in order to foster human development.

Depopulated rural areas, with ageing or even aged population will attract neither investors nor tourists and thereby all potential which lies there will be wasted. On the other hand, overpopulated towns, with still crippled infrastructure and historic centers that are yet to be fully restored to their former glory and beauty will not act as much as a magnet, in spite of attracting a larger share of the working age population. Urban areas riddled by inequalities, crippled by poor infrastructure and having to deal with large swathes of urban poverty will be hardly conducive for human development. On the other hand, alternative living in, if not well equipped, at least better equipped rural localities, will mean that rural workforce will start embarking on higher value added activities, which will enhance its skills and knowledge. Better trained working age labor force in the rural areas will not only be able to harness the development potential of these habitats but will also act as a magnet for investors, thereby pushing activities in the rural areas upwards on the value added chain.

Safer and healthier food as well as rural living is already making significant inroads in Europe as it is also the case with renewable energy sources. Romania, with its vast and diverse agricultural resources and with its rural habitat that is still populated by almost half of its population has a vast potential of developing in all of the three major areas of rural development outlined above: it has a potential for eco-farming that can be harnessed for market-oriented production, it can develop successfully in the narrow niche of agro-tourism and can use agriculture as a pillar for moving into the new market for bio-fuels thus adding to the multiplier effect of investment in the development of the rural areas and their still abundant human resource.

#### ***5.4. Agenda for the decade to come***

The Romanian rural areas are still home to half of the country's population and harbor one of the country's most important comparative advantages. Still, at the beginning of the 21<sup>st</sup>

century and in the immediate aftermath of full EU membership, the rural is riddled by poverty, in danger of getting depopulated and acting just as a supplier of home-made goods and services most of which never arrive on the market but solely serve as a complement to incomes of rural households in the form of household production for own final consumption.

As such, Romania and its rural areas with special emphasis on agriculture will be the focus of significant assistance, including financial, of the European Union that will aim both at developing the human resources and thus advance human development as well as at improving infrastructure both general and productive one so as to create a bulwark for market development and enable the Romanian agri-business sector cope with the competitive pressures of the European market.

Nevertheless, the amount of resources that will be dedicated to Romanian agriculture by the EU Commission, however vast at the first glance, will only materialize if enough viable projects are submitted and especially if enough projects are submitted in the early years, when competitive pressures will still be lower and transition periods negotiated prior to full membership will still be operational thus giving the sector much-needed breathing space. What is more the funds will increase only gradually, with the largest amounts coming actually towards the mid of the next decade, when transition periods will be over or ending at the best and when competitive pressures will be far much higher than now as Romania's economy will become more integrated into the common market.

Therefore, for the comparative advantage of Romania in terms of agriculture to be turned into a dynamic competitive one and as such become conducive for human development, preventing thereby a depopulation of the rural area, either by flows into the urban areas of the country either by flows into migration for employment abroad which in time might turn into outright definitive emigration, the following tentative Agenda for the Decade to Come, might be the right track to follow for further human development:

1. Individual small farms have to specialize; They have to be helped and assisted in doing so by identifying their comparative advantages and turning them into competitive ones, not via "one-size fits all" solutions, but by personalized, customized assistance; This in turn will make gradually peasants become farmers and hopefully eco-farmers, creating thereby niche for sustainable human development from what has been until now just an emergency, last-resort alternative;
2. There is plenty of room for specialization as Romania's natural factor in this respect is abundant, generous and mostly diverse. Thereby, one can say that there is room for a major unbundling; Unbundling of activities will mean that specialized entities will develop creating new market niches for specialized services thus engendering human development beyond the realm, of agriculture but, and this is most important, inside the boundaries of rural areas;
3. The general focus should be on improving hygiene, safety, animal welfare, packaging and labeling of products coming from small farms starting to specialize. This will boost by itself investment in specific infrastructure and will help not only the development of market-suitable production but will also help human development in general. Using traditional methods, enhanced by the application of hygiene, safety and animal welfare standards to produce, healthy, safe food, will greatly enhance the quality of life of millions beyond the limits of rural habitats and will greatly improve the quality of life in the rural areas, thus preventing further depopulation;
4. Rural communities will have to become the focus of attention in terms of developing much needed infrastructure that will make them accessible for both visitors and investors. The fact that no rural locality is farther than 40 to 50 km from the nearest urban locality is an advantage that has to be used for development. Regional and sub-regional clusters will

- have to develop, taking stock of the local comparative advantages and turning them into competitive ones, so as to keep human resource in the area and provide it locally with opportunities for development;
5. Urban localities will have to use the opportunity of a larger share of working age population residing on their territories and of more affluent households and develop programs of reclamation and restoration of their historic city centers. These have to become prime venues for business and tourism in the region, providing thus the main gateway to agro-tourism and thereby harnessing the inherent proximity of the Romanian urban and rural areas; Better maintained cities will be magnets for investment and thus will decisively contribute at the improvement of quality of life, thereby providing the underpinnings of sustainable human development;
  6. Agro-tourism will not be necessarily a bonanza for many and is not to be considered as a cheap alternative. On the contrary it is an expensive and exclusive niche, in which only few can specialize. It offers fantastic opportunities for human development and has a tremendous potential as a multiplier of development. The latter mostly arises from the fact that agro-tourism brings people into the rural areas, thereby providing them with a glimpse on the advantages of alternative living to overcrowded cities and giving them access to safe, healthy food produced through traditional methods. It thus opens the regions further to development and investment as it makes potential investors aware of the comparative advantages waiting to be harnessed; Developing agro-tourism in a profitable way will be however not easy. Communities and partnerships between urban and rural localities grouped in regional and sub-regional clusters will be essential as it will mean that certain priorities will have to be given when planning for regional and sub-regional development. Strengths and weaknesses of the regions will have to be clearly identified and one should not forget the essential: at the core of rural development of which agro-tourism is a side-component there is a strong agricultural pillar. If the agricultural pillar is not solid, agro-tourism will have precious few to offer and will ultimately die;
  7. Romania's agriculture provides a tremendous potential for the production of a diverse range of biomass that can be used successfully in the production of bio-fuels, thus contributing to the diversification of energy sources away from the fossils. Capitalizing on the country's fuel processing sector, which is reasonably strong, a strong agriculture might help in generating yet another industry, for which the particular blend of expertise and production capacities in conventional fuels and a strong agriculture producing significant quantities of a broad range of biomass, will be particularly conducive;
  8. Developing into renewable fuels through the development of a strong agriculture would mean that the comparative advantage of the natural factor would have been capitalized to its full extent. Not only human resources in the rural areas will be developed so as to take stock of the new opportunities but a new, high value added, high-tech industry will appear opening new prospects for the development of the country's human capital, including through research and innovation. This will also have a positive effect on the massive migration flows for employment abroad. It will not only stop the depopulation of rural areas but it will also arrest the brain-drain that is already apparent;
  9. The development of a vast realm of eco-farming plus entering the market for renewable fuels and obviously the niche of agro-tourism are the great gains that will come from human development. To harness them, both local as well as national authorities have to team up with business, social partners and mostly with the small individual farmers which are at the centre of the entire process. The transition periods negotiated with the EU Commission will have to be used at their full and European funds and programs will have

- to be complemented massively during the initial phase, which means during the next couple of years, by massive national funding;
10. One has to understand that developing agriculture is Romania's most important if not only chance to develop a genuine, national competitive advantage of its own and thus create a itself its own niche on the market, without which, it will not be able to close the development gap and will lose human resource at an irreplaceable pace. General investment in education, health and infrastructure and it has been done until now does not and will not help as resources, which are and will be scarce, are dissipating themselves. Investment in education, health and infrastructure which really help in advancing human development need focus. It is our firm belief that for Romania, given the potential, both in direct terms as well as in terms of its multiplier effect, the focus should be on agriculture and rural development. One Romania was called rightfully the "granary of Europe". It can become once again but this time it can be an eco-granary providing both safe, healthy food as well as a large and diverse base for the development of renewable sources of energy, both of which Europe and its people are in much of a need.

## **CHAPTER 6:**

### **Tackling migration for employment in an emergent medium-sized open market economy**

#### ***6.1. Migration, immigration, emigration and migration for employment abroad – lessons from the past and challenges for the future***

All through its history mankind tried to find better living conditions, richer or more developed regions of the world being like a magnet attracting people from poorer parts of the world. The process of migration involves a subject (emigrant or immigrant), at least two countries (the origin and the destination country, but also the transitory countries) and an intention to get settled or to find a job in the destination country.

Contemporary migration is magnifying at high speed, globalization being its main engine. According to the UN Population Division, there are now almost 200 million international migrants, which is double than 25 years ago.

Romania is subscribing to the worldwide migration phenomenon, having a history of migrations marked by booms and declines, based mainly on internal political, social and economic conditions. To understand migration, its specificity, contents and future developments, the analyses should cover a wide area, beginning from historical evolutions, continuing with objective and subjective determinations and concluding with a debate on the necessity and possibility of controlling it and also on the loss, in terms of human capital, generated by migration.

#### *Regular and irregular migration- evidence from the past*

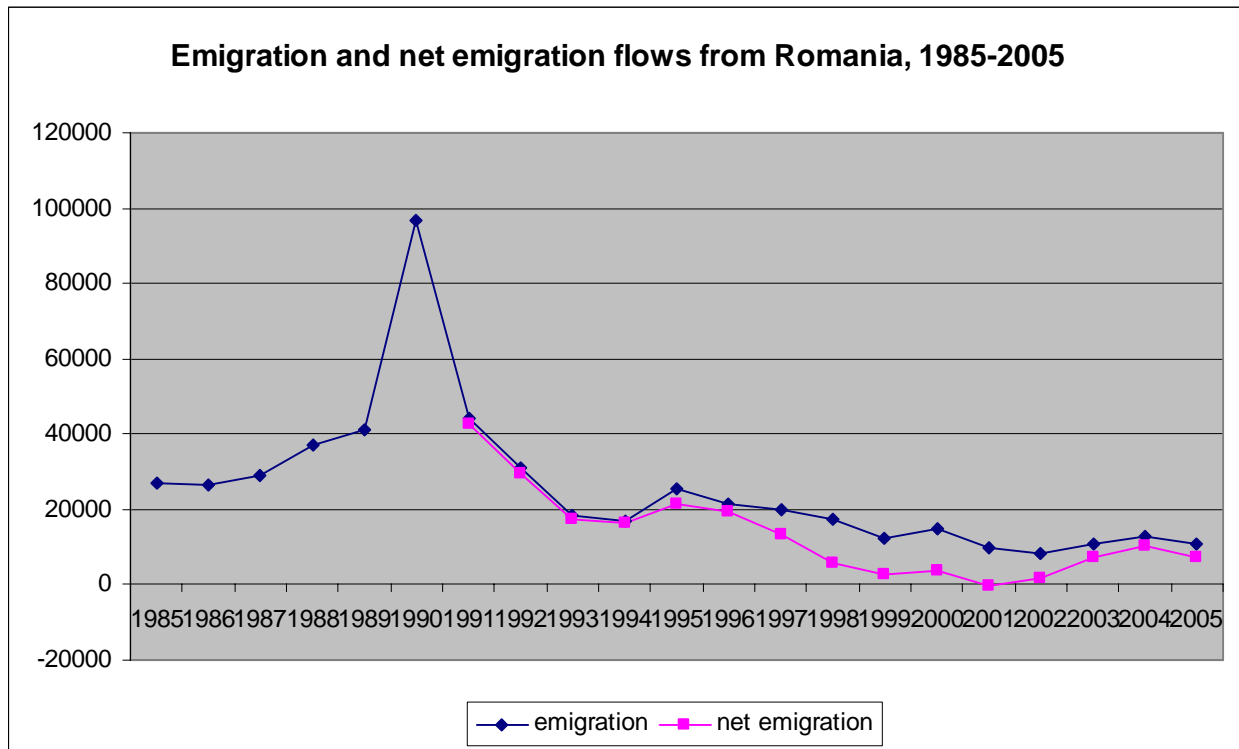
The analysis of Romanian migration should be divided in at least two periods: before and after 1989. Before the year 1989, emigration of Romanians had its roots in the political regime of that time. People usually emigrated on the basis of ethnicity, thus more than 60% of the emigrants being of other nationalities than Romanian, especially Germans, Hungarians and Jewish, the main countries of destination being Germany, Hungary, Israel, but also the United

States. As shown in the picture below, the emigration tendency is moving upwards as we are approaching the year 1989, thus testifying to the massive deterioration of both living and political conditions in Romania.

The next year after the revolution that brought major political changes, 1990, represents the peak of contemporary Romanian emigration. The border barriers had fallen, the country's settlement on a trajectory of evolution was uncertain and almost 100.000 of Romanians crowded to leave the country, doubling the number of emigrants registered during the previous year. Although more than 75% of the emigrants were especially Germans, but also Hungarians, the first signs of changing the structure of emigrants by nationality become obvious as the number of Romanian ethnics who emigrate increases by more than 60% compared to 1989.

The transition period that came afterwards is characterized by a change in the driving forces that lead to migration, now the economic criteria gains field. The number of emigrants has been declining since 1991, with some slight increases in 1995 and after 2002 (the year marked by the removal of Schengen visa). Other nationalities than Romanians suddenly lose ground in front of the Romanian nationals and in 2004 more than 90% of migrants are of Romanian nationality and their destination countries are USA, Italy, Germany, Greece, Canada. The emigration structure by gender reveals some changes, migrant women become more numerous in the last years, in 2004, 62% of the migrants being women and the age group 26-40 years accounts for 58% of the migrant population, tending to increase.

**Chart 6.1**



**Source:** National Institute of Statistics

Immigration flows to Romania were insignificant before 1990; then slowly we experience a growth in the number of immigrants until 1999, period characterized by growing immigration flows from Republic of Moldova which is the main origin country for immigrants to Romania and, after that, the flows reduce, so that immigration sets on an upward sloping trajectory.

Therefore, Romania is a country of emigration (net emigration flows are positive), the officially registered figures show a crude migration growth rate of -0.5 per 1000 inhabitants in 2005, while the crude natural growth rate of the population is -1.9 per 1000 inhabitants, which shows that the decrease in the Romanian population is due to permanent emigration only to a little extent.

It is crucial to point out that the statistical data on migration (source National Institute of Statistics) captures only the regular emigrants who change their permanent residence. Alongside there are some other categories of emigrants: irregular migrants, temporary and circulatory migrants for employment, the latter two involving the most important contingents.

Irregular migration developed during the nineties, when an increasing number of Romanians tried to reach the European Union countries in search of a job on the underground labor market or even to get involved in illegal activities. According to a study carried out by the Institute for Scientific Research in the Field of Labor and Social Protection<sup>35</sup>, at the beginning of the nineties, when emigration was high and rules in the EU loose, the irregular emigration was rather circumscribed into the large mass of the regular one. Beginning with the mid-nineties, as rules began to tighten in the West and stability to increase in the country, legal emigration started to decrease, but irregular one, taking advantage of the newly gained visa free regime, increased, starting to be rather in excess than circumscribed to the regular one. For the year 2002, the author's calculations on irregular migration show that this represented an excess of around 20 to 30% atop of the regular migration. This study also pointed out that more than 30% of the irregular migration is in purpose of human trafficking and forced labor, which has negative effects on human beings by violating human rights and degrading their personality, influencing the social behavior of their families and children and thus negatively impacting human development. During the nineties and the early 21<sup>st</sup> century Romania played a role of transitory country for irregular migrants from the former Yugoslavia and the former Soviet Union, states where organized crime and human trafficking networks were dangerously developed.

Irregular migration was permanent or temporary / circulatory which means that after earning some money people come back to Romania and maybe go back abroad after some time.

#### *Migration for employment*

As mentioned earlier, migration for employment, either temporary or circulatory became the most important component of Romanian migration in the last years. Unfortunately its description in figures is not complete and official statistics regarding migration for employment begin to exist only with the year 2005, when the Ministry of Labor, Social Solidarity and Family became aware of the magnitude and implications of the phenomenon. According to the Romanian Office for Labor Force Migration's estimates<sup>36</sup>, there are about 2 million Romanians employed abroad in non seasonal activities, which represents more than 10% of Romania's inhabitants. A study performed at the request of the International Organization for Migration, states that in one out of five Romanian families there is a migrant for employment. According to the Open Society Foundation (OSF) who carried out a representative research at national level concerning migration for employment of Romanians during 1990-2006<sup>37</sup>, more than one third of the households had at least one migrant for employment in the period mentioned above. The study

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<sup>35</sup> Rapid Assessment Survey on Human Trafficking from Romania for Purposes of Labor and Sexual Exploitation, ILO, Institute for Scientific Research in the Field of Labor and Social Protection, coordinator dr. Catalin Ghinararu, 2003

<sup>36</sup> Liberalization of Labor Market in Romania. Opportunities and Risks, Office for Labor Force Migration, 2006

<sup>37</sup> Temporary Living Abroad. Economic migration of Romanians: 1990-2006, Open Society Foundation, December 2006

also revealed three different stages in migration for employment: the first one, between 1990-1995, characterized by a rate of emigration of 3 to 1000 inhabitants, the destination countries being Israel, Turkey, Italy, Hungary, Germany; the second stage, between 1996-2001 with a rate of emigration of 7 to 1000 inhabitants with the destinations: Spain, USA, Canada; the last stage, characterized by the removal of Schengen visa (2001-2006) registers a huge emigration rate of 28 to 1000 inhabitants, the main countries of destination being Italy (40% of all migrants for employment), Spain (18%), Germany (5%), Hungary (5%), Israel (6%). While during the first stages of emigration for employment men and urban areas were dominants, after 2001 women and men, rural and urban areas are almost equally represented, while youngsters and secondary level of education were dominant in every stage.

The official data reported by the Department for Labor Abroad comprises only the number of work agreements abroad obtained through the Office for Labor Force Migration or private agents for employment, which is only a part of the emigration for employment.

The Office mediated a number of 42 758 workers in 2005 and 46 409 during the first three quarters of 2006, which represents an 8.54% increase; 53.5% of them are men and almost 95% are between 18 and 45 years old (the age group 26-35 years is dominant) and Germany is the destination country for 78% of them, followed by Spain with 21%. The migrants come especially from South-Muntenia, West and Centre and work in the destination country mostly in agriculture and constructions<sup>38</sup>.

The number of contracts obtained through private agents reached the number of 13.270 during the first three quarters of 2006. The ranking of destination countries changes here, the first place being held by the USA with 57.6% of total, followed by Italy, Cyprus and Germany with smaller percentages.

It is obvious that there are very important differences between the official data and the results of the study of the Open Society Foundation because the official data captures only a part of the legal migration for employment, while the research reveals the fact that 60% of the Romanians who worked in Italy, 45% of those employed in Spain and 38% in Germany, were illegally employed during 1990-2006. The Ministry of External Affairs' communication regarding the official situation of Romanian citizens who are legally living in EU member states shows that almost 500.000 persons are legally living in Italy, while emigration flows to Italy with permanent change of residence between 1985 and 2004 total only 22 712 persons, thus the differences between these two figures could give a good idea labor force emigration and the situation is similar in other countries like Spain, Germany.

As for immigration for employment to Romania, the Office for Labor Force Migration declares a number of 7 102 active work permits for foreign citizens at the 15<sup>th</sup> of November 2006, out of which 25% are possessed by EU citizens and 17% by citizens of the Republic of Moldova, the main fields of activity being commerce, services and industry. The working immigrants are mainly men (85% of total) of age between 26 and 35 years. In the last few years the number of permits has been growing significantly.

#### *Implications on human development*

Registered or not, legal or illegal, permanent, temporary or circulatory migration from Romania was a very important phenomenon during the last 16 years, with growing dimensions in the past few years. Its determinants are complex comprising objective factors such as economical, political, social factors, but also subjective ones like personal expectations and perceptions.

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<sup>38</sup> Quarterly Statistical Bulletin on Labor, Social Solidarity and Family, 2005-2006, Ministry of Labor, Social Solidarity and Family

Emigration is a serious loss in terms of human development, although the real loss can not be quantified because we do not know what would had been the migrants' contribution to the economic development of Romania and their personal achievements in terms of employment, education, health and children if they hadn't left the country, so the analyses should be performed in terms of costs and benefits. Migration involves assuming some risks and history shows that migrants are the most dynamic and venturous members of society.

If we keep in mind that those who emigrate are young people and that the share of women almost equals that of men and is constantly increasing, than we can argue that emigration affects age groups with high specific fertility rates thus it can reduce the potential of newly born in Romania, if the emigration becomes permanent. Emigration had a very important impact on the reduction of unemployment rate in Romania, but it also generated unbalances on the internal labor market for certain occupations, for example there is a shortage of workers in constructions in Romania, but a great share of the Romanians employed abroad are working in the same field, the difference in remuneration between Romania and EU countries being the reason for this.

The issue of integration in the destination country is a delicate one, Romanian workers are sometimes subject to discrimination and their access to social security schemes is limited. If migration is temporary, although the migrant has contributed to the social security system in the destination country, once he returns to his origin country he will no longer benefit of his contributions. This could produce an incentive to remain permanently in the destination country or to work in the informal sector. Agreements between countries concerning the portability of pensions and social security schemes are of great importance.

Beside all this negative aspects, migration has beneficial effects on Romania through the remittances sent by workers abroad; the cultural exchange is fundamental. The same positive effects for Romania could be brought out by immigration to our country, which has not significant figures at this moment.

#### *What will happen in the future?*

This is a very challenging question and the answer to it is very difficult to couch. However, one thing is sure: once Romania has acceded to the EU, it becomes easier for Romanian citizens to move across borders inside EU, but only according with the "transitional arrangements". Added with the Office for Labor Force Migration's opinion that Romania has no longer significant contingents of labor force for migration, we can conclude that there is not going to be an explosion in the number of Romanian migrants in the near future. On the other hand, because Romania is confronted with shortages on the labor market, it will open its borders for the neighbor countries like Republic of Moldova, Serbia, and Ukraine where important Romanian communities are living, which is expected to have positive effects on the economic development of the country.

A very dangerous situation that could generate huge losses in human development is that Romanian students who will study in the EU (and their number is expected to increase from year to year) could decide to settle in the destination country after finishing their studies.

We conclude our analysis on migration by asserting that, in order to address migration issues, designing coherent internal policies together with the developing of interstate cooperation and bilateral agreements are essential.

## **6.2. The mixed blessing of remittances – challenges for the labor market and Human Development**

*To what extent we can rely on the accuracy and completeness of data on remittances?*

Data on remittances at international level has been a widely discussed subject lately. The main reason for this is the increasing of the worldwide amount of remittances received by developing countries, which overcomes 167 billion US \$ in 2005, according to the World Bank's estimates. Thus, in order to improve quality and coverage of data on remittances, international organizations such as the International Monetary Fund, the World Bank and the United Nations<sup>39</sup>, straightened their attention to reconsider and develop the statistical framework underlying remittances.

The international officially recorded data on remittance flows<sup>40</sup> is based on the balance of payments framework, the source of international definition being the IMF Balance of Payments Manual: Fifth Edition (1993), according to which remittances are registered in the balance of payments and comprise:

- workers' remittances, the value of monetary transfers sent home from workers abroad more than one year (recorded in the current account of the balance of payments)
- compensation of employees, wages, salaries and other remuneration, in cash or kind, earned by migrant workers who stay abroad for less than 12 months (recorded in the current account of the balance of payments)
- migrant transfers, the net worth of migrants who move from one country to another (recorded in the capital account of the balance of payments)

The latest developments in the area of concepts and definitions regarding remittances deal with the replacement of "workers' remittances" in the balance of payments by "personal transfers" and the introduction of a new aggregate "personal remittances" which comprises all current and capital transfers and also net compensations of employees working abroad. In Romania, the main source for data on remittances is the current account of the balance of payments. According to this framework, the total amount of remittances received from workers abroad consists of "workers' incomes" (in the income section of the current account) and "workers' transfers" (in the private transfers section in the current transfers of the current account). Until the year 2004 the current transfers account was divided into public transfers and private transfers. Because of the growing amount and importance of transfers from workers abroad and the need for better capturing data on remittances, private transfers were divided into workers' transfers and other transfers. As in most developing countries, official data on remittances for Romania underestimates the real dimension of the phenomenon. The current account stands only for the officially recorded transfers of workers, which is about 60% of the total remittances sent by Romanian workers, according to the estimates of the National Bank of Romania. Because of the still increased cost of sending money through formal channels, informal remittances are very large, as a great number of workers prefer to transfer their money through informal operators or family members, friends, etc. There is still an important progress that has to be made in the field of collecting and registering data on remittances in Romania in order to reveal its real magnitude and to comply with the latest recommendations of the international organizations with interest in this area. Because of the unavailability of data framework for Romania we are constrained here to limit ourselves at identifying some key aspects concerning the possible effects of remittances on human development and labor market.

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<sup>39</sup> The importance of improved statistics on remittances was emphasized by the G8 leaders at the Sea Island meeting in June 2004. In January 2005, the IMF and World Bank jointly organized a meeting in order to set a strategy towards reviewing the actual framework of statistics on remittances. The United Nations Technical Sub-group on Movement of Natural Persons (TSMNP) has taken a lead role in this process by developing some conceptual improvements and made some recommendations on Balance of Payment Statistics, which have been approved by the IMF Committee

<sup>40</sup> Global Economic Prospects 2006, World Bank, World Economic Outlook, IMF 2005

*How do remittances affect macroeconomic variables?*

The estimates of the National Bank of Romania regarding workers' remittances equaled 1753.5 million US \$ in 2004 and 4440.9 million US \$ in 2005<sup>41</sup>, which accounts for 4.51% of the 2005 Romania's GDP. For the Romanian economy, remittances play a very important part, being the second external financing source after foreign direct investments (which accounted for 6482.8 million US \$ in 2005). If it weren't for the positive balances of private transfers in the last years, the current account would have been imbalanced to a greater extent, because of the deficits in the trade and incomes balances. Without private transfers and if all the other positions of the current account remain unchanged, the current account deficit would have been 55,8% higher in 2004 and 51,2% higher in 2005 than they really were and following an upward trend, as it can be seen in the table below:

**Table 6.1: Current account balance 2003-2006** million US \$

	2003	2004	2005	2006*
Current account balance	-3461.5	-6332.4	-8565.9	-8331.5
Trade balance (goods and services)	-4403.8	-6875.1	-10141.6	-8801.7
Incomes balances	-1351.8	-3148.2	-2892.6	-2819.4
Current transfers balance, of which:	2294.1	3690.9	4468.3	3289.6
Private transfers balance	2069.0	3534.4	4381.2	3244.8

\* Preliminary data for January – September 2006

**Source:** author's calculations based on the National Bank of Romania's Balance of Payments for the years 2003-2006, based on the annual average exchange rate US \$/ EURO

Remittances' effects at macroeconomic level are rather difficult to capture because of their action on a large number of macroeconomic variables. The most visible and immediate impact of remittances is on the households' consumption, important at macroeconomic level as being part of the aggregate domestic demand, component of the GDP. But remittances also affect investments and savings.

Secondly, remittances could lead to the appreciation of foreign exchange rates for the recipient country, conditioned that the flows are quite large, which could have a negative influence on exports.

However, the impact of remittances on growth is quite difficult to detect. A recent international study on this issue carried out by the IMF pointed out that there couldn't be found any significant relationship between remittances and per capita growth until now<sup>42</sup>. The study attributed its inconclusive results to measurement difficulties deriving from the fact that remittances may be countercyclical to growth<sup>43</sup>. A study<sup>44</sup> on a group of 12 countries for an extended period (1976 – 2003) revealed that remittance flows move counter-cyclically with the

<sup>41</sup> National Bank of Romania: Mihai Copaciu, Irina Racaru, Romania's external balance – qualitative and quantitative approaches, October 2006; the estimates include unofficial transfers

<sup>42</sup> IMF 2005 Studies for 101 developing countries over a period between 1970 and 2003.

<sup>43</sup> Global Economic Prospects 2006, World Bank

<sup>44</sup> Sayan (2006)

aggregate output with one year phase difference, which means that remittances reach their peak within one year after the GDP drops<sup>45</sup>.

On the long run, it seems that the most important issue in detecting remittances' implications on growth is their distribution among consumption, investments or savings<sup>46</sup>. In Romania, a share of 65% of the remittances goes into consumption<sup>47</sup>, only 35% being directed to investments and savings. If remittances are invested in education and health, thus improve human capital, their effect on growth would be more significant on the long run.

The impact of remittances on growth could be magnified if informal remittances would be formalized in order to be used to promote financial development<sup>48</sup>.

Also, we have to bear in mind that remittances could slow down growth indirectly, by having a negative impact on labor supply through disincentives to work of some of their recipients<sup>49</sup>. But these bring us to the individual or household effects of remittances which will be discussed further on.

#### *What are the implications of remittances at microeconomic level?*

Remittances received by households directly increase their disposable income; hence increase consumption which leads to temporary poverty reduction. They can also reduce inequalities through their distributional effects. At international level, these implications have been deeply studied and the major findings can be summarized as follows: the impact of remittances on poverty depends on how large they are, on the initial level of poverty and on the degree of inequality and no significant relationship between remittances and inequality was found<sup>50</sup>. Indeed if remittances are targeted to poor households it is expected that inequalities diminish as the income distribution smoothens, but otherwise, inequalities can be even heightened by remittances.

In order to identify the effects of remittances at household and individual level, we need data regarding recipients' profile, which is unavailable for Romania, at the moment. Unfortunately, it hasn't been developed a statistical instrument to capture the impact of remittances on household and individual level yet.

The actual Romanian migrant's profile, as outlined by the Romanian Labor Force Migration Office, is low or medium skilled worker, age between 25 and 35, the regions of origin being Center-West, South-Muntenia and South-East. The Group of Applied Economics estimates that a share of 50% of the Romanian migrants comes from rural areas and 21.5% from small towns. As we know that poverty headcount ratio is higher in rural areas and small towns and that educational attainment is a safety net against poverty<sup>51</sup>, we could state that some of the remittances are sent by persons belonging to poor households, but we do not know to what extent they had an influence on the reduction of poverty headcount ratio from 25.1% in 2003 to 15.6% in 2005<sup>52</sup>.

Remittances may induce disincentives on the labor market by tending to reduce labor supply and thus have a negative effect on household incomes. It is very difficult to distinguish between the two possible effects of remittances on labor supply, namely: the income effect (a

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<sup>45</sup> Other authors such as Clark and Wallsten (2004) and Kapur (2003) also observed an increase in remittance flows after economic downturns

<sup>46</sup> Kyriev (2006)

<sup>47</sup> Liviu Voinea (2006), Group of Applied Economics, Bucharest, Romania

<sup>48</sup> Spatafora (2005)

<sup>49</sup> Chami, Fullenkamp, and Jahjah (2005)

<sup>50</sup> Global Economic Prospects 2006, World Bank

<sup>51</sup> Romania Poverty Assessment, World Bank, 2003

<sup>52</sup> Statistical Annexes of the Report

gain in welfare may be associated with a reduction in labor supply) and the substitution effect (if the sender of the remittance conditions its level with the income of the recipient). The data on labor force participation in Romania shows little changes in the overall labor force participation in the last years characterized by burst in remittances. The only significant difference is in the case of young people of age between 15 and 24, their labor participation decreases with 5 p.p. in 2005 compared to 2004<sup>53</sup>. But, we do not know to what extent this can be attributed to disincentives caused by remittances or to migration or to other factors. Migration for employment of a number of 2.2 million people (according to the most pessimistic estimates of the Romanian Labor Force Migration Office for the actual stock) had an influence on labor market indicators, by decreasing unemployment rates and labor participation rates.

Although the main destination of remittances in Romania is consumption, a stable flow of remittances, after a certain period of time, could stimulate investments. As far as we know, according to a representative investigation carried out by the Open Society Foundation in urban areas, 22% of the remittances' recipients invest the money in building a house (11%), starting a business (4%), purchasing equipments (3%) and buying land (3%).<sup>54</sup> According to the same investigation, 67% of the migrants have left the country for employment, but only less than half of the latter send money back home, however for 41% of the migrants the household member interviewed avoided to answer the question regarding remittances.

A very pleasing finding of the same investigation is that 22% of the households receiving money from abroad invest the money in the education and health of their children. This could be indeed one of the effects that we are expecting for remittances to produce and its benefits will be visible on the long run.

As to conclude, at microeconomic level the main issue is whether the social costs of migration are overcome by the positive effects of remittances. According to the Romanian Labor Force Migration Office, 52.65% of the migrants are women, thus a large number of children are left home with family members, friends or other persons, with possible consequences on their human development, namely physical and psychological health, behavior and on their educational enrolment and attainment.

#### *The future of remittances*

On the short run, remittances will maintain their level, but on the long run, their level will probably decline. Firstly, the Romanian Labor Migration Office asserts that Romania has no longer significant potential for labor migration and until now only a few EU countries are in favor of opening their markets to Romanian workers. Because the Romanian economy is expected to accelerate its dynamics, the domestic demand for labor force will increase in some sectors (constructions, services, etc.). Secondly, evidence from countries with tradition in remittances shows that, in time, the level of remittances sent by a worker tends to decrease. Also, the more open the economy, the lower is the level of remittances received.<sup>55</sup> It is also possible, that in the future, with Romania's accession to the EU, some employees decide to take their families abroad, so in their case the remittance flow will stop.

The overall challenge will be the use of remittances so that they produce the best effects on both macro and micro level.

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<sup>53</sup> Statistical Annexes of the Report

<sup>54</sup> Urban Romania, Open Society Foundation, 2006.

<sup>55</sup> Kyriev (2006).

### 6.3. “Better brain drain than brain in the drain”? – Gains versus losses from migration for employment abroad

As we have already said in the previous sub-chapters, during the entire mankind history, the vast majority of individuals, acting like rational ones, tried to improve their benefits apace with reducing their efforts. With other words, all individuals try to gain more and live better with the same or smaller amount of work (i.e. effort). So, it is rational for an individual to look for a better job abroad for a temporary period or even definitely, if his/her country does not provide adequate opportunities for his/her fulfillment in terms of incomes, standard of living, prestige, expectations, etc.

Of course, it is very difficult to assess precisely the losses that a country has to cope with, if one or more individuals choose to work in other countries than the one which paid for his/her education (i.e. the origin country), as it's almost impossible to assess the real contribution/value added that an individual would have been generated. If the argument about gains and losses of migration (temporary or definitely) abroad is difficult with the available data, when it comes to brain drain the debate become more and more complicated.

Different countries experience in different ways the impact of high skilled labor force migration. For some of the countries, we can talk for sure of more benefits from brain drain and employment abroad, because the amount of remittances is significantly higher than the earnings of individuals in their origin country.

However, the case of Europe is quite different, as the negative effects of brain drain are not always balanced by the amount of money sent back to the families. As a direct consequence of the increasing demand for high-skilled personnel worldwide, the emigration of European top specialists mainly to United States and Canada, is one of the major problems of Europe and a lot of countries concentrate their efforts on designing new policies, especially for certain neuralgic sectors in order to create more attractive condition for their specialists and to diminish their intentions for working in other countries (i.e. non-European countries).

And we also have to mention that huge disparities among the countries which compose nowadays the European Union make some member states to act like magnets for the specialists of the others (for e.g. the new EU members). Of course for these countries, among those Romania could be counted, is more difficult to design attractive measures in order to retain their high-skilled labor force, as the disparities between west and east are quite significant yet. Thus, for the new EU members, we can talk of two poles of attraction for their high skilled workers: United States, Canada, Australia, etc., as well as the EU western countries, which have the plus of their proximity and no visa requirements.

In the next sections we will try to give an answer to a highly debated question: When it comes to Romania, could we really talk about brain drain? Of course, for the beginning, we will try to elucidate what brain drain is ... as well as some other new concepts which are used today for a better understanding of this process.

#### *What is brain drain?*

As was written in the sub-chapters above, “**emigration**” is defined as “any residing of a local person in another non-resident country for a period longer than one year”<sup>56</sup>. A part of these emigrants consists in what we usually call “specialist”, namely those with higher education and employed in highly specialized areas. *Not all the emigrant scientists can be considered as “**brain drain**”, but only those which continue in the destination country their activities in highly*

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<sup>56</sup> UN definition of emigration in Brain Drain from Central and Eastern Europe, study financed by the European Commission under the framework of COST.

*specialized scientific areas*<sup>57</sup>. Although a lot of high skilled individuals choose to leave and work in other countries, for better payments or living conditions, they not necessary succeed or choose to work in their previous scientific fields. This kind of phenomena, characterized by the waste of the scientific acquiring, is known as “**brain waste**”, or metaphorically said “brain in the drain”. Of course that we can talk of “brain waste” both with respect to the destination country and to the country of origin, if we presume that the individual would have been tried to find a job in his/her own country.

Another concept was also introduced during the last-years debates, namely the concept of “**brain exchange**”. This phenomenon implies a two-way flow of migration, the same country being in the same time sending country for certain specialist and receiving country for others. If this phenomenon can be take into consideration in the debates of other countries with respect to gains and losses from working abroad, Romania is slightly the case, as its inflows of migrants are quite insignificant.

*When it comes to Romania, could we really talk about brain drain?*

This is another hot topic to which we will try to give some hints, if the available data permit. The sources of data are rather scarce, the authors disposing of the official statistics on emigration and several national surveys on the temporary migration for working abroad.

**Table 6.2: Emigration of Romanian population, 1998-2005**

	1998	1999	2000	2001	2002	2003	2004	2005
Number of emigrants (thousand persons)	17.5	12.6	14.8	9.9	8.2	10.7	13.1	10.9
Proportion of 26-40 years persons in total number of emigrants (%)	30.7	33.7	38.8	40.5	48.7	51.0	54.8	58.1
Emigration rate (‰)	0.78	0.56	0.66	0.44	0.37	0.49	0.60	0.51

**Source:** Social Trends 2006, National Institute for Statistics

As the table above evidences, the emigration flow had a rather flat evolution during the last years, and the numbers of those who choose to emigrate reached approximately 0.51‰ of the total number of population for the year 2005. The figures look good as their levels are quite low. But, the breakdown of these figures by level of education is not so hopefulness, as the large majority of those emigrating have high levels of education. Thus, for the year 2005, 26.4% of those emigrating by changing (legally of course) their residence or by giving up to their citizenship rights, had graduated university and 53.8% had graduated high schools and post high schools.

**Table 6.3: Who worked abroad during 1990-2006?, by level of education (%)**

Level of education	Stages			Total
	1990-1995	1996-2001	2002-2006	
Primary	3	3	1	2
Secondary	2	8	16	13
Vocational and high school	78	79	77	77
University	17	9	7	9

**Source:** Survey data, *Open Society Foundation*, “*Temporary Living Abroad. Economic migration of Romanians: 1990-2006*”, 2006

<sup>57</sup> Brain Drain from Central and Eastern Europe, p.6, <http://www.csd.bg/fileSrc.php?id=10685>

Another important data source for the topic at stake is the Open Society Foundation study on the temporary residency abroad during 1990-2006<sup>58</sup>. Thus, at a first sight data could look a little bit surprising, as they point out that the capital flight register low values during the last five years. While at the beginning of transition the share of those with tertiary education adventuring abroad reached 17% of the total number of emigrants, at the end of transition and after that, the share of those with secondary and high school education starts to increase, in the detriment of those highly qualified. So, again the absolute figures are not so helpful and we cannot argue pro in the debate of an existing brain drain phenomenon when it comes to Romania, but rather contrary.

As these are the figures for all those who worked abroad or emigrated, it is quite obvious that the figures for those that could be actually circumscribed to the brain drain phenomenon are significantly smaller. So, it seems that, until now, with the data available, we could say that we do not have to worry about the brain drain. But this is the way things really are? Even the number of those circumscribed to brain drain is rather small sometimes, if the top specialists are concentrated in certain economic areas, then their emigration becomes a real problem. The nowadays experiences regarding the exodus of IT specialists and doctors are the proof that lower numbers do not necessarily imply an insignificant brain drain that doesn't worth to be considered. As quantitative data with respect to the occupations of those who choose to emigrate are missing, these issues can be addressed in a rather speculative manner. Moreover, the surveys carried out by the Institute for Scientific Research in the Field of Labor and Social Protection regarding the skills shortages pointed out that the demand for specialist with intellectual occupations started to increase and this group of occupations has already witnessed shortages<sup>59</sup>. Thus the exodus of those with intellectual occupations acquires new importance, as a small number of emigrants with intellectual occupations could be in fact very important for balancing the already existing shortages on the domestic labor market.

The debates on the gains from brain drain for the sending countries often bring in discussion dimensions like the "blessing" of remittances, the inflow of knowledge and know-how – if the individuals choose to come back at a certain point of their life –, the emergence of a new well-skilled and well-educated workforce (which "dreams" at finding its way abroad, reproducing the successful models of emigrants from their family or community), the fostering of new commercial ties, etc. And these are just some of the gains that are mentioned in the specialized studies on the topic at stake.

In the end, it is quite obvious, that the real benefits for the sending countries strongly depends on their capability to attract back skilled emigrants and to provide them adequate opportunities to "enforce" their knowledge acquired abroad. As we can easily suppose, the skilled emigrants could come back with improved managerial competences, entrepreneurial skills and access to certain scientific networks, which could facilitate the inflow of foreign capital.

Even if it is very difficult for a developing country to design appropriate measures in order to attract back "their high skilled emigrants", as their capabilities are much lower than those of the developed economies, some steps in term of policies have to be done. First of all, the government in force have to design an appropriate system of indicators and to support the elaboration of new and innovative methodologies in order to measure as good as it is possible the size of brain drain, in terms of activity sectors and occupations. Then, science policies must be designed, thus providing a better support to research activities in all areas, as the innovation and the knowledge created this way could lead on long term to the emergence of those high quality

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<sup>58</sup> Open Society Foundation, *Temporary Living Abroad. Economic migration of Romanians: 1990-2006*, Bucharest, 2006

<sup>59</sup> *Evolution of occupations on Romanian labor market in 2010 perspective*, Bucharest, 2006, MEDIAPRINT

jobs desired by potential high skilled specialists. And not at least, the significant increase of the wages for those very well educated (i.e. doctorates and post-doctorates) can have an important impact in reducing the outflows of scientists.

#### ***6.4. The Free movement of workers - barriers and opportunities; the migrant, his family and community, issues of human development and social cohesion***

*2006 was the European year for workers' mobility*

Sustainable human development represents an evolution of the classical concept of development: its emphasis has moved from the material well-being of the states to the well-being of the individual human beings. Therefore, we must further our analysis on the impact of migration for employment with a review of its effects at individuals (migrants), their families and communities levels. Human development embeds free access to opportunities and that connects it with emigration or migration for employment. Free access to employment opportunities or free movement of workers represents a path for people to increase their well-being. In fact, the highest the quality of the opportunities (jobs) is, the sustainable the process of human development is.

##### *Pre-accession migration for employment abroad*

Following the dissolution of the communist regime, Romania experienced the new and emerging phenomenon of migration. Gradually, the emigration flows declined due to increasing alternatives of temporary employment abroad. Actually, *at least 12% of the adult age population has worked abroad in the last 17 years.*<sup>60</sup>

During the first years after our country opened its borders, Romanians were migrating for employment mostly in Israel and Turkey and less in Italy, Hungary and Germany, but the phenomenon was characterized by low intensity. More and more Romanians have migrated for employment abroad starting with the second half of the previous decade when the destinations areas extended to Spain and other European countries, as well as USA and Canada. Since 2001, Romanians have been moving free within the Schengen area and as a result, the migration for employment peaked during the recent years. Free traveling for a maximum period of three months offered the Romanians the opportunity of looking for a job abroad and stimulated innovative mechanisms such as the one of two or more persons sharing the same job and replacing each other after three months. During the recent years, the migration flows have been targeting mostly Italy and Spain, being characterized, in many cases, by a back and forth circulation. Also, the share of migrant women has increased in a significant manner, while the share of migrants from rural areas has reached the one from urban ones. Also, youth migration displays more and more high shares. The share of migrants with low levels of education has increased as the one of the migrants with higher education declined.

Constructions (mostly men), agriculture (men and women, but mostly men) and housekeeping (mostly women) are the main economic fields where the Romanians have found

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<sup>60</sup> Open Society Foundation, Temporary Living Abroad. Economic migration of Romanians: 1990-2006, Bucharest, 2006

employment. In fact, employment opportunities include mostly jobs characterized by low value added and poor labor conditions and low wages which make them unattractive jobs for the domestic labor force. The recent trends indicate a decline of the migrants share working in construction while the one in housekeeping increases as the women started to migrate for employment abroad too.

The economic shock of transition from plan to market which cut real wages and living standards and brought massive lay offs, while the outdated national migration legislation and the incapacity of official system and service providers to meet the high demand for jobs abroad led to a high rate of irregular migration among Romanian workers and, sometimes, made them victims of organized traffickers and smugglers. Actually, since the free movement of the Romanians within the Schengen area begun, the Romanians' informal employment has been exceeding the formal one, reversing their shares in total migration for employment<sup>61</sup>. In fact, during the last 17 years, Romanians have been working abroad outside the regulations mostly in Turkey, Italy and Spain within economic sectors such as housekeeping, agriculture and construction. Most of Romanians who have been working abroad during the last 17 years in Italy and Spain found employment through their relatives and friends from the countries of destination which correlates with the high incidence of informal employment among them. Workers in Israel and Germany migrated mostly for a legal labor contract.

It is obvious that the Romanian authorities<sup>62</sup> and formal mechanisms had low capacity in managing the migration phenomenon which together with a range of "push and pull" factors led to a worrisome increase of the irregular migration. The impact of migration for employment and especially of the irregular one on human and social development is to be analyzed by the end of this section.

#### *Post-accession migration for employment abroad*

According to the European legislation, *free movement of workers* is a fundamental right which permits nationals of one EU Member State to access the labor market of another EU Member State under the same regulations as that Member State's own citizens. This freedom is stipulated through article 39 of the EC Treaty and entails the right to look for a job in another Member State, the right to work and reside there for that purpose and the right to equal treatment with respect to access of employment and working conditions. These rights are completed by the co-ordination system of the social security schemas and by the system of mutual recognition of the diplomas.

However, addressing the complex implications of the EU's 2004 and 2007 enlargements, several member states imposed "*transitional measures*" with regard to the free movement of workers from the new Member States. This concept covers the restrictions on the free access to employment within EU of the workers coming from new member states. They vary from one state to another ranging from limitations on certain sectors/occupations/type of work, through quota/contingents arrangements, to work permits granted only when a national cannot be found to fulfill the vacancies. These arrangements are intended to smooth the transition to free access and protect old member states from disturbances on their labor markets.

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<sup>61</sup> Open Society Foundation, *Temporary Living Abroad. Economic migration of Romanians: 1990-2006*, Bucharest, 2006

<sup>62</sup> The Labor Force Migration Office as specialized public institution with national competence under the Department for Labor Abroad (Ministry of Labor, Social Solidarity and Family) put into force bilateral governmental agreements between Romania and Germany, Spain, Switzerland, Hungary, France and Luxemburg and carries out recruitment activities of Romanian workers for other countries such as Italy, Israel, Qatar, United Arab Emirates and Egypt on the ground of collaboration relations with public/private companies from these countries.

### BOX 5.1.

The “*transitional measures*” take the form of the commonly referred to “2+3+2-year” schema which constrains the member states to declare themselves within this timetable which starts at the accession’ date in what extend do they keep in place or remove their restrictions on free movement of workers. Therefore, the Accession Treaty from 25 April 2005 regarding the EU accession of Bulgaria and Romania stipulates a three phases transitional period to free movement of Romanian and Bulgarian workers. The first phase will end at 31 December 2008 and provides that the access of the Romanian workers to the labor markets of the Member States which were part of EU before the Romanian accession will depend on the national law and policy of those Member States. This means that Romanian or Bulgarian workers will need a work permit for employment within those member states which restrict their free access. The second phase will end at 31 December 2011 and permits member states to extend their transitional measures. Those states which experience serious disturbances on their labor markets will keep in place their restrictions for a further period of two years, representing the third and last phase of the schema due to be completed at 31 December 2013. So, the transitional arrangements cannot be extended beyond this maximum period of seven years. However, workers who are subject of the transitional measures must be given priority over workers from third countries and once they have obtained access to the EU labor markets, they benefit from equal rights and treatment.

Therefore, Denmark, Germany, United Kingdom, Ireland, France, Hungary, Austria, Belgium, Italy, Greece, Spain, Luxemburg, Holland, Portugal and Malta officially announced that they impose restrictions on the free movement of Romanian workers, while Estonia, Finland, Poland, Slovakia, Czech Republic, Cyprus, Sweden, Slovenia, Latvia, Lithuania and Bulgaria<sup>63</sup> opened their labor markets. In response, Romania applies the reciprocity principle, requesting work permits for the workers coming from those countries which restricted free access of Romanian workers on the Romanian labor market<sup>64</sup>.

Therefore, Romanian workers have free access for jobs within those member states which didn’t impose transitory measures and that means that they can request vacancies on equal conditions with the natives. EURES as specialized network between European Commission and the public employment services from EU Member States and Norway, Liechtenstein, Island and Switzerland is aiming to facilitate the free movement of the labor force within EU and offers support for both the employers and job-seekers, including the Romanian ones<sup>65</sup>.

Whatever the transitory measures are, out of the total Romanian adult age population, over 10% intend to migrate for employment abroad in 2007<sup>66</sup>. As it was expected, Italy and Spain are preferred by most of the Romanians intending to migrate for a job. Under these circumstances, the capacity of the Romanian authorities in managing the migration flows will be crucial for the decisions which will be taken by the EU Member States two years from now with regard to free movement of Romanian workers, as well as for the impact which migration will have on the development process at individual, social and economic levels.

#### *Opportunities and barriers*

The wide range of both opportunities and barriers influencing the Romanians migration for employment abroad explains the recent raise of the migration, with a special regard to the raise of the irregular one. The following opportunities function as “pull factors” for the Romanian migration for employment:

- Following January 2007, Romania became part of EU which promotes “free movement of persons and workers” in order to develop its domestic labor market as a unique market. This represents, by far, an incentive context for regular workers migration as a path for sustainable development.

<sup>63</sup> Source: European Commission

<sup>64</sup> [www.omfm.ro](http://www.omfm.ro)

<sup>65</sup> [www.eures.europa.eu](http://www.eures.europa.eu)

<sup>66</sup> Open Society Foundation, Survey data „Temporary Living Abroad. Economic migration of Romanians: 1990-2006”, 2006

- The recent economic growth registered in some European countries attracts more and more workers as the demand of labor force on local labor markets is increasing (Spain, Ireland and United Kingdom).
- The accelerated ageing process within most of the member states determined imbalances at the level of their population structure by age which led to an increasing demand of young age labor force.
- Also, western countries have troubles in filling the “unattractive” jobs which request low levels of qualifications. They are characterized by poor labor conditions, including low wages (within economic sectors such as agriculture, constructions, housekeeping, hotels and restaurants). However, these wages are very attractive for the Romanian (and other migrant) workers.
- Employers need to minimize their costs and therefore look for a cheaper labor force, especially for jobs with low value added.
- Some paths of migration have been developed close connected with larger and larger Romanian communities within the destination countries. Also, there are Romanian communities/areas/regions which become important senders of migrants abroad. This context stimulates the information process and facilitates employment within the destination country. As the years go by and the paths of migration develop, more and more Romanians take advantage of the opportunities offered by their friends/relatives/neighbors/acquaintances and their experiences in working abroad, being helped by them to migrate and find a job. Unfortunately, this phenomenon stimulates mostly the irregular migration for employment.
- There are some cultural affinities between Romania and the main destination countries, Italy and Spain (including the fact that the Latin languages are easy-to-learn for Romanians).

Still, there are significant barriers affecting the Romanian workers’ regular migration while some of them stimulate irregular migration:

- As we said before, trying to protect their labor markets and their domestic labor force, most of the economically developed countries of the EU imposed restrictions to the free access of the Romanian workers. All the traditional destination countries of the Romanian workers (Italy, Spain, Germany, Hungary, United Kingdom, Greece and Belgium) decided to apply the so-called “transitional measures”, for both Romania and Bulgaria.
- Some of these countries are characterized by developed unregistered economies (Greece, Italy, Portugal, Spain and Belgium) which it means increased opportunities of undeclared work or even, illegal one for the Romanian workers. Actually, it is more probable that unregistered companies or the ones using undeclared work to employ irregular immigrant workers. Activating in the shadow sector of the economy with poor labor conditions, insecure and unhealthy jobs produces a wide range of negative effects on the sustainable development process at human, social and economic levels.
- Romanian authorities have poor capacity in managing migration and in mediating employment abroad for the increasing number of the job-seekers.
- There is significant job segregation for the Romanian workers abroad between jobs with high value added which request high qualification level and jobs for unskilled or low skilled workers. Lack of other employment opportunities forces most Romanians willing to work abroad to accept underemployment/inadequate employment.

- Migrants throughout Europe subjectively experience discriminatory practices to a significant extent<sup>67</sup>, while the rates of reporting these practices to the public authorities are reduced. The most frequent discriminations are in the fields of employment and commercial transactions. Migrants experience discrimination in relation to employment, through either refused access to jobs, missed career advancements or harassment at work. Also, they are affected by denied access to housing, denied credits or loans.
- One could say that there is a correlation between high immigration rates and phenomena such as poor social cohesion, social tensions and even high delinquency. Therefore, some national authorities hesitate to permit free access of the foreign workers although there is labor force shortage.
- Also, there is high financial cost of the migration abroad, not to mention the non-financial ones for the migrant workers.

*Impact of the migration for employment abroad on the migrants, their families and communities with regard to human development and social cohesion*

Migration for employment abroad induces both positive and negative effects at economic and social levels as better employment from the migrants' point of view doesn't always coincide with quality employment as path of sustainable development.

*a. Migrants*

For most of the migrants, the wage obtained through temporary labor abroad represents a huge income as against the amount of money they would have made if they had worked in Romania. This financial gain increases the individual well-being and represents a path of getting out of poverty for most of the cases. However, most of the migrant workers have access to the lowest wages on the host labor markets which affects their standard of living while they are working abroad. Usually, they experience poor living conditions and a wide range of deprivations, not to mention missing their families and friends, reducing their social participation and other difficulties in adjusting to a foreign language, culture and social organization. Few of them suffer from social isolation. Therefore, some of the migrants experience a lower quality of live/standard of living as against the one they had before living as they aim to save as much money as possible. However, labor migration abroad increases the quality of life of the returned migrants mostly with regard to their living conditions (houses, durables and access to services). Regarding the fact that most of them suffered from not having all these before migration, the impact of labor migration on human development is a positive one.

But as we said before, most of the jobs filled by the Romanians working abroad are low quality jobs with poor labor conditions: unfavorable conditions (extreme temperatures, dirt, pollution, noise, and hard physical work), low access to vocational training and advancing in career opportunities. This kind of jobs, especially the ones from the unregistered economies are producing, in fact, threats for sustainable human development. Moreover, the irregular migrant workers risk various abuses and exploitation or even becoming victims of trafficking in human beings and organized crime.

Also, a significant share of the Romanians working abroad is overeducated as they fill jobs which request a lower level of qualification/education than the one they have. So, this kind of labor migration (especially the irregular one) determines degradation of the human capital in a certain extend through losses of qualification. Moreover, part of the returned migrants experience difficulties in re-entering the formal labor market. However, other migrants have returned with

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<sup>67</sup> European Monitoring Centre on Racism and Xenophobia, *Migrants' experiences of racism and xenophobia in 12 EU member states – pilot study*, May 2006

additional professional expertise for certain occupations, economic domains or market niches or even with know-how in the business field. They gained knowledge in foreign languages or in new technologies and work organization. There are evidences sustaining the fact that the migrants experience changes in their set of values, especially the ones close-connected with labor and entrepreneurship behavior. One could say that some migrants “learn the culture of work” abroad. Sometimes, they use the money and professional expertise gained by working abroad for starting their own business which clearly represents an incentive for sustainable, durable human development.

For all these reasons, some experiences of temporary working in an economically developed country determine positive impact on human development as they increase employability, potential professional performance and capacity of adjusting to a changing/developing/competitive labor market. In the same time, other experiences such as underemployment/inadequate employment, low quality jobs or activating within unregistered economies abroad decrease the employability and therefore the potential of individual development. Sometimes, returned migrants experienced difficulties in relation with their social reintegration and re-entrance on the labor market. Moreover, if the migrants performed undeclared work abroad, there is a high probability/risk for them to return on the Romanian shadow economy. In fact, strong evidences prove that most of the migrants for employment abroad leave from and return to the Romanian unregistered economy<sup>68</sup>.

Therefore, only formal and quality employment abroad induces sustainable human development and positive effects at the level of individual capacity of further improving her/his life.

#### *b. ...their families*

Obviously, money saved by the migrants and invested in houses and durables increase quality of life for many families. Moreover, this improvement of the economic situation has positive effects on the family relations. But for obvious reasons, families suffer for loosing one or more members on a temporary basis. In fact, the longer the time of departure is, the more significant the effects on the family are. The departure of one of the members determines reorganization of the roles within the family. In that case, the remaining members of the families take over the roles/functions of those migrated for employment which it can affect the well being of the family or of the couple relationship.

One of the most important negative effects of the labor migration seems to be in relation with the migrants’ children which remain, in the happiest cases, with just one of their parents. But there are lots of cases when both of the parents migrate for employment abroad and therefore the grandparents or other relatives, even friends or neighbors care for their children. Sometimes, the migrants abandon their children which end up in the state’s care. So, children are affected in certain extent (and some of them traumatized) by their parents leaving as the persons responsible for their well being cannot fulfill the parental roles. Also, the elderly or other dependent persons could be affected by the migrants’ leaving, especially within communities with high level of migration. Moreover, the current gender structure of the migration flows which is a more balanced one will induce consequences on the distribution of the roles within the family and fertility behavior, changing the cultural/traditional patterns.

Therefore, the mix impact of the migration for employment abroad on family level is given by the positive effects of the improved economic situation of the household and by the negative effects of the unaccomplished roles of the migrants within her/his family.

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<sup>68</sup> C. Mocanu and A. Zamfir in *Reforma sistemelor de securitate sociala din Romania in contextul aderarii la UE*, National Research Institute for Labor and Social Protection, 2007, p.230

*c. ...and their communities of origin*

For some areas/regions, migration for employment abroad release the pressure from the local labor markets, as well as the pressure from the social assistance schemas with respect to migrants which are their potential beneficiaries. For other areas/regions, migration for a better employment produce labor force shortage and affects the potential of local economic and social development. In fact, the highest labor force shortage is displayed by those Romanian regions which display high migration flows<sup>69</sup>.

There are several villages where a significant share of the population is working in a foreign country. Therefore, local authorities are affected by the decline of their base for taxes<sup>70</sup>. So, temporary migration abroad decreases the revenues to the public budgets, especially the local ones, reducing public expenditures. For that reasons, one could find big houses and lots of foreign cars, but no good roads or other modern local infrastructure within the localities with high migration flows. Migration for employment doesn't stimulate sustainable development mechanisms of the community as long as the returned migrants have a consume-oriented behavior, investing all their saved money into own households. Investments in local economy or developing own businesses would stimulate the entrepreneurship environment, making the community develop in a sustainable manner.

Although migration for employment gets out of poverty large groups of individuals, it also raises inequalities and social tensions which together with the decrease of the migrants' social participation affect the social cohesion of the communities. However, part of migration experiences lead to human and social capital development which represents a benefit for the community and stimulates its further development. The emerging phenomenon of youth migration affects the age structure of the population, especially within those areas characterized by ageing. Moreover, young age population migrating from rural areas for employment abroad jeopardizes the traditional intergenerational solidarity mechanisms from community level.

*Challenges for the near future*

Firstly, considering the fact that migration for employment abroad is an emerging phenomenon, the system of data gathering is to be developed. In depth studies on the specific characteristics and effects of the migration have to substantiate future policies and actions of the institutions in charge. Additional, developing methodologies for measuring/estimating migration flows would help the EU countries to revoke their transitional measures.

Also, institutional development of the Labor Force Migration Office and decentralization to regional/local levels would increase people access to its services and improve its public image. Also, enhancement of the awareness raising campaigns with respect to the risks and effects of irregular migration together with other focused actions will stimulate reversing the irregular migration trends.

Romania needs to develop an efficient migration policy focused on discouraging emigration and reducing irregular migration for employment. However, a sustainable development of the Romanian economy and an increasing predictability of its socioeconomic context will probably produce positive effects and ameliorate the trend of the migration phenomenon.

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<sup>69</sup> V. Ciuca and S. Pirciog, *Evolutia ocupatiilor pe piata fortei de munca din Romania in perspectiva anului 2020*, National Research Institute for Labour and Social Protection, p.72, 2006

<sup>70</sup> *IOM*, *Migration trends in selected applicant countries – Romania*, p.32, 2003

## ***6.5. Agenda for the decade to come***

During the last 17 years migration of Romanians has been one of the issues that have not been granted with the deserved attention from the Romanian authorities, neither in its magnitude, nor in its implications on individuals, households and communities. Although figures for emigration with permanent change of residence do not appear alarming, the dimension of the phenomenon of temporary or circulatory migration is undoubtedly the most concerning side of the matter.

Emigration could generate serious losses in terms of human development, although the real loss can not be quantified. However, during the past years migration of workers abroad has created unbalances on the labor market, employment being a crucial issue for the future development of the country. Beside the negative aspects, migration could have positive effects on Romania firstly, through the remittances sent by workers abroad, secondly, workers could borrow behavioral patterns and change their social and economic behavior, and, not at least, they could bring knowledge and know-how.

In order to address migration issues, the most important steps that should be made in the future decade are the following:

1. In-depth research on determinants, characteristics and effects of the migration together with a comprehensive data gathering and monitoring system have to be developed in order to substantiate migration policy and actions of the institutions in charge. Such information system must collect data regarding the occupational background of the emigrants, thus contributing to more accurate assessments of the brain drain phenomenon in Romania.
2. Designing coherent and sound internal migration policies is the priority and this could counteract the negative aspects deriving from emigration and enhance the positive ones.
3. As the main determinant of labor emigration is the wage differential between Romania and the destination countries (mostly European Union countries) the phenomenon can not be stopped in the near future. Under these circumstances, immigration policies will play an important part in order to fill in the labor market gaps generated by emigration. Also policies which aim at attracting back migrants working abroad must be considered.
4. The tendency of Romanian workers to unregistered employment abroad is an undeniable one; the fact that they are often subjects to discrimination and have no access to social security schemes in the destination countries drives us to the idea that it is essential to develop inter-state cooperation and bilateral agreements.
5. For the Romanian economy, remittances play a very important part, being the second external financing source after foreign direct investments and a balancing element for the current account deficit. Since remittances affect individuals, families, communities and the macroeconomic performance of the country, the most important issue is whether the positive effects of remittances overcome the social costs of migration. Thus, it is highly important how these transfers are spent; therefore it would be appropriate to encourage their investment in education, health, business generation, which has significant impact on human development on the long run.
6. As in most developing countries, official data on remittances for Romania underestimates the real dimension of the phenomenon. Because of the still increased cost of sending money through formal channels, informal remittances are very large, as a great number of workers prefer to transfer their money through informal operators or family members, friends, etc. Broadening the formal channels in spite of the informal ones is a must and besides shedding light on the dimension of remittances, it could also enhance the financial development of the country.

7. Institutions in charge with managing migration for employment abroad need to further develop and decentralize its services to regional and local levels as a path to increase access to regular migration and enhance Romanians' confidence in them.
8. Research and development policies must be designed, as the innovation and the knowledge created this way could lead on long term to high quality jobs, higher productivity and higher economic growth, a developed country being more capable of providing best opportunities for personal fulfillment in terms of employment, education, health and family life.
9. Further economic development of the country together with the increase of good employment opportunities and enhancement of the predictability of the socio-economic context will probably manage to reduce the migration flows or at least the share of the Romanian migrants in low quality employment abroad.

## **CHAPTER 7:**

### **Broadening Social Security and Inclusion – helping individuals, households and enterprises to cope with the challenges of an open economy**

#### ***7.1. Learning to live with and in Change – Consolidating and reforming Social Security systems in an Open, Medium-Sized Economy***

*The thin line between predictability and openness in the case of a medium-sized open economy*

It is generally accepted that individuals and organizations alike yearn for predictability and stability. This allows them to plan in advance, to better prepare and to ensure themselves against different risks both in society in general and on the market. Predictability also emboldens both households and enterprises to invest and plan for investment, to take credit, to consume and to save in the meantime as predictability both in the society and on the markets gives them a sense of security and makes them confident that today's decisions will be still sound and safe tomorrow and the day after tomorrow. In other words, predictability is good for economic development and especially for that type of economic development that aims also at building an inclusive and ultimately a cohesive society that allows all individuals to harness their full potential.

Meanwhile, it is also true and has to be emphasized that individuals and organizations crave about change almost as much as they yearn for predictability. It is change that they themselves engineer or change that comes generally with competition and with a competitive environment both in the economy as well as in the society in general that gives individuals and organizations/enterprises the possibility to adapt themselves, to evolve and to innovate which ultimately means to progress and develop. Open economies and open societies, which generally are the two faces of the same coin, provide individuals and enterprises both with a relative predictability, enhanced if they also benefit from good governance as well as with the inherent change that is brought by competition, thus fostering development.

Openness combined with predictability also by and large means inclusion and cohesion as open societies and economies give a chance to the large majority of individuals and enterprises,

while predictable economic and socio-political environments provide them with a reliable safety net, ultimately translating in cohesion, of course to various degrees.

Social security and social protection systems in general do respond to the apparently conflicting but actually fully complementary goals of predictability and change, assuring to individuals and to a certain extent to companies/ organizations also, a hedge against the inevitable, one could even say *predictable risks* that come with openness. Thus the, insurance they provide has to be adequate enough or actually worthy as it incurs a cost and in the meantime it has to be sustainable and robust, which means that it has to be able to withstand shocks and capable of ensuring itself the necessary means, in most cases financial ones, to provide adequate shielding for those that have entrusted it a risk-averting function.

As such, social security systems and more generally social protection systems, as instruments aimed at shielding against what we generally call social or socio-economic risks are an essential part of a well functioning, well governed market economy and of a democratic society. Actually they are for more than 100 years, in European and North American societies such a common presence that sometimes their presence and their action is taken for granted, though changes in both demographic as well as economic and socio-political context have recently proven that this is not quite the case.

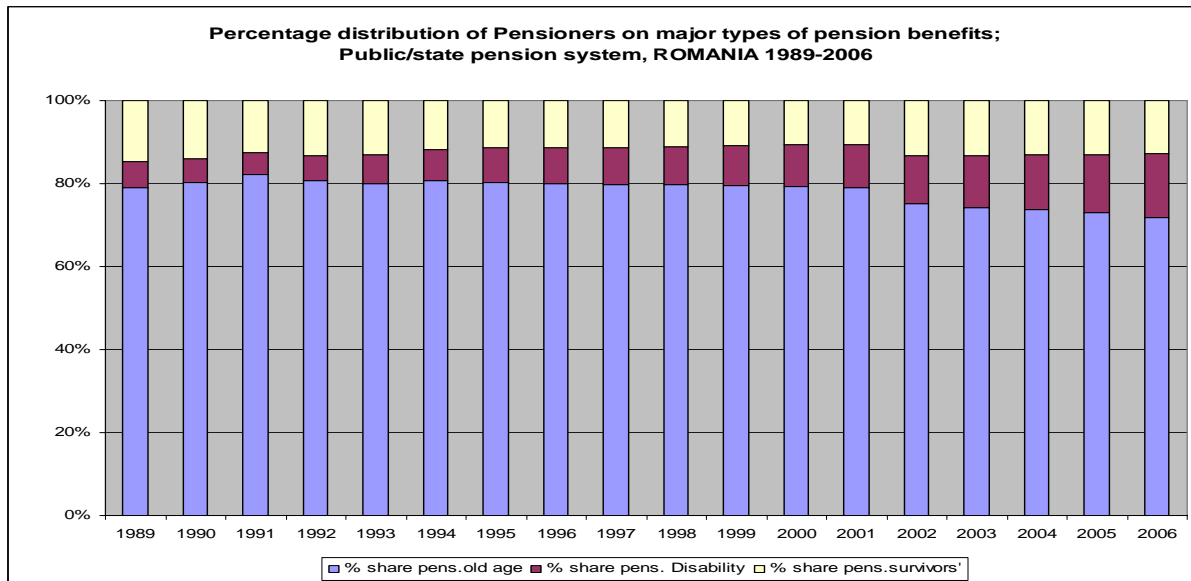
Central and Eastern European economies and Romania as well, have benefited from well-established social protection and social security systems, their tradition spanning now for more than a century. Nevertheless, the communist experiment which denied normal development for these countries and societies for almost half a century has severely and seriously altered the basic principles on which those systems operate and have thus created a need for fundamental change that had to be taken into account even while processes like the restoration of democracies and of the rule of law, privatization, restitution of properties and restructuring were roaming at full speed through these long traumatized economies and societies. As for five decades predictability equaled stagnation and imprisonment of even the most basic individual initiative and change equaled the whim of the party-state, it is more than understandable that social protection and social security turned themselves into just empty shells, although formally at least, in most if the cases, they retained characteristics that resembled their counterparts in the Western World, although as previously said, in essence they were hugely different. While the principle of contribution has been preserved in Romania, at least for the pension system for the whole duration of the communist system, it was seriously distorted to the extent that benefits were disproportionately skewed in the favor of those with both short contribution periods and low contribution base which ultimately fed into the image of actually just another state system aimed not at providing a shield against the risks of ageing or invalidity but at an outright depriving of the individual of the even meager results of his or her work. This has resulted during the transition period into a conflicting drive aiming in two opposite directions, one towards higher benefits and more redistribution towards the less well of the society and the other one towards a stronger link between contributions and benefits. Coping with these two conflicting demands which have been, to various degrees of course, common to all transition economies, has not been easy in a time when economies and societies needed a fundamental overhaul and has left social security and social protection systems scarred by both a lack of predictability in their evolutions which maintains therefore a certain reluctance towards them from the society as a whole as well by a perceived lack of sufficient and mostly beneficial change, in spite of the fact that major changes have already occurred and especially towards the end of transition they have been definitely for the better.

Due to its path of transition, Romania has only belatedly managed to instill a significant measure of predictability and stability into its social security systems and make the necessary changes signaling to the large mass of individuals and enterprises that work truly pays and

moreover that work in the formal sector of the economy pays of and leads to a significant measure of inclusion. However, as the path of transition has been on the one hand tortuous and long and on the other hand the initial conditions have been harsh, a large part of Romania's labor force and working age population cannot benefit and are actually unable to benefit from these changes and from this measure of predictability and stability as they are simply out of the system.

As such, the thin line that has to be drawn and maintained in a market-economy based democracy in between openness and predictability, thin line which is supported to the highest extent by adequate, sustainable and robust social security systems, is yet to be drawn in Romania. The entry into the EU will thus coincide with another wave of change as the Romanian system of social security will pass from a phase of parametric change and adjustment to a phase of paradigmatic change. This change will witness the diversification of social security schemes so as, on the one hand include those that have been left outside the system and, on the other hand, give to both those already inside the system as well as to those to be included, more of an individual stake in drawing the thin line between predictability and change. At its turn this will basically mean that social security systems will move away from being the exclusive domain of public authority and will become also the responsibility of the private sector, either in the form of pension funds or insurance companies or in the form of individual enterprises providing for their employees or simply in the form of individuals providing for themselves and choosing for themselves the best mix of social security.

**Chart 7.1.**



**Source:** author's calculation based on NIS data

The change that just commenced by the enactment of the Voluntary Pension Act and which is to be continued by the enactment, in the immediate aftermath of the formal EU Accession event, of the Mandatory Private Pensions Act, will continue against a background of ageing and declining population but also against a background characterized by a peak in working age population, high migration for employment abroad and an economy that will become ever more closely integrated into the European economy as a whole.

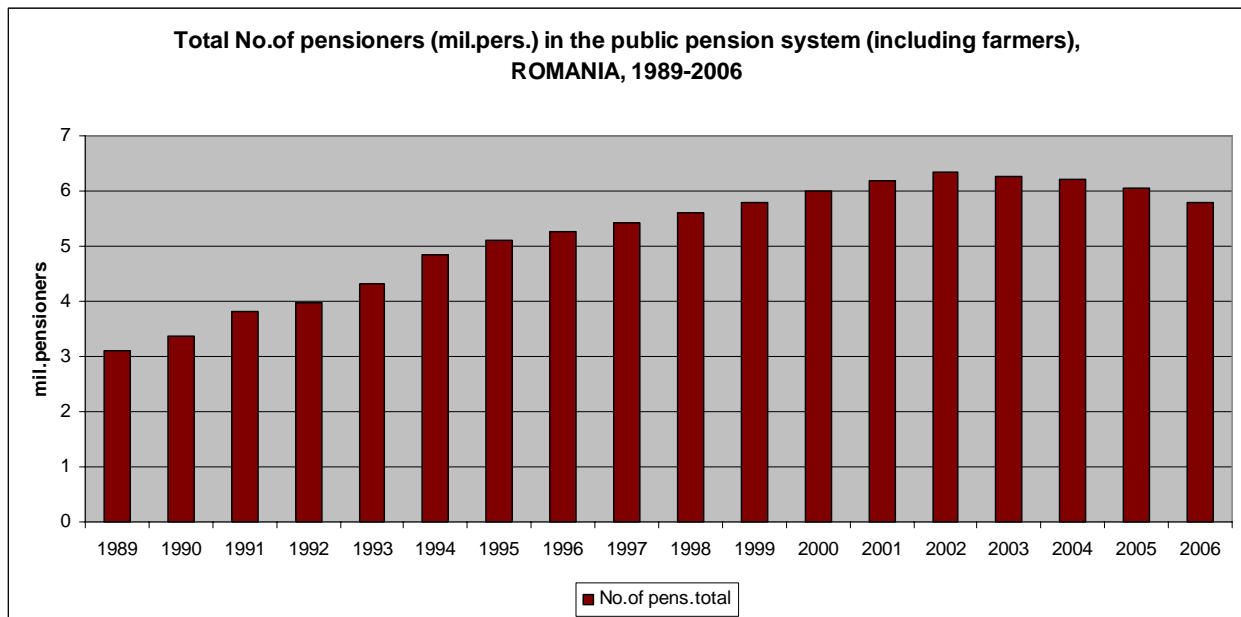
As such change will continue to be the norm and thus, social security systems will have to be able to provide individuals and companies that cushion of predictability without which, sustainable development, in itself paramount for inclusion and cohesion, is not possible.

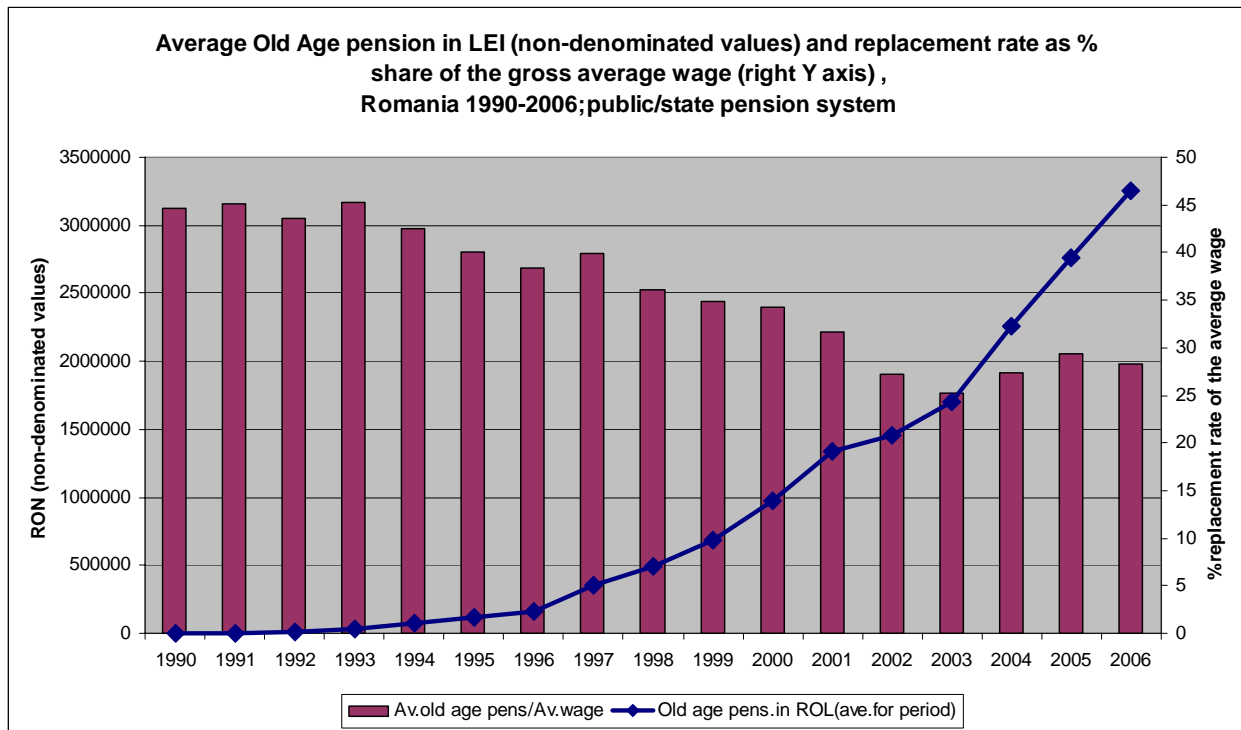
*Enhancing Sustainability and robustness of social security schemes – balancing the need for a sound financing with the need for a lower tax burden on labor*

In order to be able to provide this cushion of predictability and stability, enabling thus individuals and enterprises to both take on the opportunities of change as well as to generate by themselves change in competitive, open economy and society, social security systems need a constant and abundant stream of finance coming towards their coffers. This stream can come from many sources, either contributions, or transfers or simply yields of their investments in the case of savings and investment based systems.

As such, their budgets have to be not only balanced but they have to register of possible significant surpluses enabling them to withstand shocks, of a nature that is more and more unpredictable as the openness of the economy increases. But a balanced budget alone does not suffice. It has to be re-enforced by sustainable financing flows ensuring that that current balances are not just an accident or the fortunate by-product of favorable macro-economic circumstances, although they are nevertheless closely related, but that they are the product of careful long-term planning, ensuring that, to a certain extent, independent of circumstantial volatility that might arise and which in the end is beneficial for the markets, these flows will continue even if, at certain times, less of abundant. That is, that they are in the long-run sustainable and thus they are worth investing in.

**Charts 7.2.&7.3.**

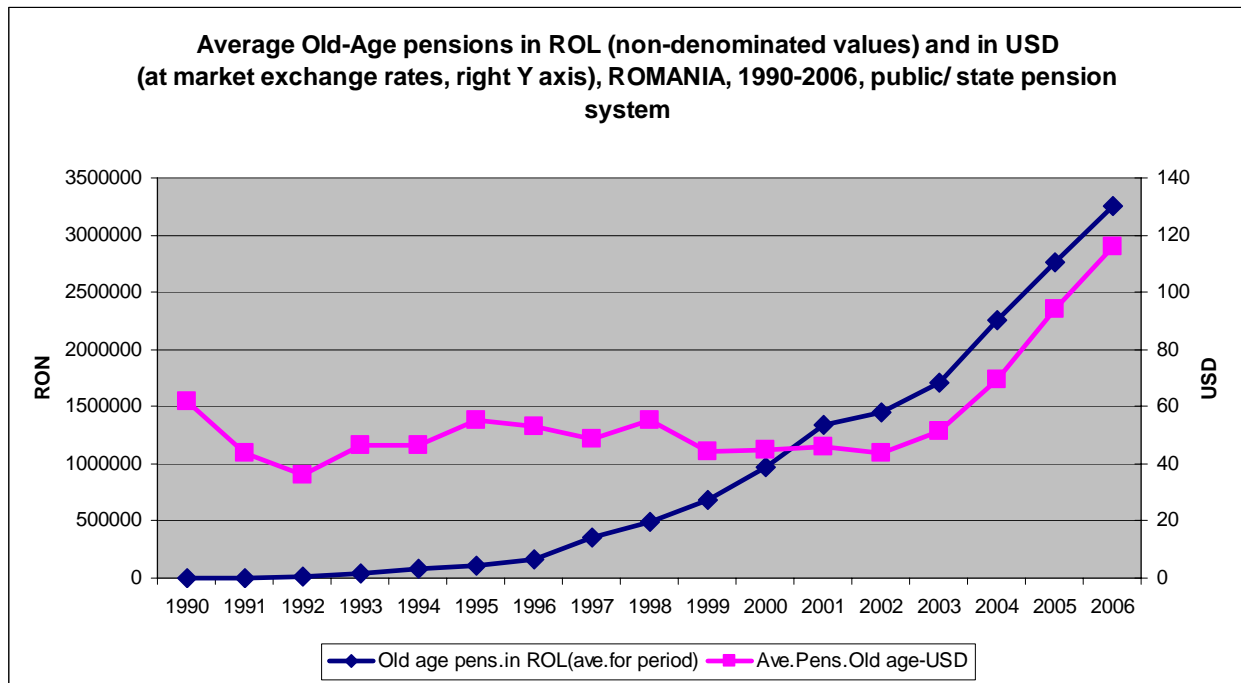




**Source:** author's calculation based on NIS data

Until now and contrary to many superficial, ill-substantiated assessments, the Romanian system of social security has proven itself both sustainable and robust, albeit at dirt-low levels. It has managed to pay benefits in cash and provide benefits in kind, in spite of the fact that growing number of beneficiaries and falling number of contributors have pushed gradually, throughout the nineties, all of the three major social security schemes (public pensions, unemployment insurance and health) into deficit. However, a policy of retrenchment of the benefits, which has led to a flat-rate unemployment benefit and to a system of indexation of public pensions that was only covering CPI inflation, coupled with an improved contributions collection systems that now relies on a single collection authority, has finally managed, of course with the great help of a strongly resumed economic growth, to bring, gradually of course, at least two of the systems back into balance. The first one to come out of deficit has been the unemployment insurance system. This rebalancing has allowed the National Agency of Employment to renounce the purely flat-rate unemployment benefit and to bring back a measure of relation with contributions, thus making a step closer to the principle of “formal work pays” in terms of inclusion.

**Chart 7.4.**



**Source:** author's calculation based on National Institute of Statistics data

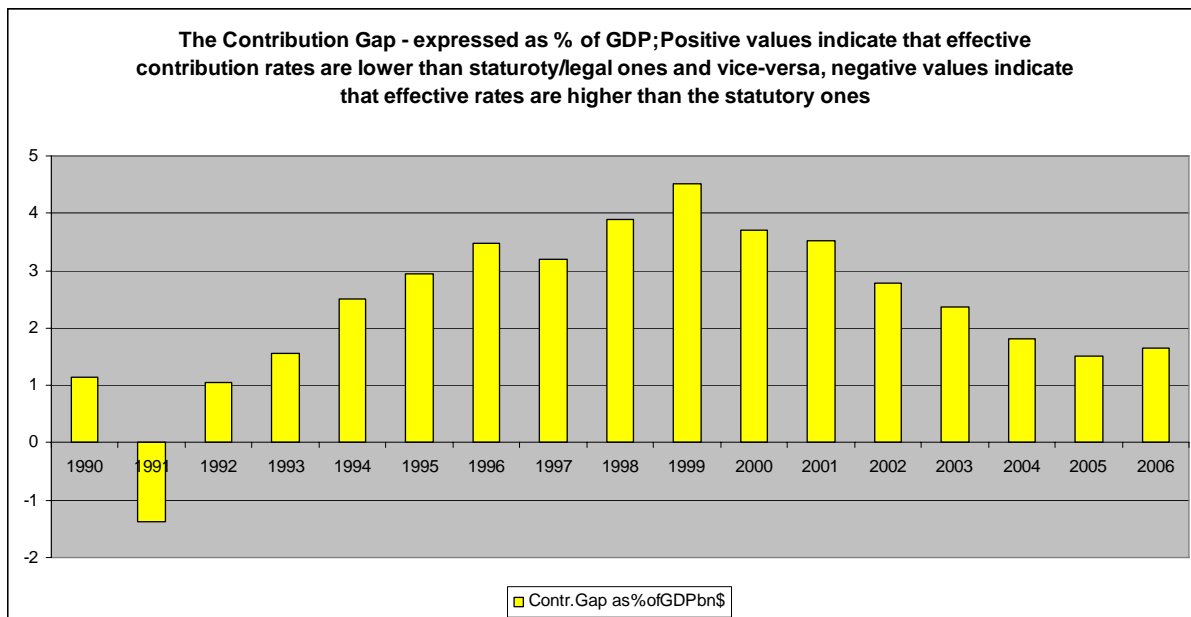
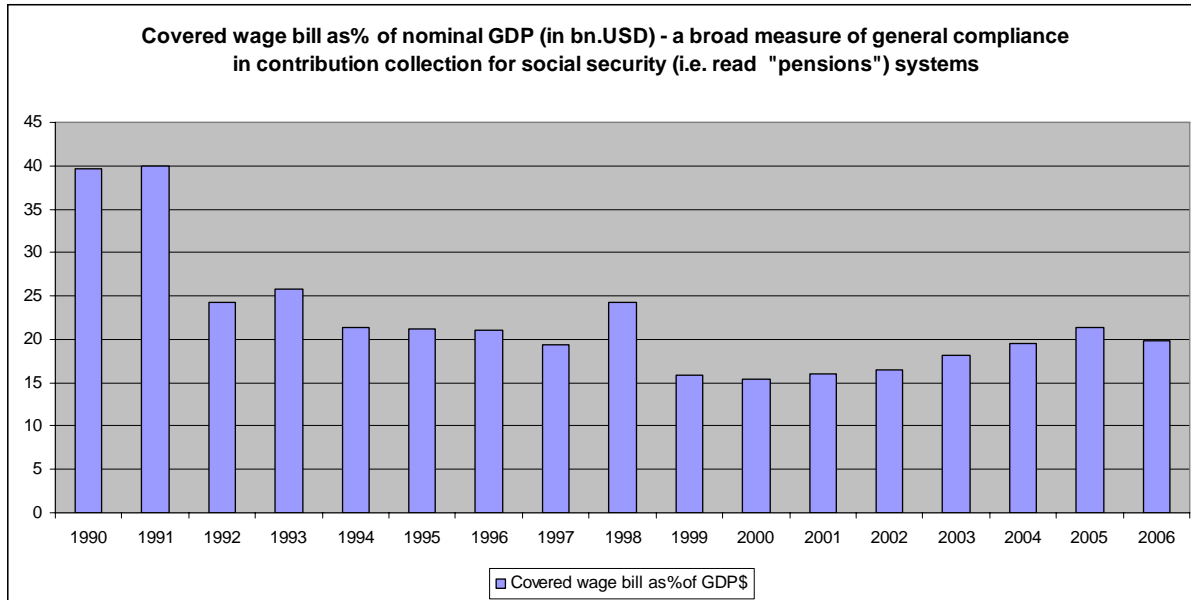
The second one has been the public pension system which, has not only managed to get back into balance after more than a decade of significant deficits but has also completed the parametric phase of the reform by recalculating pensions in accordance with the pre-2001 contribution periods and contribution bases. It has thus redressed both the injustices induced by the pre-1990 system which, as previously said, were excessively skewing it towards the low-income earners as well as the ones caused by the erratic, hasty measures of the early years of transition.

Nevertheless, the current situation while commendable, is in both cases, the result of favorable circumstances that might as well not repeat themselves in the future, most probably not in the very distant one. The surplus recorded by the Unemployment Insurance Fund, the smallest among the publicly administrated schemes, is the result of two major factors that have recently converged. On the one hand is the declining, one could even say strongly declining number of registered unemployed, which has obviously resulted in diminished expenditures as well as of the flat-rate unemployment benefit, which has been introduced in 2002 and has remained in force until the 1<sup>st</sup> of January of 2005, thus allowing a practical cap on expenditures, albeit at the cost of a dismal replacement rate of the unemployment benefit as against the average wage. Add to these a fluctuating allocation for Active Labor Market Policies (ALMPs), which only recently has climbed to more robust levels and the recipe of the surplus is ready. The decline in the number of unemployed, in itself a result of both strong growth but also of strong migration for employed abroad combined with the exit into disability retirement or early retirement, all of which have enabled the National Agency for Employment, as administrator of the Fund, to start even gradually cutting the contribution rates for unemployment insurance although at only 3% of total payroll, they were the least impressive of all the contribution rates and actually the least in question whenever the issues of reducing contribution rates appeared.

True, one must say that the latest reduction has been just redirecting contributions to the newly established Salary Liabilities Guarantee Fund, so it made little difference to the overall

contribution burden. The reduction of the contribution rates in general, means of course a stimulus both to production as well as consumption/investment but also less resources to meet future liabilities. One could as well argue that unemployment risk is not to be treated in terms of future liabilities but only in terms of current liabilities as it is in effect a short-term risk and thereby no hedges should be built for such a leverage. On the contrary, with the economy at full speed and with ever lowering numbers of unemployed, one should seize the opportunity and free resources for growth. But this view runs contrary to the argument that while an open economy increases tremendously the stability and predictability it also, paradoxically and for reason we do not yet fully understand, increases its vulnerability. Thereby while crises may not come as often as in the past, though this is also something we are quite sure yet, when they strike they might deal fatal blows. Therefore, it is more than useful to use periods of prosperity and peaking labor force to build the necessary defenses. Romania currently experiences such a period of growth, which is only normal after half a century of missed development under communism and after a much too long Plan to Market Transition. Adding to this is the favorable circumstance of having a working age population at one if its historic peaks. This translates in enterprises increasing their production which at its turn brings ever more revenues to the budget, on the one side, while, on the other side it translate in a growing number of consumers, all of them willing to chip into the newly found prosperity. Conversely this might also mean that even while reducing rates there will be still enough money to finance the schemes. Moreover, it is assumed that while enjoying a period of prosperity individuals will also build up their savings and thus freeing them from some of the contribution burden will only free some more availabilities for savings. The problem lies exactly here. Enjoying a period of prosperity after one of prolonged deprivation for public finances, individuals and enterprises alike, does not increase the propensity towards saving of any of the entities mentioned above. On the contrary, individuals would like to spend so as to cater for their much too long unfulfilled needs, enterprises would strongly like to invest in order to modernize and the state would like and would have actually to invest the surplus in co-financing long-delayed projects of infrastructure. Thereby resources generated by growth would be actually earmarked for spending and not for saving. Most worryingly, individuals, who are the ones affected by the risk of unemployment would not save so to hedge for such a risk and therefore in case of recession of a slowdown of growth, which might as well bring about a surge in unemployment would find themselves vulnerable. If resources of the Unemployment Insurance Fund would be left and actually allowed to deplete in times of plenty then, in times of need, there would be scarcely something significant left both to provide adequate income for the doled as well as to enact comprehensive ALMPs that would help bring the same doled back on the labor market. As such, a return to the situation of the late nineties, when both unemployment benefits were meager and resources for ALMPs alike would be inevitable. Moreover, one has to take account of the fact that in future, the country will be subject to a far stricter budget discipline that up until now, especially if it wants to join the EURO. Thereby, while obviously there is a need to keep contribution burden at low levels so as not to deter employment and stimulate growth, it is in the meantime necessary to keep them at such levels that would allow, in times of low expenditures (i.e.: “of plenty”), creating and moreover maintaining a surplus which would be subsequently go into a Reserve Fund, to be used in times of scarcity (i.e.: “of need”).

**Charts 7.5.& 7.6.**



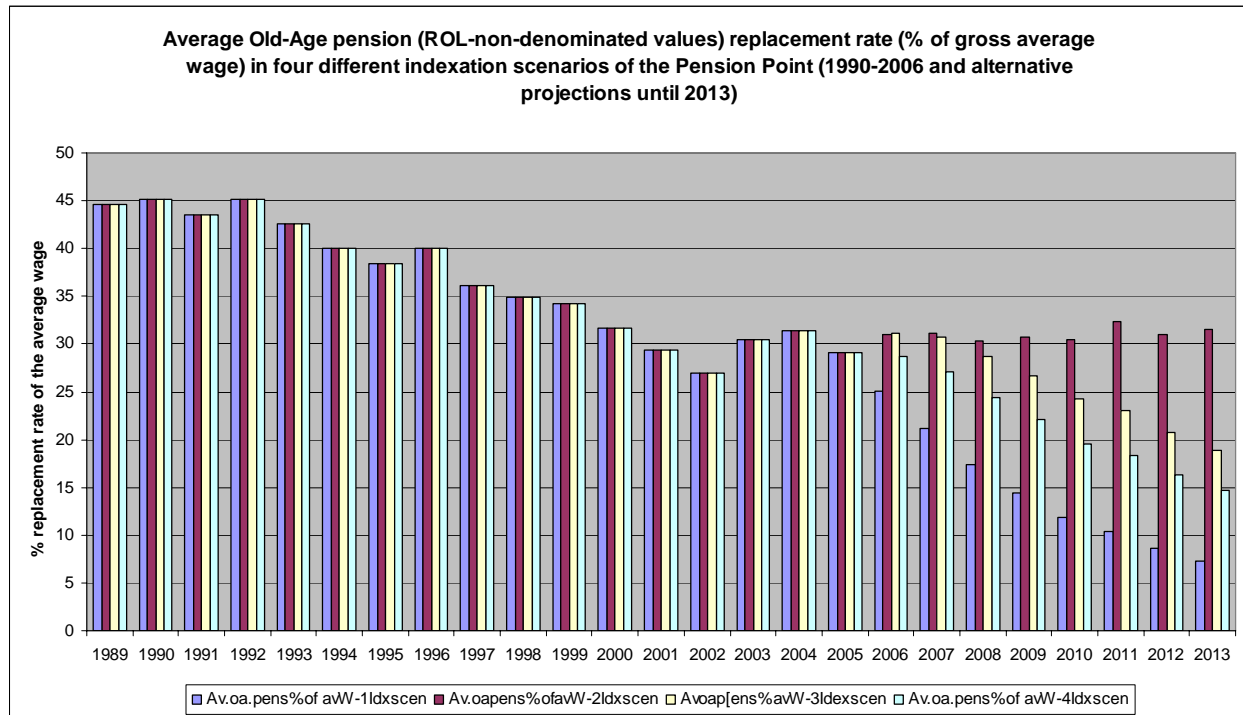
**Source:** author's calculation based on National Institute of Statistics data

While the vision above might come under debate and for surely it will come as Romania would have to still balance and balance finely in between current, pressing needs and future needs that might or might not materialize, it is for sure that in the case of the public pension scheme the necessity to operate with increased prudence is, we think, unquestionable. The current situation of Public Pension Fund, favorable as it might be, with a surplus coming for the first time in years, is also the result for more than a favorable mix of circumstances. It is obvious that high economic growth has buttressed the finances of enterprises and receipts of the scheme are both growing as they are also fluctuating. In the meantime, it is for sure that the introduction of the flat rate income tax has brought several activities out of the shadows and to the open, thereby

giving a further boost to receipts. Meanwhile one does not have to neglect the demographic which plays here a far greater role than in the case of the unemployment insurance.

The large cohorts of pensioners, including those early retirees brought on by mass enterprise restructuring, than have provided huge entries into the pension, thus de-balancing it for more than a whole decade, are largely a thing of the past. After peaking at a little more than 6 million, the total number of pensioners, including here the disability ones, has entered a gentle slide. This slide is likely to continue as older generations have usually a lower life expectancy at birth, due to harsh living conditions endured under communism. As such, the number of pensioners will probably continue its slow decline for a while to go. Meanwhile, a growing economy coupled with a large working age population will more than provide the necessary funds for the current liabilities. This again has prompted a drive that is also likely to continue, for the better or for the worse of course, and which has already led to the lowering of the contribution rates. The lowering of the contribution rates for pensions has been advocated for a long time, with the argument that they are an unbearable burden on enterprises and they prevent a growth in employment. But one has to say that growing contribution rates for pensions have only been the inevitable consequence of decreasing number of contributors throughout transition and of high inflation rates and have not in any case been conducive for a wave of prosperity among pensioners. True, one can say, but there is no reason to maintain them high now, as receipts are on the rise, the numbers of pensioners is declining and moreover, statistics show that pensioners, contrary to what might be a general belief, are not the worst off. But this is a false argument in itself. Growing predictability of the economy and its expansion are bringing actually a welcome sort-of windfall for the beleaguered public pension scheme. It allows it not only to pay pensions but also to increase them for the first time in line with prices and partly in line with wages so as not to decouple the living standard of pensioners from the living standard of the rest of the society. Thereby, it actually starts giving the whole system a first taste of sustainability and of sustainable human development, that caters not only for those that can still earn by themselves but also for those that are no longer able to work but have necessarily to maintain a living standard that reflects, as much as possible, the contribution they have made throughout their working life.

**Chart 7.7.**



**Source:** author’s calculation based on National Institute of Statistics data

Consequently, maintaining not only a constant but also a significant flow of funds toward the public pension scheme, so as to continue the incipient drive towards truly adequate pensions is paramount. As such, contribution rates for the public system would have to be maintained at a level that would allow the system to maintain the value of the pension point, if possible, as close to the higher end of its range, currently in between 30-50% of the gross average wage, as possible. This has been barely attained recently, on the back of strong economic growth but conditions have to be created for the system to deliver almost the same results, even under adverse circumstances. Therefore, it is an absolute necessity for the contribution rates to remain at a certain constant, non-decreasing level for a longer period of time. A commitment has to be made so as not to decrease contribution for the public scheme, even with the private schemes developing, under a certain threshold that would be consistent not only with the possibility of meeting short term, current liabilities, at an adequate level, which would mean at a level that would keep the value of the pension point at or above 40% of the gross average wage, but also with the possibility of being able to continue doing so for the generations to come, not only under favorable but also under adverse conditions.

The current favorable circumstances allow for such a commitment. A growing economy generates more receipts and a large working age population provides a hefty number of contributors that are more and more drawn into the formal channels of the labor market. A gently sliding number of pensioners will mean expenditures going lower for a period of time even while allowing for a value of the pension point that would be higher than what we have previously witnessed until recently. This squarely means that while expenditures will be declining, revenues will be kept constant or even climbing, without having to go back and increase contribution rates.

Just using the hefty number of contributors and the declining number of beneficiaries, which would mean that soon enough we will see a rebalance even in this respect as well as the growing receipts, would mean better pensions for the current generations of pensioners and safety, which could be also translated as predictability for the next generations. It would mean that while spending less, as for a while numbers of beneficiaries will keep declining and in the meantime maintaining contribution rates at current levels and thus not increasing in any way tax burden on labor, one would be able to actually use what is a unique window of opportunity. This window generated by the combination of high economic growth, large working age population and declining number of pensioners has to be used in order to generate a Reserve of the Public Pension Fund. This reserve will be a shield not only against short-term adversities but will also be the hedge against that ageing of the current massive working age population cohorts. Even allowing for higher retirement age, higher productivity of the economy and presumably, though highly uncertain higher levels of personal savings, dealing with the immense number of pensioners that will come from the current two large working age generations will be more than daunting. This would especially be the case as generations of the nineties are small in number and even allowing for strides in productivity, lower numbers will still mean lower growth and thus lower resources to pay for a disproportionate mass of pensioners compared to a nimbler workforce in the future.. As such building a reserve now, when circumstances are favorable and NOT bowing un-necessarily to short term pressures that ask for further reductions of contribution rates is more than advisable as an insurance policy for the future. Such a development would mean instilling a good dose of not only sustainability, as this may come even at low contribution rates as long as the economy grows strongly, but of robustness. Nonetheless, one has to acknowledge that is can only come as a cost that is usually perceived as more than a notch higher than the cost of mere sustainability, but the costs of not providing this robustness can be dire one. Moreover, while sustainability, if lost, as the period of Plan to Market Transition has showed, can be recovered in time, robustness cannot be recovered, especially when shock strikes. If a loss of sustainability does not necessarily mean that robustness is lost for good, a loss of robustness means that sustainability is actually lost and maybe for good deal of time. This might as well put the development of entire generations at risk.

The entire argument in favor of building sustainable and in the meantime robust social protection systems, with special attention being given to the publicly administrated schemes comes down, in the end to a simple, although at times not entirely straightforward, issue of hedging and leverage. In times of plenty both individuals and enterprises need to leverage and even to leverage as much as possible so as to seize the whole range of opportunities offered by a period of expansion. It is moreover, the task of the public power to allow individuals and companies to leverage as much as possible and to provide with them the right incentives and stimulus to do it. As such, lowering taxes, creating flat-rate regimes, going for a decreasing tax wedge on labor are just a few of the tools that can be put at work and their use in an economy, like the Romanian, that comes after half a century of missed development, is more than commendable. In the meantime, the public power does not have to forget that is also its mission to ensure that such a development, and this even more the case in an open economy and an open society where once again leveraging has to be encouraged, is sustainable. In other words, while the other actors of development leverage to their full extent, the public power should start hedging. This hedging of the public power which is a more than a necessary complement to the hedging of the market actors, households and enterprises alike, as it acts like a defense of last resort. It has thus to be clearly understood that while enterprises do not have or have to a lesser extent the responsibility to provide in times of need, the public power does. Actually, its first and foremost responsibility is to provide especially in time of need. As such, hedging in the publicly administrated systems and particularly in those that are concerned with the alleviation of social

risks, as are the social protection and social security systems, is not only part of a viable financial arrangement that allows such schemes to bet not only on the rise but also on the fall of a certain category of assets but an essential part of a primary responsibility that the public power has towards its citizens.

Thus, in order to ensure that any development that occurs is sustainable and that it delivers truly to individuals not only at a certain fortunate moment of their existence but throughout their lives, hedging in times of plenty and especially hedging in times of plenty by the public social security and social protection schemes is part of an essential commitment of delivering and delivering on a sustainable basis, what are actually public goods, including under adversity. As a consequence, building reserves that would be not rigid tools but flexible market instruments that would allow for the surplus of these schemes not only to finance higher benefits and more active measures but also to take part in the general financing of the economic activity, by and through the subsequent securitization of their assets, is not a precaution too much. It is instead part and parcel of ensuring that individuals can launch their lucrative ventures in a climate of predictability and knowing that they are underwritten by a strong network aimed at alleviating social risks. This alleviation will not come for free and therefore will not be conducive for reckless conduct, but it will come at a cost and that cost is represented by contributions and contribution rates, an element that is at the core of this concept of hedging.

Consequently, maintaining contribution rates that on the one hand will not be discouraging for development and employment generation but in the meantime will signal every actor of the market that a powerful, albeit somewhat more costly instrument of hedging against social risks is at work, will not only entrench security but, will foster what is still a fledging confidence in the institutions of the labor market and thus bring society a much needed dose of inclusion and cohesion.

This, in the end, is the most powerful hedging of all, while learning to live with change brought by openness.

#### *Increasing the adequacy of benefits - current versus future liabilities of the social security schemes*

The issues of adequacy of benefits, sustainability and robustness when talking about social protection and social security schemes are not only closely intertwined as, this is for surely ubiquitous but, they are also mutually reinforcing. Adequacy of the benefits, irrespective of scheme and of their actual provision in cash or in kind is strongly dependent upon the sustainability and robustness of the scheme, as the Plan to Market Transition period has been proof strong enough. On the other hand, there is little point in ensuring that social protection and social insurance schemes are sustainable and robust if benefits they are providing are not adequate.

As in the case of sustainability and robustness, the issue of contribution, both as rates as well as periods and of the contribution base on which they are levied, is crucial. Low contribution rates and short contribution periods cannot provide for adequate benefits, even if contribution bases are reasonably high. In the meantime, even oppressive contribution rates as proven by the Transition period as well and over-extended contribution periods, though this is not yet proven, cannot yield much in terms of benefits if contribution bases remain depressed, especially for relatively long periods of time.

As such, it is crucial to create all the necessary conditions for the contribution base to grow in real terms while in the meantime ensuring that contribution periods cover as much as possible in terms of the span of the working life. In the meantime, arrangements have to be made so as to allow for individuals to exploit, to their full, the opportunities of an open economy and society and finally make so that contribution rates be set at a threshold that will cover not only

current but also future liabilities, thus providing adequate benefits both for the current as well as for future generations. True to say that such a delicate and multi-pronged balance is hard to achieve.

The experience of the transition countries and of Romania alike, nevertheless, shows to a certain extent the way forward. Their unfortunate experience of a system that practically denied individuals all yields of their own effort and thus prevented innovation and progress has turned them and their respective populations into adamant supporters of a close, direct link in between contributions paid and benefits delivered.

Empirical evidence from both Romania as well as from other sibling countries in Central and Eastern Europe has shown that when contributions and benefits have witnessed a stronger connection, the degree of adequacy of benefits has also been on the rise. Meanwhile, episodes of decoupling in between contributions and benefits have associated themselves with low or declining adequacy.

Of course, it is easy to attack such an argument as usually, growing adequacy has also been associated with a later, more advanced phase of transition, when economies had already resumed their growth and incomes or the contribution base were definitely on the rise. As such, responsible for better adequacy would not be only an institutionalized stronger link between contributions and benefits but also higher, rising incomes on which contributions are levied.

This is, one may say, equally true, but the genuine truth lies in the fact that these two elements mutually re-enforcing one another. Higher incomes are of course responsible for a higher adequacy not only of pension but of all social protection and chiefly social security benefits but one cannot ignore the impact of a restored link between contributions, with all of their constitutive elements, as an element of predictability and stability and thereby as an incentive for increased compliance, and benefits. Increased compliance means that the full effect of higher contribution bases can and is actually available for harnessing inside the social protection and more precisely inside the social security schemes.

Consequently, it is clear that the primary element for ensuring better adequacy of all social security benefits is the contribution base. Increase of the contribution base will and has to come along with a rise in productivity. As productivity will increase in Romania and alike in the other countries of Central and Eastern Europe, chiefly as result of investment, incomes and thus contribution base should be on the rise. Of course, some of this rise will come from the appreciation of national currency and thereby will translate in higher purchasing power, but not in higher nominal incomes and contribution bases. Nevertheless, while not so strong as hoped, incomes and therefore contribution bases will be on the rise, which should bode well for adequacy.

Like many other countries in the region, Romania, through the parametric reform of its social security systems and chiefly of pensions, though to a certain extent this can apply also to unemployment and health insurances as well, has created the instruments that would allow it to harness the potential of growing incomes and thus contribution bases, by strengthening the contribution-based elements of the social protection/insurance benefits. Thus, the public pension system, through the introduction of the “pension points” systems has created a powerful link in between contributions throughout the whole span of the working life and benefits received at retirement. Moreover, the average number of points accumulated per year of contribution period crucially depends on the contribution base, which means that a higher contribution base yields the individual a higher number of average points and therefore earns him or her a higher pension. As such, the link in between contribution base and pension seems to be ensured and thereby a stimulus is introduced implicitly in the law for individuals to work harder and earn more if they want to receive higher pensions. Nevertheless, the value of the pension point is fixed by law in between a 30 and 50% replacement rate of the average gross wage. This actually means that

even a high number of accumulated pension points will not return very much if the value of the pension point is close to the lower than to the higher end of the replacement rate variation band. Consequently, the amount of individual pensions is highly dependent on the resources accumulated into the systems and thereby of the sustainability and robustness of the systems. The more sustainable and robust the system, the higher the adequacy of the benefits it provides.

Normally, in times of growth and economic expansion, especially if backed by still rather strong demographics, compliance in the collection of contributions should be high and so will be the receipts of the system. Thereby, there will be, apparently at least, room to decrease the contribution rates and, also apparently, release resources for growth and jobs. This is because, high receipts, a product of growth combined with strong demographics in terms of a peaking working age population, will provide enough for short term liabilities to be met, even if contribution rates are low, as growth will only feed into contribution bases. Nevertheless, what goes up must necessarily go down and high growth rates will not persist for ever while in the meantime, the working age population, which is peaking now, will start declining in around 20 years, a time-horizon which in the terms of pension system is short. Declining working age population will mean lower growth rates, even if we allow for higher productivity. Of course immigration might alleviate the pressure but this is yet unknown. What is however known is the fact that emigration might on the contrary make the burden higher and to a certain extent bring it earlier. All these of course, if we do not take into account the fact that apart from the effects of demographics, other factors, very active in open economies, might trigger a recession and then, contribution rates which now are conveniently reduced will come so convenient to hike. As such, revenues which are now high might suddenly become low if contribution rates are not maintained at constant level, thus ensuring that the public system meets both current as well as future liabilities while in the meantime maintaining not only the hard-achieved balance but also a solid, capital-markets securitized reserve, enabling it to withstand shocks.

Such a system will ensure adequate benefits not only for a short period, during times of prosperity but also during times of crisis. Actually keeping benefits adequate is a permanent task. Once sustainability and a certain degree of robustness are achieved there is no more pressing task for all contribution base social protection and social security systems. Consequently, the current sustainability of the Romanian public pension should not be wasted by decreasing uselessly the contribution rates but should be harnessed for the benefit of pensioners by keeping the value of the pension point as close as possible to the high-end of its variation band. Keeping stable contribution rates and opting for a to-up of contribution rates after the introduction of the private mandatory pension system will ensure that current liabilities will not be increased without just cause and that future liabilities will be met with adequacy. The public pension system should aim not to provide just a minimum but to provide an adequate pension, which squarely means a pension that should not decouple pensioners from the society, marginalize them and render them unable to benefit from the gains of economic growth. This should be the case for both current as well as future generations of pensioners.

The public pension system, respectively its contribution based pillar, is the most secure long-term investment individuals undertake and the primary vehicle of long-term social inclusion and social cohesion in the end. Although battered by communism and transition, it has not collapsed. Now it has the task to provide adequate benefits, which squarely will translate in its long-term capacity of sustaining a value of the pension point always above or at least at 40% replacement rate of the average wage. If this is to happen then one cannot imagine fluctuating contribution rates that will follow the vagaries of business cycles but stable contribution rates that will ensure a constant flow of resources allowing the public system to provide adequate pensions to the large mass of current as well as future pensioners, as it is more than likely that, in spite of the emergence and development of private pension schemes, the public, contribution based

pension scheme (PAYG) will remain still the first and foremost shield against the risks of ageing and disability. Thereby, ensuring not only a constant flow of resources but also reserves to enable it withstand eventual shocks will mean that adequate pensions will be provided to successive generations of pensioners.

This by itself an element of inclusion and cohesion in the society more powerful than one can imagine. Moreover, it will really unleash forces for development as it will give individuals a stable guarantee. Once households will notice that pensions remain adequate for a long period of time, relatively independent from the inherent fluctuations of the business cycle, they will start thinking about contributions not as mere tax but as an insurance and long-term investment. This will bring long-term benefits both for growth as well as for job generation. Individuals will start more and more shunning from undeclared work as they will perceive it as truly damaging for their long-term perspectives, a fact which did not happen until now, with people considering that short-term advantages can take precedence over anyway unsure and far too meager long-term insurance. As pensions will become more adequate and their adequacy will be maintained over a long-enough period of time, and this can only be done by ensuring that the public system is both robust and sustainable, individuals will start perceiving the system in itself as a genuine tool for social inclusion.

Finally, maintaining a robust and sustainable public system and doing this especially by ensuring that contribution rates are kept stable, while contribution bases gradually increase under the effect of growth, will mean that the public system will be able to provide adequate pensions not only to current but also to future generations of pensioners. Betting that a sharp cut of the contribution rates now when demographics are still looking good will release more resources for economic development will prove at the end of the day a losing bet, no matter how much appealing it might look now. Current favorable demographics will not last. In two decades, the large generations of the 1960s will start gradually retiring. In something like three decades from now on, the large generations of the 1980s will also start retiring, leaving the small generations of the 1990s with the task of supporting the largest possible population of retirees Romania had ever witnessed. As at that time in the not-so-distant future sky-high growth rates of the economy will no longer be the norm, the burden will be crushing, assuming of course that no dramatic reverse will take place in demographics and that immigration will not come up to shore a bleak situation. As the public pensions system is one that also incorporates inter-generational solidarity it will be foolish to provide resources just for the present and not to cater at all for the future. A system that will be balanced and will have built solid reserves, which will come in handy not only in thirty-forty years time but also in times of cyclical recession or low-growth, will be able to ensure adequate pensions for successive generations of pensioners without decreasing the burden too much now, just to make it ever-more crushing in the future. It has thus to be well understood that current generations which, might as well welcome a temporary ease of contribution burden will then be the ones the worst affected by inadequate pensions in the future. As such, while lower contributions rates might mean higher purchasing power, higher profits and maybe higher savings now, it will for surely mean lower pensions and crushing contribution rates in the future.

Therefore, making reform in pension and generally in social security inclusive and cohesive entails more than lowering the burden for immediate and anyway uncertain gains. It asks for a long-term commitment. It asks for resilience in the present, for the will to stand by what will be maybe a notch higher contribution rates, a notch lower incomes and profits, for all these will pay off handsomely in the future. This pay off will be invaluable in terms of the cohesiveness of the society and no amount of current prosperity will be able to buy it.

*Bettering inclusion through higher diversity – the case for an “open-end” social security system and social protection system*

However, it is clear that while stable contribution rates are a guarantee for a sustainable and robust system and actually for sustainable and robust systems of social security, there is by no means evident that alone, even the most sustainable and robust system or even the one that has the most explicit guarantee of the public authority (i.e.: the state) is or better to say will be enough to hedge individuals and organizations sufficiently given the magnitude of the leverage they take and will take in an economy that is getting ever more open.

As such, while an “average adequacy” as we will agree to call it from on, will have to be assured via the public contribution based systems, a “higher than average adequacy” and actually “high adequacy” of social protection and social security can only be assured via systems that base themselves on market mechanisms.

Accordingly, while “minimal adequacy” is and has to be the sole responsibility of the public authority or of the state, “average adequacy” has to be the combined responsibility of individuals, corporations and the state with finally higher than average and high adequacy remaining the exclusive realm of individuals and corporate entities. While the lower layers of what will now call the “social protection adequacy scale” can be sustained mainly via taxes and contributions, providing thus social protection to all members of the society and thus ensuring basic cohesion, its higher layers can only be sustained via savings and investment in market instruments. They do ensure that a plus of inclusion and cohesion is as such provided to a certain segment of the population which thereby is also willingly to sustain a higher, though balanced risk. This higher risk is by no means an absolute one but merely is a form of supplementary hedging that responds to the many opportunities and actually to the many degrees of leverage individuals take and have to take in an open economy. While a basic degree of leverage can and has to be hedged by public backed schemes, higher degrees cannot and should not be sustained. This is not only an issue of resource sustainability, as public systems have inherently their limits but is also an issue of responsibility. Open economies and open societies give individuals and corporations limitless opportunities. By giving them these opportunities, open markets also empower individuals and give them therefore responsibilities. These responsibilities, which are just a translation in terms of hedging of what opportunities are in terms of leverage, find their expression in the realm of social security in what we generally call now, a diverse, open social security system.

Such a system, that is novelty not only for Romania but also for many countries around the world, entails a mixture of public and private systems of administration, as well as mixture of funding schemes, ranging from the completely unfunded ones, going through the partially funded ones and ending with the fully funded ones.

The fully funded schemes, which are the most widely known type of privately administrated social security scheme are entirely based on the savings of the individuals. To provide benefits to their members, these schemes have to invest those savings like any other investment entity on the market (i.e.: on the financial markets) and get a reasonably high return so as to provide their members with benefits high enough to justify the risk they are taking.

As such, they can be simply seen as investment vehicles which, aim investing the savings of the individuals and thereby contribute at the overall generation of wealth which is paramount for every capitalist (read free) economy. They provide individuals with a way of multiplying their

accumulated wealth and corporations with a source of income for investment, alternative to bank loans or to their own resources.

However, they are more than that. They are vehicles of social protection and an ever widely used one. This is chiefly because demographic concerns have put the sustainability of the publicly, unfunded or partially funded social security systems into question. Moreover, demography has not only raised question marks over sustainability but also over the adequacy of future benefits to be provided by publicly unfunded or partially funded schemes. As such, starting with the end of the twentieth century a stronger and stronger drive has emerged throughout the world, stimulated also by the leading financial multilaterals of the world, the IMF and the World Bank, towards an alternative to the classical schemes, an alternative that will harness precisely the openness of today's economy and will tap into the global capital markets. This tapping will not only benefit capital but also labor and large shares of labor, including precisely those swathes of labor usually on the fringes of the market. Consequently, funded, privately administered social protection and specifically social security schemes are not only instruments of investment but they become a tool for providing social protection by using the wealth of markets. They diversify risks and also diversify benefits. More than that, they provide additional benefits thus increasing the adequacy of social protection, including for the ones in need as they pool risks. Even furthermore, they do provide an addition even to social inclusion and social cohesion, as they take in also those which are, in most cases, left outside the traditional schemes, while in the meantime, by customizing benefits and tailoring them according to the needs and possibilities of the insured, although this is the case mostly with the optional rather than with the mandatory schemes, they do respond to the growing diversity of the world of work today.

Countries in Central and Eastern Europe or the so-called Transition Economies, have been at the forefront of this move towards diversification of social protection schemes. Both the legacy of the over-powerful party-state as well as the fact that in many cases benefits were almost decoupled from contributions made the drive towards diversification, away from the monopoly of the state social insurance system and into the private, competitive system, an almost natural option.

Diversification occurred of course mostly with respect to pensions where the pressure was the highest both due to demography as well as due to financial constraints, with public systems running huge deficits on the background of economy-wide restructuring which was sharply reducing the number of contributors and greatly increasing the number of beneficiaries. Diversification via mostly the establishment of private social insurance funds, based on individual savings was presented not only as an alternative which will ensure the viability of the system in the future, or actually its sustainability, but also as the only mean of preserving the adequacy of the benefits, especially with regard to old-age benefits. Most of the moves towards diversification via the introduction of what we call "mandatory private pillars" and we will refer now chiefly to pensions as the largest and most costly social insurance system, were aiming to increase the sustainability of the public pillar by shifting part of the burden on the shoulders of the contributors as it was supposed, on the one hand, that the public system will hardly ever get into balance and again it was supposed, here being the second supposition and the most tempting of course for the individual, that rates of return on the investments made by the private pension funds will be substantial enough so as to provide future pensioners with pensions that will by far exceed the meager amounts received by the pensioners of today. When the transformation started most of the public pension fund budgets were deeply into red and the move towards privatization sunk them even deeper in its first phase. That was because, contribution rates, already high, due to both high inflation and a shrinking number of contributors could not be raised further and therefore, the newly established pension funds (i.e. the private DC based ones) had to be financed from a carved-down contribution rate which, in other words, meant that part of the contribution

was still going towards the public system while another part was diverted towards the newly established funds. Consequently, in the short run, the public system was going even more into debt as it had to service its current liabilities with fewer resources. Thereby, it had to issue debt or simply the Treasuries had to issue debt, a fact which is increasing the overall debt burden and actually the future liabilities. In the meantime, the newly established fully funded schemes had first to cover their administration costs and start investing. Unfortunately, the time that has run since the establishment of the new private pension funds is rather too short to assess the successfulness of the move and unfortunately there is also precious little international experience with that. It is, nevertheless, for sure that in the long run, as they will have to provide smaller benefits, public schemes, once they will have paid their debt or once the so-called “transition costs” will get covered, will get sustainable and possibly even robust. But, there is a caveat to that as benefits they will provide will most probably not meet the “average adequacy” target and they will most probably go towards just a “minimal adequacy” target, as most projections show. This squarely means that, at least as seen from now, only the first aim, the one of sustainability of the public scheme has been achieved, which was the macro goal. The more palatable goal of the individuals, that of receiving adequate pensions upon retirement, that will reflect the history of their earnings and their contributions and will allow them to live into their old-age at close to the living standard they have enjoyed while working, will be missed. Most projections show that replacement rates for pensions deriving from both the public as well as the private mandatory systems will barely reach current replacement rates, if they won't be actually lower. This would mean that actually individuals will draw from two systems the same amount that they would have drawn from one system. To get a little bit more they would have to diversify even further and thus divert an even larger share of their current income towards what we generally call the optional pillar, or the voluntary schemes. Therefore, one can squarely say, that while maybe the macro-goal will be achieved, the goal of the individuals, which dreamed of a prosperous old-age, will be most probably missed.

Romania has gone into diversification very late, if not the latest of all amongst the transition economies. Both the state of its economy at the onset of transition as well as the slow pace of reform, have prevented such a daring move. Nevertheless, the tortoise can sometimes beat the hare! The budget of the public pension system is finally in surplus, pensions have been recalculated in accordance with the life-time earnings and contributions, which therefore redressed the many injustices of the early years of transition and for already more than a couple consecutive years, contribution rates are steadily coming down. Moreover, starting with this coming year, the country will firmly enter the era of diversification. A mandatory private pillar will be established and since 2006, the institutional framework has been put in place for a voluntary pillar. Question is, will they work and will they not only improve the sustainability of the public system, which is not actually a goal in itself, but will they improve the adequacy of benefits? In other words, will the current philosophy, which goes towards a carve-down of the actual contribution rate to the public system in order to create a resource base for the newly established private mandatory system, really yield?

The answer is not at all simple, provided that there is any answer at all, or provided that there is any answer at all now! As said before, international experience is in scarce supply. Most of the industrialized nations, in spite of the recent spate of reforms still run, as the centerpiece of their systems, large public schemes. Countries like Britain or the US, with deep capital markets and an entrenched tradition of enterprise pension scheme, have recently seen a lot of trouble with these. The experience of developing countries from other, more distant parts of the world, is not of much use, as it takes place in a totally different environment, especially in an environment which, from the demographical point of view is radically different.

As such, we are obliged, we feel actually obliged to speculate as this speculation is essential for human development, in itself an endeavor that does not have to meet an abrupt end when the individual leaves the world of work. The diversion of contributions towards the private newly established funds will mean in the immediate run that the public scheme will again enter deficit and in order to meet its current liabilities will have to issue debt or actually the treasury will have to issue debt. This debt, which will be for sure a rather long-term one, will make actually the overall fiscal burden the same or it will practically transfer it from today to tomorrow, a “tomorrow;” that will see smaller generations on the labor market, slower growth and as result the burden created today will be even heavier then. In the meantime however, it might as well be that after a few rounds of generous increases, the current pensioners even, will face again an era of “austerity” as resources, in spite of growth, which will for surely not be able to compensate for the loss in contribution revenue, will make it harder and harder to maintain the value pension point closer to the higher end of the interval. As such, if maybe in the immediate future the adequacy of pensions will not get worse and will probably even continue to improve a little bit, in the future and especially in that future when the current large working age population will near and enter retirement, the adequacy of the pensions provided by the public system will get dismal. Actually, instead of providing “average adequate” benefits, the public pension system will just provide “minimal adequacy”.

Of course the hope is that the rate of return in the private system will be high enough so as to do more than compensate or the loss in the public system, therefore instilling both robustness and long term sustainability while relieving the public system of an excessive burden. What we can say about this assumption is that is over-optimistic. True we are enjoying now a period of unprecedented growth, abundance of capitals and openness of the economies. In the meantime, we are experiencing an era of unprecedented competition, which is eating into profit margins and reducing returns for those conservative assets into which pension funds usually invest. What we can now see is actually pension funds moving farther into the markets, into assets that are rather more risky but which promise to yield the higher returns they do need in order to service their current and future liabilities. The hope is that, with large emergent economies, like India, China, Brazil and others entering the market, the world economy will only continue to grow for enough time so as to provide pension funds with time to build up their assets and that rates of return will compensate what they lose due to increased competition with what they gain due to the opening of new markets and due to the increased sophistication of capital markets. Nonetheless, rates of return will not increase dramatically for the conservative assets, they will only increase for the rather more risky assets and they will require ever more sophisticated portfolio combinations to keep them up while in the meantime, it will be necessary to maintain inside prudential regulations for the peculiar investment vehicles pension funds are. From here comes the fact that while, of course, ever more open markets will mean more ways of making money and ensuring a constant flow of resources it also means ever more risks and moreover ever more risks to be taken, sometimes even for an incremental increase in the rate of return. Therefore, there is no guarantee that private pension funds at least in the classical formula that is proposed for Romania, will necessarily compensate through their rate of return what will be lost in the public pension due to the reduction of contribution rates. As such, expect current generations to have pensions that will not by far, in terms of their replacement rates, exceed the ones of the current pensioners.

What will make things even worse is the fact that as the time will pas, demographic pressure will increase. When current working age generations, the largest in Romania’s modern history, will reach retirement age, the labor market will be dominated, safe for a massive wave of immigrants of course, but the small generations of the nineties and early 2000s. A nimbler labor force will mean lower growth and as such lower receipts from contributions into the public

system. This will mean, provided of course that the current system of pension points will be still in operation in twenty-five, thirty years time from now, that, the value of the pension point will start lingering towards the lower end of its variation interval. This will mean pensions that will be far from adequate.

As such, a daunting task will await the private funds. Either they will get high return rates in the early years, getting into sophisticated markets and making riskier bets in order to take advantage of the still higher than the average growth rates of the emergent economies, Romania and the other Central and Eastern European economies included, or, if not, they will not be able to offer their contributors more than meager accumulations, with which to buy meager pension annuities. As such, for the beginning, prudential rules will have to be loose and risks will have to be high, if there is to be any gain in the future. On the other hand, it would be preferable to refrain from carving down contribution rates and opt still, when there is time, for an Estonian style “top up” of the contribution, which coupled with loose prudential regulations for the private funds, thus enabling them to take full advantage of today’s booming economy, will make diversification, in the very end profitable for its most important beneficiary: the contributing individual!

*A wide ranging, resilient social security system as primary tool for stronger cohesion and sustainable human development*

Social security systems are paramount for human development. They bond generations, bring together into the same net the wealthy and the needy, give predictability and finally create that particular sense of long-term stability and of belonging which ultimately defines society as such.

The most terrifying legacy of communism was the very the break-up of these bonds, the atomization of society, the ultimate alienation of the individual turned into a mere number. This has been most visible in the sharp demographic decline recorded not only by Romania but also by all the countries of Central and Eastern Europe and of the former Soviet Union in the aftermath of the fall of communism. The harshness of the regime has made these populations lose even the will to live.

This has caused enormous problems to social security systems, which had to find ways and solutions for the distant future while struggling to cope with a radical transformation of the economy. Systems have went from very generous at the onset of transition, towards austere ones as transformation have reached their peak and finally have started to return some generosity as growth resumed. In some cases though, Romania not included here, even more radical solutions were adopted, with systems going into a more radical, paradigmatic reform, which has transformed them from purely public administrated schemes, into diverse systems, where unfunded, partially funded, public and private administrated schemes coexist. Results of these more radical transformations are yet to be seen.

Romania has not pursued such a radical path but its systems have managed to weather transition and although they have not managed to provide adequate benefits, they have, nevertheless, proven both their sustainability and robustness.

A new phase awaits them now, a phase in which, they will have to deliver for human development, as they are a primary tool of it. As there is no simple solution to solving the triangle, sustainability, robustness, adequacy, we do think that, nonetheless, some pathways have to be explored in the near future:

- The link in between contributions and benefits has to be strengthened in all contributive social security systems. Benefits have to bear an as close as possible relation with contributions paid, so as to act as incentive for the individuals and corporations to contribute and enroll in them. As such, the labor market will get ever more inclusive;

- Contribution rates will have to be kept stable for a long period of time. This will ensure that a sustainable flow of resources will go towards the social insurance (social security) systems, thus enabling them to meet their current and future liabilities and instilling a powerful element of stability and predictability not only on the labor market but also on the financial markets;
- The current period of high growth and peaking working age population should be used also to build reserves into all the publicly administrated systems. This will make them robust enough to withstand any shocks and will give the possibility to maintain contribution rates at stable levels even in periods of recession or crisis as well as, on the long term, to create some shielding against the inevitable fall in the number of contributors;
- Adequacy of the benefits will have to keep at least at an average level. Contribution based systems do really belong to contributors and not to administrators. Therefore they have to deliver to the contributors and enable them maintain their living standard throughout periods of need. Thus, spells of unemployment should not necessarily become also spell of poverty, as this is what creates actually a disincentive to return to the world of work. At the same rate, spell of illness should become an antechamber of invalidity as this reduces the supply of labor and thereby reduces the prospects of growth. **Ultimately, old age should not mean an abrupt end to human development**, but a new stage, which would allow actually individuals to further their development into new areas, benefiting from the yields of their life-time work. For this to happen, benefits will have to be neither generous nor meager. Simply they will have to reflect contributions. This will again drive ever more individuals onto the labor market as they will perceive it as truly inclusive;
- For the truly needy of the society a non-contribution based social security pillar has to be built. This will ensure the so-called “minimal adequacy” of benefits. By doing this, the system diversifies itself and provides that specific protection net which makes the society truly cohesive;
- The unprecedented openness of the world economy and Romania’s integration into the EU as well as its future adoption of the EURO sometime in the decade to come, open tremendous opportunities for individuals and corporations. They have to be free to explore them and leverage themselves to the full extent. As such, sufficient alternatives for hedging have to be provided, by allowing for a diversity of social security schemes, based on individual savings and capable of harnessing the potential of today’s capital markets;
- A solid public system, with stable contribution rates and consistent reserves should be the only mandatory component. It should aim toward ensuring an average adequacy of benefits, ultimately by maintaining contribution rates at a sufficiently high level so as to enable it not only to meet current liabilities but also to create reserves that will withstand shocks and meet future liabilities at the same level of adequacy, even when accounting for a shrinking pool of contributors. It would have to be doubled by a non-contribution based system, financed from general taxes, which should aim at providing a minimal adequacy of benefits for the truly needy of the society. As for the rest, the system should aim towards complete openness, with a host of alternatives for saving and investment open for individuals and corporations, allowing even for rather loose prudential regulations at the beginning so as to harness the current period of economic expansion. These systems should aim at providing their beneficiaries with a higher than the average adequacy of benefits, a match of course of the risk assumed.

Thereby, as no simple solutions offers itself to the future of social security systems in an open economy confronting also the prospect of an ageing population, we do think that for those systems to make their contribution, which is essential to human development and mostly to make them contribute at the entrenchment of that ingredient of human development for which Romania’s population craves after fifty years of missed opportunities, which is PREDICTABILITY WITH PROSPERITY, the pathway to follow will be precisely the one of

openness, by building an ***OPEN-ENDED SYSTEM OF SOCIAL SECURITY***. This will be a system inside which, the individual shielded from basic risks and having assured at least an average adequacy of benefits if in need, should feel free to “cherry pick” from a host of alternatives according to its needs and aspirations, according to the degree of leverage and hedging it can afford at various moments during his lifetime.

It would practically mean no more and no less than the transposition in the field of social security of one of the ideals at the very heart of the European construction, that of a market of the consumer. And this is one of the prized contributions Europe, as an integrated community of nations, the Romanian one amongst them, is bringing to human development Worldwide.

## ***7.2. Corporate Social Responsibility – an issue for the decade to come***

*“Corporate social responsibility can bring a decisive contribution to social inclusion, integration of the labor markets, poverty reduction and achieving the Millennium Development Goals”*

Tom Dodd, European Commission

The concept of corporate social responsibility (CSR) emerged from the need to promote sustainable development and encourage companies to engage themselves for the protection of the environment, employees and disadvantaged groups. The model of CSR aims to put sustainable management into practice by developing management and communication tools which embed social and ecological concerns beside economic logic into the company strategy. CSR is, in fact, strategic management of both internal and external risks with regard to social and environmental fields. The core of this concept is represented by the voluntary dimension that characterizes the actions of CSR as they are based on a set of principles which exceed the legal/compulsory regulations framework. These principles have been developed on the ground of ILO Conventions, Universal Declaration of Human Rights, and Rio Declaration on durable development. Environment, labor conditions, human rights, commercial ethics (fighting against corruption) and business management are the main domains which CSR is addressed to. Social responsible approach includes not only philanthropy actions aiming to improve the public image of companies with problems or various litigations as, in fact, it represents a change of culture embedded into firms’ long term development strategy. Moreover, CSR doesn’t represent capital (financial, human, material and time) losses, but rather an investment which will bring profit on medium and long term and sustainable development for the company.

For many years, CSR issues have been adopted on the agenda of the European Commission, United Nations, environmental federations, trade unions and different NGOs. The World Summit for sustainable development in Johannesburg (August 2003) established CSR as international goal, while the European Commission released the Green Paper of “Promoting a European Framework for Corporate Social Responsibility” (July 2001) that defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. In July 2002, the Commission published a Communication on “Corporate Social Responsibility: a business contribution to sustainable development”, emphasizing the fact that responsible behavior of the companies leads to durable development of the society, including to sustainable business success. In March 2006, a “European Alliance for CSR” was founded by the European Committee in order to promote responsible business principles among big, medium and small enterprises, as well as all potential stakeholders. Also, starting with 2008, the International Organization for Standardization (ISO) will launch an international standard for social responsibility (ISO 26 000) in the form of a guide for companies willing to act responsibly within their business environment and society.

*There is no doubt that responsible management is becoming more and more embraced by companies in the developed countries as it is more and more promoted by most of the*

*international and national institutional mechanisms. What about Romanian companies? Are they aware of CSR and in what extent they apply/develop responsible management nowadays?*

Straight answers to these questions are very hard to get as there is a lack of data and studies on the subject. This lack solely talks about the low incidence of the CSR practices within the Romanian firms' management. Still, what we will try to prove in this section is that corporate social responsibility is slowly becoming a more and more talked about theme in Romania and that the share of Romanian companies which adopt responsible behavior is increasing.

Obviously, the integration of CSR concept and principles into the current Romanian business practices is incipient as the share of truly responsible companies in total companies is, probably, pretty low. One can argue that truly responsible companies are the ones that adopt long term strategy designed on the ground of CSR and sustainable development values and act in their spirit within most of their interactions (with their employees, business partners, local authorities, environment, local community) and not the ones that occasionally spent some money on philanthropy/social campaigns although they are known as developing irresponsible behaviour with regard to the protection of the environment or of their employees (e.g. debts to the state budget) or the ones engaged in various suspicious businesses. Taking into account the long years of Romanian transition, low level of economic development of some economic sectors or geographical areas and the state efforts to enforce legal regulations, we can say that, for Romania, CSR starts with companies' compliance toward the laws. We can also point out that there are companies, especially big ones, multinationals with significant economic power that develop important CSR actions with positive effects for the Romanian society.

#### *Romanian initiatives to promote CSR*

Popularization of the CSR concept, awareness raising actions on its importance, carrying out specific studies and developing some mechanisms to facilitate public recognition for responsible companies are important prerequisites for the CSR development. The more visible/powerful these actions will become, the higher the share of the responsible companies will be.

During 2004, a **White Book of CSR** and a **Romanian Glossary of CSR related terms** have been elaborated<sup>71</sup>. Also, several Romanian and international NGOs developed actions to support and promote the CSR development in Romania while economic magazines, newspapers and several television programs promoted CSR related topics, as well as the social actions of the companies in the recent years. Starting with October 2002, a series of **annual national conferences on CSR**<sup>72</sup> have been organized, including working groups aiming to identify mechanisms for best practices dissemination, main dimensions of CSR development and support actions for the managers willing to become responsible. Also, in November 2006, **the first international conference on CSR issues from Eastern Europe** ("CSR06 investing for the future")<sup>73</sup> had been organized at Bucharest with an educative goal for all the involved stakeholders (public and private sectors, NGOs and mass-media). Moreover, during the recent years, some mechanisms to promote public recognition of the responsible companies have been developed such as "People for people" gala which awards companies, NGOs and individuals for their involvement in the community through sponsorships, voluntary work or donations. Still, the research work on CSR specific and incidence is rather poorly developed and counts few studies

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<sup>71</sup> Open Society Foundation, 2004 Annual Report of OSF, [www.osf.ro](http://www.osf.ro)

<sup>72</sup> American Chamber of Commerce was the main organizer

<sup>73</sup> Saga Business & Community together with World Business Council for Sustainable Development and UN Global Compact

carried out by active NGOs in the field<sup>74</sup> and, recently, by a research consortium coordinated by the National Research Institute for Labor and Social Protection<sup>75</sup>.

However, we can conclude that an incentive framework for the CSR actions is developing in Romania mostly coming from the area of civil society and employers organisations. We appreciate that some initial steps have been taken and more and more companies/managers become aware of CSR principles and its positive effects on community and economic development of the business. Still, the involvement of the Romanian public authorities in this field is rather poor both in the area of developing initiatives for stimulating and promoting CSR and especially with regard to the integration of the CSR concept and approach within the national policies, development plans and strategies.

#### *CSR in Romania*

Romanian companies had been investing in CSR activities over 10 millions Euros during 2005<sup>76</sup>. In fact, their actions included mostly donations, sponsorships and voluntary programmes. Also, the biggest amounts of resources were spent on delivering equipments, money, services, products, as well as human capital addressed to the problems of local communities. As it was expected, big, especially multinational companies with a high level of economic development display the highest incidence of CSR activities.

Romanian managers who decide to invest in CSR actions have multiple motivations<sup>77</sup>:

- a. improving the companies' public image and notoriety
- b. promoting the companies' products or services through associating them with "good" causes
- c. increasing the satisfaction, fidelity and motivation of their employees
- d. attracting potential employees
- e. developing partnerships with the stakeholders
- f. promoting important values for the company (such as initiative, innovation, team spirit, entrepreneurship spirit) at the community level.

However, most of the responsible companies need to integrate CSR within their long term development strategy.

Companies develop CSR activities on their own or through partnerships with dedicated NGOs. Thus, the main types of CSR actions carried out in Romania<sup>78</sup> were:

- a. *community marketing* – the company commit to spent for a "good" cause an established share of the profit gained through the sale of certain product(s) or service(s), for a precise period of time.
- b. *corporate foundations* – independent non-profit entities which are financially supported by a company and develop social programs on their own or together with other NGOs (their role is to simplify the resources management and to cross a line between the economic and the social goals of the company)
- c. *corporate volunteerism* – employees involvement in social activities, on a voluntary basis
- d. *donations* – offering money, products or services to beneficiaries and local institutions
- e. *salary donations* – fund raising from the employees for a social cause or an active NGO.

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<sup>74</sup> Association for Community Relations

<sup>75</sup> Developing the concept of corporate social responsibility in Romania, within a European context (2005-still on going), within the Research of Excellence Program financed by the Romanian Ministry of Education and Research

<sup>76</sup> Saga Business & Community estimations, [www.rompres.ro](http://www.rompres.ro)

<sup>77</sup> *Motivations and needs to social involvement of the business sector*, qualitative survey of the Association for Community Relations, 2006

<sup>78</sup> *Report of National Conference on Corporate Social Responsibility*, 3<sup>rd</sup> edition, March 2006

- f. *improving labor conditions* – reducing the unfavorable labor conditions, balancing professional with family life through flexible employment, additional health insurances for employees.

Moreover, Romanian companies which invested in CSR activities have identified some risks and problems in this field<sup>79</sup>: their low capacity of investment (with regard to both financial and human capital) correlated with the deepness of the social problems (need of long term programs), as well as the risk of unfavorable public reactions (there is a frequent lack of trust within the good intentions of the firms which are often suspected by hidden agenda). Also, there were cases of lack of knowledge among the mass-media workers which have confused popularization of the CSR campaigns with hidden publicity.

#### *Future challenges for CSR in Romania*

First of all, public authorities need to become more involved in the process of developing CSR approach and stimulate companies in this field. They have to integrate CSR concept within the Romanian strategic development documents and to stimulate SMEs to act responsible too by designing special paths of support for them. Also, they have to build mechanisms in order to promote public recognition for the social responsible companies. Also, trade unions need to become more active players in promoting CSR. Extensive research in the field is needed in order to substantiate future CSR programs, as well as for designing efficient actions to support them.

Promoting CSR in Romania is a strategic approach for its sustainable development, including the process of fighting against corruption. Responsibility principles involve making business in an ethical manner which means protection for the social, environmental and business context. Obviously, developing the CSR actions will represent an important path for Romania in the context of its EU accession. The outcomes of the CSR development will reduce social exclusion, poverty and risks of disasters, will increase social inclusion, competitiveness and cohesion, facilitating economic progress and stimulating sustainable human development.

### **7.3. Agenda for the decade to come**

The Romanian social security systems have managed to survive the shocks of transition and during the recent years have even been undergoing some thorough, far-reaching reforms. These reforms have raised high hopes for the human development these systems are supposed to underpin.

Making these underpinnings solid enough and especially not dashing brutally hopes that have just managed to surface will require some hard work in the decade to come. Aiding this work are the following thoughts that make the agenda for the decade to come in social, security, as an essential underpinning of human development:

1. Social security systems will have to provide adequate benefits and especially will have to improve the adequacy of the benefits as this is the demand that scores the highest on the agenda of their beneficiaries, which are also their contributors. For this to happen,

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<sup>79</sup> *Motivations and needs to social involvement of the business sector*, qualitative survey of the Association for Community Relations, 2006

diversification is a path to follow as in an open economy only a well diversified and balanced portfolio will ensure adequate hedging against the many leverages that have to be taken. Nevertheless, diversification will have to yield and yield high. This squarely means that contributions going now into more than one scheme must necessarily act as levers for the supplementing of benefits and not only as levers for the ease of the current excessive burden on the public scheme (i.e.: on the state). As such, contributors will have to see that the advent of diversification brings tangible benefits in the form of higher benefits and mostly in the form of higher replacement rates and not that it just divides contributions and thereby divides benefits with little if any tangible gain;

2. Also diversification means that something has to be in the basket for a variety of circumstances. Consequently the establishment of non-contributive social security schemes, with special regard to pensions and health insurance must necessarily come, so as to provide a minimum safety net even for the most destitute and needy of the society;
3. Along with achieving adequacy of pensions and financial sustainability, Romania has to modernize its pension systems apace with the changing needs of a modern, emerging, flexible and open economy and labor market. It means that the Romanian pension system has to be well-adapted to a flexible employment and career patterns, more sensitive to the principle of equal opportunities for men and women and more transparent and willing to demonstrate its capacity of meeting new challenges.
4. Mandatory contributive schemes will have to benefit from a healthy and steady flow of finances and thereby contribution rates will have to be maintained at a level ensuring that not only current liabilities are met but also that reserves are build for the future, when smaller generations and maybe slower growth will diminish the effective contribution collection rates;
5. Supplementary benefits, especially with regard to pensions and health should only come at an additional cost. Therefore, private pension schemes that work almost exclusively on individual savings should be financed only via a top-up of the current contribution rates. This is the only way actually in which they will be able to build up the necessary assets that will allow them to finance the liabilities of tomorrow, which will not be by any means meager. Moreover, a top-up of the contribution rate from which these systems will draw their financial strength will also instill a good measure of responsibility both in the workforce as well as in the business sector. It will also signal financial institutions that will administer these schemes that they do have to really get results and good results, that they have to design investment strategies which will actually both maximize their profits while in the meantime ensure a healthy and abundant flow of liquidities at any time so as to meet their liabilities and actually achieve scale on the market by attracting customers. The top-up of contribution should be coupled with a non-mandatory character of the supplementary schemes. Once they are made mandatory and especially once they are financed via carve-down of the current contribution rate, these institutions will become nothing more than complacent private-behemoths that will ingest funds, will invest them safely but with low rates on returns and will provide individuals who have such high hopes for their arrival with benefits that will merely get them to the same amount which they will have received if they would have contributed only in the old public scheme just with the difference that now it would come from more than one source. Such an outcome needs to be avoided and therefore, a top-up of contribution rates which would instill responsibility both on the demand as well as on the supply side of this market coupled with a non-mandatory character which will induce competition is the way forward. A way that would actually mean combining flexibility with security on the social security markets.

Social security systems are at the core of modern societies in terms of providing them with a cushion in times of need. Societies like the Romanian one, coming after a long and traumatic experience need more than ever to instill stability and predictability as an underpinning not only of human development but of development in general. Without stable, sustainable and robust social security systems, providing adequate benefits financed from well provided resources this stability and predictability will be a dream that will fade away. If such a thing will happen due either to bad management or sheer ignorance or to a mimetic desire to copy some models that do not take into account the specificities of the country, both social inclusion but especially social cohesion will be lost. Social cohesion in Eastern Europe is anyway at low levels due to the legacy of totalitarian regimes that lasted for half a century. The small measure which has been restored to them throughout the years that marked their return to democracy and market economy can be easily lost if social security systems are either neglected or deficiently developed. This is a true challenge for the decade to come and not an easy one. As such we sincerely hope that the agenda above will prove a minimal, broad enough, but nonetheless useful to follow guide.

## CHAPTER 8 - Preparing for the next step – Fostering Human Development via the use of EU Structural Funds

### *8.1. Structural Funds in support of Human Development – lessons from the 10 New Member States*

#### *The operation of Structural and Cohesion Funds*

The Structural and Cohesion Funds are the European Union's main instruments for supporting social and economic restructuring across the EU. They account for over one third of the European Union budget and are used to tackle regional disparities and support regional development through actions including developing infrastructure and telecommunications, developing human resources and supporting research and development. The Structural Funds are monies made available by the European Union and co-funded by Governments and the private sector. From 1 January 2007, within the new programming round for the Structural Funds, they will finance socio-economic development programs designed to help alleviate structural difficulties in the 27 European Union Member States (including Romania and Bulgaria).

For this purpose, a completely new set of regulations governing the operation of the Structural Funds for the 2007-2013 period has been adopted. These new **regulations** introduce some of the biggest changes in the operation of the Structural Funds for more than a decade. The new programs will involve a greater degree of concentration (both geographic and financial) and have more devolved management structures (to regional levels).

During that period, the amount made available by the EU through cohesion instruments will be worth € 308 billion (in 2004 prices). 82% of the total amount will be concentrated on the **“Convergence” Objective**, under which the poorest Member States and regions are eligible. In the remaining regions, about 16% of the Structural Funds will be concentrated to support innovation, sustainable development, better accessibility and training projects under the **“Regional Competitiveness and Employment” Objective**. Another 2.5% finally are available for cross-border, transnational and interregional cooperation under the **“European Territorial Cooperation” Objective**.

The new **European Social Fund (ESF) 2007-2013** will assure a more specific support to human capital. The links between the ESF and the policy framework – the European Employment Strategy – are being reinforced so that the ESF can contribute more effectively to the **employment objectives** and targets of the "Lisbon Strategy for Growth and Jobs". Particular importance is being placed on the strategy's three main objectives of **full employment, quality and productivity at work, social cohesion and social inclusion**.

The new ESF regulation for 2007-2013, which provides a common framework for ESF interventions throughout the Union, is more focused than the former regulation. Throughout the Union, under both the 'Convergence' and the 'Regional Competitiveness and Employment' objectives, the ESF will provide support for anticipating and managing economic and social change. Its intervention will focus on four key areas for action:

- increasing adaptability of workers and enterprises
- enhancing access to employment and participation in the labor market

- reinforcing social inclusion by combating discrimination and facilitating access to the labor market for disadvantaged people
- promoting partnership for reform in the fields of employment and inclusion

In the least prosperous regions and Member States, the Funds will concentrate on promoting structural adjustment, growth and job creation. To this end, under the 'Convergence' objective and in addition to the priorities mentioned above, the ESF will also support:

- efforts to expand and improve investment in human capital, in particular by improving education and training systems
- action aimed at developing institutional capacity and the efficiency of public administrations, at national, regional and local level.

**Social partners** and similar stakeholders have traditionally played an important role in the implementation of ESF interventions. Building on this, the new regulations aim at:

- reinforcing the partnership between the different partners in preparing, implementing and monitoring the strategy, and in programming the interventions supported by the Funds;
- supporting the involvement of the social partners, which is of particular importance in ESF programming and implementation. Under the new 'Convergence' objective, social partners will be encouraged to actively participate in capacity building actions and to undertake joint activities in the policy areas where they play a decisive role (e.g.: lifelong learning, modernization of work organization and tackling the consequences of restructuring).

#### *The challenges of the structural funds - lessons from the 10 New Member States*

These challenges can be summarized in four aspects, and in their light the appropriateness of the programming and implementation documents could be judged. They comprise **competitiveness**, **employment**, **territorial solidarity**, and finally the **capacity to manage the funds**, with its implications in terms of financing and co-financing. These components are the indicators of the coherence and coordination of the programming documents and of the future interventions based on them. The first three challenges - competitiveness, employment and solidarity - were the three objectives aimed at by the strategic documents adopted by the national governments.

Regarding the **competitiveness** this concept has emerged more complex than it appeared at a glance: the entire economy may become competitive, only when its activities are integrated with the international flows and networks due to the appropriate disposal of efficient technologies and the capacity of individuals to produce innovations and to adapt them to certain environments and territories. This applies both to the industrial, agricultural or services business enterprises and to the public policies for employment, these being in charge of providing the qualifications that are required on the market. Such requirements involved a well functioning system of public administration and judicial institutions (competition and taxation), of financial flows, of qualified human resources, and of organized actors (partnerships, associations and networks), quality products and organized territorial entities, efficient infrastructure facilities, access to markets and technologies. Therefore, the competitiveness may appear only when a combination of two factors is accomplished: the concentration of funds and the coordination of different public policies. In this context, competitiveness must be understood as cumulative dynamic process combining the economic policies and employment policies on the one hand and territorial infrastructural measures on the other hand. Consequently, a successful implementation of the Structural Funds, from the point of view of competitiveness, requires a strong coordination at the level of Sectoral Operational Programs (SOPs), especially between the SOP Human Resources and the other SOPs: Competitiveness, Agriculture, Environment, etc. The plans for vocational training implemented via SOP Human Resources must be oriented towards the groups of population

concerned by the other SOPs, not only to assist some disadvantaged categories of population. At this point, the concepts of “marginalization” or “exclusion”, differences between urban and rural areas and the relation between unemployment, social exclusion and poverty must be clarified from the beginning. Otherwise, the coordination at the global level can not be assured, the SOPs will work disconnected from each other and an important growth of competitiveness will be lost.

Concerning **employment**, the challenges in the ten new Member States have been raised by three main facts. The first one refers to the imperative necessity for the responsible authorities to take into account and to address in all the SOPs, especially in the SOP Human Resources, the changes in the structure of the occupied population and consequently to assure the transition of a great number of people from the primary sector to the secondary and tertiary sectors. Since 1990, the population occupied in agriculture, rather than diminishing, was increasing. The industrial lay-offs caused the return to the rural areas of numerous groups of population previously employed in the industry. The hidden unemployment already substantial before 1989 has therefore, increased in the meantime. The second fact was that most of the solutions applied in the old Member States in the nineteen-fifties and sixties could not be applied in the new Member States. The outflow of the population occupied in agriculture to the other sectors was almost stopped. The industrial sector was undergoing a deep restructuring process and tends to be overwhelmed. The tertiary sector claimed qualified workers, who can not be obtained from former peasants. Moreover, the small and medium sized towns were unable to offer jobs to unemployed people, as these have suffered most from the liquidations of enterprises. As a consequence, SOP Human Resources had to apply a broad range of intervention measures financed from the ESF, so as to restructure the holdings, to innovate by promoting alternative occupations, which were specific to rural areas but less linked to agriculture, or rather detached from it. The third fact was that SOP Human Resources had to respond to the imbalance of the labor market, caused by the additional growth of job demand generated by the arrival on the market of numerous groups of young people. The SOP Human Resources was thus compelled to implement a dual strategy of strengthening qualifications to assure the competitiveness on the labor market, and of social protection in order to guarantee the fight against exclusion by supporting centralized policies (for job creation and improving qualifications and skills) and targeted policies (addressing specific groups, rural, youth, women, disabled).

**Solidarity** was currently treated as a remedial measure of the development strategy aiming at reducing the inequalities of growth, most of them caused by the regional imbalances inherited from the communist age, or accumulated after 1990 with the marginalization of certain groups, most often located in certain areas. Redressing the inequalities of growth, did not consist only in delivering assistance to vulnerable groups of population. It also required enhancing competitiveness by supporting economic and social initiatives, public policies of qualification or re-qualification of the labor force, interventions concerning infrastructure. The necessity to consider the regional implications of all the SOPs and to coordinate them with the priorities of the Regional Operational Program (ROP), as the one very explicitly in charge of solidarity through the support granted to regional development was one of the most challenging factors. Analysis of regional needs, potential opportunities and threats was performed within each SOP. In reality, the experience in implementing regional measures has clearly shown that the solidarity is both a question of inter-regional and intra-regional disparities, in other words the inequalities between the urban centers and their peripheries and those existing within the regions, between their centers and their territories may remain unchanged over the period of utilization of the Structural Funds if they are not identified and addressed properly from the programming stage.

**The capacity to manage the funds** is an essential aspect of the structural funds implementation, as was clearly stated in all the programming documents. There is no chance of success without a concentration of a significant number of employees responsible for the

management and follow-up of the interventions supported by a certain SOP, both at ministerial and regional level.

For being able to benefit from the financial assistance granted by the structural instruments, each Member State must put in place and make operational a set of **key institutions**.

**Managing Authority** which is responsible for managing and implementing the operational program in accordance with the principle of sound financial management and in particular for:

- a) ensuring that operations are selected for funding in accordance with the criteria applicable to the operational program and that they comply with applicable Community and national rules for the whole of their implementation period;
- b) verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules adopted by the Commission;
- c) ensuring that there is a system for recording and storing in computerized form accounting records for each operation under the operational program and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- d) ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- e) ensuring that the evaluations of operational programs are carried out in accordance with the rules established by the Commission;
- f) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements;
- g) ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- h) guiding the work of the monitoring committee and providing it with the documents required to permit the quality of the implementation of the operational program to be monitored in the light of its specific goals;
- i) drawing up and, after approval by the monitoring committee, submitting to the Commission the annual and final reports on implementation;
- j) ensuring compliance with the information and publicity requirements;
- k) providing the Commission with information to allow it to appraise major projects.

**Certifying Authority** of each operational program, which is responsible in particular for:

- a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- b) certifying that:
  - (i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
  - (ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the program and complying with Community and national rules;
- c) ensuring for the purposes of certification that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the audit authority;
- e) maintaining accounting records in computerized form of expenditure declared to the Commission;
- f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the operational program by deducting them from the next statement of expenditure.

**Audit Authority** for each operational program, operating according to the internationally accepted audit standards and being responsible in particular for:

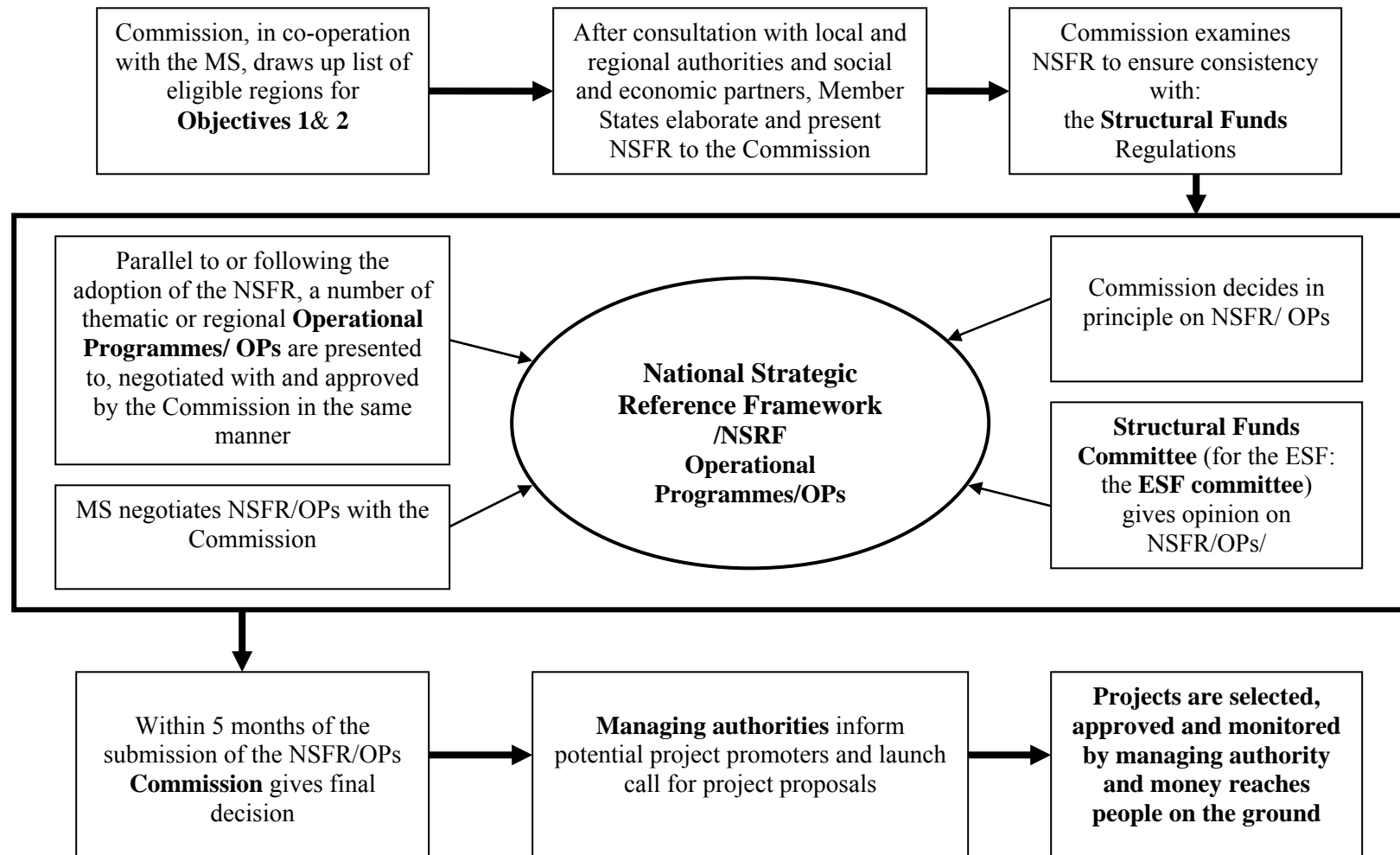
- a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the operational program;

- b) ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- c) presenting to the Commission within nine months of the approval of the operational program an audit strategy covering the bodies which will perform the audits, the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period.
- d) by 31 December each year from 2008 to 2015:
- (i) submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month-period ending on 30 June of the year concerned in accordance with the audit strategy of the operational program and reporting any shortcomings found in the systems for the management and control of the program. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration;
  - (ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;
  - (iii) submitting, where applicable, a declaration for partial closure assessing the legality and regularity of the expenditure concerned.
- e) submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

**Intermediate Bodies** are very important entities for the practical implementation of the Structural Funds and they can be public or private bodies or services acting under the responsibility of a managing or certifying authority, or carrying out duties on behalf of such an authority in relation with the beneficiaries implementing the operations.

In order to ensure the **proper staffing** for each of the above mentioned institutions, new Member States adopted and put in place a so called "Action Plan" providing for a certain number of posts foreseen for the purposes of the Structural funds' management and containing a training needs assessment for the people to be employed. Another equally essential issue related to the management capacity is the **capacity of assuring the required co-financing**. In all new Member States the co-financing issue has raised crucial questions. Based on the budgetary allocations in the last four years before accession aimed at supporting the types of activities assimilated with Structural Funds' interventions, the national authorities estimated the capacity of each ministry to assure the necessary co-financing. After the adoption of Operational Programs (OPs) the specific measures contained in each one of them were taken as a basis for the calculation and the OPs themselves clearly stipulated the source of national budgets allocated to complement the EU funds. Nevertheless, the calculation and the assurance of the private sector and local authorities' contributions to the co-financing raised additional difficulties. However, the central governments should be prepared to support the deficit regions and the communities that cannot provide the required co-financing, especially in regional development measures. For all the above mentioned reasons, the absorption capacity of the Structural Funds still remains an open question.

## How the money reaches people



## ***8.2. The EU Structural Funds – Assessing Romania’s readiness to use the EU Structural Funds***

All the Managing Authorities, Paying Authorities and Intermediate bodies have been established and are operational.

**Ministry of European Integration** was designated as **Managing Authority** for **Regional Development Operational Program**. The Managing Authority was set up as a Directorate General for Regional Development. After accession, this Operational Program will be co-financed from the ERDF.

**Ministry of Labor, Social Solidarity and Family (MoLSSF)** was designated as **Managing Authority** for **Sectoral Operational Program on Human Resources Development (MA SOP HRD)**. This Operational Program will be co-financed from the ESF. The Managing Authority is set up as a directorate general

As regards the **Cohesion Fund**, the **Managing Authority** is the **Ministry of Public Finance (MPF)**. The **Paying Authorities** is the MPF (for the ERDF, ESF, CF) and the Ministry of Agriculture, Forests and Rural Development – Paying and Intervention Agency for the Agriculture, Food and Rural Development (for IFOP and FEOGA).

The **Audit Authority** is organized outside the Court of Accounts as an independent body.

During the accession negotiations Romania committed itself to implement, till accession, an ex-ante control system of tenders, both at the central and at the local level. Thus, the **National Authority for the Regulation and Monitoring of Public Procurement** was set up at central level, subordinated to the Government At the local level, representative from the prefectures will be involved in the tendering procedures and draft contracts will be submitted to the prefects for legality control, prior to notification to the expected contractor.

In general, Managing Authorities are responsible for ensuring the efficient and correct management and implementation of the programs financed from the Structural Funds, with a view to bring the maximum economic benefits to the areas concerned – consistent with horizontal Government policies.

The second-level of the institutional framework having responsibilities in implementing the measures of the Operational Programs (OP), respectively the Intermediate Bodies (IB), has been also set up.

The **eight Regional Development Agencies (RDAs)** are designated as Intermediate Bodies for the implementation of projects under the **Regional Operational Program**. Depending on the types of measures, other Intermediate Bodies could be established. For the **Sectoral Operational Program on Human Resources Development (SOP HRD)**, eight Regional Intermediate Bodies, directly subordinated to the Minister of Labor, Social Solidarity and Family have been established and two at central level: the **National Agency for Employment (NAE)** and the **Ministry of Education and Research (MER)**. As regards the Cohesion Fund, the **Intermediate Bodies** are the **Ministry of Environment and Water Management (MEWM)** and the **Ministry of Transport, Construction and Tourism**.

By the Position Documents of Chapter 21, Regional Policy and Coordination of Structural Instruments, the **Government of Romania committed to ensure the necessary co-financing for structural funds with priority and in full**. As the expected amount for structural and cohesion funds for Romania is of around 6 billions Euro (2007 – 2009) and the EU budget will finance up to 75% of each project, a large amount of co-financing is needed.

In duly justified cases, the central budget will represent a last resort solution for ensuring the co-financing component for certain projects/programs taking into account that Romania is assessing financial alternatives in this matter.

Depending on the particularities of each structural instrument the main sources of co-

financing will be the central budget, local budgets, international financial institutions for development, as well as the private sector, represented by commercial banks and developers of projects.

Romania will ensure the public co-financing from the central or local budgets and, when justified, by contracting loans from the International Financial Institutions.

Government of Romania recognized, in the **National Development Plan 2007-2013**, that a **substantial pipeline of good quality projects with adequate co-financing is vital** to ensure effective absorption of Structural Fund resources and committed to develop a proper project pipeline according to an action plan.

#### **Indicative Financial allocation for Romania from Structural Funds 2007-2013**

**29.2 billion Euro**, out of which:

▪ **12 billion Euro – Common Agricultural Policy**

▪ **17.2 billion Euro – Structural and Cohesion Funds**

**Table 8.1.**

	billions of Euro (at 2004 prices)							
<b>Objective/Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Total</b>
<b>Convergence</b>	782	1.123	1.499	1.773	1.875	1.979	2.083	<b>11.115</b>
<b>Cohesion Fund</b>	419	590	778	915	966	1.018	1.070	<b>5.755</b>
<b>Territorial Cooperation</b>	56	56	56	56	56	56	56	<b>394</b>
<b>TOTAL</b>	1.258	1.769	2.333	2.744	2.898	3.054	3,209	<b>17.264</b>

### ***8.3. Prioritizing the use of Structural Funds for Human Development***

The Sectoral Operational Program Human Resources Development sets **the priority axes and the major intervention areas of Romania** in the human resources field in order to implement the EU financial assistance through the European Social Fund, within the frame of „Convergence” objective, for the programming period 2007-2013.

SOP HRD was elaborated under the coordination of **Ministry of Labor, Social Solidarity and Family**. During the consultations there were involved the Ministry of Public Finance, National Agency of Employment, Ministry of Education and Research, Ministry of Administration and Interior, Ministry of European Integration, National Institute for Statistics, National Institute for Scientific Research in the field of Labor and Social Protection, Anti-Poverty Commission and Promotion of Social Inclusion, National Adults Training Board, National Agency for Equal Opportunities, National Agency for Small and Medium Size Enterprises and Cooperation, other line ministries and agencies. There also took place large consultations with social partners and civil society organizations.

The general objective of SOP HRD is the **development of human capital** and the **increase of its competitiveness** on the labor market, by providing equal opportunities for life-long learning and the development of a modern, flexible and inclusive labor market.

The **specific objectives** can be summarized as follows:

- Increasing the education and vocational training level of the human capital;
- Developing the human resources in the education system;
- Promoting entrepreneurial culture;

- Facilitating the young people insertion in the labor market;
- Developing a modern, flexible, inclusive labor market;
- Promoting (re)insertion in the labor market of inactive people, including in rural areas;
- Improving public employment services;
- Facilitating access to education and in the labor market of the vulnerable groups.

The strategy on human resources development outlined by the SOP HRD is in line with the **Community Strategic Guidelines 2007-2013** and stands as an essential component in reaching the overall community objective for growth and jobs. The strategy will focus on investing in human capital, modernization of education and training systems, increasing access to employment and strengthening social inclusion for vulnerable groups.

**Table 8.2. The relation between the SOP HRD and the CSG 2007-2013**

CSG 2007-2013	Attract and retain more people in employment and modernize social protection systems	and improve adaptability of workers and enterprises and the flexibility of the labor market	Increase investment in human capital through better education and skills	Administrative capacity	Help to maintain a healthy labor force
<b>Priority Axis (PA)</b> <b>PA1</b> <b>Education and training in support for growth and development of knowledge based society</b>	-		<ul style="list-style-type: none"> <li>- Quality education and initial TVET in support for growth and employment;</li> <li>- University education in support for knowledge based society;</li> <li>- Competitive human capital in education and research;</li> <li>- Improving quality in CVT;</li> <li>- The development of the CVT system</li> </ul>		<ul style="list-style-type: none"> <li>- Quality education and initial TVET in support for growth and employment;</li> <li>- Competitive human capital in education and research</li> </ul>
<b>PA 2</b> <b>Linking life long learning and labor market</b>	<ul style="list-style-type: none"> <li>- Transition from school to active life;</li> <li>- Increasing access and participation in CVT.</li> </ul>		<ul style="list-style-type: none"> <li>- Early school leaving and second chance education;</li> <li>- Increasing access and participation in CVT;</li> </ul>		<ul style="list-style-type: none"> <li>- Access and participation in CVT.</li> </ul>
<b>PA 3</b> <b>Increasing adaptability of workers and enterprises</b>		<ul style="list-style-type: none"> <li>- Promoting the entrepreneurial culture;</li> <li>- Promoting specific vocational training;</li> <li>- Developing partnerships and encouraging initiatives for social partners;</li> </ul>		<ul style="list-style-type: none"> <li>- Developing partnerships and encouraging initiatives for social partners</li> </ul>	<ul style="list-style-type: none"> <li>- Training and support for enterprises and employees in order to promote adaptability.</li> </ul>
<b>PA 4</b> <b>Modernization of the Public Employment Service</b>				<ul style="list-style-type: none"> <li>- Strengthening the capacity to provide employment services;</li> <li>- Training for PES staff</li> </ul>	

<b>PA 5 Promoting Active Employment Measures</b>	<ul style="list-style-type: none"> <li>- Developing active employment measures;</li> <li>- Promoting long term sustainability of rural areas in terms of human resources development and employment;</li> </ul>	<ul style="list-style-type: none"> <li>- Promoting long term sustainability of rural areas in terms of HRD and employment.</li> </ul>
<b>PA 6 Promoting Social Inclusion</b>	<ul style="list-style-type: none"> <li>- Improving access to education for vulnerable groups;</li> <li>- Improving access in the labor market for vulnerable groups;</li> <li>- Promote equal opportunities and fight against women's social exclusion</li> <li>- Strengthening delivery capacity of social services;</li> <li>- Trans-national initiatives in the inclusive labor market</li> </ul>	
<b>PA 7 Technical Assistance</b>		<ul style="list-style-type: none"> <li>- Support for SOP HRD implementation, overall management and evaluation;</li> <li>- Support for SOP HRD promotion and communication</li> </ul>

The **Integrated Guidelines for Growth and Jobs (2005-2008)** were also considered in the elaboration the HRD strategy. The Sectoral Operational Program will support the investment in human capital and increasing access to employment by reducing unemployment and inactivity, particularly for groups of people with high potential of being integrated in education and the labor market. Thus, the SOP will have a substantial contribution to attracting of and maintaining as much as possible persons within the active labor market (guidelines 17,18,19,20) and will improve the labor force and enterprises adaptability, in special to be able to respond to permanent introduction of new technologies (guidelines 21, 22).

**Table 8.3.** The relation between the SOP HRD and the integrated guidelines

Priority Axis	PA 1	PA 2	PA 3	PA 4	PA 5	PA 6
<b>Guidelines</b>						
<b>Guideline 17:</b> Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion		◆	◆		◆	◆
<b>Guideline 18:</b> Promote a lifecycle approach to work	◆	◆			◆	◆
<b>Guideline 19:</b> Ensure inclusive labor markets for job-seekers and disadvantaged people				◆	◆	◆

<b>Guideline 20:</b> Improve matching of labor market needs	◆	◆	◆	◆		
<b>Guideline 21:</b> Promote flexibility combined with employment security and reduce labor market segmentation			◆			
<b>Guideline 22:</b> Ensure employment-friendly wage and other labor cost developments			◆			
<b>Guideline 23:</b> Expand and improve investment in human capital	◆	◆	◆		◆	◆
<b>Guideline 24:</b> Adapt education and training systems in response to new competence requirements	◆		◆	◆		

The SOP HRD also supports the Human Resources Development Strategy promoted in the **National Strategic Reference Framework**.

**Table 8.4.** The relation between the SOP HRD priority axis and the strategic areas of interventions in the **NSRF**

SOPHRD Priority Axis	PA 1	PA 2	PA 3	PA 4	PA 5	PA 6
<b>NSRF interventions</b>						
Education and training	◆	◆	◆		◆	◆
Guidance and counseling	◆	◆			◆	◆
Employment and combating unemployment				◆	◆	◆
Adaptability and flexibility	◆	◆	◆		◆	
Social inclusion	◆					◆

### Priority Axes of the SOP HRD

- Priority Axis 1** Education and training in support for growth and development of knowledge based society
- Priority Axis 2** Linking life long learning and labor market
- Priority Axis 3** Increasing adaptability of labor force and companies
- Priority Axis 4** Modernizing the Public Employment Service
- Priority Axis 5** Promoting active employment measures
- Priority Axis 6** Promoting social inclusion
- Priority Axis 7** Technical assistance

### Tasks accomplished

The responsible authorities for SOP HRD implementation were assigned according to the new General Regulation regarding the Structural Instruments

**Managing Authority** – Ministry of Labor, Social Solidarity and Family through the MA SOP HRD, with a role of general coordinator and SOP implementation management.

**Intermediate Bodies** for SOP HRD implementation are the following:

- IB NAE for Priority Axis “Modernization of Public Employment Service”;
- IB MER for Priority Axis “Education and training in support of employment and development of the knowledge based society” and “Linking life long learning and labor market”;
- 8 regional IBs under the subordination of MoLSSF for the Priority Axis “Increasing adaptability of labor force and enterprises”, “Promoting active employment measures” and “Promoting social inclusion”.

The IBs are corresponding to the 8 development regions:

- Region 1 North-East
- Region 2 South-East
- Region 3 South
- Region 4 South-West
- Region 5 West
- Region 6 North-West
- Region 7 Centre
- Region 8 Bucharest-Ilfov

For the **Sectoral Operational Program Human Resources Development** is foreseen an estimated total financial allocation of **3.588 million Euro**, out of which **15% (538 million Euro)** is the **national co-financing** entirely ensured from the **state budget**.

#### 8.4. Agenda for the decade to come

##### What left to be done:

- to continue the process of amending the national legislation on **public procurement** as to completely align it to the *acquis communautaire*, especially from the point of view of the reinforced **administrative and judicial capacity** to apply it;
- to formalize a **closer institutional cooperation** between the central structures involved, between these and the regional ones, the social partners and the civil society;
- to improve the procedures and the administrative capacity in the field of **financial management and control**;
- to finalize the **projects pipeline**, prepare projects and establish the **responsibilities of the beneficiaries**.

Given such context, **the general objective of SOP HRD** is the development of human capital and increasing its competitiveness on the labor market, through ensuring equal opportunities for lifelong learning and the development of a modern, flexible and inclusive labor market that lead, **until 2013**, to the durable employment of **900,000** people.

**Table 8.5. The contribution of the six so called “active” priority axes to the accomplishment of the SOP HRD specific objectives**

Priority Axis	PA 1	PA 2	PA 3	PA 4	PA 5	PA 6
<b>Specific objectives SOPHRD</b>						
Increasing the education and vocational training level of the human capital;	♦	♦	♦			
Developing the human resources in the education system;	♦					
Promoting entrepreneurial culture and improving quality and productivity at work;			♦			
Facilitating the young people insertion in the labor market;		♦			♦	
Developing a modern, flexible, inclusive labor market;				♦	♦	♦
Promoting (re)insertion in the labor market of inactive people, including in rural areas;				♦	♦	♦
Improving public employment services;				♦		
Facilitating access to education and in the labor market of the vulnerable groups.		♦				♦

**Table 8.6.** The results expected to be achieved, in quantitative terms of SOP HRD monitoring indicators, in the fields of **education and training** and **life long learning** linked with the **labor market needs**.

Indicator	Unit	Baseline	Baseline Year	Source	Target (2015)
<b>Outputs</b>					
No. teachers and trainers trained	No.	-	-	MoER/SOP Monitoring Reports	20,000 (10% teaching staff in 2004-2005)
No. of PhD graduates supported	No.	2817	2006	MoER/SOP Monitoring Reports	15,000 (net effect of SOP HRD interventions)
No. of staff trained for quality assurance and management	No.	-	2006	SOP Monitoring Reports	15,000 (about 30% of the estimated need)
No. of guidance counselors trained	No.	-	-	SOP Monitoring Reports	10,000
No. of teachers/researchers receiving additional financial support for starting up their career	No.	-	2006	MoER/SOP Monitoring Reports	10,000 (about 3% of the teachers and researchers in 2004-2005)
Qualifications developed	No.	1000	2006	SOP Monitoring reports	2,500
No. students assisted in transition form university to active life programs	No.	-	-	SOP Monitoring reports	15,000
No. of participants in CVT programs	No.	no centralized data available	to be filled in when SOP finalized	NAE	50,000
No. of participants in career counseling services	No.	no centralized data available	to be filled in when SOP finalized	NAE	30,000
<b>Results</b>					
Students/counselor	Ratio	Over 800	2005	MoER/SOP Monitoring reports	500
Share of the 25-64 year age group population with at least secondary education in the 25-64 years old age group	%	70,5	2004	MoER/SOP Monitoring Reports	80
Share of 22 year olds having achieved at least upper secondary education, in the 25-64 years old age group	%	76,8	2003	Eurostat/SOP Monitoring Reports	85
No. of students graduating second chance education	No.	-	-	SOP Monitoring reports	15,000
Reduction in early school leaving	%	23,6	2006	MoER – Education report/SOP Monitoring reports	18
Increase in participation rate in education of 15-24 years age group	%	48,53	2004-2005	NIS/SOP Monitoring reports	55
Participation rate in education and training for adults (25 - 64 years old)	%	1,5	2004	NIS	10
The share of enterprises providing and supporting CVT for their own staff	%	11	1999	SMIS/ Monitoring reports	20

In the same time, SOP HRD will provide support for **increasing the adaptability of labor force and companies**, by intervening in the following key areas:

- Promoting entrepreneurial culture;
- Training and support for enterprises and employees to promote adaptability;
- Development of partnerships and encouraging initiatives for social partners

A qualitative analysis can reveal as a result of this intervention a significant increase, by 2015, of:

- Rate of enterprises participating in training as a percentage of total stock of active enterprises
- Gross birth rate of new enterprises as a percentage of total stock of active enterprises
- Number of newly born enterprises in year “n” that are still active in year “n+3”.

SOP HRD will support the **modernization of the Public Employment Service**, by intervening in the following key areas:

- Strengthening the public employment service capacity for providing employment services;
- Training of PES staff.

**Table 8.7 . The expected results can be estimated as follows:**

Indicator	Target (2015)
number of staff trained	2.500 persons
number of analysis and forecasts carried out on the labor market issues	56 studies at regional/local level
number of employment agencies providing "self-service" type services	100 employment agencies
share of trained staff obtaining a certificate	80%
share of unemployed benefiting of "self-service" type services	90% of total unemployed persons registered at the respective employment agency
share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure	30%

SOP HRD will also support the **promotion of active employment measures**, by channeling the financial assistance along the following directions:

- Developing and implementing active employment measures;
- Promoting long term sustainability of rural areas in terms of human resources development and employment.

As a result of this intervention a significant increase is expected to be gradually registered, by 2015, in:

- Number of participants in active employment measures
- Number of participants from rural areas in the integrated programs
- Number of formerly inactive persons activated on the formal labor market
- Number of rural residents who changed their main occupation from subsistence farming to services and new industries
- Rates of employment and activity;
- Regional and rural/urban convergence in terms of activity, employment and unemployment rates

**Promoting social inclusion** is another priority axis of the SOP HRD, which will focus the financial support on:

- Developing social economy;
- Improving the access and participation for vulnerable groups to the education system and labor market;
- Promoting equal opportunity on labor market;
- Trans-national initiatives on inclusive labor market.

This intervention will allow reaching continuously, by 2015, a major improvement in:

- Number of training programs for vulnerable groups
- Number of training programs for professionals from the filed
- Number of specific new jobs created for vulnerable groups
- Number of collective enterprises set up at community level
- Employment rate among people identified in the target groups
- Number of training/retraining programs implemented and available for vulnerable groups
- Number of integrated social services delivered to target groups.

## **CHAPTER 9:**

### **Seizing the Moment - Romania's Human Development Agenda for the Decade to Come**

With its entry into the European Union on January the 1<sup>st</sup> 2007, Romania turns the page over a tortuous, turbulent and equally unhappy page of its brief but rich in events modern history. By entering a prosperous club of nations it folds into the pages of the history books a chapter that has been highly unfavorable for human development. In the meantime, it closes a vast loop of more than half a century or the equivalent of 40% of its modern history, which spans over less than 150 years and which has been marked by human sufferance, violence, destruction of its cultural heritage and an economic development that actually led the country into underdevelopment, not closing but widening the gap that separates it from the developed West of the European Continent.

But closing a page does not mark an end on the contrary it only marks a beginning, as another page opens, a page which waits being written and written for human development first and foremost.

The entry into the European Union has been greeted with sparkles of joy by a population of 21.7 million, which, like the inhabitants of other Central and Eastern European Countries, have seen in their countries' EU Accession an end to their seemingly unending insecurity, unpredictability and instability all of which have for so long hampered their development perspectives. These huddled masses do not necessarily yearn for the bonanza of the European Funds which anyway Romania, alike with the other countries in the region will not have the capacity to spend and use at their full during the initial years of membership, given their meager administrative capacity, the frailty of their business environment and most of all the intrinsic limitation of their markets, but they for surely crave for the stability and predictability that are associated, at least at common knowledge level with membership of the Union, essentially a club of consolidated, mature democracies.

As such, while in the years to come, European Funds will provide an important vehicle that will foster to a higher extent human development, it is the domestic resources of the country which have to be harnessed by decision makers and stakeholders alike and harnessed they will have to be, into a coherent project, as they will yield the most tangible benefits for individuals, business and communities alike. It is therefore in the inner, untapped potential of the nation, a nation which has yet to open itself fully to continental and world markets, that the key to future human development, on a sustainable, long-term basis can be found.

Romania and its sibling countries in the still poorer but dynamic East of the now enlarged Union have missed what France, a founding nation of the Union, calls "les trente glorieuses", or in other words the decades of explosive economic and to a large extent human development that followed in the immediate aftermath of WW-II. This miss is now reflected in the gap that separates all these countries, Romania included to the highest and most painful extent, from the living standards and human development levels enjoyed by their fellow Europeans, sometimes living only a day's bus drive away.

However, the moment is ripe and the chance is at hand. Romania alike all the countries in the east have the opportunity to seize the moment and leapfrog ahead. Nevertheless, the seizure has to be done now, at the onset of the process so as to make it matter for the largest of masses possible and capitalize on their Euro-enthusiasm. Therefore, we do believe that for the decade to come, a decade that will be crucial for Romania and its people and for their future as a modern, dynamic, open European nation, capable of fully

internalizing the benefits of Union membership, following at least in its broad lines the tentative Human Development Agenda outlined below, will be highly beneficial:

**1. *Entrenching political stability and macro-economic predictability*** – This is a prerequisite for sustainable economic development that will bring human development at its full. People yearn for stable laws and rules and for a stable and Government, both at national as well as at local and regional level two tiers that have been for too long neglected but which have to grow in importance as they are closest to people. For this to happen institutions have to become more transparent, decisions have to reflect the agenda of individuals, households and business and not of a superposed elite. Voting mechanisms have to ensure the accountability of the elected officials to the highest extent possible while the public service has to become fully professional and out of the realm of political, partisan influences. Building an independent and professional public service, dedicated not to serving political partisan interests but the interest of the general public will do more for the entrenchment of stability and predictability than any kind of sophisticated innovation. In the meantime, the principle of subsidiarity has to become the cornerstone of all actions, thus ensuring that administrative mechanisms do not get blocked under the glut of un-necessary regulation and that problems that can be solved locally are solved locally or regionally while only matters of the most general interest will reach to the national or Union level. Power has to be brought to the people, as they know the value of stability and predictability for human development. Devolution of powers and the consolidation of professional public administration outside the control of political parties are in this respect the main vehicles. They will also help consolidate the confidence of the masses into state machineries and thereby fill in the still partly empty shell of a young democracy. This will finally make the Romanian democracy inhabited and ruled by individuals holding parliamentary democracy and the rule of law at the core of their own set of individual values and this will mean that human development, will in the end, have a solid foundation;

**2. *Fostering and maintaining high growth rates for a long period to come so as to boost quality job creation as a basis for sustainable human development*** – The Romanian economy is growing now at rates that by far outpace not only the growth rates of the old EU but are also among the highest in the Central and Eastern European region and given both the size of its economy and population are actually THE highest. As it grows from an extremely low base and as it has a lot of catch-up to do for the years of missed development under communism, the economy will continue to grow stronger for the years to come, without endangering by this price stability as stronger growth will actually bring more competition to a market that has yet to open itself fully. This will mean that more investment will pour into the country if the proper fiscal (i.e.: maintaining the flat income tax rate for at least a decade to come) and salary policies (i.e.: increasing the statutory minimum salary only in line with lowering inflation and not bowing to corporatist pressures that try to lock-in the gains for the insiders of the labor market) will be pursued. Higher investment will mean a higher current account deficit which might endanger the country's target of joining the EURO sometime in the decade to come after 2010 by this target does not have to be normative. Joining the EURO a little bit later will not harm the country's growth perspectives but trying to stop investment and consumption which are the two essential ingredients for strong growth will harm human development which cannot flourish in a stagnant economy. The Romanian economy alike with the economies of the other Central European countries come after half a century of missed or misguided development so they need to grow strongly at rates consistent with positive Output Gap. Although a positive Output Gap is usually associated with a higher inflation, thus again endangering the target of joining the EURO area at a preset and maybe

much too early date one does not have to forget that stronger demand, while stoking inflation also increases competition thus putting the brakes on prices via market rather than regulatory mechanisms. Moreover, strong growth means that more and more jobs will be created in the real economy, that higher value added sectors will start to emerge as stronger demand will push this to happen and this finally will give a chance to the country to develop its own comparative advantages and nurture its own “national champions”. Crowning these achievements will be the fact that jobs in the public service will no longer be the object of political patronage and rent-seeking as they will cease to be the only quality job-opportunities for entire communities and this will make the build-up of a genuinely professional public service possible. Thus a virtuous circle, whereby strong growth helps in propping up political stability and predictability by directly contributing to a better government while government ceases being the only quality job provider thus removing political pressure on the public service and getting it truly in the service of the public, is finally initiated. This, will be a great gain for human development and for its sustainability;

**3. Redressing the imbalances of the labor market, re-engineer active labor market policies and make work pay so as to turn labor market policies into a tool for social inclusion and cohesion** – Currently the Romanian labor market suffers from huge imbalances. Migration for employment abroad is high, thereby sending shock waves into strong growing sectors which feel the shortage of qualified labor. In the meantime, unemployment is low and effectiveness of active labor market policies dismal as people feel and see that public employment services are simply unable to cope with the dynamics of the market. To top it up, salaries are still too low and thus employment opportunities on the domestic market unattractive for their largest part. Quality of jobs leaves a lot to desire, fact which increases the pressure on public service jobs thereby giving scope to political patronage and undermining the already low confidence of individuals and business in the capacity of the administration. This situation is not conducive for human development and thereby it has to change and be changed. The only way to do it is to encourage more investment and to turn an economy that is excessively vulnerable into a solid one, capable of competing on the world and continental markets while in the meantime having a strong domestic market. Developing this market is the key to it all. Without a domestic market and without strong market actors, anchored into the domestic economic landscape, sustainable development and especially sustainable human development will not succeed. The economy has to increase its openness but together with it comes increased vulnerability. If the domestic market is dominated by foreign actors alone, no matter how much expertise and capital they will bring, this will all flee at the slightest sign of volatility or when business interest will tell them move away for higher profit margins, which is just legitimate. To prevent this to happen and thus to lock in the gains of strong growth and greater openness thereby ensuring a steady and ample supply of quality jobs on the market, jobs which will not flee at the first signs of volatility, the country will have to foster its own national champions. This will not mean in any way giving leeway to the dark forces of protectionism but investing stronger in R&D and turning inherent comparative advantages, long dormant into competitive advantages. It is from here that national champions will spring up, thus steadily increasing the supply of quality jobs and reducing the long-term vulnerability of the economy. This will create a strong platform for human development as it will create a strong domestic market underpinning a dynamic and attractive domestic labor market while enhancing the openness of the economy;

Active labor market policies on the other hand which up until now have been mired into the realities of Plan to Market Transition have to undergo a total revamp. They have to orient themselves not only towards labor demand but even more towards labor supply. As the unemployment insurance fund which is their main source of financing retains and strengthens

its contributive character, the contributions will have to benefit more the contributors. Thus supplementing the unemployment benefit with a system of vouchers so as to enhance both its link with contributions actually paid while in the meantime not discouraging the active search for jobs will instill new life in an otherwise dormant, ineffective system. This will squarely mean that insured individuals will be able to make their own active, creative choices and use unemployment spells so as to revamp their qualifications, improve their skills or discover new ones that will enable them to continue their journey on a changing labor market up to an as higher age-limit as possible. Freedom of choice for the insured individual will mean competition in between providers of active labor market measures while also ensuring to employers a flexible, well-adapted, competitive labor force. In the meantime, such a free choice system will boost the confidence of the individual into the public social insurance schemes which will not longer be viewed as a fiscal burden but as an investment which will eventually pay off in times of need;

**4. Channeling investment into life-long learning and education towards the long-neglected fundamentals while reducing state presence and allowing for more private sector presence and more competition in higher education** – The current education system is ill-performing. Higher demand for graduates has not made it more competitive but on the contrary it has created room for corruption has lowered the standards and made hypertrophy its main disease. Higher education concentrates usually on the broad subjects where costs are lower and thus is flooding the market with graduates that are hardly able to find job not mentioning the fact that they are actually ill-trained and ill-equipped for the market. The state dominates the market for education and has even expanded its higher education network thereby suffocating the private sector. Moreover, state systems and private ones are duplicating one another instead of trying to find their own niches so as to benefit development. As such, a change of direction is absolutely necessary. The state has to go more towards those subjects and specialties that are hard to cover by the private sector due to their high costs but which are nevertheless a necessity for the country's future development. By doing this and concentrating its higher education investment on the more specific, narrow, technical subjects while leaving the broader subjects for the private sector, public authority will foster both investment human development in areas that are strategic priorities thus contributing to the creation of national champions and the possible capitalization of comparative advantages. As such, less state universities, but more state polytechnics, will mean that public investment in education will start being channeled towards the country's strategic needs of human development while in the meantime competition will be fostered on the education market without quality-diminishing distortions, leaving the broader subjects for the private universities. As such, a genuine, market instead of administratively forged private-public partnership in education and life-long-learning will at last start taking hold;

**5. Diversifying social security systems so as to provide socio-economic stability and underpin a cohesive, all-inclusive society** – The current social security systems have weathered transition pretty well. Nevertheless, as the country goes into a new economic territory, that of fast growing emergent market economy, member of an affluent club and as the population itself and enterprises alike are starting to enjoy this new prosperity, these systems too need to undergo an overhaul. This is even more the fact as from mere tools of ensuring a meager survival in times of need or after reaching a premature age of retirement in an environment plagued by misery they will have to turn into tools of ensuring an as higher replacement rate as possible of work-derived income while in the meantime being conducive for an as long-as-possible active life in the context of a diminishing and longer-living population. Thus the need to diversify. However, diversification will come at a cost. This cost

does not have to be hidden from the future beneficiaries by short-term vagaries. Better insurance and higher replacement rates ask for higher contributions. These higher contributions will nurture higher benefits in the old age or in times of need and they will allow for individuals to develop themselves in stability and security, knowing that they will be well provided when they will choose to make an end to their active life or when they will be unable to continue it. In the meantime, diversification will have to mean that there will be something in for everybody. Less affluent and more affluent alike will have to find something suitable in the basket of social security. Thereby, while the top-up of contributions, especially to pensions systems but also to health insurance and why not even to unemployment insurance system will have to sustain the supplementary, though not necessarily mandatory, insurance systems for the well-earning ones, basic PAYG contributive systems will have to continue their life and be well provided with resources from consistent contributions so as to ensure adequate benefits to those that also work but earn less. Finally, non-contributive, publicly managed systems will have to emerge so as to provide for the most destitute of the society. In the end, sustainable human development, which is a long-term process, spanning through decades to come, will be not be well served by systems that just diversify for the sake of diversification or just in order to ensure that the burden on state finances will diminish, as there are plenty of other ways of doing this. The pressure of demography though strong is not necessarily irreversible. Given the proper conditions and especially given more stability and predictability, which does not mean paternalism, population growth will return. However, until this will happen one has to ensure that large generations that now provide the bulk of the workforce and contribute to the nation's reconstruction will have adequate pensions and adequate health insurance while in the meantime taking care that social security systems will not simply shift their current liabilities into the future but they balance them so as to ensure sustainability and above all robustness, with the latter being a prerequisite in an increasingly open but also increasingly volatile global economy;

#### ***6. Turning the comparative advantage of natural factor into a competitive advantage –***

Up until now Romania has been searching for a competitive advantage of its own. Long decades of economic destruction that have left its agriculture and environment in shambles have also left long lasting scars on its people. Transition with the restitution of properties and the industrial restructuring have symbolized the beginning of a long-awaited return to normality. But this is not nearly enough. Human development means also recovering a long-lost past, which serves as a powerful anchor for people but more than that, it means making bold inroads into the future. Romania has a natural factor of tremendous potential for the development of agriculture and not of any kind of agriculture. Eco-farming on a large scale means that Romania can offer Europe an ample, diversified and still cheap supply of healthy food. In the meantime, Romanian rural areas, with proper investment, for which European funds but also national well channeled funds will make a difference can provide the continent with model for alternative, healthy, environmental friendly living, away from the polluted over-congested cities. On top of all, with its sunny climate, large arable surfaces, fact which distinguishes it from the much sunnier but also much rockier Mediterranean belt of the EU, Romania and its agriculture can become a prime provider of bio-fuels, thus giving the continent a viable alternative in this respect and contributing not only to its environmental clean-up but also to its security build-up in an increasingly unsafe world. Add to this Romania's know how, capacities and still significant reserves of fossil fuels and there is the ingredient for strong economic development, environment friendly and human development conducive growth. This is because healthy food coming cheap and thereby available mostly to the needy, untainted by pollution living conditions and a safe, steady, secure and environment friendly energy production are not luxury items for the affluent few but the very basics f

human development, for the many, including most of all the many that are still needy in the New Member States of the Union;

**7. Starting to tackle migration on a coherent basis and preparing for a multi-cultural, all-embracing society** – Migration, one has to admit it, is a novel challenge for the Romanian society never before encountered at such a scale in its entire history. However, novel as it is, it is here to stay for while from now. Romanians will continue to migrate and in significant numbers as long as the gap between wages on the national market and wages on markets that are day's bus drive away will remain significant. This will start posing problems for the domestic market though they will not become acute for some years to come as there is still an ample supply of labor. Nevertheless, if national champions are not fostered, if agriculture is not turned into a competitive advantage and if investment in education, especially public one, is not channeled towards specific areas that can assist in developing the country's comparative advantages this ample supply will turn just nominal. However while good retention policies, the development of rural areas and others can help to stem migration they will not manage to stop it and stemming it does not have to become an objective. The shortages on the labor market, as they will appear will have to be filled in by immigration. Initially, when established as a nation state in mid-nineteenth century in the narrow extra-Carpathian territories, Romania has been largely a mono-cultural society. With the end of WW-I this has ceased as newly added territories, while boasting a strong Romanian majority also brought a multi-cultural character never witnessed before by the Romanian nation-state. This has proved enriching. As Romania enters the E.U. it not only joins a rich and stable club of capitalist democracies but is also rejoins the maybe not-so-vast in size but nevertheless immensely diverse multi-cultural area of Europe. Therefore, migration policies which are integral to human development policies must not only look at retention of valuable labor force but also at the integration of equally valuable immigrants which, will help Romania's economy in maintaining high growth rates for, why not, its own "*trente glorieuses*". If this will mean that Romania will turn into a multi-cultural society this does not have to be feared on the contrary it has to be welcome as good news. After all, it is this multi-cultural character that gave and still gives THE EDGE in Human Development to the Old Continent;

**8. Projecting Human Development – The way for the future** – After the 1989 anti-communist revolution, the projects of rebuilding a democracy, Re-constructing a market economy and finally joining the NATO and ultimately the European Union, have galvanized the nation enabling it thus to hold strongly the helm while sailing the stormy waters of Plan to Market Transition. However, now that all these projects are completed and after so much of a torment it is inherently risky that a feeling of fatigue might overtake the nation alike with all the nations in the New Member States. If this feeling of fatigue is allowed to develop it will only add to the so-called enlargement fatigue and Euro-skepticism that already pervade the "old member states" thus creating the greatest of dangers to the European construction as a whole. For this to be avoided, Romania needs to come out with a new project galvanizing the nation's forces for the decade to come. As the largest nation in a region that still yearns for stability, commanding both the approaches to the Western Balkans but mostly to the Black Sea, Romania can use its inherent advantages and become a Regional POWERHOUSE FOR HUMAN DEVELOPMENT. It is in its capabilities to fulfill and Project Human Development to a region that badly needs it. As such, it will contribute not only at the creation of a safer neighborhood area for the EU at its Eastern frontier but it will also open the window of human development to smaller nations in the region, particularly to the kindred state of the Republic of Moldova, unfortunately still Europe's poorest nation, all them which can benefit from Romania's experience and know-how and all of which still have to muddle through

shady, murky geopolitical waters. This sort of Black Sea Human Development Cooperation Initiative will mean not only more stability in general for the region, but also safer alternative routes for energy supplies, better managed migration flows, a concerted action for a cleaner environment in the Black Sea basin, opening the region for more tourism and business and finally, turning what was for so long just an exclusive, one-power backwater into a Multicultural Hub between Europe and Asia.

**It is as such the firm belief of the authors of this Human Development Report that EU Accession should represent not only a moment of political history but also a moment that will swing open the large window of human development for a nation that has a lot to offer to the Old Continent. Reaching to the full extent of the priorities listed above will show All Romanians that their development as individuals, as humans genuinely MATTERS, while in the meantime the development of their nation MATTERS FOR EUROPE as a whole, as much the furthering of the European Construction, which makes for THE CORNERSTONE OF HUMAN DEVELOPMENT OF THE CONTINENT, matters for EACH AND EVERY NATION AND CITIZEN of this now already mature but nevertheless GROWING FAMILY!**

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## METHODOLOGICAL NOTES

# 1. CALCULATION OF SYNTHESIS HUMAN DEVELOPMENT INDICATORS

1.1. HUMAN DEVELOPMENT INDEX (HDI) is a synthesis of human development through three indicators of three major dimensions:

- *Longevity* – measured by life expectancy at birth;
- *education level* – measured by weighted mean between population literacy rate (with a share of 2 thirds) and gross enrolment ratio – primary, secondary and tertiary schools combined (one third);
- *living standard* – measured by GDP per capita at PPP US\$.

Taking into account the real values of the indicators and their extreme values (established by UNDP), the specific index for every one of the three dimensions of human development are calculated as follows:

$$I_S = \frac{V_{real} - V_{min}}{V_{max} - V_{min}}$$

where:

- $I_S$  – specific index;
- $V_{real}$  – real value of the indicator;
- $V_{min}$  – minimum value;
- $V_{max}$  – maximum value.

The GDP index is calculated as the difference between logarithmic values.

Extreme values used in the calculation of HDI

indicator	maximum value	minimum value
• life expectancy at birth (years)	85	25
• adult literacy rate (%)	100	0
• gross enrolment ratio (%)	100	0
• PIB/capita at PPP	40000	100

HDI is calculated as an arithmetic mean of specific indexes:

$$HDI = \frac{I_{LE} + I_E + I_{GDP}}{3}$$

## HUMAN DEVELOPMENT INDICATORS – ROMANIA, 2005

### 1.1. HUMAN DEVELOPMENT INDICATOR (HDI)

Indicator's values:

- Life expectancy = 71,8 years
- literacy rate = 97,5%
- enrolment ratio = 72,9%
- GDP per capita at PPP = 9045 \$ US

Calculation of specific indicators

#### a. life expectancy indicator ( $I_{LE}$ )

$$I_{LE} = \frac{71,8 - 25}{85 - 25} = 0,780$$

#### b. education indicator ( $I_E$ )

##### b1. literacy indicator ( $I_L$ )

$$I_L = \frac{97,5 - 0,0}{100,0 - 0,0} = 0,975$$

##### b2. gross enrolment ratio indicator ( $I_e$ )

$$I_e = \frac{72,9 - 0,0}{100,0 - 0,0} = 0,729$$

Combining the two – the education index is obtained:

$$I_E = \frac{2 \times I_L + I_e}{3}$$

$$I_E = \frac{2 \times 0,975 + 0,729}{3} = 0,893$$

#### c. GDP indicator ( $I_{GDP}$ )

$$I_{GDP} = \frac{\log 9045 - \log 100}{\log 40000 - \log 100} = 0,752$$

Human Development Indicator Calculation

$$HDI = \frac{0,780 + 0,893 + 0,752}{3} = 0,808$$

**1.2. GENDER DISPARITY INDEX (GDI)** adjusts the medium level of human development according to gender differences on the three major dimensions of HDI.

The calculation of GDI is done in three steps:  
a. calculation of specific indexes gender disaggregated ( $I_F$ ,  $I_M$ ), according to the following formula:

$$I_{F/M} = \frac{V_{real} - V_{min}}{V_{max} - V_{min}}$$

where:

$I_{F/M}$  – index specific for female/male;  
 $V_{real}$  – real value of the indicator;  
 $V_{min}$  – minimum value;  
 $V_{max}$  – maximum value.

b. and c. calculation of indexes for level of education and living standard equally distributed:

$$I_R = \left[ \%P_F \times I_F^{1-\varepsilon} + \%P_M \times I_M^{1-\varepsilon} \right]^{\frac{1}{1-\varepsilon}}$$

where:

$\%P_F$  and  $\%P_M$  – proportion of female/male in the total population  
 $\varepsilon = 2$

Extreme values<sup>80</sup> of indicators used in calculating GDI

indicator	maximum value	minimum value
• life expectancy at birth (years)		
- female	87,5	27,5
- male	82,5	22,5
• adult literacy rate (%)	100	0
• gross enrolment rate (%)	100	0
• PIB/capita at PPP	40000	100

Calculation of GDI – as arithmetic mean of indexes equally distributed:

$$GDI = \frac{I_{LED} + I_{ED} + I_{ID}}{3}$$

$I_{LED}$  – life expectancy index equally distributed;  
 $I_{ED}$  – education index equally distributed;  
 $I_{ID}$  – income index equally distributed

<sup>80</sup> Established by UNDP

## 1.2. GENDER DISPARITY INDEX (GDI)

The values of indicators used:

- Life expectancy:
  - female = 75,5 years
  - male = 68,2 years
- Literacy rate (%):
  - female = 96,5
  - male = 98,5
- Enrolment ratio (%):
  - female = 75,0
  - male = 70,8
- GDP per capita at PPP = 9045 \$ US
- Total population = 21,6 million
  - female = 11,1 million
  - male = 10,5 million
- Proportion within total population (%):
  - female = 51,2
  - male = 48,8
- Proportion within total active civilian population (%):
  - female = 46,9
  - male = 53,1

### a. life expectancy index equally distributed ( $I_{LED}$ )

#### a1. life expectancy index – gender ( $I_{LEG}$ )

$$\text{female } I_{LEF} = \frac{75,5 - 27,5}{87,5 - 27,5} = 0,800$$

$$\text{male } I_{LEM} = \frac{68,2 - 22,5}{82,5 - 22,5} = 0,762$$

#### a2. life expectancy index equally distributed

$$I_{LED} = \left[ 0,512 \times 0,800^{-1} + 0,488 \times 0,762^{-1} \right]^{-1} = 0,781$$

### b. education index equally distributed ( $I_{ED}$ )

#### b1. literacy rate index ( $I_{LG}$ )

$$\text{female } I_{LF} = \frac{96,5 - 0,0}{100,0 - 0,0} = 0,965$$

$$\text{male } I_{LM} = \frac{98,5 - 0,0}{100,0 - 0,0} = 0,985$$

#### b2. gross enrolment ratio index gender disaggregated ( $I_{eg}$ )

$$\text{female } I_{ef} = \frac{75,0 - 0,0}{100,0 - 0,0} = 0,750$$

$$\text{male } I_{em} = \frac{70,8 - 0,0}{100,0 - 0,0} = 0,708$$

#### b3. education index indexed ( $I_{EG}$ )

$$\text{female } I_{EF} = \frac{2 \times I_{LF} + I_{ef}}{3} = \frac{2 \times 0,965 + 0,750}{3} = 0,893$$

For calculating  $I_{VR}$  are firstly obtained:

c1. Share of income coming from remunerated work ( $I_F$ ), using the ratio between mean salary earned by women ( $W_F$ ) and that earned by men ( $W_M$ ) from non-agricultural activities and the proportion of women, and afterwards that of men, in the total active civilian population, as following:

$$I_F = [(W_F / W_M) \times \%F] / [(W_F / W_M) \times \%F + \%M]$$

where:

$I_F$  – share of income coming from remunerated work – for women;

$\%F$  – proportion of women in total active civilian population;

$\%M$  – proportion of men in total active civilian population.

c2. Total GDP - gender disaggregated and of GDP/capita is obtained as following:

Total GDP at PPP = GDP/capita x P (total population)

Total female GDP =  $I_F$  x total GDP at PPP

Total male GDP = Total GDP at PPP - Total female GDP

Female GDP/capita = Total female GDP /  $P_F$

Male GDP/capita = Total male GDP /  $P_M$

c3. Income index indexed gender disaggregated ( $I_{IF}$ , and  $I_{IM}$ ) is calculated as the difference between logarithmic values of Female GDP/capita, Male GDP/capita.

Income index indexed equally distributed is calculated as follows:

$$I_{ID} = \left[ \%P_F \times I_{VF}^{1-\varepsilon} + \%P_M \times I_{VM}^{1-\varepsilon} \right]^{1-\varepsilon}$$

$$\text{male } I_{EM} = \frac{2 \times I_{LM} + I_{em}}{3} = \frac{2 \times 0,985 + 0,708}{3} = 0,893$$

Education index equally distributed

$$I_{ED} = \left[ 0,512 \times 0,893^{-1} + 0,488 \times 0,893^{-1} \right]^{-1} = 0,893$$

**c. income index equally distributed ( $I_{ID}$ )**

**c1.** Index of the share of income coming from remunerated work – for women ( $I_f$ )

$$I_F = \frac{0,863 \times 0,469}{0,863 \times 0,469 + 0,531} = 0,433$$

**c2.** GDP - gender disaggregated

total GDP at PPP = 9045 x 21,6 millions = 195588 million

total female GDP = 0,433 x 195588 = 84690 million

total male GDP = 195588 – 84690 = 110898 million

$$GDP / \text{person female} = \frac{84690}{11,1 \text{ million}} = 7643 \$ \text{ at PPP}$$

$$GDP / \text{person male} = \frac{110898}{10,5 \text{ million}} = 10518 \$ \text{ at PPP}$$

**c3.** Income index indexed gender disaggregated ( $I_i$ )

$$\text{female } I_{IF} = \frac{\log 7643 - \log 100}{\log 40000 - \log 100} = 0,724$$

$$\text{male } I_{IM} = \frac{\log 10518 - \log 100}{\log 40000 - \log 100} = 0,777$$

**Income index** equally distributed

$$I_{ID} = \left[ 0,512 \times 0,724^{-1} + 0,488 \times 0,777^{-1} \right]^{-1} = 0,749$$

**Calculation of gender disparity in human development index**

$$GDI = \frac{0,781 + 0,893 + 0,749}{3} = 0,808$$

### 1.3. GENDER EMPOWERMENT INDEX (GEI)

is calculated on the basis of explicitly defined variables which measure women's opportunities to participate in the political and economic decision making, but also in ensuring economic resources.

Gender distribution of Parliamentary seats is used to show *participation to political decision making*.

For showing the *participation to decision making and activity in economy*, gender disaggregated proportion are used:

- Total number of managers and office holders in public administration and socio-economic units;
- Total number of specialists with intellectual and scientific professions.

*Participation to ensuring economic resources* is calculated on the basis of GDP/capita - gender disaggregated.

For the first two fields "equivalent proportion equally distributed" is calculated (PEER) using the following formula:

$$PEER = \left[ \%P_F \times \%PS_F^{1-\varepsilon} + \%P_M \times \%PS_M^{1-\varepsilon} \right]^{\frac{1}{1-\varepsilon}}$$

where:

$\%P_F$  and  $\%P_M$  – proportion of female/male population in the total population;

$\%PS_F$  and  $\%PS_M$  – proportion for each field - gender disaggregated.

For the adjusting according to gender disparities, as in the case of GDI, a weighted formula is applied that uses the  $\varepsilon$  parameter ("of aversion" towards inequality, equal to 2).

The equivalent proportion equally distributed (PEER) is afterwards indexed according to the formula:

$$PEER : 50$$

This indexation is based on the hypothesis that in an ideal society women's participation to decision making is equal to men's participation to decision making.

*Calculation of IPF has three stages:*

*a. participation to political decision making index ( $I_{DP}$ )* is calculated starting from equivalent proportion equally distributed for both genders regarding representation in Parliament (PEER).

$$PEER = \left[ \%P_F \times \%R_F^{1-\varepsilon} + \%P_M \times \%R_M^{1-\varepsilon} \right]^{\frac{1}{1-\varepsilon}}$$

where:

$\%R_F$  and  $\%R_M$  – proportion of women in Parliament, and of men in Parliament

$$I_{DP} = PEER : 50$$

*b. participation to economic decision making index ( $I_{DE}$ )* is calculated as follows:

### 1.3. GENDER EMPOWERMENT INDEX (GEI)

*Indicators' values:*

- total population = 21,6 million
  - female = 11,1 million
  - male = 10,5 million
- proportion within total population
  - female = 51,2%
  - male = 48,8%
- proportion in Parliament
  - female = 10,5%
  - male = 89,5%
- proportion of managers and office holders in public administration and socio-economic units
  - female = 28,6%
  - male = 71,4%
- proportion of specialists with intellectual and scientific professions
  - female = 52,9%
  - male = 47,1%
- proportion within active civilian population
  - female = 46,9%
  - male = 53,1%
- GDP per capita at PPP = 9045 \$ US
- Proportion of mean women's salary in the mean men's salary in the non-agricultural sector = 86,3%

*The stages of calculating the women's participation to economic and social activities are the following:*

#### *a. participation to political decision making index ( $I_{PD}$ )*

$$PEER = \left[ 0,512 \times 10,5^{-1} + 0,488 \times 89,5^{-1} \right]^{-1} = 18,45$$

$$I_{PD} = \frac{18,45}{50} = 0,369$$

#### *b. participation to economic decision making index ( $I_{EDM}$ )*

**b1.** managers and office holders in public administration and socio-economic units ( $I_C$ )

$$PEER = \left[ 0,512 \times 28,6^{-1} + 0,488 \times 71,4^{-1} \right]^{-1} = 40,43$$

$$I_M = \frac{40,43}{50} = 0,809$$

**b2.** specialists with intellectual and research professions ( $I_S$ )

$$PEER = \left[ 0,512 \times 52,9^{-1} + 0,488 \times 47,1^{-1} \right]^{-1} = 49,90$$

$$I_S = \frac{49,90}{50} = 0,998$$

*Calculation of IPF continues the next page*

$$PEER = \left[ \%P_F \times \%C_F^{1-\varepsilon} + \%P_M \times \%C_M^{1-\varepsilon} \right]^{\frac{1}{1-\varepsilon}}$$

where:

$\%C_F$  and  $\%C_M$  – proportion of women and of men in this group of professions

$$I_M = PEER : 50$$

b2. for specialists with intellectual and research professions ( $I_S$ ):

$$PEER = \left[ \%P_F \times \%S_F^{1-\varepsilon} + \%P_M \times \%S_M^{1-\varepsilon} \right]^{\frac{1}{1-\varepsilon}}$$

where:

$\%S_F$  and  $\%S_M$  – proportion of women and of men in this group of professions

$$I_S = PEER : 50$$

The mean of the two indexes that regard the two groups of professions represents the participation to economic decision making index ( $I_{DE}$ )

$$I_{EDM} = \frac{I_M + I_S}{2}$$

c. *income index equally distributed* ( $I_{ID}$ )

$I_{ID}$  is calculated after the same algorithm used when calculating GDI, as follows:

$$\begin{aligned} \text{Female GDP/capita} &= \text{Female total GDP} / P_F \\ \text{Male GDP/capita} &= \text{Male total GDP} / P_M \end{aligned}$$

Income index indexed, gender disaggregated ( $I_{IF}$ , and  $I_{IM}$ ), is calculated as the difference between Female GDP/capita, Male GDP/capita, not of logarithmic values:

$$I_{ID} = \left[ \%P_F \times I_{IF}^{1-\varepsilon} + \%P_M \times I_{IM}^{1-\varepsilon} \right]^{\frac{1}{1-\varepsilon}}$$

*GEI is calculated as an arithmetic mean of indexes equally distributed.*

$$GEI = \frac{I_{PD} + I_{EDM} + I_{ID}}{3}$$

Participation to economic decision index

$$I_{EDM} = \frac{0,809 + 0,998}{2} = 0,903$$

c. *Income index equally distributed* ( $I_{VR}$ )

$$GDP / \text{person female} = \frac{84690}{11,1 \text{ million}} = 7643 \$ \text{ at PPP}$$

$$GDP / \text{person male} = \frac{110898}{10,5 \text{ million}} = 10518 \$ \text{ at PPP}$$

Income index indexed, gender disaggregated ( $I_i$ )

$$\text{female } I_{IF} = \frac{7643 - 100}{40000 - 100} = 0,189$$

$$\text{male } I_{IM} = \frac{10518 - 100}{40000 - 100} = 0,261$$

*Income index equally distributed*

$$I_{ID} = \left[ 0,512 \times 0,189^{-1} + 0,488 \times 0,261^{-1} \right]^{-1} = 0,218$$

*Calculation of participation of women to social and economic life index*

$$GEI = \frac{0,369 + 0,903 + 0,218}{3} = 0,497$$

**1.4.HUMAN POVERTY INDEX (HPI)** synthesizes the deprivations which take place on four dimensions of human life, reflected in the human development index:

- *longevity* - proportion of the population not expected to survive the age of 60 years ( $P_1$ );
- *education level* – proportion of adult (15 years and above) illiterate population - ( $P_2$ );
- *minimum life standard* – the proportion of people living under the poverty line established at 60% from the available per one adult equivalent median income din ( $P_3$ );
- *social exclusion* – measured by long term unemployment rate – 12 months and above ( $P_4$ ).

For calculating the *human poverty index* the following formula is used:

$$HPI = \left[ \frac{1}{4} (P_1^3 + P_2^3 + P_3^3 + P_4^3) \right]^{\frac{1}{3}}$$

#### 1.4.HUMAN POVERTY INDICATOR (IS)

*Indicator's values:*

- proportion of the population not expected to survive the age of 60 years = 18,7%
- illiteracy rate = 2,5%
- proportion people living under poverty = 18,2%
- unemployment rate = 3,78%

*Calculation of poverty indicator*

$$HPI = \left[ \frac{1}{4} (18,7^3 + 2,5^3 + 18,2^3 + 3,78^3) \right]^{\frac{1}{3}} = 14,67$$

*Note: For great precision, the calculation of the indexes was done with many decimals. This is why the results are not the same as the ones obtained in the end – round numbers.*

## 2. DATA SOURCES

The paper comprises a set of indicators which measure different aspects of human development. Most of the data are from the data bases of the National Institute for Statistics. For some indicators the data comes from the Ministry of Public Finance, the Ministry of Health, the Ministry for Education and Research, The Ministry of Labour, Social Solidarity and Family, the Ministry of Justice and other governmental institutions. The data are relevant for evaluating human development both at a national and regional level.

## 3. DEFINITION FOR SOME HUMAN DEVELOPMENT INDICATORS

**Beneficiaries of unemployment benefit** (according to Law nr. 1/1991 regarding social protection of the unemployed and professional reintegration according to Law nr. 76/2002 regarding social insurance system for the unemployed and employment stimulation) – persons who's employment contract was cancelled at the initiative of the economic unit for reasons that can't be imputed to them or at the initiative of the employee, if by getting hired again they do not interrupt seniority, persons employed with work contract on a determined period of time, graduates aged at minimum 18 years who in 60 days after graduation were not employed and benefited from vocational integration allowance and other categories stipulated in laws, who request unemployment benefit.

**Beneficiaries of support allowance** (according to Law nr. 1/1991 regarding the social security of the unemployed and their professional reintegration) – persons who have benefited from unemployment benefit and who, because they lack the means of maintaining themselves, receive financial support (support allowance) until they find a job, but not for longer than 18 months after the legal period of receiving unemployment benefit has expired.

**Average daily food consumption per inhabitant** – the food products that may be fully consumed (edible parts) in average per day per inhabitant.

**Total consumption expenditures** - all expenditures made by the population for current consumption needs (food products, non-food goods, services) which are already being consumed and the equivalent value of human consumption of agro-food products from household own resources.

**Average school period** – average of years of formal education for persons aged 15 years and over.

**Household** – group of two or several persons regularly living together, usually relatives and jointly managing the household (contributing to supplying and consuming of food and other essential goods),

participating entirely or partly to the incomes and expenditures budget. Persons living alone are considered households with one person. The categories of households were determined on the declared occupational status of the head of the household.

**Adult literacy rate** - percentage of people aged 15 and over having attended or graduated school, or able to read and write without having graduated school, out of the total population of 15 and over.

**Total fertility rate** – mean number of children that one woman would give birth to, if the current model of fertility were to maintain itself.

**Total abortion rate** - mean number of abortions that a woman would have in her fertile period, if the current abortion frequency were to last.

**Pre-primary education** - initial stage of organized instruction; level 0 according to the International Standard Classification of Education (ISCED 0).

**Primary education** – education at first level (ISCED 1), the main function of which is to provide basic education.

**Lower secondary education** – at second level (ISCED 2), based on at least 4 years of education and upper secondary education, at third level (ISCED 3): high school, vocational and apprenticeship education, ensuring general and/or specialized education.

**Post secondary and tertiary education** - education at levels 4 and 5 (ISCED 4, 5): where the admission is conditioned by graduation of secondary education.

**Dwelling** – housing unit with one or more rooms to live in, which usually has amenities or other spaces, functionally independent, having a separate own entrance and which was built, transformed or arranged with the aim to be used, in principle, by a single household.

**Population with sustained access to utilities** – persons from households who occupy dwellings which have installations and public or private utilities (inside the dwelling or the building).

**Economically active population** – persons able to work and who constituted the available labour force for producing goods and services in the national economy (during the reference period). It comprises the employed and the unemployed.

**Employed persons** – persons aged 15 years and over who perform an economic activity producing goods and services of at least one hour (for self-employed and contributing family workers from agriculture, the minimum duration is 15 hours) in the reference period, in order to get income as salary, payment in kind or other benefit.

**Employed civilian population** - persons who perform paid activity in one of the branches belonging to the national economy, carrying out an economic or social activity on the basis of an employment contract or on own account (self-employed) in order to get income as salary, payment in kind etc. (excluding armed forces).

**Inactive population (non-economically active)** - persons, no matter the age, who are not performing a social or economic activity and are not searching for a job but are in one of the following situations: pupils/students, pensioners, housewives, supported by the state or other people or who support themselves with incomes that do not come from work (rent, interest etc.).

**Gross Domestic Product (GDP)** – main indicator of the National Accounts System which measures the final results of the activities which took place in residential good and services producing units. It is calculated based on the methodology of the European Accounts System 1995 (EAS '95). Data for years 2004 and 2005 are semi-final.

**GDP per capita at PPP US dollars** – using official exchange rates for converting the national currency in US\$ can't measure the purchasing power of the money inside the country. Therefore GDP per capita in US\$ was calculated using as a factor for converting the purchasing parity power, which resulted from multilateral comparison papers for 1996, 1999 and 2002 during the European Comparison Program.

**Demographic dependency ratio** – ratio between dependent population (under 15 years and 65 and above) and the population of working age (aged 15- 64 years).

**Economic dependency ratio** – inactive population and the unemployed per 1000 employed persons.

**Gross enrollment rate** – number of students enrolled in a certain education level, whether or not they belong in the relevant age group for that level, as a percentage of the total population of the relevant age group for that level.

**Replacement of labour force rate** – population under the age of 15 years as compared to one third of the population aged 15- 59 years.

**Mortality rate** – number of deaths per 1000 inhabitants.

**Infant mortality rate** – number of deaths of children under the age of 1 year per 1000 live births.

**Maternal Mortality rate** – number of deceased women due to complications during pregnancy or birth per 100000 live births.

**Birth Rate** – number of live births per 1000 inhabitants.

**Absolute poverty rate** – proportion as against total population of persons from households where the consumption expenditures per one equivalent adult are below the income poverty line defined by the cost of a

basket of products (foods, non-foods and services) considered the minimum necessary for consumption needs. The foods component (the food threshold) was estimated in order to ensure the daily necessary calories contribution - 2550 calories/equivalent adult.

*Severe poverty line /threshold* was calculated by summing up the food component and the cost of non-food products and services consumed by households whose total consumption expenditures are equal to the food threshold.

*Total poverty line /threshold* was calculated by summing up the food component with the cost of goods and services consumed by households whose food consumption equals the food threshold.

**Relative poverty rate** – proportion as against total population of persons from households living on less than 60% of the median adjusted disposable household income per equivalent adult.

**Unemployment rate** – ratio between number of unemployed and active population (unemployed plus employed population).

**Employment rate of labour force resources** represents the ratio between the employed civilian population and the total labour force resources.

**Labour force resources** – that part of the population who has the physical and intellectual abilities which allow it to work in one of the branches of the national economy. It comprises the population of working age, as well as economically active persons who have crossed the working age limit.

**Life expectancy at birth** – number of years that an infant would be expected to live if the current mortality rate is maintained.

**Population natural increase** – number of live births minus number of deaths.

**Registered unemployed** – persons aged 18 and above, able to work, that can't be hired because of lack of available jobs (Law nr. 1/1991 republished in 1994 and Law nr. 76/2002 regarding the social insurance system for unemployed and the employment stimulation) and who have registered themselves to the territorial agencies for employment.

**Unemployed who benefit from financial support** are persons registered at the territorial agencies for employment (registered unemployed) beneficiaries of unemployment benefit, vocational integration allowance or support allowance according to Law nr. 1/1991 and unemployment indemnity according to Law nr. 76/2002.

**Unemployed who do not benefit from financial support** – persons registered at the territorial agencies for employment who do not benefit from financial unemployment benefit or support allowance according to Law nr. 1/1991 or from unemployment indemnity according to Law nr. 76/2002.

**Unemployed according to ILO<sup>\*)</sup>** – persons aged 15-74 years, who in the reference period fulfill the following conditions simultaneously:

- have no job and do not carry out an activity in order to get income;
- are in search of a job, using active methods in the last 4 weeks to find one;
- are available to start work in the next 2 weeks, if they find a job at once.

**Labour force participation rate** of the working age population (15-64 years) – ratio between active working age population and total working age population.

**Underemployed persons** – persons having a job (are employed), but who have worked irrespective of their willingness less than the usual work duration and who wish, are searching and are available in the next 2 weeks to work more hours.

**Discouraged persons** - inactive persons, available for work in the next 2 weeks and who have declared they are in search of a job in the last 4 weeks, but who have done nothing in this respect or do not search for a job because of the following reasons:

- they believed there were no vacant jobs or they did not know where to look;
- they do not feel skilled enough;
- they think they will not find a job because of their age or because they have previously searched and not found a job.

**Gross disposable income of households**- comprises the gross surplus from the exploitation of this institutional sector plus net incomes from redistribution process.

**Total households incomes** include monetary incomes and in-kind incomes (evaluated in lei).

In-kind incomes are including:

- the equivalent value of the consumption of food and non-food products from household own resources (from production, stocks, work, received as gifts etc.);
- equivalent of payment in goods obtained by the employees of the household and the beneficiaries of social work, evaluated at the daily prices (excluding salary rights which are paid with goods).

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<sup>\*)</sup> According to the International Labour Office criteria.

#### 4. CONTRIBUTION OF THE K, L AND TFP FACTORS TO ECONOMIC GROWTH IN ROMANIA THROUGHOUT PLAN TO MARKET TRANSITION .

##### *The methodology of measurement*

**Q= efficiency\*combined input level**

**TFP - the total factor of productivity;**

**Qt=AtF (Kt, Lt) <sup>1</sup>**

Q= aggregate production

K=capital input services level

L=labour input services level

A<sup>1</sup>=efficiency level, a TFP measure

t=time

F= production function with one solution, (F'<sup>></sup>0)

The equation presented above, through the differentiation in terms of time and division to Q becomes, in the instantaneous increase expressions:

$$Gr(Q)=Gr(A)+PMK(K/Q)*Gr(K)+PML(L/Q)*Gr(L)$$

**The capital distribution rate** equals, in the case of perfect competition, the capital marginal productivity, and it respectively presents the interest increase rate:

$$S_K = PMK \left( \frac{K}{Q} \right)$$

**The labour distribution rate** equals, in the case of perfect competition, the labor marginal productivity, and it respectively represents the actual salary increase rate:

$$S_L = PML \left( \frac{L}{Q} \right)$$

This rate S<sub>L</sub> was calculated using two methods:

**(variant 1):**  $S_L=Rs/Q+(Q-R)*R/Q^2$

where: Q=actual GDP

R =employees' remuneration (billion ROL constant prices)

**(variant 2):**  $S_L=(R/L_{Sal}*L)/Q$

where: Q=actual GDP

R = employees' remuneration (billion ROL constant prices)

L<sub>Sal</sub> = Number of employees (thousands of persons)

$$S_K+S_L=1 \Rightarrow S_K=1-S_L$$

**The actual economic growth after Törnqvist's equation (the translog index), for the period [t-1: t] becomes:**

**Gr(Q)=ln(Q<sub>t</sub>)-ln(Q<sub>t-1</sub>)**

Gr(L)=ln(L<sub>t</sub>)-ln(L<sub>t-1</sub>) average increase rate for factor L, for the period [t-1:t]

Gr(K)=ln(K<sub>t</sub>)-ln(K<sub>t-1</sub>) average increase rate for factor K, for the period [t-1:t]

According to certain authors:

**Gr(Q) = GTFP + S<sub>K</sub>\*Gr\*(K)+S<sub>L</sub>\*Gr\*(L) Ψ GTFP = Gr(Q)-S<sub>K</sub>\*Gr\*(K)-S<sub>L</sub>\*Gr\*(L) = Gr(Q)- 1/2(S<sub>Kt</sub>+S<sub>Kt-1</sub>)Gr(K<sub>t</sub>)- 1/2(S<sub>Lt</sub>+S<sub>Lt-1</sub>)Gr(L<sub>t</sub>)**

where: S<sub>K</sub>=1/2(S<sub>Kt</sub>+S<sub>Kt-1</sub>) and S<sub>L</sub>=1/2(S<sub>Lt</sub>+S<sub>Lt-1</sub>)

And if we note down Q\* as the theoretical value of production, calculated with the Cobb-Douglass production function, then the rate of using the capacity V(t) can be expressed in the following ratio: actual value / theoretical value

$$V(t) = \frac{Q}{Q^*} = \frac{\text{actual value}}{\text{theoretical value}}$$

$$Gr(V) = \ln(V_t) - \ln(V_{t-1})$$

K, L \_ ct

$$G(TFP) = Gr(V) + R_{SET}$$

$$R_{SET} = G(TFP) - Gr(V)$$

**Q= efficiency\*combined input level**

???= TFP \*combined input level;

**Qt=AtF (Kt, Lt)<sup>1</sup>**

Q= aggregate production

K=capital input services level

L=labor input services level

A<sup>1</sup>=efficiency level, a TFP measure

t=time

F= production function with one solution, (F'<sup>1</sup>>0)

The equation presented above, through the differentiation in terms of time and division to Q becomes, in the instantaneous increase expressions:

$$Gr(Q)=Gr(A)+PMK(K/Q)*Gr(K)+PML(L/Q)*Gr(L)$$

**The capital distribution rate** equals, in the case of perfect competition, the capital marginal productivity, and it respectively presents the interest increase rate:

$$S_K = PMK \left( \frac{K}{Q} \right)$$

**The labour distribution rate** equals, in the case of perfect competition, the labor marginal productivity, and it respectively represents the actual salary increase rate:

$$S_L = PML \left( \frac{L}{Q} \right)$$

This rate S<sub>L</sub> was calculated using two methods:

**(variant 1):**  $S_L=Rs/Q+(Q-R)*R/Q^2$

where: Q=actual

R=employees' remuneration (billion ROL constant prices)

**(variant 2):**  $S_L=(R/L_{sal}*L)/Q$

where: Q=actual GDP

R = employees' remuneration (billion ROL constant prices)

L<sub>sal</sub> = Number of employees (thousands of persons)

$$S_K+S_L=1 \Rightarrow S_K=1-S_L$$

**The actual economic growth after Törnqvist's equation (the translog index), for the period [t-1: t] becomes:**

$$Gr(Q)=\ln(Q_t)-\ln(Q_{t-1})$$

Gr(L)=ln(L<sub>t</sub>)-ln(L<sub>t-1</sub>) average increase rate for factor L, for the period [t-1:t]

Gr(K)=ln(K<sub>t</sub>)-ln(K<sub>t-1</sub>) average increase rate for factor K, for the period [t-1:t]

According to certain authors:

$$Gr(Q) = GTFP + S_K * Gr^*(K) + S_L * Gr^*(L) \quad \Psi \quad GTFP = Gr(Q) - S_K * Gr^*(K) - S_L * Gr^*(L) = Gr(Q) - 1/2(S_{Kt} + S_{Kt-1})Gr(K_t) - 1/2(S_{Lt} + S_{Lt-1})Gr(L_t)$$

where:  $S_K=1/2(S_{Kt}+S_{Kt-1})$  and  $S_L=1/2(S_{Lt}+S_{Lt-1})$

And if we note down Q\* as the theoretical value of production, calculated with the Cobb-Douglass production function, then the rate of using the capacity V(t) can be expressed in the following ratio: actual value / theoretical value

$$V(t) = \frac{Q}{Q^*} = \frac{\text{actual value}}{\text{theoretical value}}$$

$$Gr(V) = \ln(V_t) - \ln(V_{t-1})$$

K, L \_ ct

$$G(TFP) = Gr(V) + R_{SET}$$

$$R_{SET} = G(TFP) - Gr(V)$$

## A. NATIONAL HUMAN DEVELOPMENT INDICATORS

### *Symbols used in tables*

- ... = missing data
- = not the case

**Table A.1. Human Development Index (HDI)**

	1998	1999	2000	2001	2002	2003	2004	2005
Gross Domestic Product (GDP) per capita in:								
- thousands lei - current prices	16611.2	24300.0	35826.4	52109.4	69500.6	90903.1	113719.9 <sup>*)</sup>	13320.8 <sup>*)</sup>
- PPP US \$ purchasing power parity <sup>81)</sup>	6153	5441	5750	6232	7017	7561	8439 <sup>*)</sup>	9045 <sup>*)</sup>
Adult Literacy Rate (%)	97.1	97.0	97.0	97.2	97.3	97.3	97.4	97.5
Gross enrolment rate at all education levels (%)	63.9	64.9	66.5	68.3	70.2	71.6	72.0	72.9
Life expectancy at birth (years)	69.2	69.7	70.5	71.2	71.2	71.0	71.3	71.8
Index								
- Gross Domestic Product (GDP)	0.688	0.667	0.676	0.690	0.709	0.722	0.740	0.752
- Education	0.860	0.864	0.868	0.876	0.883	0.887	0.889	0.893
- Life expectancy	0.737	0.745	0.758	0.770	0.770	0.767	0.772	0.780
<b>Human Development Index (HDI)</b>	<b>0.762</b>	<b>0.759</b>	<b>0.767</b>	<b>0.779</b>	<b>0.787</b>	<b>0.792</b>	<b>0.800</b>	<b>0.808</b>

**Table A.2. Gender Disparity Index in the Human Development (GDI)**

	1998	1999	2000	2001	2002	2003	2004	2005
Life expectancy at birth (years)	69.2	69.7	70.5	71.2	71.2	71.0	71.3	71.8
- female	73.3	73.7	74.2	74.8	74.9	74.8	75.1	75.5
- male	65.5	66.1	67.0	67.7	67.6	67.4	67.7	68.2
Adult Literacy Rate (%)	97.1	97.0	97.0	97.2	97.3	97.3	97.4	97.5
- female	95.6	95.6	95.5	96.0	96.3	96.3	96.4	96.5
- male	98.7	98.7	98.6	98.5	98.4	98.4	98.5	98.5
Gross enrolment rate at all education levels (%)	63.9	64.9	66.5	68.3	70.2	71.6	72.0	72.9
- female	64.8	65.9	67.8	69.8	72.0	73.4	73.9	75.0
- male	63.1	64.0	65.3	66.8	68.5	69.8	70.2	70.8
Gross Domestic Product (GDP) per capita in PPP US\$ <sup>1)</sup>								
- female	4975	4586	4890	5235	5883	6205	7117 <sup>*)</sup>	7643 <sup>*)</sup>
- male	7382	6334	6649	7276	8205	8984	9827 <sup>*)</sup>	10518 <sup>*)</sup>
<b>Gender Disparity Index (GDI)</b>	<b>0.761</b>	<b>0.758</b>	<b>0.765</b>	<b>0.778</b>	<b>0.787</b>	<b>0.791</b>	<b>0.800</b>	<b>0.808</b>

**Table A.3. Gender Empowerment Index (GEI)**

	1998	1999	2000	2001	2002	2003	2004	2005
Proportion of women in Parliament (%)	5.6	5.6	9.7	9.7	9.7	9.7	10.7	10.5
Proportion of women managers and officials in general government and economic (and social) units (%) <sup>82)</sup>	24.2	24.6	28.3	31.7	29.9	29.0	28.9	28.6
Proportion of women specialists with intellectual and scientific occupations (%) <sup>2)</sup>	49.7	49.9	50.3	50.3	48.4	49.0	50.4	52.9
Proportion of women in the total population (%) <sup>2)</sup>	51.1	51.1	51.1	51.1	51.2	51.2	51.2	51.2
Proportion of women in the active civilian population (%) <sup>83)</sup>	47.2	48.0	48.3	48.3	47.9	47.0	47.2	46.9
Share of women's average earning in the men's average earning, in non-agricultural activities (%)	78.5	81.9	82.3	80.6	81.8	81.7	85.1	86.3
Gross Domestic Product (GDP) per capita, in PPP US\$ <sup>1)</sup>	6153	5441	5750	6232	7017	7561	8439 <sup>*)</sup>	9045 <sup>*)</sup>
<b>Gender Empowerment Index (GEI)</b>	<b>0.405</b>	<b>0.401</b>	<b>0.460</b>	<b>0.474</b>	<b>0.475</b>	<b>0.477</b>	<b>0.495</b>	<b>0.497</b>

<sup>81)</sup> 1999, 2002 - as results of European Comparison Programme (ECP);  
1998 - estimations on the bases of ECP 1996;  
2000, 2001 - estimations on the bases of ECP 1999;  
2003, 2004, 2005 - estimations on the bases of ECP 2002.

<sup>82)</sup> Data are provided by the Labour Force Survey (LFS), quarters IV - 1998-2005. Starting with 2002, data were estimated based on the results of Population and Housing Census (PHC 2002) and are not comparable with previous series due to revision of definitions applied.

<sup>83)</sup> Data are provided by Labour force balance.

<sup>\*)</sup> Semifinal data (2005 in lei RON).

**Table A.4. Human Development Profile**

	1998	1999	2000	2001	2002	2003	2004	2005
Life expectancy at birth (years)	69.2	69.7	70.5	71.2	71.2	71.0	71.3	71.8
Population per physician	530	486	490	479	476	463	450	456
Average daily consumption per capita <sup>84)</sup>								
- calories	2959	2981	3020	3092	3179	3233	3350	3394
- proteins (g)	97.5	96.6	94.7	97.6	103.3	106.8	112.3	112.2
Gross enrolment rate at all education levels (%)	63.9	64.9	66.5	68.3	70.2	71.6	72.0	72.9
Gross enrolment rate in tertiary schools <sup>85)</sup> (%)	25.4	28.0	31.9	35.1	38.9	41.2	43.2	47.5
Employees in research and development								
- total, persons	57125	48113	37241	37696	38433	39985	40725	41035
out of which, researchers:	30723	26492	23179	23597	24636	25968	27253	29608
- researchers per 1000 inhabitants	1.37	1.18	1.03	1.05	1.13	1.19	1.26	1.37
Television sets per 1000 inhabitants	247.8	259.4	270.8	292.2	327.7	366.3	415.8	454.7
Gross Domestic Product (GDP) per capita, in PPP US\$ <sup>86)</sup>	6153	5441	5750	6232	7017	7561	8439 <sup>*)</sup>	9045 <sup>*)</sup>

**Table A.5. Deprivations in Human Development**

	1998	1999	2000	2001	2002	2003	2004	2005
Children aged 7-14 years who are not enrolled (%)	10.5	11.0	7.7	11.2	10.8	10.7	11.0	8.9
Proportion of the illiterate adult population (%)	3.0	3.0	3.0	2.8	2.7	2.7	2.6	2.5
Mortality rate								
- infant mortality (la 1000 live births)	20.5	18.6	18.6	18.4	17.3	16.7	16.8	15.0
- 0-4 years per 1000 inhabitants	5.0	4.6	4.5	4.2	4.0	3.9	4.0	3.7
- maternal (per 100000 live births)	40.5	41.8	32.8	34.0	22.3	30.6	24.1	16.7
Proportion of overweight new live births (%)	9.0	8.7	8.9	8.8	9.0	9.5	9.5	8.4
<b>Registered unemployed<sup>1)</sup></b>								
Number of unemployed	1025056	1130296	1007131	826932	760623	658891	557892	522967
Unemployment rate (%)	10.4	11.8	10.5	8.8	8.4	7.4	6.3	5.9
Women unemployment rate (%)	10.4	11.6	10.1	8.4	7.8	6.8	5.6	5.2
Proportion of women in the total of unemployed persons (%)	47.3	46.9	46.8	46.1	44.6	43.4	42.0	41.9
Proportion in the total number of registered unemployed (%):								
- beneficiaries of unemployment benefit <sup>2)</sup>	39.3	34.2	30.5	38.3	28.1	44.7	40.4	41.1
- beneficiaries of support allowance	38.1	39.5	38.9	34.6	16.2	0.2	*)	*)
- beneficiaries of compensatory payment as stipulated by the Government Ordinance nr. 98/1999	-	3.5	5.3	0.6	0.9	0.2	0.3	*)
Unemployed who do not receive any financial support	22.6	22.9	25.3	26.5	54.8	54.8	59.3	58.8

<sup>84)</sup> Data for years 2002-2005 are not comparable with the ones from previous period because were computed based on population (July, 1<sup>st</sup>) established according with the results of Population and Housing Census (PHC 2002).

<sup>85)</sup> Including post high school and foreman education.

<sup>86)</sup> 1999, 2002 - as results of European Comparison Programme (ECP);

1998 - estimations an the bases of ECP 1996;

2000, 2001 - estimations an the bases of ECP 1999;

2003, 2004, 2005 - estimations an the bases of ECP 2002.

<sup>\*)</sup> Semifinal data.

<sup>1)</sup> Unemployed registered at the Agencies for Employment, at the end of the year.

<sup>2)</sup> Including vocational integration allowance.

Unemployed ILO <sup>3)</sup>	1998	1999	2000	2001	2002	2003	2004	2005
Number of unemployed	773028	822007	777768	719743	790232	650836	800818	665828
Unemployment rate (%)	6.8	7.2	6.8	6.4	8.0	6.7	8.1	6.8
Women unemployment rate (%)	6.5	6.7	6.1	5.6	7.2	6.1	7.1	6.1
Proportion of young persons (under 25 years) in the total number of the unemployed (%)	44.6	38.9	37.4	36.5	32.9	29.7	30.8	30.3
Proportion of women in the total number of unemployed (%)	42.8	42.0	40.8	39.6	40.4	40.3	39.7	40.1

Inflation	1998	1999	2000	2001	2002	2003	2004	2005
Average Annual Rate of Inflation (%)	59.1	45.8	45.7	34.5	22.5	15.3	11.9	9.0

**Table A.6. Health**

	1998	1999	2000	2001	2002	2003	2004	2005
Mortality rate (per 100000 inhabitants) causes:								
- diseases of the circulatory system	738.6	737.0	701.8	710.6	767.9	762.1	734.8	753.8
- neoplasm	174.6	176.7	184.0	190.8	198.2	201.0	203.0	207.7
- diseases of the respiratory system	70.8	74.4	66.1	62.9	70.3	64.7	63.1	61.7
Infant mortality rate (per 1000 live births)	20.5	18.6	18.6	18.4	17.3	16.7	16.8	15.0
Maternal mortality rate (per 100000 live births)	40.5	41.8	32.8	33.8	22.3	30.6	24.1	16.7
Proportion of children aged 5 and more with no chances of getting to be 60 years old	20.9	19.9	18.5	17.5	18.0	18.2	17.8	17.1
New cases of infections and parasitic diseases <sup>87)</sup> (per 100000 inhabitants):	3403.6	3005.1	3330.0	4325.9	4060.0	4262.4	4494.6	3818.2
- out of which: tuberculosis	101.2	104.1	105.5	115.3	121.9	116.1	114.3	105.7
AIDS Cases (per 100000 inhabitants)	30.4	33.4	36.4	38.3	40.9	42.6	44.1	45.4
- out of which: children	26.3	28.4	30.3	31.5	32.9	33.3	33.5	33.6
Population per physician	530	486	490	479	476	463	450	456
Population per ancillary medical person	183	189	188	186	176	180	178	175
Hospital beds (per 1000 inhabitants)	7.3	7.3	7.4	7.5	7.5	6.6	6.6	6.6
Medical examinations per inhabitant in medical clinics	2.3	2.2	2.2	2.5	2.7	2.7	3.1	3.2
Number of private health care units:								
- surgeries	3637	3820	4698	5220	5758	6445 <sup>88)</sup>	7209 <sup>2)</sup>	7464 <sup>2)</sup>
- dentists' surgeries	2973	3405	3937	4140	4536	4934	5282	5746
- medical labs <sup>89)</sup>	1337	1510	1699	1695	1593	1608	1726	1945
- pharmacies and pharmaceutical offices	3605	3859	4214	4254	4261	4392	4860	5279
Public expenditure on health , % out of GDP	3.1	3.9	4.0	1.9	3.8	3.8	3.4	3.8
Average annual consumption <sup>90)</sup> of alcohol (litters alcohol 100% /inhabitant)	8.1	7.3	7.3	9.9	10.8	9.6	9.8	8.1

<sup>3)</sup> According to the International Labour Office (ILO) criteria – as the results of the Household Labour Force Survey (HLFS), quarter IV -1998-2005. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002) and are not comparable with previous series due to revision of definitions applied.

<sup>\*)</sup> Not significant data.

<sup>87)</sup> From medical clinics.

<sup>88)</sup> General, speciality, family medicine surgeries and other types or surgeries.

<sup>89)</sup> Medical and dental technique labs.

<sup>90)</sup> Available for consumption in alcohol equivalent 100%.

**Table A.7. Education**

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Gross enrolment rate (%) in:</b>								
- primary education	99.8	100.1	100.3	104.0	103.7	109.1	107.9	106.1
- lower secondary education	94.3	93.9	94.7	92.1	93.7	93.5	94.0	97.4
- upper secondary education <sup>91)</sup>	67.8	69.4	71.7	75.1	75.0	74.7	76.6	75.2
- tertiary education <sup>92)</sup>	25.4	28.0	31.9	35.1	38.9	41.2	43.2	47.5
<b>Gross enrolment rate (%) in pre-primary education (%)</b>	<b>64.2</b>	<b>65.2</b>	<b>66.1</b>	<b>67.5</b>	<b>71.0</b>	<b>71.8</b>	<b>73.0</b>	<b>74.7</b>
<b>Rate of continuation into upper secondary education (%)</b>	<b>95.9</b>	<b>92.5</b>	<b>92.6</b>	<b>94.2</b>	<b>91.9</b>	<b>96.2</b>	<b>96.5</b>	<b>95.4</b>
<b>Number of pupils and students per:</b>								
- 100 persons aged 6-23 years	63.9	64.9	66.5	68.3	70.2	71.6	72.0	72.9
- 1000 inhabitants	178.0	176.4	176.3	175.8	177.4	176.5	173.4	171.7
<b>Number of pupils/students per teacher/professor in:</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>16</b>	15	15
- primary education	19	19	18	17	17	17	17	17
- lower secondary education	12	13	13	12	12	12	11	11
- upper secondary education <sup>1)</sup>	13	13	13	14	15	16	16	15
- tertiary education <sup>2)</sup>	17	19	21	22	21	21	22	23
<b>Students in secondary technical education as share of total enrolment in upper secondary education (%)</b>	<b>67.4</b>	<b>62.6</b>	<b>63.9</b>	<b>64.1</b>	<b>64.4</b>	<b>64.9</b>	<b>64.8</b>	<b>64.9</b>
<b>Students in technical universities as share of total number of students in the total number of students (%)</b>	<b>27.6</b>	<b>27.7</b>	<b>26.0</b>	<b>25.7</b>	<b>25.6</b>	<b>25.4</b>	<b>24.9</b>	<b>23.0</b>
<b>Students in private universities as share of total number of students (%)</b>	<b>31.9</b>	<b>28.8</b>	<b>28.3</b>	<b>25.2</b>	<b>23.3</b>	<b>23.2</b>	<b>23.9</b>	<b>28.3</b>
<b>Pupils registered in special education for children with disabilities:</b>								
- total	52430	50785	48145	43362	39620	36208	33684	32531
- primary and secondary education	37423	36729	34805	30497	27165	23533	21417	19315
<b>Proportion of pupils enrolled in education units with teaching language other than Romanian (primary and secondary education) (%):</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>5.0</b>	<b>5.0</b>	<b>5.1</b>	<b>5.1</b>
- out of which: Hungarian language	4.4	4.4	4.4	4.4	4.4	4.5	4.6	4.6
<b>Public expenditure on education % of GDP</b>	<b>3.3</b>	<b>3.2</b>	<b>3.1</b>	<b>3.2</b>	<b>3.1</b>	<b>2.9</b>	<b>2.9</b>	<b>3.1</b>
<b>Proportion of expenditures for tertiary schools in the total public expenditures for education (%)</b>	<b>19.0</b>	<b>16.7</b>	<b>10.8</b>	<b>10.2</b>	<b>10.3</b>	<b>11.0</b>	<b>11.9</b>	<b>11.8</b>

<sup>91)</sup> High school, vocational and apprenticeship education.

<sup>92)</sup> Including post high school and foremen education.

**Table A.8. Culture and Communication**

	1998	1999	2000	2001	2002	2003	2004	2005
Subscriptions (per 1000 inhabitants)								
- radio <sup>93)</sup>	176.5	160.4	136.2	134.4	121.3	284.6	247.9	245.9
- television	174.8	165.2	154.4	151.4	150.6	273.8	268.8	260.0
- telephone <sup>94)</sup>	143.6	149.0	153.3	162.3	174.3	179.5	179.8	161.8
Number of published books (per 100000 inhabitants)	27.8	35.1	45.3	46.8	53.1	59.2	55.9	58.3
Number of readers registered at libraries (per 1000 inhabitants)	273.2	270.3	268.5	268.1	270.6	293.2	261.7	230.2
Number of books lent by libraries (per 1000 inhabitants)	3363.6	3401.9	3460.9	3526.4	3719.0	3456.6	3352.7	3270.7
Museum visitors (per 1000 inhabitants)	485.5	392.6	427.6	470.8	509.9	465.1	482.0	485.0
Cinema audience (per 1000 inhabitants)	303.7	186.8	198.3	255.6	244.0	208.3	184.7	130.9
Theatre and concerts audience (per 1000 inhabitants)	176.1	151.6	171.4	217.3	210.2	220.2	203.6	194.2

**Table A.9. Violence and Crime**

	1998	1999	2000	2001	2002	2003	2004	2005
Persons definitively convicted								
- total	106221	87576	75407	82912	81814	76739	69397	65682
- per 100000 inhabitants	472	390	336	370	375	353	320	304
Proportion in the total number of definitively convicted persons (%)								
- women	10.9	10.4	13.7	11.6	11.2	9.7	9.6	9.0
- minors	10.5	10.0	8.9	8.1	8.6	8.9	9.1	10.3
- recidivists	12.7	13.8	13.5	12.6	13.7	13.4	13.1	13.4
Persons definitively convicted in penitentiaries or re-education centres								
- total	38095	38587	36806	37725	37846	36423	33007	31122
- per 100000 inhabitants	169	172	164	168	173	168	152	144
Persons definitively convicted for homicides (per 100000 inhabitants)	6	6	5	6	6	7	8	8
Persons definitively convicted for rapes (per 100000 women)	7	6	5	6	6	7	5	4
Persons definitively convicted for thefts and robberies (per 100000 inhabitants)	210	164	134	155	152	139	123	117
Persons definitively convicted for economic infringements (per 100000 inhabitants)	1	*)	*)	*)	*)	*)	*)	*)
Suicides (per 100000 inhabitants)	12.6	12.2	12.6	12.1	14.1	13.3	12.5	12.0
of which :								
- women	4.2	4.4	4.5	3.9	4.7	4.6	4.0	4.2

<sup>93)</sup> Starting with 2003, data are not comparable with the past years series due to changes in legislation.

<sup>94)</sup> Subscriptions for telephone – fixed network.

\*) Under 0.5.

**Table A.10. Employment**

	1998	1999	2000	2001	2002	2003	2004	2005
Employed civilian population (thousand persons)	8812.6	8419.6	8629.3	8562.5	8329.0	8305.5	8238.3	8390.4
- out of which: women	4163.2	4057.0	4180.9	4153.9	4012.2	3927.1	3920.3	3965.3
Proportion of the employed civilian population in private sector (%)	61.8	66.7	70.4	72.6	73.9	75.6	76.2	78.0
Proportion of employed civilian population (%) in:								
- agriculture - total	38.1	41.2	41.4	40.9	36.2	34.7	32.0	31.9
out of which: private sector	94.2	95.9	97.0	97.6	97.4	97.7	97.3	97.9
- industry - total	30.7	28.4	27.3	27.5	29.9	29.6	30.0	29.0
out of which: private sector	42.4	49.5	57.8	63.7	70.5	74.1	77.1	80.8
- services	31.2	30.4	31.3	31.6	33.9	35.7	38.0	39.1
out of which: private sector	41.4	43.4	46.1	48.0	51.8	55.5	57.8	59.6
Proportion of employed civilian population in public services (%):								
- health	3.6	3.3	4.0	4.0	4.3	4.3	4.4	4.4
- education	4.8	5.1	4.9	4.9	5.0	5.1	5.2	5.1
- public administration	1.5	1.7	1.7	1.7	1.8	1.9	1.9	2.1
Number of employees (thousand persons)	5181.6	4658.7	4646.3	4613.1	4614.7	4655.0	4652.7	4790.4
Proportion of employees in total employed civilian population (%)	58.8	55.3	53.8	53.9	55.4	56.0	56.5	57.1
Proportion of employees in private sector in total employed population in this sector (%)	33.3	33.1	34.4	36.5	39.7	41.9	42.9	45.0
Proportion of women in total number of employees (%)	45.8	46.8	47.5	48.0	47.7	46.6	47.8	47.6
Economic dependency ratio (‰)	1551.9	1667.1	1599.3	1615.1	1614.1	1614.1	1629.0	1575.6
Employment rate of labour force resources (%)	66.0	63.0	64.6	62.9	62.4	61.3	60.1	60.7
Replacement of labour force rate (%) <sup>95)</sup>	91.6	89.8	87.1	84.3	81.9	78.2	75.0	71.8
Real salary index (1990=100) <sup>96)</sup>	58.4	57.0	59.4	62.4	63.9	70.8	78.3	89.5
Expenditures for employment active measures, % in expenditures for unemployment insurance fund	2.4	2.6	2.3	12.1	14.0	20.9	16.3	20.2

**Table A.11. Labour force participation <sup>97)</sup>**

	1998	1999	2000	2001	2002	2003	2004	2005
Proportion of active population <sup>98)</sup> in total population	50.2	50.6	51.0	49.9	45.5	44.6	45.6	45.1
- women	44.5	45.2	45.5	44.8	39.9	38.9	40.1	39.4
Labour force participation rate of working age population (15-64 years) (%)	67.6	67.6	67.8	66.1	62.5	61.2	62.8	61.7
- women	60.1	60.4	60.5	59.5	55.3	54.0	55.8	54.6
Youth participation rate (15-24 years) (%)	44.2	42.6	43.4	40.2	36.7	32.3	34.9	29.8
- women	37.6	34.9	36.7	35.4	31.2	26.6	29.0	24.8
Elderly participation rate (over 50 years) (%)	45.6	46.9	46.6	44.9	34.2	34.1	33.8	34.4
- women	38.5	40.4	40.6	38.7	28.4	28.5	28.3	28.4
Structure of active population by status in employment <sup>99)</sup> :								
of which :								
- employees	59.4	58.0	56.5	56.8	61.5	63.3	65.1	63.5
- employers	1.2	1.0	1.1	1.3	1.3	1.2	1.6	1.6
- own – account workers	19.9	21.0	21.8	22.2	20.0	19.3	17.5	18.9
- contributing family workers	16.4	17.1	17.6	16.8	13.5	13.2	12.3	12.9

**Table A.12. Unemployment**

<sup>95)</sup> Calculated as for population at July 1<sup>st</sup>.

<sup>96)</sup> Calculated as ratio between net earnings index and general population consumer price index.

<sup>97)</sup> Data are provided by the Labour Force Survey (LFS), quarters IV - 1998-2005. Starting with 2002, data were estimated based on the results of Population and Housing Census (PHC 2002) and are not comparable with previous series due to revision of definitions applied.

<sup>98)</sup> Active population includes the employed and the unemployed.

<sup>99)</sup> The unemployment classification was done taking into consideration the former workplace.

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Registered Unemployed<sup>1)</sup></b>								
Number of Unemployed	1025056	1130296	1007131	826932	760623	658891	557892	522967
Unemployment rate (%)								
- total	10.4	11.8	10.5	8.8	8.4	7.4	6.3	5.9
- male	10.4	12.1	10.8	9.2	8.9	7.8	7.0	6.4
- female	10.4	11.6	10.1	8.4	7.8	6.8	5.6	5.2
Proportion in the total number of registered unemployed (%):								
- beneficiaries of unemployment benefit <sup>2)</sup>	39.3	34.2	30.5	38.3	28.1	44.7	40.4	41.1
- beneficiaries of support allowance	38.1	39.5	38.9	34.6	16.2	0.2	*)	*)
- beneficiaries of compensatory payment as stipulated by the Government Ordinance nr. 98/1999	-	3.5	5.3	0.6	0.9	0.2	0.3	*)
Expenditures for unemployed financial aid % in the budgetary expenditures	3.8	3.7	2.3	1.4	1.3	1.5	1.6	1.5
Ratio of average unemployment benefit to average net earnings (%)	32.4	32.5	31.8	32.0	34.6	35.4	34.2	31.6
Number of unemployed that are in a re-qualification program	27157	30559	26410	27698	19536	29992	36440	53077
	1998	1999	2000	2001	2002	2003	2004	2005
<b>Unemployed ILO <sup>3)</sup></b>								
Number of Unemployed	773028	822007	777768	719743	790232	650836	800818	665828
Unemployment rate (%)								
- total	6.8	7.2	6.8	6.4	8.0	6.7	8.1	6.8
- male	7.1	7.7	7.4	7.2	8.6	7.3	8.9	7.4
- female	6.5	6.7	6.1	5.6	7.2	6.1	7.1	6.1
Youth unemployment rate (%) (15 - 24 years)								
- total	20.8	20.4	18.5	18.4	20.8	17.7	21.0	20.2
- male	20.1	20.2	19.4	19.7	21.5	18.4	22.4	21.4
- female	21.7	20.6	17.3	16.6	19.8	16.5	19.0	18.4
Long term unemployment incidence (proportion in total number of unemployed) (%):								
- 6 months and more	62.0	59.3	70.8	65.5	73.9	78.7	74.8	67.1
- male	63.3	58.0	68.3	66.4	74.4	74.5	78.5	71.0
- female	60.2	61.1	74.5	64.0	73.3	85.0	69.1	61.2
- 12 months and more	46.3	43.8	56.5	50.4	54.5	65.7	56.6	55.3
- male	46.5	41.6	53.6	48.5	53.5	62.0	59.2	59.3
- female	45.9	46.8	60.8	53.4	56.0	71.3	52.6	49.2
- 24 months and more	24.4	21.4	28.7	26.1	32.2	43.1	36.5	35.2
- male	24.8	20.0	26.9	25.0	30.1	41.1	39.1	38.6
- female	23.8	23.5	31.3	27.6	35.4	46.0	32.4	30.1
	1998	1999	2000	2001	2002	2003	2004	2005
Proportion of underemployed persons in total active population (%) <sup>3)</sup>								
- women	2.9	0.5	0.5	0.5	0.1	0.1	0.1	0.1
	2.1	0.2	0.2	0.2	*)	*)	*)	*)
Proportion of discouraged persons in total active population (%) <sup>3)</sup>								
- women	2.8	3.0	3.0	3.5	4.4	4.4	3.5	3.0
	3.3	3.9	3.9	4.3	4.9	4.7	3.4	3.4

<sup>1)</sup> Unemployed who were registered at the Agencies for Employment, at the end of the year.

<sup>2)</sup> Including vocational integration allowance.

<sup>3)</sup> According to the International Labour Office (ILO) criteria - as the results of the Household Labour Force Survey (HLFS), quarter IV -1998-2005. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002) and are not comparable with previous series due to revision of definitions applied.

\*) Not significant data (due to the low number of observed cases).

**Table A.13. Demographic Profile**

	1998	1999	2000	2001	2002	2003	2004	2005
Population on July 1 <sup>st</sup> (thousand inhabitants)	22502.8	22458.0	22435.2	22408.4	21794.8	21733.6	21673.3	21623.8
Annual population growth rate (%)	-0.19	-0.20	-0.10	-0.12	-2.74	-0.28	-0.28	-0.23
Birth rate ( <i>per 1000 inhabitants</i> )	10.5	10.4	10.5	9.8	9.7	9.8	10.0	10.2
Death rate ( <i>per 1000 inhabitants</i> )	12.0	11.8	11.4	11.6	12.4	12.3	11.9	12.1
Natural increase of population rate ( <i>per 1000 inhabitants</i> )	-1.5	-1.4	-0.9	-1.8	-2.7	-2.5	-1.9	-1.9
Marriage rate ( <i>per 1000 inhabitants</i> )	6.5	6.2	6.1	5.8	5.9	6.2	6.6	6.6
Divorce rate ( <i>per 1000 inhabitants</i> )	1.8	1.5	1.4	1.4	1.5	1.5	1.6	1.5
Infant mortality rate ( <i>per 1000 live births</i> )	20.5	18.6	18.6	18.4	17.3	16.7	16.8	15.0
Total fertility rate	1.3	1.3	1.3	1.2	1.3	1.3	1.3	1.3
Total abortion rate	1.61	1.52	1.51	1.47	1.50	1.36	1.15	0.98
Number of abortions per one live birth	1.14	1.11	1.10	1.15	1.17	1.06	0.88	0.74
Proportion of population age 0-14 years (%)	20.5	18.8	18.3	17.8	17.3	16.7	16.1	15.6
Proportion of population age 65 years and over (%)	12.8	13.0	13.3	13.6	14.0	14.4	14.5	14.7
Demographic dependency rate (%)	46.9	46.6	46.1	45.8	45.7	45.0	44.3	43.6
Internal migration – departures (thousand inhabitants)								
- total	276.2	275.7	244.5	284.3	320.8	331.7	369.9	272.6
- from urban areas	150.5	157.8	140.6	157.5	179.5	190.9	214.0	157.4
- from rural areas	125.7	117.9	103.9	126.8	141.3	140.8	155.9	115.2
Departures rate ( <i>per 1000 inhabitants</i> )	12.3	12.3	10.9	12.7	14.7	15.3	17.1	12.6
Number of emigrants (thousand persons)	17.5	12.6	14.8	9.9	8.2	10.7	13.1	10.9
Proportion of 26-40 years persons in total number of emigrants (%)	30.7	33.7	38.8	40.5	48.7	51.0	54.8	58.1

	2000	2001	2002	2003	2004	2005
Population on July 1 <sup>st</sup> (thousand inhabitants)	22455.5	22430.5	21833.5	21772.8	21712.6	21658.5

	1995 - 2003	1995 - 2004	1995-2005
Average annual growth rate of population (%)	-0.6	-0.5	-0.5

**Table A.14. Women's Human Potential**

	1998	1999	2000	2001	2002	2003	2004	2005
Life expectancy at birth (years)	73.3	73.7	74.2	74.8	74.9	74.8	75.1	75.5
- 1970=100	105.5	106.0	106.7	107.6	107.8	107.6	108.1	108.6
Total fertility								
- rate	1.3	1.3	1.3	1.2	1.3	1.3	1.3	1.3
- 1970=100	45.4	44.9	45.1	42.8	43.2	43.2	43.2	43.2
Maternal mortality rate (per 100000 live births)	40.5	41.8	32.8	34.0	22.3	30.6	24.1	16.7
Gross enrolment rate in (%):								
- primary education	98.8	99.0	99.2	102.9	102.5	108.1	107.0	105.4
- secondary education	81.4	82.6	84.2	84.6	85.0	84.0	84.8	84.5
Dynamics of the gross enrolment rate 1980=100								
- primary education	100.7	100.9	101.1	104.9	101.0	110.2	109.1	107.4
- secondary education	78.0	79.2	80.7	81.1	79.8	80.5	81.3	81.0
Female students per 100000 women								
- number	1811	2044	2488	2762	2913	3059	3213	3581
- 1980=100	248.1	280.1	340.8	378.4	399.0	419.0	440.1	490.5
Adult illiterate female rate (%)	4.4	4.4	4.5	4.0	3.7	3.7	3.6	3.5

**Table A.15. Women's participation in economic life**

- % -

	1998	1999	2000	2001	2002	2003	2004	2005
Proportion of women in:								
- employed civilian population	47.2	48.2	48.5	48.5	48.2	47.3	47.6	47.3
- active civilian population	47.2	48.0	48.3	48.3	47.9	47.0	47.2	46.9
Proportion of women in total number of employees	45.8	46.8	47.5	48.0	47.7	46.6	47.8	47.6
out of which:								
- workers	39.1	40.2	40.3	41.1	40.4	40.4	40.4	39.7
Proportion of women in total employed civilian population in:								
- agriculture	51.3	51.6	51.9	51.6	53.2	52.1	52.8	52.2
- industry	41.8	42.5	43.5	44.1	43.3	43.1	43.2	43.1
- commerce	51.9	53.0	50.8	50.8	48.1	46.9	48.6	47.8
- financial activities, banking and insurance	70.1	71.0	71.8	70.1	68.2	65.7	70.3	70.4
- education	66.9	66.4	67.3	67.5	67.1	67.0	67.0	66.6
- health and social security	76.1	75.9	77.7	79.4	78.6	76.9	78.3	78.8

- % -

	1998	1999	2000	2001	2002	2003	2004	2005
Proportion of women in total employed population <sup>100)</sup>	45.4	45.8	45.9	46.3	45.3	45.0	45.5	45.1
Proportion of women in total employed population by status in employment:								
- employee	42.9	43.8	44.4	45.0	44.5	44.6	45.8	45.8
- employer	25.6	19.1	25.4	28.8	24.3	23.3	27.6	22.6
- own-account worker	33.1	32.0	31.8	31.9	31.3	30.3	28.9	28.7
- contributing family worker	71.0	71.2	69.6	70.9	71.0	70.4	70.1	69.6
- member of an agriculture association or co-operative	27.4	34.9	42.9	35.2	38.3	42.3	27.7	41.6
Proportion of employed women by groups of occupation:								
- managers and officials in general government and socio-economic units	24.2	24.6	28.3	31.7	29.9	29.0	28.9	28.6
- specialists with intellectual and scientific occupations	49.7	49.9	50.3	50.3	48.4	49.0	50.4	52.9
- technicians, foremen and similar	60.8	62.9	62.7	60.9	62.2	63.6	62.2	61.7
- administrative clerks	72.5	73.7	72.7	73.7	69.8	69.9	73.8	72.4
- operative workers in services, trade and similar	73.4	72.9	70.7	71.3	69.3	67.3	67.2	66.6
- farmers and workers qualified in agriculture, forestry and fishing	51.9	51.5	50.8	50.4	49.4	48.6	48.3	48.2
- craftsmen and workers qualified in artisans trades, of machinery and installation maintenance	27.6	27.3	28.3	29.4	27.9	26.7	28.0	26.4
- other categories of occupations	28.8	27.8	27.9	31.9	31.5	33.0	34.5	33.9

<sup>100)</sup> Data are provided by the Labour Force Survey (LFS), quarters IV - 1998-2005. Starting with 2002, data were estimated based on the results of Population and Housing Census (PHC 2002) and are not comparable with previous series due to revision of definitions applied.

**Table A.16. Gender Disparities**

	1998	1999	2000	2001	2002	2003	2004	2005
Life expectancy at birth (years)								
- female	73.3	73.7	74.2	74.8	74.9	74.8	75.1	75.5
- male	65.5	66.1	67.0	67.7	67.6	67.4	67.7	68.2
Gross enrolment rate in upper secondary education <sup>101)</sup> (%)								
- female	69.0	70.8	73.0	76.9	77.1	76.4	78.3	76.2
- male	66.6	68.0	70.4	73.4	73.0	73.0	75.1	74.4
Gross enrolment rate in tertiary education (%) <sup>102)</sup>								
- female	27.9	30.8	35.7	39.6	44.0	46.8	49.0	54.4
- male	23.1	25.2	28.4	30.8	34.1	36.0	37.6	40.9
Employment rate of labour force resources (%)								
- female	63.5	61.5	63.5	61.7	60.9	58.7	58.1	59.0
- male	68.5	64.4	65.7	64.0	63.9	63.8	62.1	62.3
Proportion of employees in total active civilian population (%)								
- female	51.0	47.5	47.4	48.8	50.6	51.5	53.6	54.5
- male	54.1	49.9	49.0	49.4	50.9	52.3	52.3	53.1

	1998	1999	2000	2001	2002	2003	2004	2005
Unemployment rate (%) <sup>103)</sup>								
- female	6.5	6.7	6.1	5.6	7.2	6.1	7.1	6.1
- male	7.1	7.7	7.4	7.2	8.6	7.3	8.9	7.4
Youth unemployment rate (15-24 years) (%) <sup>3)</sup>								
- female	21.7	20.6	17.3	16.6	19.8	16.5	19.0	18.4
- male	20.1	20.2	19.4	19.7	21.5	18.4	22.4	21.4
Long term unemployment <sup>3)</sup> (over 12 months) (%)								
- female	45.9	46.8	60.8	53.4	56.0	71.3	52.6	49.2
- male	46.5	41.6	53.6	48.5	53.5	62.0	59.2	59.3
Gross average salary in month October (lei RON)								
- female	123	178	271	385	480	610	738	984
- male	154	215	324	471	581	740	858	853

<sup>101)</sup> High school, vocational and apprenticeship education.

<sup>102)</sup> Including post high school and foreman education.

<sup>103)</sup> According to the International Labour Office (ILO) criteria - as the results of the Household Labour Force Survey (HLFS), quarter IV 1998-2005. Starting with 2002, data were estimated based on Population and Housing Census (PHC 2002) and are not comparable with previous series due to revision of definitions applied.

**Table A.17. Incomes, Consumption and Social Expenditure**

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Gross Domestic Product (GDP) per capita in:</b>								
- thousands lei, current prices	16611.2	24300.0	35826.4	52109.4	69500.6	90903.1	113719.9 <sup>*)</sup>	13320.8 <sup>*)</sup>
- PPP US\$ <sup>104)</sup>	6153	5441	5750	6232	7017	7561	8439 <sup>*)</sup>	9045 <sup>*)</sup>
<b>Share gross disposable income of households in Gross Domestic Product (GDP) (%)</b>	<b>69.0</b>	<b>72.8</b>	<b>72.9</b>	<b>70.6</b>	<b>67.2</b>	<b>58.9</b>	64.5 <sup>*)</sup>	...
out of which:								
- net salaries	25.9	21.4	24.2	25.4	24.3	23.2	24.1 <sup>*)</sup>	...
- social benefits	10.2	10.7	9.4	9.3	9.3	8.6	8.9 <sup>*)</sup>	...
<b>Monthly average net earning, lei RON:</b>	<b>104</b>	<b>152</b>	<b>214</b>	<b>302</b>	<b>379</b>	<b>484</b>	<b>599</b>	<b>746</b>
- public sector <sup>105)</sup>	137	180	245	344	436	570	709	898
- private sector	82	124	175	250	307	404	503	628
- economic units	105	152	215	305	380	482	587	720
- autonomous state units	122	195	261	349	448	639	792	970
- state institutions	103	155	212	299	381	490	635	835
<b>Minimum net salary <sup>106)</sup> (lei RON)</b>	<b>35</b>	<b>45</b>	<b>70</b>	<b>140</b>	<b>175</b>	<b>280</b>	<b>310</b>	<b>330</b>
<b>Proportion of social security expenditure (%):</b>								
- within Gross Domestic Product (GDP)	10.9	11.3	11.8	11.2	11.0	10.2	10.1	9.9
- within the consolidated general budget	30.2	27.7	33.4	33.5	34.2	32.9	33.7	32.9
<b>Share of public expenditure on education (%):</b>								
- within Gross Domestic Product (GDP)	3.3	3.2	3.1	3.2	3.1	2.9	2.9	3.1
- within the consolidated general budget	9.2	7.8	8.8	9.5	9.5	9.4	9.7	10.2
<b>Share of public expenditure on health (%):</b>								
- within Gross Domestic Product (GDP)	3.1	3.9	4.0	1.9	3.8	3.8	3.4	3.8
- within the consolidated general budget	8.5	9.7	11.5	5.7	11.9	12.1	11.3	12.5

<b>Average annual consumption<sup>107)</sup> per inhabitant:</b>	1996	1997	1998	1999	2000	2001	2002	2003
- meat (including edible offals) and meat products (in equivalent fresh meat) - kg	51.2	48.3	46.3	48.0	54.3	60.3	65.5	68.3
- fish and fish products - kg	3.0	2.2	2.6	2.6	3.2	3.5	3.9	4.5
- milk and dairy products (in equivalent fresh milk - 3.5% fat, excluding butter) - l	194.4	194.0	193.0	197.4	215.0	225.0	238.9	239.2
- vegetal and animal fats (weight) - kg	13.4	14.5	16.5	17.1	17.0	17.2	16.2	18.1
- eggs - pieces	201	206	208	227	238	239	289	284
- sugar and sugar products (in equivalent refined sugar) - kg	20.5	20.9	23.0	24.0	23.5	24.3	25.6	27.4
- cereal products (in flour equivalent) - kg	166.7	166.2	165.8	166.9	169.8	162.2	166.2	162.6
- potatoes - kg	84.1	86.1	86.5	88.0	90.1	95.4	97.9	98.0
- vegetables and vegetable products (in equivalent fresh vegetables), leguminous beans and melons - kg	145.9	156.0	134.3	147.2	147.7	177.7	183.3	162.7
- fruit and fruit products (in equivalent fresh fruits) - kg	45.8	43.4	44.5	48.1	45.4	59.6	77.4	75.8

<sup>104)</sup> 1999, 2002 - as results of European Comparison Programme (ECP);

1998 - estimations on the bases of ECP 1996;

2000, 2001 - estimations on the bases of ECP 1999;

2003, 2004, 2005 - estimations on the bases of ECP 2002.

<sup>105)</sup> It refers only to units entirely owned by the state.

<sup>106)</sup> In October every year.

<sup>107)</sup> Data for years 2002-2005 are not comparable with the ones from previous period because were computed based on population (July, 1<sup>st</sup>) established according with the results of Population and Housing Census (PHC 2002).

<sup>\*)</sup> Semifinal data (2005 in lei RON).

**Table A.18. Income and Expenditure Structure of households**

- % -

		Total households	Households with:			
			employees	farmers	pensioners	unemployed
<b>Gross Total Incomes</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
- salaries	1998	39.6	71.1	6.0	13.5	21.6
	1999	38.5	74.0	6.2	12.6	23.9
	2000	36.3	74.7	5.9	11.6	26.0
	2001	44.9	77.9	6.5	17.6	30.3
	2002	46.4	79.4	5.9	18.1	31.3
	2003	44.8	78.1	6.9	17.1	31.5
	2004	44.6	75.5	7.5	17.6	28.1
	2005	47.3	77.6	6.7	19.0	31.9
- the value of agricultural products consumed (food and other goods) from own resources	1998	29.1	17.7	55.1	37.5	33.1
	1999	29.0	16.3	56.0	37.3	33.4
	2000	31.2	16.1	59.9	39.5	33.5
	2001	24.7	12.7	57.5	32.0	29.5
	2002	22.7	11.2	53.3	30.3	28.2
	2003	23.4	11.2	53.8	31.7	24.6
	2004	21.8	11.3	50.8	29.1	25.1
	2005	17.3	8.9	42.4	23.6	19.8
- incomes from independent non-agricultural activities	1998	3.7	1.1	6.3	1.3	5.2
	1999	4.1	1.1	8.2	1.8	5.9
	2000	3.6	0.8	7.0	1.6	4.5
	2001	3.2	0.7	9.1	1.6	5.2
	2002	3.3	0.9	9.1	1.5	5.8
	2003	3.6	0.7	9.5	1.6	4.6
	2004	4.1	1.0	9.0	2.0	4.3
	2005	4.2	1.0	10.5	2.2	3.9
- incomes from social protection	1998	18.7	5.6	8.1	38.3	22.6
	1999	20.6	5.1	6.8	40.2	22.6
	2000	20.2	4.4	4.9	38.2	18.7
	2001	19.5	4.6	7.6	41.0	20.3
	2002	19.6	4.4	9.4	42.3	22.0
	2003	19.2	4.7	8.8	41.5	23.5
	2004	19.3	5.4	12.2	41.5	25.1
	2005	20.4	5.8	14.0	45.1	26.3
- other incomes	1998	8.9	4.5	24.5	9.4	17.5
	1999	7.8	3.5	22.8	8.1	14.2
	2000	8.7	4.0	22.3	9.1	17.3
	2001	7.7	4.1	19.3	7.8	14.7
	2002	8.0	4.1	22.3	7.8	12.7
	2003	9.0	5.3	21.0	8.1	15.8
	2004	10.2	6.8	20.5	9.8	17.4
	2005	10.8	6.7	26.4	10.1	18.1

Note: The data source for the tables 18 is the Household Integrated Survey for the years 1998-2000 and the Household Budget Survey for the years 2001-2005. Distribution was calculated on the basis of average data by household (incomes, expenditures) expressed in current prices.

- continuation Tab. A.18 - % -

		Total households	Households with:			
			employees	farmers	pensioners	unemployed
<b>Total consumption expenditures</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
- food and beverages	1998	57.2	54.8	58.8	58.9	63.2
	1999	53.5	50.9	57.0	54.6	59.6
	2000	53.4	50.6	57.4	54.3	60.1
	2001	50.4	48.0	57.9	53.2	58.3
	2002	49.5	45.8	56.1	51.3	56.4
	2003	46.5	43.8	49.7	48.0	52.4
	2004	43.8	42.2	43.0	50.1	45.2
	2005	43.8	40.9	48.7	49.4	45.7
- clothing and footwear	1998	7.4	9.7	6.0	5.2	7.2
	1999	6.3	8.5	5.1	4.5	6.0
	2000	5.4	7.7	4.4	3.7	5.1
	2001	5.3	7.3	4.4	3.7	4.4
	2002	5.7	7.4	4.6	4.1	4.3
	2003	5.4	7.2	4.6	3.5	5.0
	2004	5.5	7.2	3.7	4.8	4.0
	2005	5.8	7.3	4.7	4.8	4.1
- housing and endowment with durable goods	1998	19.6	15.6	26.2	23.3	16.4
	1999	22.1	17.6	27.0	26.3	18.1
	2000	24.3	19.7	28.4	27.8	19.0
	2001	24.5	19.2	28.6	26.1	19.6
	2002	23.6	20.5	29.3	26.6	20.9
	2003	27.1	22.1	35.8	31.4	22.2
	2004	28.1	22.8	42.0	25.4	31.8
	2005	25.2	21.7	33.4	23.2	28.2
- medicine and healthcare	1998	2.3	1.8	0.8	3.2	1.6
	1999	2.5	1.9	0.9	3.4	1.4
	2000	2.5	1.9	1.0	3.5	1.5
	2001	2.4	1.7	1.0	3.8	1.3
	2002	2.6	1.6	0.9	4.3	1.5
	2003	2.7	1.9	1.0	4.2	2.0
	2004	3.2	2.2	1.6	1.6	5.1
	2005	3.6	2.3	1.9	2.0	6.0
- transports and communications	1998	6.6	9.0	4.2	4.4	5.0
	1999	7.6	10.4	4.8	5.3	6.4
	2000	6.9	9.7	4.2	5.1	5.9
	2001	8.3	11.4	3.2	6.3	6.9
	2002	8.9	11.9	3.4	6.6	6.7
	2003	8.5	11.7	3.4	5.8	7.6
	2004	9.4	12.7	4.2	7.5	6.7
	2005	10.5	13.6	5.1	8.5	7.8
- culture, learning, education	1998	3.2	4.5	1.5	2.2	2.6
	1999	3.4	4.9	1.6	2.3	3.2
	2000	3.2	4.8	1.5	2.3	3.3
	2001	4.3	6.2	1.6	3.1	3.9
	2002	4.5	6.2	2.2	3.2	3.9
	2003	4.4	6.3	1.7	3.1	4.6
	2004	4.6	6.1	2.2	4.6	3.1
	2005	5.1	6.7	2.3	5.2	3.6
- other expenditures	1998	3.7	4.6	2.5	2.8	4.0
	1999	4.6	5.8	3.6	3.6	5.3
	2000	4.3	5.6	3.1	3.3	5.1
	2001	4.8	6.2	3.3	3.8	5.6
	2002	5.2	6.6	3.5	3.9	6.3
	2003	5.4	7.0	3.8	4.0	6.2
	2004	5.4	6.8	3.3	6.0	4.1
	2005	6.0	7.5	3.9	6.9	4.6

**Table A.19. Poverty Rate<sup>108)</sup>**

- % -

	1998	1999	2000	2001	2002	2003	2004	2005
Total								
- poverty rate	30.8	33.2	35.9	30.6	28.9	25.1	18.8	15.6
- severe poverty rate	11.3	12.5	13.8	11.4	10.9	8.6	5.9	4.7
Urban								
- poverty rate	20.6	22.2	25.9	18.8	17.6	13.8	11.6	9.4
- severe poverty rate	6.3	7.3	9.2	6.0	5.4	3.8	3.3	2.4
Rural								
- poverty rate	43.0	46.3	47.8	44.7	42.4	38.0	27.3	23.2
- severe poverty rate	17.3	18.7	19.3	17.8	17.5	13.9	8.9	7.4

**Table A.20. Proportion of the population below income poverty line**

- % -

	1998	1999	2000	2001	2002	2003	2004	2005
Persons aged :								
- under 7 years	34.8	39.1	42.3	37.9	35.0	32.1	25.3	20.4
- 7 - 14 years	33.6	37.1	40.6	34.2	33.6	28.5	22.3	18.6
- 15 - 24 years	38.5	41.4	44.6	38.9	37.0	31.9	25.5	20.8
- 25 - 34 years	26.0	28.7	31.0	26.7	25.3	23.5	17.3	13.3
- 35 - 44 years	25.9	29.1	32.6	26.0	25.4	21.6	16.2	13.4
- 45 - 54 years	26.6	28.5	31.3	26.3	24.2	21.3	15.7	12.7
- 55 - 64 years	27.0	27.2	29.8	24.5	23.1	19.2	13.8	10.7
- 65 years and over	34.0	34.8	35.2	32.0	29.4	24.9	16.7	13.2
Persons with occupational status:								
- employee	15.5	16.0	18.5	12.6	11.2	9.0	6.3	4.3
- owner	2.2	2.5	3.1	3.7	2.5	1.6	1.0	1.0
- self-employed in non-agricultural activities	41.4	47.4	50.1	41.0	41.0	35.6	27.7	25.3
- self-employed in agricultural activities	52.4	56.6	57.3	58.7	55.3	50.9	36.9	30.4
- unemployed	46.0	47.1	51.3	43.3	44.9	39.3	33.8	28.5
- pensioner	28.9	29.7	31.1	25.9	24.2	20.7	14.2	10.9

**Table A.21. Human Poverty Index**

	1998	1999	2000	2001	2002	2003	2004	2005
Proportion of persons unlikely to survive the age of 60 years (%)	22.9	21.80	20.30	19.70	19.80	19.90	19.4	18.7
Proportion of illiterate adult population (15 years and over) (%)	3.0	3.0	3.0	2.8	2.7	2.7	2.6	2.5
Relative poverty rate ( 60% out of the median of available income)	14.9	16.2	17.1	17.0	18.1	17.3	17.9	18.2
Long term unemployment rate <sup>109)</sup> (%)	3.17	3.16	3.84	3.25	4.35	4.42	4.59	3.78
<b>Human Poverty Index (HPI)</b>	16.04	15.42	15.01	14.66	15.12	14.89	14.87	14.67

<sup>108)</sup> The absolute poverty rate defined taking into account a basket of products (food, non-food and services).

<sup>109)</sup> Data are provided by the Labour Force Survey (LFS), quarters IV - 1998-2005. Starting with 2002, data were estimated based on the results of Population and Housing Census (PHC 2002) and are not comparable with previous series due to revision of definitions applied.

<sup>\*)</sup> Semifinal data (2005 in million lei RON).

**Table A.22. The Production Expenditure of Gross Domestic Product**

	1998	1999	2000	2001	2002	2003	2004 <sup>*)</sup>	2005 <sup>*)</sup>
Gross Domestic Product (GDP) (billion lei, current prices)	373798.2	545730.2	803773.1	1167687.0	1514750.9	1975648.1	2464687.9	288047.8
Share in Gross Domestic Product (GDP) of Gross value added (%) from:								
- agriculture, forestry, pisciculture	14.4	13.3	11.1	13.3	11.4	11.6	12.4	8.5
- industry and constructions	31.4	29.8	32.2	33.0	33.9	30.8	30.6	30.4
- services	44.4	46.4	46.3	44.5	45.3	46.4	46.2	49.4
Share in Gross Domestic Product (GDP) of (%):								
Final consumption	90.3	88.7	86.1	85.2	84.0	85.7	85.3	87.6
- of households	74.9	73.2	68.9	68.8	67.8	64.9	67.9	68.1
- of government	14.5	14.4	16.1	15.2	15.0	19.6	16.1	18.2
- of NPISH	0.9	1.1	1.1	1.2	1.2	1.2	1.3	1.3
Gross Fixed Capital Formation	18.2	17.7	18.9	20.7	21.3	21.4	21.9	23.1
Exports	22.6	28.0	32.9	33.3	35.4	34.7	35.9	33.0
Imports	30.6	32.8	38.5	41.1	41.1	42.2	45.0	43.3
Gross savings	10.5	14.4	15.4	16.9	20.6	17.1	18.8	...
Public budget spending	21.1	20.5	20.4	17.8	16.8	16.1	15.4	14.4
Share of private sector in Gross Domestic Product (GDP)	61.4	63.7	65.6	68.0	69.4	67.7	71.4	70.4

**Table A.23. Evolution of economic results**

	1998	1999	2000	2001	2002	2003	2004	2005
Gross Domestic Product (GDP)								
- billion lei, current prices	373798.2	545730.2	803773.1	1167687.0	1514750.9	1975648.1	2464687.9 <sup>*)</sup>	288047.8 <sup>*)</sup>
- annual growth rate (%)	-4.8	-1.2	2.1	5.7	5.1	5.2	8.5 <sup>*)</sup>	4.1 <sup>*)</sup>
Growth rate of Gross Domestic Product (GDP) per capita (%)	-4.6	-1.0	2.3	5.9	8.1	5.5	8.8 <sup>*)</sup>	4.4 <sup>*)</sup>
Annual average inflation rate (%)	59.1	45.8	45.7	34.5	22.5	15.3	11.9	9.0
Exports (%) in Gross Domestic Product (GDP)	22.6	28.0	32.9	33.3	35.4	34.7	35.9 <sup>*)</sup>	33.0 <sup>*)</sup>
Fiscal revenues (%) in Gross Domestic Product (GDP)	28.2	31.4	27.0	23.7	23.0	22.2	22.4	22.4
Surplus / deficit of consolidated general budget (%) in Gross Domestic Product (GDP)	-4.1	-4.0	-4.0	-3.2	-2.6	-2.2	-1.2	-0.8

	1990-1999	1990-2000	1990-2001	1990-2002	1990-2003	1990-2004 <sup>*)</sup>	1990-2005 <sup>*)</sup>
Annual average growth rate of Gross Domestic Product (GDP) (%)							
- total	-2.47	-2.06	-1.43	-0.94	-0.51	0.06	0.31
- per inhabitant	-2.17	-1.78	-1.16	-0.48	-0.06	0.50	0.74
Average annual inflation rate (%)	95.3	90.1	84.7	79.0	73.5	68,5	63,9

<sup>\*)</sup> Semifinal data (2005 in million lei RON).

**Table A.24. Revenues and expenditure of the consolidated general budget<sup>110)</sup>**

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Total revenues (billion lei)</b>	<b>117685.3</b>	<b>191461.2</b>	<b>257036.6</b>	<b>362122.7</b>	<b>456270.1</b>	<b>579577.2</b>	<b>731294.3</b>	<b>84462.4<sup>*)</sup></b>
<b>Share in total revenues (%):</b>								
Fiscal revenues, of which:	88.3	85.7	84.3	76.4	76.6	75.5	75.3	76.3
- taxes on profit	9.4	8.9	7.9	6.1	6.6	7.6	8.9	7.7
- income taxes	15.8	14.8	10.1	10.3	9.1	9.2	9.7	8.0
- excise and VAT	31.2	29.9	27.7	21.8	23.0	26.9	26.3	26.2
- custom duties	4.9	4.1	3.4	2.5	2.1	2.2	2.2	2.4
- social insurance contributions	24.9	24.6	29.0	30.0	31.3	29.0	28.3	29.4
Non-fiscal revenues	10.3	5.0	5.0	5.5	4.9	4.8	3.8	3.7
Capital revenues	0.1	5.0	0.3	0.1	0.2	0.3	0.6	0.5
<b>Share of total revenues in Gross Domestic Product (GDP) (%)</b>	<b>32.0</b>	<b>36.7</b>	<b>32.0</b>	<b>31.0</b>	<b>30.1</b>	<b>29.3</b>	<b>29.7</b>	<b>29.4</b>
<b>Share of fiscal revenues in Gross Domestic Product (GDP) (%)</b>	<b>28.2</b>	<b>31.4</b>	<b>27.0</b>	<b>23.7</b>	<b>23.1</b>	<b>22.2</b>	<b>22.4</b>	<b>22.4</b>
<b>Total expenditures (billion lei)</b>	<b>132871.0</b>	<b>212110.0</b>	<b>300456.2</b>	<b>417190.3</b>	<b>526567.8</b>	<b>646666.2</b>	<b>790808.7</b>	<b>89475.5<sup>*)</sup></b>
<b>Share in total expenditures (%) of:</b>								
- education	9.2	7.8	8.3	8.9	8.8	8.9	9.0	9.8
- health	8.5	9.7	10.8	5.3	11.0	11.5	10.6	12.0
- allocations for families	4.0	2.8	3.2	2.6	3.6	2.8	4.2	5.1
- unemployment	3.8	3.7	2.2	1.3	1.2	1.4	1.5	1.5
- pensions	19.7	18.8	18.9	20.5	21.0	20.0	20.9	21.6
- social security	0.5	0.4	0.3	0.7	1.0	1.8	1.1	1.1
- national defence	7.1	4.8	5.5	5.3	4.5	4.5	4.5	4.4
- public order	4.2	3.7	5.4	5.1	4.8	5.1	5.1	5.9
- public authority	3.8	3.4	2.6	2.7	2.6	3.0	3.0	3.3
- research	0.8	0.5	0.5	0.6	0.6	0.6	0.5	0.8
<b>Share of social security expenditure (%) in:</b>								
- total expenditures of consolidated general budget	30.2	27.7	33.4	33.5	34.2	32.9	33.7	32.9
- Gross Domestic Product (GDP)	10.9	11.3	11.8	11.2	11.0	10.2	10.1	9.9
<b>Share of Defence Expenditure (%) in Gross Domestic Product (GDP)</b>	<b>2.5</b>	<b>1.9</b>	<b>2.1</b>	<b>1.9</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>
<b>Consolidated general budget Surplus / deficit (%) in Gross Domestic Product (GDP)</b>	<b>-4.1</b>	<b>-4.0</b>	<b>-4.0</b>	<b>-3.2</b>	<b>-2.6</b>	<b>-2.2</b>	<b>-1.2</b>	<b>-0.8</b>

<sup>110)</sup> Source: Ministry of Public Finance.

<sup>\*)</sup> Million lei RON.

**Table A.25. External economic flows**

	1998	1999	2000	2001	2002	2003	2004	2005
The coverage gradient of imports through export (%) FOB/FOB (Annual Report BNR)	76.0	87.1	85.8	79.3	84.2	79.8	78.1	74.0
Dependency on External Commerce (export plus import percent of Gross Domestic Product (GDP))	53.3	60.9	71.4	74.4	76.6	76.9	80.9 <sup>*)</sup>	76.2 <sup>*)</sup>

	1990-2002	1990-2003	1990-2004 <sup>*)</sup>	1990-2005 <sup>*)</sup>
Average annual Exports growth (%)	3.63	3.96	4.59	4.81
Average annual Imports growth (%)	7.03	7.65	8.55	9.04

**Table A.26. Urbanization**

	1998	1999	2000	2001	2002	2003	2004 <sup>*)</sup>	2005 <sup>*)</sup>
Proportion of the urban population (%)	54.9	54.8	54.6	54.6	53.3	53.4	54.9	54.9
Urban Population Growth Rate (%)	-0.5	-0.4	-0.5	-0.01	-5.2	-0.1	+2.5	-0.1
Population from towns with more than 750000 inhabitants								
- % out of total population	9.0	9.0	9.0	8.9	8.9	8.9	8.9	8.9
- % out of total urban population	16.3	16.3	16.4	16.3	16.7	16.6	16.2	16.2
Population from towns with more than 200000 inhabitants								
- % out of total population	14.3	14.3	14.3	14.3	12.8	12.8	12.8	12.8
- % out of total urban population	26.1	26.1	26.1	26.1	23.9	24.0	23.3	23.3
Biggest city: Bucharest								
- population (thousand inhabitants)	2016.1	2011.3	2009.2	1996.8	1934.4	1929.6	1927.6	1925.0
- growth rate (%)	-0.6	-0.2	-0.1	-0.6	-3.1	-0.3	-0.1	-0.1

	2002	2003	2004	2005
Proportion of the urban population (%)	53.3	53.4	54.9	54.9

	1998-2003	1998-2004	1998-2005
Average annual growth of urban population (%)	-1.25	-0.60	-0.55

	1990-2003	1990-2004	1990-2005
Average annual growth of the population (%) of Bucharest Municipality	-0.75	-0.70	-0.65

<sup>\*)</sup> Semifinal data.

**Table A.27. Urban- Rural Disparities**

	1998	1999	2000	2001	2002	2003	2004	2005
<b>Proportion of rural population (%)</b>	<b>45.1</b>	<b>45.2</b>	<b>45.4</b>	<b>45.4</b>	<b>46.7</b>	<b>46.6</b>	<b>45.1</b>	<b>45.1</b>
<b>Life expectancy at birth (years) - total</b>	<b>69.2</b>	<b>69.7</b>	<b>70.5</b>	<b>71.2</b>	<b>71.2</b>	<b>71.0</b>	71.3	71.8
- rural	68.1	68.7	69.5	70.2	70.1	70.1	70.3	70.8
- urban	70.1	70.6	71.3	71.9	72.0	71.8	72.2	72.5
<b>Proportion of population aged 0 -14 years (%)</b>	<b>20.5</b>	<b>18.8</b>	<b>18.3</b>	<b>17.8</b>	<b>17.3</b>	<b>16.7</b>	<b>16.1</b>	<b>15.6</b>
- rural	21.0	19.8	19.7	19.6	19.2	18.7	18.3	17.8
- urban	20.0	17.9	17.0	16.3	15.7	15.0	14.4	13.8
<b>Proportion of population aged 65 and more (%)</b>	<b>12.8</b>	<b>13.0</b>	<b>13.3</b>	<b>13.6</b>	<b>14.0</b>	<b>14.4</b>	<b>14.5</b>	<b>14.7</b>
- rural	17.2	17.4	17.6	18.0	18.0	18.3	18.5	18.8
- urban	9.2	9.4	9.7	10.0	10.6	10.9	11.2	11.5
<b>Demographic dependency rate (%)</b>	<b>46.9</b>	<b>46.6</b>	<b>46.1</b>	<b>45.8</b>	<b>45.7</b>	<b>45.0</b>	<b>44.3</b>	<b>43.6</b>
- rural	58.6	59.3	59.7	60.2	59.2	58.7	58.3	57.6
- urban	38.5	37.6	36.5	35.6	35.7	34.7	34.5	33.8
<b>Birth rate - total (‰)</b>	<b>10.5</b>	<b>10.4</b>	<b>10.5</b>	<b>9.8</b>	<b>9.7</b>	<b>9.8</b>	<b>10.0</b>	<b>10.2</b>
- rural	12.4	12.3	12.3	11.5	11.0	11.0	10.7	10.6
- urban	9.0	8.9	8.9	8.4	8.5	8.7	9.4	9.9
<b>General fertility rate</b>	<b>40.6</b>	<b>40.2</b>	<b>40.3</b>	<b>37.8</b>	<b>37.5</b>	<b>37.8</b>	<b>38.4</b>	<b>39.4</b>
- rural	58.2	57.9	57.9	54.0	51.2	50.6	49.0	47.9
- urban	30.1	29.7	29.7	28.1	28.7	29.5	31.9	34.1
<b>Infant mortality rate - total (‰)</b>	<b>20.5</b>	<b>18.6</b>	<b>18.6</b>	<b>18.4</b>	<b>17.3</b>	<b>16.7</b>	<b>16.8</b>	<b>15.0</b>
- rural	23.3	21.5	20.8	20.9	19.8	19.4	19.9	17.9
- urban	17.3	15.2	16.1	15.6	14.5	13.7	14.0	12.4
<b>Gross enrolment rate in primary and lower secondary education (%)</b>	<b>97.0</b>	<b>96.8</b>	<b>97.2</b>	<b>97.0</b>	<b>97.9</b>	<b>100.3</b>	<b>100.3</b>	<b>101.5</b>
- rural	96.0	96.4	96.2	95.2	94.7	97.6	100.4	96.6
- urban	97.7	97.1	98.1	98.6	101.0	103.0	100.2	106.7
<b>Number of pupils per teacher in primary and lower secondary education - total</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>13</b>
- rural	13	13	13	13	13	13	12	12
- urban	16	17	16	15	15	15	14	14
<b>Population per physician - total</b>	<b>530</b>	<b>486</b>	<b>490</b>	<b>479</b>	<b>476</b>	<b>463</b>	<b>450</b>	<b>456</b>
- rural	1538	1698	1649	1617	1678	1736	1768	1806
- urban	342	306	309	302	292	282	279	283
<b>Population per ancillary medical persons - total</b>	<b>183</b>	<b>189</b>	<b>188</b>	<b>186</b>	<b>176</b>	<b>180</b>	<b>178</b>	<b>175</b>
- rural	572	651	667	702	730	764	770	745
- urban	117	119	118	116	106	108	109	108
<b>Subscriptions per 1000 inhabitants<sup>111)</sup> radio - total</b>	<b>177</b>	<b>160</b>	<b>136</b>	<b>138</b>	<b>121</b>	<b>285</b>	<b>248</b>	<b>246</b>
- rural	129	127	108	103	92	265	231	222
- urban	215	187	160	168	147	302	262	265
<b>Average living space per capita (m<sup>2</sup>) - total - the 31<sup>st</sup> of December -</b>	<b>12.0</b>	<b>12.1</b>	<b>12.2</b>	<b>13.6</b>	<b>14.0</b>	<b>14.2</b>	<b>14.3</b>	<b>14.4</b>
- rural	12.4	12.5	12.4	14.2	14.3	14.4	14.4	14.6
- urban	11.7	11.8	11.9	13.1	13.9	13.9	14.2	14.3

<sup>111)</sup> Starting with 2003, data are not comparable with the past years series due to changes in legislation.

**Table A.28. Natural Resources**

	1998	1999	2000	2001	2002	2003	2004	2005
Total surface (thousands ha)	23839.1	23839.1	23839.1	23839.1	23839.1	23839.1	23839.1	23839.1
Share of forest area <sup>1)</sup> (%) in total area	28.0	28.5	27.1	27.7	28.0	28.3	28.4	28.3
Share of arable land (%) in total area	39.2	39.3	39.4	39.4	39.4	39.5	39.5	39.5
Share of state owned area <sup>2)</sup> (%) in total area	51.0	38.9	35.5	33.1	28.4	26.9	25.8	25.3

**Table A.29. Environment**

	1998	1999	2000	2001	2002	2003	2004	2005
Pesticides used on agricultural land (kg/ha) <sup>3)</sup>	2.3	2.2	2.0	1.5	1.6	1.5	1.4	1.2
Expenditure for environment protection (million lei, current prices)	5709864	7981991	8885375	13932401	27234276	28495033	48816548	5474.2 <sup>**)</sup>
Share in total environment protection expenditure (%) of:								
- pollution prevention and control	88.0	89.8	95.9	93.0	91.8	95.0	94.0	94.7
- natural environmental protection	6.3	5.8	2.2	1.7	2.4	1.3	1.3	1.2

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<sup>1)</sup> Forests and other areas with forestry.

<sup>2)</sup> 1998 – public and mixed sector.

<sup>3)</sup> Kg per treated area.

<sup>\*\*)</sup> Million lei RON.

## **B. TERRITORIAL HUMAN DEVELOPMENT INDICATORS**

**Table B.1. Human Development Index (HDI)**

Statistical Regions	GDP per capita in PPP US\$ 2004 <sup>112)</sup>	Life Expectancy at birth (years) 2002-2004	Adult Population Literacy Rate % 2004	Gross Enrolment Ratio – all education levels, (%) 2004/2005	Human Development Index (HDI) 2004
<b>ROMANIA</b>	<b>8439</b>	<b>71.3</b>	<b>97.4</b>	<b>72.0</b>	<b>0.800</b>
REGION 1-NORTH-EAST	5839	71.1	97.5	67.0	0.773
REGION 2-SOUTH-EAST	7658	71.0	97.2	65.5	0.786
REGION 3-SOUTH	7041	71.1	95.7	65.2	0.778
REGION 4-SOUTH-WEST	7032	71.4	96.6	69.2	0.786
REGION 5-WEST	9679	70.8	98.0	76.4	0.811
REGION 6-NORTH-WEST	8203	70.6	97.5	72.2	0.796
REGION 7-CENTER	8796	71.8	98.1	68.6	0.803
REGION 8-BUCHUREST	16162	73.5	99.0	106.9	0.891

**Table B.2. Human Development Indicators**

	Life Expectancy at birth (years) 2003-2005	Adult population (%) Literacy rate 2005	Gross Enrolment Ratio – all education levels (%) 2005/2006	Life Expectancy Index 2003-2005	Education Index 2005
<b>ROMANIA</b>	<b>71.8</b>	<b>97.5</b>	<b>72.9</b>	<b>0.780</b>	<b>0.893</b>
NORTH-EAST	71.8	97.6	66.4	0.780	0.872
Bacău	71.0	97.5	61.5	0.767	0.855
Botoșani	71.2	96.9	58.7	0.770	0.842
Iași	71.9	97.8	85.9	0.782	0.938
Neamț	72.0	98.1	57.9	0.783	0.847
Suceava	73.0	98.3	64.1	0.800	0.869
Vaslui	71.5	96.7	59.5	0.775	0.843
SOUTH - EAST	71.7	97.3	65.3	0.778	0.866
Brăila	71.6	97.7	60.8	0.777	0.854
Buzău	72.4	96.9	60.0	0.790	0.846
Constanța	71.0	97.5	78.4	0.767	0.911
Galați	71.7	97.2	68.9	0.778	0.878
Tulcea	70.4	96.7	54.5	0.757	0.826
Vrancea	72.8	97.7	53.1	0.797	0.828
SOUTH	71.6	95.8	64.4	0.777	0.853
Argeș	72.3	98.3	75.0	0.788	0.905
Călărași	70.3	93.7	58.3	0.755	0.819
Dâmbovița	72.3	96.6	64.1	0.788	0.858
Giurgiu	70.5	92.2	54.2	0.758	0.795
Ialomița	70.9	94.9	61.6	0.765	0.838
Prahova	72.3	97.8	65.1	0.788	0.869
Teleorman	70.9	92.8	60.8	0.765	0.821
SOUTH - WEST	71.6	96.7	69.1	0.777	0.875
Dolj	71.2	96.3	78.4	0.770	0.903
Gorj	72.0	97.7	70.1	0.783	0.885
Mehedinți	71.2	96.3	67.0	0.770	0.865
Olt	71.2	96.1	59.8	0.770	0.840
Vâlcea	72.9	97.2	64.6	0.798	0.863
WEST	71.0	98.0	77.1	0.767	0.910
Arad	70.9	97.7	75.4	0.765	0.903

<sup>112)</sup> Semifinal data.

Caraş - Severin	70.6	97.8	63.3	0.760	0.863
Hunedoara	70.8	98.2	69.7	0.763	0.887
Timiș	71.4	98.2	90.5	0.773	0.956
NORTH - WEST	71.0	97.5	72.4	0.767	0.891
Bihor	70.4	97.1	78.9	0.757	0.910
Bistrița - Năsăud	72.8	97.5	58.9	0.797	0.846
Cluj	72.8	98.5	93.8	0.797	0.969
Maramureș	70.8	96.8	62.6	0.763	0.854
Satu Mare	68.3	97.2	59.1	0.722	0.845
Sălaj	70.4	97.1	60.3	0.757	0.848
CENTER	72.1	98.1	70.2	0.785	0.888
Alba	71.9	97.9	67.0	0.782	0.876
Brașov	73.0	98.8	77.3	0.800	0.916
Covasna	71.9	97.0	59.0	0.782	0.843
Harghita	71.8	98.3	62.0	0.780	0.862
Mureș	71.5	97.4	66.8	0.775	0.872
Sibiu	72.1	98.4	79.9	0.785	0.922
BUCHAREST	73.8	99.1	117.8	0.813	1.053
Bucharest Municipality	74.1	99.5	129.4	0.818	1.095
Ilfov	71.9	96.2	51.3	0.782	0.812
<b>URBAN</b>	<b>72.5</b>	<b>99.0</b>	<b>96.7</b>	<b>0.792</b>	<b>0.982</b>
<b>RURAL</b>	<b>70.8</b>	<b>95.7</b>	<b>44.5</b>	<b>0.763</b>	<b>0.786</b>

**Table B.3. Gender Disparity in Human Development Indicators (GDI)**

	Life expectancy at birth (years) 2003-2005		Gross Enrolment Ratio – all education levels (%) School year 2005/2006	
	Female	Male	Female	Male
<b>ROMANIA</b>	<b>75.5</b>	<b>68.2</b>	<b>75.0</b>	<b>70.8</b>
NORTH-EAST	75.5	68.3	68.9	63.9
Bacău	74.7	67.6	63.2	59.9
Botoșani	75.3	67.4	60.4	57.0
Iași	75.7	68.3	91.8	80.3
Neamț	75.8	68.4	58.7	57.1
Suceava	76.4	69.7	66.1	62.2
Vaslui	75.2	68.1	61.2	58.0
SOUTH - EAST	75.6	68.0	66.6	64.0
Brăila	75.5	67.9	61.9	59.8
Buzău	76.2	68.8	60.8	59.3
Constanța	74.7	67.5	79.8	77.0
Galați	76.1	67.7	70.8	67.1
Tulcea	73.8	67.2	54.3	54.7
Vrancea	76.5	69.4	54.9	51.3
SOUTH	75.5	67.9	65.0	63.9
Argeș	76.2	68.5	76.0	74.0
Călărași	74.4	66.6	58.4	58.3
Dâmbovița	76.3	68.4	64.7	63.5
Giurgiu	74.6	66.8	54.0	54.3
Ialomița	74.9	67.2	61.4	61.9
Prahova	76.2	68.5	66.2	64.0
Teleorman	74.9	67.2	60.7	60.8
SOUTH - WEST	75.1	68.3	69.8	68.4
Dolj	74.7	67.9	79.9	77.0
Gorj	75.7	68.4	69.3	70.9
Mehedinți	74.2	68.3	67.1	66.9
Olt	75.1	67.7	60.4	59.2
Vâlcea	76.2	69.6	65.8	63.4

WEST	74.5	67.5		78.7	75.7
Arad	74.6	67.3		78.1	72.8
Caraș - Severin	73.9	67.4		63.9	62.8
Hunedoara	74.5	67.3		70.0	69.4
Timiș	74.9	67.9		92.5	88.6
NORTH -WEST	74.7	67.5		74.4	70.5
Bihor	73.6	67.3		79.4	78.5
Bistrița - Năsăud	76.0	69.6		59.8	57.9
Cluj	76.4	69.4		98.5	89.2
Maramureș	74.5	67.2		64.6	60.8
Satu Mare	73.2	63.8		59.9	58.3
Sălaj	74.2	66.9		60.3	60.4
CENTER	75.9	68.4		71.8	68.7
Alba	75.6	68.4		68.6	65.6
Brașov	76.6	69.4		78.5	76.2
Covasna	75.7	68.4		59.3	58.7
Harghita	76.3	67.8		63.1	61.1
Mureș	75.4	67.9		68.4	65.2
Sibiu	76.0	68.4		82.9	77.1
BUCHAREST	77.2	70.2		125.5	110.3
Bucharest Municipality	77.4	70.6		138.8	120.3
Ilfov	76.0	68.0		48.8	53.7
<b>URBAN</b>	<b>76.0</b>	<b>69.0</b>		<b>100.4</b>	<b>93.1</b>
<b>RURAL</b>	<b>74.8</b>	<b>67.1</b>		<b>44.2</b>	<b>44.8</b>

**Table B.4. Deprivations and Restrictive Factors in Human Development**

	Unemployment rate <sup>1)</sup> (%) 2005	Women's unemployment rate <sup>1)</sup> (%) 2005	Proportion of unemployed <sup>1)</sup> who do not receive financial benefit in the total number of unemployed persons (%) 2005	Children aged 7-14 years not enrolled (%) School year 2005/2006
<b>ROMANIA</b>	<b>5.9</b>	<b>5.2</b>	<b>58.8</b>	<b>8.9</b>
NORTH-EAST	6.8	5.2	63.3	9.2
Bacău	6.3	4.9	55.6	11.4
Botoşani	6.2	4.3	65.3	7.9
Iaşi	7.2	5.4	72.5	7.8
Neamţ	5.6	4.6	62.3	12.1
Suceava	6.0	5.2	60.7	9.1
Vaslui	10.1	7.1	59.2	6.7
SOUTH - EAST	6.4	5.9	63.1	9.4
Brăila	6.8	4.8	65.2	8.9
Buzău	7.4	6.4	62.4	9.3
Constanţa	5.6	6.8	54.7	6.1
Galaţi	8.3	7.7	72.6	9.1
Tulcea	6.0	4.8	52.5	9.3
Vrancea	4.0	2.9	65.5	16.0
SOUTH	7.3	6.4	60.1	6.7
Argeş	5.2	5.0	46.7	5.4
Călăraşi	9.0	6.9	72.1	4.7
Dâmboviţa	7.4	6.6	60.3	7.9
Giurgiu	5.6	4.6	55.4	6.3
Ialomiţa	12.1	10.5	71.7	7.9
Prahova	6.3	5.9	44.9	7.5
Teleorman	8.9	6.8	75.0	6.8
SOUTH - WEST	7.4	6.3	60.9	8.0
Dolj	6.3	5.0	56.7	8.3
Gorj	9.3	8.6	52.2	6.1
Mehedinţi	9.5	7.5	77.0	9.0
Olt	7.1	5.5	66.2	8.2
Vâlcea	6.6	6.5	55.7	8.5
WEST	5.1	4.9	50.0	9.0
Arad	3.6	3.1	58.5	7.9
Caraş - Severin	7.9	7.1	51.1	9.3
Hunedoara	9.4	9.4	47.3	9.8
Timiş	2.3	2.3	47.4	8.9
NORTH - WEST	4.0	3.6	57.5	10.8
Bihor	2.7	2.1	64.0	9.9
Bistriţa - Năsăud	4.3	4.0	40.5	11.6
Cluj	4.4	4.5	61.9	11.2
Maramureş	4.5	4.0	59.3	12.1
Satu Mare	3.4	2.7	58.5	10.1
Sălaj	6.1	5.0	51.3	9.1
CENTER	7.3	6.7	50.2	11.0
Alba	8.3	7.7	34.2	10.0
Braşov	8.7	8.9	59.7	11.6
Covasna	8.8	7.0	61.3	9.9
Harghita	8.5	7.2	37.4	10.3
Mureş	4.6	4.3	52.9	12.4
Sibiu	6.0	5.4	56.3	10.4
BUCHAREST	2.4	2.9	65.5	5.6
Bucharest Municipality	2.4	3.0	66.3	5.5
Ilfov	2.0	2.0	58.0	6.1
<b>URBAN</b>	-	-	-	<b>3.9</b>
<b>RURAL</b>	-	-	-	<b>13.5</b>

<sup>1)</sup> Unemployed registered at the Agencies for Employment.

- continuation Table B.4 -

Proportion of adult population without secondary and tertiary school (%) 2002	Infant Mortality Rate (per 1000 live births) 2005	Maternal Mortality Rate (per 100000 live births) 2005	Proportion of the population without sustainable access to electricity (%) 2002	Proportion of the population without sustainable access to water (%) 2002	
<b>19.3</b>	<b>15.0</b>	<b>16.7</b>	<b>2.1</b>	<b>28.0</b>	<b>ROMANIA</b>
22.1	17.2	18.3	3.6	51.4	NORTH-EAST
20.5	16.7	25.2	3.6	51.3	Bacău
28.2	20.2	18.9	3.1	62.2	Botoşani
21.0	14.4	9.8	4.1	47.0	Iaşi
20.9	15.5	34.1	2.7	42.1	Neamţ
18.8	16.5	-	2.2	55.9	Suceava
27.1	23.3	35.6	6.8	53.5	Vaslui
21.2	16.5	14.2	2.4	27.7	SOUTH - EAST
20.5	10.6	-	1.6	29.2	Brăila
25.8	18.8	21.1	2.1	45.4	Buzău
16.8	19.8	13.3	2.5	7.5	Constanţa
20.6	16.4	16.7	2.5	30.7	Galaţi
22.7	16.6	41.4	2.2	19.6	Tulcea
24.5	12.7	-	3.1	41.5	Vrancea
24.8	16.5	9.4	1.8	31.2	SOUTH
16.4	18.8	-	1.8	35.0	Argeş
32.4	18.6	-	3.3	16.7	Călăraşi
22.5	13.8	19.2	1.8	37.5	Dâmboviţa
33.9	18.0	-	1.4	67.8	Giurgiu
28.9	16.7	-	2.4	27.2	Ialomiţa
20.6	14.7	12.2	1.1	19.3	Prahova
33.9	17.1	30.0	1.8	28.8	Teleorman
21.6	16.0	38.7	1.7	36.7	SOUTH - WEST
22.9	13.7	30.7	1.4	29.0	Dolj
17.0	13.8	27.7	1.7	34.7	Gorj
22.8	20.1	37.3	1.9	40.1	Mehedinţi
23.9	19.2	97.3	1.7	43.4	Olt
20.2	15.7	-	2.3	41.6	Vâlcea
16.7	13.9	11.0	0.9	15.6	WEST
20.0	9.9	-	1.2	19.5	Arad
19.6	19.5	-	1.2	19.2	Caraş - Severin
14.6	15.8	23.9	0.9	12.8	Hunedoara
14.4	12.9	15.4	0.6	13.3	Timiş
17.9	13.5	10.3	2.4	22.6	NORTH - WEST
19.2	15.3	-	2.1	24.7	Bihor
20.7	12.5	28.4	3.2	35.8	Bistriţa - Năsăud
14.8	10.1	15.6	1.5	10.3	Cluj
18.2	12.9	17.7	3.1	19.8	Maramureş
18.1	18.6	-	3.2	23.4	Satu Mare
19.6	11.3	-	2.1	40.5	Sălaj
15.0	14.0	21.9	2.3	19.5	CENTER
17.9	18.5	-	2.2	25.7	Alba
10.5	14.5	33.6	2.2	7.8	Braşov
17.3	12.7	36.3	2.2	28.1	Covasna
16.0	12.4	26.4	2.4	18.3	Harghita
18.3	13.9	30.5	3.3	27.4	Mureş
12.1	12.0	-	1.3	15.5	Sibiu
10.4	9.5	13.9	0.7	3.1	BUCHAREST
24.4	9.4	16.2	0.3	0.9	Bucharest Municipality
8.3	9.5	-	2.8	16.8	Ilfov
<b>9.6</b>	<b>12.4</b>	<b>14.4</b>	<b>0.7</b>	<b>4.4</b>	<b>URBAN</b>
<b>30.5</b>	<b>17.9</b>	<b>19.4</b>	<b>3.7</b>	<b>54.3</b>	<b>RURAL</b>

**Table B.5. Health**

	Infant Mortality Rate (per 1000 live births ) 2005	Maternal Mortality Rate(per 100000 live births) 2005	Mortality Rate – causes (per 100000 inhabitants) 2005		New cases of infectious and parasitic diseases (per 100000 inhabitants) 2005
			Diseases of the circulatory sys.	tumors	
<b>ROMANIA</b>	<b>15.0</b>	<b>16.7</b>	<b>753.8</b>	<b>207.7</b>	<b>3818.2</b>
NORTH-EAST	17.2	18.3	634.4	187.6	4083.9
Bacău	16.7	25.2	625.7	193.8	3556.1
Botoşani	20.2	18.9	754.0	206.6	3955.0
Iaşi	14.4	9.8	545.6	193.6	6016.3
Neamţ	15.5	34.1	611.3	183.5	2797.9
Suceava	16.5	-	672.4	177.7	4037.8
Vaslui	23.3	35.6	654.2	168.4	3290.9
SOUTH - EAST	16.5	14.2	668.7	202.1	3139.5
Brăila	10.6	-	720.3	234.4	3509.7
Buzău	18.8	21.1	857.6	208.1	2492.2
Constanţa	19.8	13.3	552.2	227.1	2960.2
Galaţi	16.4	16.7	609.5	180.2	3460.3
Tulcea	16.6	41.4	680.4	178.8	3871.5
Vrancea	12.7	-	679.6	168.6	2954.3
SOUTH	16.5	9.4	877.6	203.0	2480.2
Argeş	18.8	-	753.7	176.4	1072.2
Călăraşi	18.6	-	884.0	212.9	2041.9
Dâmboviţa	13.8	19.2	814.9	205.2	3652.6
Giurgiu	18.0	-	1082.0	205.8	1320.7
Ialomiţa	16.7	-	797.3	231.7	3850.5
Prahova	14.7	12.2	786.9	205.5	2688.5
Teleorman	17.1	30.0	1235.6	206.7	2901.6
SOUTH - WEST	16.0	38.7	916.8	172.0	3534.7
Dolj	13.7	30.7	991.0	170.7	2563.0
Gorj	13.8	27.7	724.9	150.3	4346.3
Mehedinţi	20.1	37.3	965.4	185.8	2727.5
Olt	19.2	97.3	980.5	175.9	3505.9
Vâlcea	15.7	-	856.7	179.7	5089.1
WEST	13.9	11.0	846.4	227.1	4063.6
Arad	9.9	-	901.4	261.2	4380.5
Caraş - Severin	19.5	-	989.8	191.3	3190.0
Hunedoara	15.8	23.9	801.4	216.5	5254.1
Timiş	12.9	15.4	768.3	229.3	3414.5
NORTH -WEST	13.5	10.3	790.0	211.5	4850.7
Bihor	15.3	-	861.2	218.6	3632.0
Bistriţa - Năsăud	12.5	28.4	741.3	165.3	6772.2
Cluj	10.1	15.6	788.4	247.8	3643.9
Maramures	12.9	17.7	669.2	194.0	6041.0
Satu Mare	18.6	-	768.0	208.1	5107.6
Sălaj	11.3	-	971.9	197.0	5852.9
CENTER	14.0	21.9	683.6	214.4	5322.8
Alba	18.5	-	838.6	212.0	6730.2
Braşov	14.5	33.6	564.4	212.9	4216.3
Covasna	12.7	36.3	654.7	176.8	5703.3
Harghita	12.4	26.4	746.6	178.6	3456.0
Mureş	13.9	30.5	696.8	260.3	6240.8
Sibiu	12.0	-	659.0	202.7	5592.3
BUCHAREST	9.5	13.9	662.8	264.1	3338.5
Bucharest Municipality	9.4	16.2	653.1	268.5	2954.8
Ilfov	9.5	-	727.9	234.3	5944.8
<b>URBAN</b>	<b>12.4</b>	<b>14.4</b>	<b>559.4</b>	<b>209.3</b>	<b>3930.3</b>
<b>RURAL</b>	<b>17.9</b>	<b>19.4</b>	<b>989.2</b>	<b>205.7</b>	<b>3681.5</b>

- continuation Table B.5 -

Tuberculosis Cases (per100000 inhabitants) 2005	Population per		Hospital beds (per 1000 inhabitants) 2005	Medical examinations per inhabitant in medical clinics 2005	
	physician	ancillary medical person			
	2005	2005			
<b>105.7</b>	<b>456</b>	<b>175</b>	<b>6.6</b>	<b>3.2</b>	<b>ROMANIA</b>
111.2	601	190	5.8	2.9	NORTH-EAST
112.5	754	221	4.5	2.7	Bacău
123.3	866	177	5.8	2.5	Botoșani
126.1	306	136	8.4	3.3	Iași
101.8	777	218	5.0	3.2	Neamț
86.1	822	224	4.9	3.0	Suceava
120.5	989	226	5.5	2.3	Vaslui
122.9	671	198	5.5	2.9	SOUTH - EAST
98.3	723	177	5.9	4.1	Brăila
91.1	898	209	5.4	3.0	Buzău
146.8	463	182	6.0	2.9	Constanța
149.9	760	203	5.5	2.8	Galați
128.3	820	229	5.2	2.3	Tulcea
96.8	771	219	4.8	2.0	Vrancea
104.8	768	222	4.9	3.0	SOUTH
95.9	557	196	6.3	3.4	Argeș
103.6	960	286	4.3	2.4	Călărași
108.5	839	216	4.5	3.3	Dâmbovița
150.6	1004	294	3.2	2.2	Giurgiu
98.1	1068	209	3.1	3.6	Ialomița
85.4	713	213	5.3	3.2	Prahova
126.4	869	231	5.4	2.2	Teleorman
132.5	532	184	5.9	2.9	SOUTH - WEST
138.7	367	169	6.5	2.7	Dolj
122.4	632	187	6.1	3.1	Gorj
132.6	661	203	5.9	2.4	Mehedinți
150.1	741	206	5.0	2.9	Olt
110.3	636	176	5.7	3.7	Vâlcea
116.4	383	167	7.4	3.3	WEST
117.8	487	186	5.3	3.2	Arad
116.3	661	189	6.7	3.0	Caraș - Severin
99.7	431	152	7.7	4.4	Hunedoara
127.6	266	157	9.0	2.6	Timiș
80.9	435	165	7.3	3.3	NORTH -WEST
88.1	503	158	7.7	3.9	Bihor
66.5	754	192	5.2	3.2	Bistrița - Năsăud
58.5	225	133	10.2	3.6	Cluj
83.6	687	177	6.4	3.1	Maramureș
109.8	690	200	5.5	2.3	Satu Mare
96.1	777	202	6.0	3.3	Sălaj
71.2	468	172	7.2	4.1	CENTER
83.1	574	179	6.7	4.4	Alba
63.0	495	187	6.8	4.0	Brașov
42.4	640	199	9.1	4.0	Covasna
46.2	772	189	7.0	4.1	Harghita
101.6	326	138	7.3	4.1	Mureș
64.4	430	186	7.2	3.9	Sibiu
108.8	192	116	10.5	3.7	BUCHAREST
102.7	173	106	11.2	3.4	Bucharest Municipality
150.3	673	331	5.7	6.1	Ilfov
<b>97.4</b>	<b>283</b>	<b>108</b>	<b>11.1</b>	<b>3.7</b>	<b>URBAN</b>
<b>115.9</b>	<b>1806</b>	<b>745</b>	<b>1.1</b>	<b>2.6</b>	<b>RURAL</b>

**Table B.6. Education**

School year	Gross Enrolment Ratio (%)			Gross Enrolment Ratio in pre-primary education (%) 2005/2006
	All education levels 2005/2006	Primary and lower secondary education 2005/2006	Upper secondary education (cycle II) 2005/2006	
<b>ROMANIA</b>	<b>72.9</b>	<b>101.5</b>	<b>75.2</b>	<b>74.7</b>
NORTH-EAST	66.4	100.8	69.6	70.5
Bacău	61.5	98.7	67.1	73.1
Botoşani	58.7	101.8	66.6	69.2
Iaşi	85.9	104.0	72.0	68.9
Neamţ	57.9	97.9	71.0	65.8
Suceava	64.1	99.3	69.5	72.7
Vaslui	59.5	103.4	70.5	72.7
SOUTH - EAST	65.3	101.7	71.2	72.4
Brăila	60.8	102.2	68.4	81.4
Buzău	60.0	102.0	72.7	76.3
Constanţa	78.4	106.3	82.9	71.7
Galaţi	68.9	101.2	69.8	67.9
Tulcea	54.5	101.9	62.1	79.8
Vrancea	53.1	94.1	58.6	64.2
SOUTH	64.4	103.2	70.9	70.1
Argeş	75.0	102.7	84.3	81.4
Călăraşi	58.3	106.0	61.2	66.5
Dâmboviţa	64.1	102.1	65.2	64.3
Giurgiu	54.2	104.3	45.3	59.5
Ialomiţa	61.6	103.8	73.3	60.5
Prahova	65.1	102.9	75.7	68.6
Teleorman	60.8	102.6	72.9	83.0
SOUTH - WEST	69.1	100.5	79.1	79.3
Dolj	78.4	101.2	77.8	76.1
Gorj	70.1	101.7	85.3	82.3
Mehedinţi	67.0	99.6	82.4	75.2
Olt	59.8	100.1	72.8	81.7
Vâlcea	64.6	99.4	79.8	82.0
WEST	77.1	101.7	78.4	77.3
Arad	75.4	103.4	74.5	73.7
Caraş - Severin	63.3	102.2	72.1	79.1
Hunedoara	69.7	99.8	84.5	74.8
Timiş	90.5	101.7	79.9	80.8
NORTH -WEST	72.4	99.5	76.8	82.5
Bihor	78.9	101.4	86.3	78.3
Bistriţa - Năsăud	58.9	97.9	72.3	81.1
Cluj	93.8	99.1	78.3	87.3
Maramureş	62.6	97.8	73.6	77.3
Satu Mare	59.1	101.5	69.6	86.1
Sălaj	60.3	98.7	76.4	89.5
CENTER	70.2	100.4	74.0	83.2
Alba	67.0	99.0	75.9	83.6
Braşov	77.3	100.6	74.3	71.6
Covasna	59.0	102.0	70.2	87.1
Harghita	62.0	99.1	81.5	94.4
Mureş	66.8	99.7	68.1	86.0
Sibiu	79.9	102.4	76.0	82.2
BUCHAREST	117.8	105.9	91.9	64.1
Bucharest Municipality	129.4	105.8	100.2	65.2
Ilfov	51.3	106.2	45.9	58.7
<b>URBAN</b>	<b>96.7</b>	<b>106.7</b>	<b>119.2</b>	<b>79.6</b>
<b>RURAL</b>	<b>44.5</b>	<b>96.6</b>	<b>17.6</b>	<b>70.5</b>

Rate of continuation into upper secondary education - cycle II (%) 2005/2006	Number of students per teacher in:			School year
	primary 2005/2006	lower secondary 2005/2006	high school 2005/2006	
<b>95.4</b>	<b>16.8</b>	<b>10.8</b>	<b>12.4</b>	<b>ROMANIA</b>
95.7	17.4	12.1	11.8	NORTH-EAST
95.9	19.1	13.4	11.7	Bacău
96.7	18.1	11.2	10.8	Botoşani
97.0	16.8	12.2	10.8	Iaşi
97.2	16.9	12.0	11.6	Neamţ
90.5	17.1	12.2	12.3	Suceava
98.6	16.9	11.4	15.5	Vaslui
94.9	17.4	11.5	12.6	SOUTH - EAST
90.4	17.1	12.4	11.1	Brăila
96.6	15.4	10.8	12.9	Buzău
98.6	18.9	11.4	12.7	Constanţa
96.5	19.3	12.6	12.1	Galaţi
89.2	15.3	10.8	14.1	Tulcea
91.3	16.5	10.7	13.5	Vrancea
92.2	17.3	10.7	12.6	SOUTH
98.2	16.1	9.9	12.3	Argeş
85.0	19.5	13.1	13.8	Călăraşi
91.9	16.3	10.1	11.9	Dâmboviţa
61.2	18.4	12.2	15.0	Giurgiu
95.1	19.0	13.1	14.4	Ialomiţa
100.0	18.9	11.5	11.4	Prahova
93.4	14.5	8.5	13.8	Teleorman
96.6	16.6	10.3	12.4	SOUTH - WEST
100.0	16.9	10.5	10.1	Dolj
96.9	17.1	11.8	14.5	Gorj
98.0	16.7	10.8	15.0	Mehedinţi
88.6	16.8	9.9	15.1	Olt
99.0	15.3	9.0	11.3	Vâlcea
94.2	17.2	11.4	12.8	WEST
93.2	19.6	12.0	14.1	Arad
93.6	16.2	11.8	9.2	Caraş - Severin
90.3	15.9	12.4	12.8	Hunedoara
98.0	17.2	10.1	14.3	Timiş
96.7	15.3	9.7	12.5	NORTH - WEST
96.8	14.8	9.6	13.2	Bihor
98.5	15.8	9.1	17.5	Bistriţa - Năsăud
99.2	15.1	9.3	11.0	Cluj
94.6	16.1	9.9	11.8	Maramureş
96.4	15.9	10.6	11.6	Satu Mare
92.9	13.9	9.4	14.3	Sălaj
96.6	15.7	9.7	11.7	CENTER
98.1	14.8	9.5	12.1	Alba
100.1	17.2	10.8	11.2	Braşov
93.7	14.6	9.3	9.9	Covasna
94.5	15.5	9.5	11.3	Harghita
92.6	14.6	8.6	10.7	Mureş
98.8	17.8	10.6	16.1	Sibiu
97.5	18.1	11.5	13.1	BUCHAREST
105.0	18.0	11.6	12.8	Bucharest Municipality
50.9	18.8	11.0	16.3	Ilfov
<b>146.6</b>	<b>18.1</b>	<b>11.9</b>	<b>12.4</b>	<b>URBAN</b>
<b>26.2</b>	<b>15.8</b>	<b>9.8</b>	<b>12.2</b>	<b>RURAL</b>

**Table B.7. Culture and Communication**

	Subscriptions (per 1000 inhabitants) 2005		Registered readers at libraries (per 1000 inhabitants) 2005	Number of books lent by libraries (per 1000 inhabitants) 2005
	Radio	Television		
<b>ROMANIA</b>	<b>245.9</b>	<b>260.0</b>	<b>230.2</b>	<b>3270.7</b>
NORTH-EAST	202.3	217.4	225.0	3488.3
Bacău	244.9	258.5	196.5	2565.3
Botoşani	158.6	178.7	225.7	3618.9
Iaşi	204.7	219.6	263.1	4791.8
Neamţ	217.2	232.5	195.0	3464.9
Suceava	191.3	202.7	230.7	3130.2
Vaslui	173.5	191.8	230.0	3082.3
SOUTH - EAST	236.7	256.5	253.9	3020.9
Brăila	206.2	237.7	154.0	2256.0
Buzău	232.6	248.0	193.8	2220.6
Constanţa	272.7	286.3	454.6	4695.4
Galaţi	223.1	250.2	219.4	2709.6
Tulcea	278.2	290.0	170.6	3594.2
Vrancea	199.4	218.8	166.5	1826.1
SOUTH	249.9	261.4	214.4	2443.3
Argeş	233.3	255.3	250.4	2948.4
Călăraşi	260.1	268.5	183.6	1957.2
Dâmboviţa	269.2	270.3	252.8	2584.5
Giurgiu	260.8	268.6	123.9	1413.9
Ialomiţa	227.8	248.1	222.1	3200.1
Prahova	269.4	278.9	203.7	2427.8
Teleorman	212.6	223.7	210.3	2059.5
SOUTH - WEST	210.6	224.1	229.3	2971.9
Dolj	214.5	218.3	216.5	2811.1
Gorj	207.5	224.4	248.6	3721.3
Mehedinţi	209.0	223.7	268.6	2219.6
Olt	179.5	201.0	210.8	3034.8
Vâlcea	244.0	261.3	226.3	3033.0
WEST	267.9	284.4	203.8	3543.2
Arad	269.3	283.0	184.9	2982.9
Caraş - Severin	232.9	251.7	193.7	2609.8
Hunedoara	232.2	270.3	221.0	4877.8
Timiş	310.5	312.0	209.5	3430.7
NORTH - WEST	245.6	258.4	221.7	3797.0
Bihor	263.6	274.8	214.1	3136.0
Bistriţa - Năsăud	174.0	189.5	169.4	1990.3
Cluj	262.6	271.6	266.3	6943.9
Maramureş	247.9	266.8	221.6	3139.5
Satu Mare	263.9	277.0	191.6	2207.6
Sălaj	215.2	225.9	227.0	2601.8
CENTER	239.5	251.1	256.5	3256.3
Alba	209.2	224.3	238.7	3560.2
Braşov	270.4	283.6	237.5	3614.9
Covasna	200.8	177.0	224.2	2359.4
Harghita	201.2	228.0	236.3	3135.7
Mureş	249.3	261.3	218.2	2931.9
Sibiu	260.0	272.3	384.9	3494.6
BUCHAREST	350.2	362.4	236.3	3910.2
Bucharest Municipality	249.9	362.4 <sup>)</sup>	257.7	4355.8
Ilfov	365.0	...	91.2	883.2
<b>URBAN</b>	<b>...</b>	<b>286.3</b>	<b>293.1</b>	<b>4752.7</b>
<b>RURAL</b>	<b>...</b>	<b>227.6</b>	<b>153.4</b>	<b>1463.8</b>

<sup>)</sup> Including county Ilfov.

**Table B.8. Women's Human Potential**

	Gross Enrolment Rate in high schools (%) 2005-2006	Life Expectancy at birth (years) 2003-2005	General Fertility Rate(‰) 2005	Maternal Mortality Rate (at 100000 live birth) 2005
<b>ROMANIA</b>	<b>54.9</b>	<b>75.5</b>	<b>39.4</b>	<b>16.7</b>
NORTH-EAST	46.7	75.5	46.2	18.3
Bacău	46.4	74.7	42.5	25.2
Botoşani	41.5	75.3	47.6	18.9
Iaşi	47.7	75.7	48.5	9.8
Neamţ	49.5	75.8	40.2	34.1
Suceava	47.7	76.4	49.0	-
Vaslui	45.6	75.2	49.5	35.6
SOUTH-EAST	51.1	75.6	38.0	14.2
Brăila	47.7	75.5	35.7	-
Buzău	53.7	76.2	39.4	21.1
Constanţa	62.3	74.7	38.0	13.3
Galaţi	48.0	76.1	36.5	16.7
Tulcea	40.4	73.8	36.0	41.4
Vrancea	42.7	76.5	42.2	-
SOUTH	50.8	75.5	38.6	9.4
Argeş	64.8	76.2	35.7	-
Călăraşi	40.0	74.4	45.2	-
Dâmboviţa	46.0	76.3	37.9	19.2
Giurgiu	33.4	74.6	38.7	-
Ialomiţa	49.9	74.9	42.9	-
Prahova	53.2	76.2	38.3	12.2
Teleorman	53.9	74.9	36.4	30.0
SOUTH-WEST	59.7	75.1	35.7	38.7
Dolj	58.7	74.7	36.5	30.7
Gorj	65.3	75.7	35.1	27.7
Mehedinţi	62.4	74.2	35.5	37.3
Olt	53.7	75.1	34.7	97.3
Vâlcea	60.2	76.2	36.2	-
WEST	58.7	74.5	35.9	11.0
Arad	56.7	74.6	38.0	-
Caraş - Severin	50.3	73.9	36.1	-
Hunedoara	62.9	74.5	33.1	23.9
Timiş	61.1	74.9	36.5	15.4
NORTH -WEST	56.4	74.7	41.0	10.3
Bihor	70.3	73.6	44.4	-
Bistriţa - Năsăud	50.0	76.0	42.4	28.4
Cluj	57.7	76.4	36.1	15.6
Maramureş	50.7	74.5	41.4	17.7
Satu Mare	46.5	73.2	41.7	-
Sălaj	58.2	74.2	43.2	-
CENTER	53.8	75.9	41.0	21.9
Alba	55.4	75.6	38.6	-
Braşov	55.4	76.6	35.9	33.6
Covasna	50.2	75.7	46.4	36.3
Harghita	61.8	76.3	45.1	26.4
Mureş	49.2	75.4	44.4	30.5
Sibiu	52.2	76.0	40.5	-
BUCHAREST	74.3	77.2	34.6	13.9
Bucharest Municipality	81.1	77.4	33.7	16.2
Ilfov	36.6	76.0	40.5	-
<b>URBAN</b>	<b>89.8</b>	<b>76.0</b>	<b>34.1</b>	<b>14.4</b>
<b>RURAL</b>	<b>9.1</b>	<b>74.8</b>	<b>47.9</b>	<b>19.4</b>

**Table B.9. Unemployment**

	Number of registered unemployed 2005 - persons -	Of which, by educational level:		
		primary, lower secondary, vocational	high school and post- high school	university
<b>ROMANIA</b>	<b>522967</b>	<b>418411</b>	<b>84839</b>	<b>19717</b>
NORTH-EAST	92260	77895	11651	2714
Bacău	15071	12152	2379	540
Botoşani	10085	9036	834	215
Iaşi	23117	20083	2329	705
Neamţ	11857	9861	1584	412
Suceava	15583	12883	2283	417
Vaslui	16547	13880	2242	425
SOUTH-EAST	70464	57290	10839	2335
Brăila	9158	7635	1186	337
Buzău	14444	11018	3062	364
Constanţa	16995	12674	3516	805
Galaţi	18442	16349	1564	529
Tulcea	5548	4689	760	99
Vrancea	5877	4925	751	201
SOUTH	93142	73957	16255	2930
Argeş	13845	10557	2458	830
Călăraşi	9992	8774	1100	118
Dâmboviţa	15832	13939	1410	483
Giurgiu	5198	3949	1133	116
Ialomiţa	13262	9339	3758	165
Prahova	19509	15148	3665	696
Teleorman	15504	12251	2731	522
SOUTH-WEST	68893	55735	10310	2848
Dolj	17834	14403	2541	890
Gorj	14252	11455	2172	625
Mehedinţi	11737	9953	1480	304
Olt	13292	11139	1683	470
Vâlcea	11778	8785	2434	559
WEST	45270	34592	8385	2293
Arad	7551	6200	1047	304
Caraş - Severin	10209	7627	2127	455
Hunedoara	20150	15134	4004	1012
Timiş	7360	5631	1207	522
NORTH -WEST	48086	38234	7928	1924
Bihor	7493	6201	929	363
Bistriţa - Năsăud	5433	4307	976	150
Cluj	14373	11441	2210	722
Maramureş	9449	7329	1756	364
Satu Mare	5083	4255	711	117
Sălaj	6255	4701	1346	208
CENTER	79063	62521	13714	2828
Alba	15264	11742	2864	658
Braşov	21751	16937	3827	987
Covasna	8273	7300	825	148
Harghita	11783	8924	2640	219
Mureş	11473	9151	1954	368
Sibiu	10519	8467	1604	448
BUCHAREST	25789	18187	5757	1845
Bucharest Municipality	23132	16041	5285	1806
Ilfov	2657	2146	472	39
<b>URBAN</b>	-	-	-	-
<b>RURAL</b>	-	-	-	-

Unemployment rate (%) 2005	Proportion of women in total unemployed (%) 2005	Proportion of young people in total unemployed <sup>1)</sup> (%) 2005	Incidence of over 6 months unemployment <sup>1)</sup> (%) 2005	Proportion of unemployed receiving unemployment benefits <sup>1)</sup> in the total number of unemployed (%) 2005	
<b>5.9</b>	<b>41.9</b>	<b>8.6</b>	<b>33.9</b>	<b>58.8</b>	<b>ROMANIA</b>
6.8	36.8	9.9	28.7	63.3	NORTH-EAST
6.3	35.9	12.6	23.6	55.6	Bacău
6.2	34.6	6.2	18.2	65.3	Botoşani
7.2	34.6	8.7	21.4	72.5	Iaşi
5.6	40.2	9.1	36.2	62.3	Neamţ
6.0	41.9	10.7	35.0	60.7	Suceava
10.1	35.1	11.0	35.4	59.2	Vaslui
6.4	43.0	7.3	27.0	63.1	SOUTH-EAST
6.8	35.2	8.5	26.5	65.2	Brăila
7.4	41.2	9.1	34.2	62.4	Buzău
5.6	53.4	5.6	24.3	54.7	Constanţa
8.3	41.7	7.0	24.6	72.6	Galaţi
6.0	38.8	8.4	22.5	52.5	Tulcea
4.0	37.1	5.9	30.5	65.5	Vrancea
7.3	41.2	9.7	30.5	60.1	SOUTH
5.2	45.4	11.0	42.3	46.7	Argeş
9.0	37.9	5.2	14.1	72.1	Călăraşi
7.4	41.8	12.8	30.6	60.3	Dâmboviţa
5.6	41.2	9.5	21.6	55.4	Giurgiu
12.1	41.8	8.5	15.9	71.7	Ialomiţa
6.3	42.0	12.2	36.3	44.9	Prahova
8.9	37.5	6.5	23.0	75.0	Teleorman
7.4	39.7	11.7	26.5	60.9	SOUTH-WEST
6.3	38.0	13.2	28.0	56.7	Dolj
9.3	43.1	13.4	28.9	52.2	Gorj
9.5	37.4	6.6	25.9	77.0	Mehedinţi
7.1	36.4	10.4	20.5	66.2	Olt
6.6	44.3	14.1	26.7	55.7	Vâlcea
5.1	45.4	7.6	37.3	50.0	WEST
3.6	41.1	4.1	31.8	58.5	Arad
7.9	42.9	11.0	29.3	51.1	Caraş - Severin
9.4	46.7	7.6	42.9	47.3	Hunedoara
2.3	49.6	6.3	36.8	47.4	Timiş
4.0	43.3	6.7	43.8	57.5	NORTH -WEST
2.7	38.6	6.2	26.7	64.0	Bihor
4.3	44.3	10.8	37.5	40.5	Bistriţa - Năsăud
4.4	48.7	5.7	57.8	61.9	Cluj
4.5	43.2	5.9	49.1	59.3	Maramureş
3.4	39.6	4.4	33.7	58.5	Satu Mare
6.1	39.1	8.8	40.6	51.3	Sălaj
7.3	42.9	7.5	41.3	50.2	CENTER
8.3	44.1	9.0	41.6	34.8	Alba
8.7	45.4	3.9	53.5	59.7	Braşov
8.8	38.5	6.1	45.5	61.3	Covasna
8.5	40.9	11.2	34.1	37.4	Harghita
4.6	43.3	8.9	30.7	52.9	Mureş
6.0	41.5	8.5	38.3	56.3	Sibiu
2.4	53.8	3.6	46.1	65.5	BUCHAREST
2.4	54.6	3.4	45.4	66.3	Bucharest Municipality
2.0	47.4	4.9	51.2	58.0	Ilfov
-	-	-	-	-	<b>URBAN</b>
-	-	-	-	-	<b>RURAL</b>

<sup>1)</sup> Registered unemployed, receiving unemployment indemnity according to art.39 and 40, Law no.76/2002.

**Table B.10. Demographic Profile**

	Population (thousand inhabitants) 2005	Average annual Growth Rate of the Population (%)		Birth rate (per 1000 inhabitants) 2005	Mortality rate (per 1000 inhabitants) 2005	Fertility rate (‰) 2005
		1980-1990	1990-2005			
<b>ROMANIA</b>	<b>21623.8</b>	<b>0.5</b>	<b>-0.5</b>	<b>10.2</b>	<b>12.1</b>	<b>39.4</b>
NORTH-EAST	3734.5	0.5	-0.1	11.7	11.0	46.2
Bacău	723.5	0.6	-0.1	10.9	11.3	42.5
Botoşani	459.9	0.1	-0.1	11.4	12.2	47.6
Iaşi	813.9	0.8	-0.1	12.6	10.1	48.5
Neamţ	570.7	0.6	-0.2	10.2	11.0	40.2
Suceava	705.8	0.7	0.1	12.4	10.7	49.0
Vaslui	460.8	0.3	-0.1	12.1	11.2	49.5
SOUTH-EAST	2846.4	0.7	-0.3	9.9	11.4	38.0
Brăila	370.4	0.3	-0.6	9.2	11.9	35.7
Buzău	494.1	0.1	-0.4	9.5	13.4	39.4
Constanţa	715.1	1.5	-0.4	10.5	10.2	38.0
Galaţi	620.5	0.7	-0.3	9.7	10.6	36.5
Tulcea	252.5	0.4	-0.5	9.5	11.0	36.0
Vrancea	393.8	0.4	-0.1	10.6	11.9	42.2
SOUTH	3329.8	0.1	-0.5	9.6	13.3	38.6
Argeş	646.3	0.4	-0.3	9.4	11.6	35.7
Călăraşi	317.7	-0.1	-0.5	11.0	13.8	45.2
Dâmboviţa	537.1	0.3	-0.4	9.7	12.4	37.9
Giurgiu	286.2	-0.5	-0.7	9.0	15.8	38.7
Ialomiţa	292.7	-0.1	-0.3	10.6	12.5	42.9
Prahova	827.5	0.5	-0.4	9.9	12.3	38.3
Teleorman	422.3	-0.6	-1.1	7.9	17.7	36.4
SOUTH-WEST	2306.5	0.3	-0.4	8.9	13.4	35.7
Dolj	718.9	0.3	-0.5	9.1	14.2	36.5
Gorj	384.9	0.9	-0.1	9.4	11.1	35.1
Mehedinţi	303.9	-0.1	-0.5	8.8	14.3	35.5
Olt	483.7	-0.1	-0.6	8.5	14.2	34.7
Vâlcea	415.2	0.3	-0.3	9.0	12.5	36.2
WEST	1930.5	0.3	-0.9	9.5	13.0	35.9
Arad	459.3	-0.1	-0.7	9.7	14.4	38.0
Caraş - Severin	331.9	0.3	-1.3	9.3	14.0	36.1
Hunedoara	480.5	0.6	-1.1	8.7	12.6	33.1
Timiş	658.8	0.2	-0.6	9.9	11.9	36.5
NORTH -WEST	2737.4	0.4	-0.6	10.7	12.4	41.0
Bihor	595.7	0.3	-0.7	11.4	13.5	44.4
Bistriţa - Năsăud	317.3	0.9	-0.3	11.0	11.0	42.4
Cluj	694.5	0.2	-0.5	9.5	12.4	36.1
Maramureş	515.6	0.8	-0.5	10.9	11.2	41.4
Satu Mare	368.7	0.4	-0.8	11.2	12.7	41.7
Sălaj	245.6	0.2	-0.6	10.7	13.7	43.2
CENTER	2530.5	0.5	-0.8	10.8	11.4	41.0
Alba	379.2	0.2	-0.8	9.9	12.6	38.6
Braşov	595.2	0.9	-1.1	10.0	10.0	35.9
Covasna	223.9	1.0	-0.4	12.3	10.8	46.4
Harghita	326.6	0.5	-0.7	11.6	11.5	45.1
Mureş	583.4	0.3	-0.4	11.2	12.6	44.4
Sibiu	422.3	0.2	-1.2	10.9	10.7	40.5
BUCHAREST	2208.4	1.1	-0.6	9.8	11.6	34.6
Bucharest Municipality	1925.0	1.4	0.4	9.7	11.5	33.7
Ilfov	283.4	-0.9	-0.7	10.7	12.2	40.5
<b>URBAN</b>	<b>11879.9</b>	<b>2.2</b>	<b>-0.4</b>	<b>9.9</b>	<b>9.9</b>	<b>34.1</b>
<b>RURAL</b>	<b>9743.9</b>	<b>-1.3</b>	<b>-0.6</b>	<b>10.6</b>	<b>14.9</b>	<b>47.9</b>

Abortions per one live birth 2005	Infant Mortality Rate (per 1000 Live births) 2005	Proportion of population aged 0-14 years (%) 2005	Proportion of population aged 65 years and over (%) 2005	Demographic Dependency Ratio (%) 2005	
<b>0.7</b>	<b>15.0</b>	<b>15.6</b>	<b>14.7</b>	<b>43.6</b>	<b>ROMANIA</b>
0.6	17.2	18.4	14.4	48.6	NORTH-EAST
1.1	16.7	17.8	13.8	46.1	Bacău
0.6	20.2	18.8	16.4	54.4	Botoșani
0.7	14.4	18.3	12.9	45.4	Iași
0.5	15.5	16.9	15.1	47.0	Neamț
0.3	16.5	19.4	14.5	51.2	Suceava
0.5	23.3	19.1	14.9	51.3	Vaslui
0.6	16.5	15.3	14.4	42.4	SOUTH-EAST
1.3	10.6	14.1	16.3	43.7	Brăila
0.6	18.8	15.2	17.9	49.6	Buzău
0.5	19.8	14.9	11.8	36.5	Constanța
0.6	16.4	16.0	13.0	40.8	Galați
0.2	16.6	15.4	12.9	39.5	Tulcea
0.4	12.7	16.3	16.2	48.3	Vrancea
0.9	16.5	15.2	16.6	46.7	SOUTH
0.9	18.8	15.2	14.4	42.0	Argeș
0.8	18.6	16.2	17.1	50.0	Călărași
0.7	13.8	16.3	15.0	45.5	Dâmbovița
0.8	18.0	15.6	19.6	54.4	Giurgiu
2.0	16.7	16.3	16.1	47.9	Ialomița
0.6	14.7	14.4	15.7	43.1	Prahova
0.7	17.1	14.0	21.4	54.8	Teleorman
0.9	16.0	15.5	16.2	46.6	SOUTH-WEST
0.8	13.7	15.0	17.0	46.9	Dolj
1.0	13.8	16.9	13.6	43.7	Gorj
0.5	20.1	15.4	16.5	46.8	Mehedinți
1.1	19.2	15.5	16.7	47.4	Olt
1.1	15.7	15.4	16.7	47.3	Vâlcea
0.6	13.9	14.9	14.4	41.4	WEST
0.4	9.9	15.1	15.6	44.3	Arad
0.7	19.5	15.0	14.8	42.5	Caraș - Severin
0.3	15.8	14.9	14.0	40.6	Hunedoara
0.8	12.9	14.7	13.6	39.5	Timiș
0.4	13.5	16.1	13.6	42.1	NORTH -WEST
0.5	15.3	16.3	14.4	44.3	Bihor
0.3	12.5	18.2	12.8	44.9	Bistrița - Năsăud
0.7	10.1	13.3	14.8	39.2	Cluj
0.3	12.9	17.2	11.9	40.9	Maramureș
0.2	18.6	17.0	11.8	40.5	Satu Mare
0.2	11.3	17.0	15.1	47.3	Sălaj
0.8	14.0	15.7	13.7	41.6	CENTER
0.7	18.5	15.3	15.1	43.8	Alba
1.1	14.5	14.2	12.5	36.4	Brașov
1.0	12.7	16.6	13.1	42.1	Covasna
0.8	12.4	16.6	13.6	43.2	Harghita
0.7	13.9	16.3	14.9	45.4	Mureș
0.3	12.0	16.1	12.7	40.6	Sibiu
1.4	9.5	11.7	14.6	35.8	BUCHAREST
1.5	9.4	11.3	14.6	34.9	Bucharest Municipality
0.4	9.5	14.9	14.9	42.4	Ilfov
<b>0.7</b>	<b>12.4</b>	<b>13.8</b>	<b>11.5</b>	<b>33.8</b>	<b>URBAN</b>
<b>0.8</b>	<b>17.9</b>	<b>17.8</b>	<b>18.8</b>	<b>57.6</b>	<b>RURAL</b>

**Table B.11. Survival and Development of the Children**

	Assisted births by medical staff - % out of total births - 2005	Low weight birth children - % out of total live births 2005	Infant Mortality Rate per 1000 live births 2005	Under 5 Mortality Rate per 1000 live births 2005	New cases of dystrophic children under 3 years per 1000 children under 3 2005	Children from residential institutions March 2002	
						Total	Female
<b>ROMANIA</b>	<b>98.1</b>	<b>8.4</b>	<b>16.7</b>	<b>17.5</b>	<b>21.1</b>	<b>49484</b>	<b>22176</b>
NORTH-EAST	97.1	7.6	18.3	19.8	24.4	11225	5086
Bacău	96.9	8.4	25.2	19.4	32.0	1600	743
Botoşani	98.4	6.4	18.9	24.0	13.3	1517	639
Iaşi	95.6	7.2	9.8	16.9	30.6	3437	1481
Neamţ	96.5	7.7	34.1	17.4	18.5	1350	677
Suceava	97.4	6.4	-	18.3	14.2	2034	943
Vaslui	98.7	9.9	35.6	26.2	35.4	1287	603
SOUTH-EAST	98.3	8.6	14.2	19.4	21.7	6296	2741
Brăila	98.9	8.8	-	13.5	29.2	1184	555
Buzău	98.7	8.2	21.1	21.3	1.2	1222	502
Constanţa	97.8	8.0	13.3	23.4	43.2	1204	521
Galaţi	98.7	8.2	16.7	20.2	16.6	1324	532
Tulcea	98.3	12.0	41.4	17.4	4.9	658	228
Vrancea	97.3	8.7	-	14.8	21.7	704	403
SOUTH	98.6	9.5	9.4	18.7	26.1	5007	2270
Argeş	99.4	7.9	-	21.0	17.8	1188	704
Călăraşi	98.3	10.8	-	22.0	27.4	340	126
Dâmboviţa	98.5	9.1	19.2	15.0	31.8	613	220
Giurgiu	97.7	10.4	-	22.6	22.6	502	212
Ialomiţa	97.8	10.8	-	17.9	21.5	510	143
Prahova	98.9	8.9	12.2	16.8	15.7	1366	649
Teleorman	98.2	11.0	30.0	19.2	58.2	488	216
SOUTH-WEST	98.4	8.9	38.7	18.8	20.1	4061	1726
Dolj	98.5	8.6	30.7	16.6	35.6	1167	512
Gorj	99.0	7.8	27.7	14.9	12.3	733	284
Mehedinţi	97.0	9.5	37.3	22.7	25.2	201	92
Olt	98.6	10.4	97.3	23.3	11.9	916	451
Vâlcea	98.5	8.4	-	18.4	7.0	1044	387
WEST	98.8	8.5	11.0	16.7	22.7	5202	2161
Arad	98.7	7.4	-	13.9	43.3	1585	589
Caraş - Severin	98.4	7.8	-	22.7	14.3	689	306
Hunedoara	99.1	10.7	23.9	19.1	18.7	1074	457
Timiş	98.8	8.2	15.4	14.3	14.5	1854	809
NORTH -WEST	97.6	7.5	10.3	16.5	15.0	6885	3194
Bihor	98.5	8.6	-	18.0	11.8	1724	813
Bistriţa - Năsăud	98.5	8.0	28.4	15.9	1.5	1121	570
Cluj	96.4	6.5	15.6	12.5	11.8	806	380
Maramureş	96.9	6.5	17.7	16.4	30.6	1627	707
Satu Mare	98.0	8.2	-	21.8	15.8	899	420
Sălaj	98.3	7.1	-	15.5	14.5	708	304
CENTER	98.6	9.4	21.9	16.6	15.5	6437	2973
Alba	98.3	8.7	-	20.4	9.8	979	396
Braşov	98.8	8.9	33.6	16.8	16.5	1303	700
Covasna	99.5	10.5	36.3	14.9	44.3	388	158
Harghita	98.5	9.6	26.4	16.4	7.0	942	407
Mureş	98.3	9.8	30.5	16.0	13.7	1544	654
Sibiu	98.7	9.3	-	15.2	11.7	1281	658
BUCHAREST	98.3	7.8	13.9	10.7	19.9	4371	2025
Bucharest Municipality	98.1	7.3	16.2	10.6	17.3	3874	1812
Ilfov	99.6	10.5	-	10.8	33.1	497	213
<b>URBAN</b>	<b>98.2</b>	<b>7.8</b>	<b>14.4</b>	<b>14.4</b>	<b>19.0</b>	<b>36943</b>	<b>16821</b>
<b>RURAL</b>	<b>98.0</b>	<b>9.2</b>	<b>19.4</b>	<b>21.1</b>	<b>22.8</b>	<b>12541</b>	<b>5355</b>

**Table B.12. Women's status**

	Life Expectancy at birth (years) 2003-2005	Enrolment 2005-2006		Proportion of women in the total civilian employed population (%) 2005	Proportion of women in: 2005				
		Secondary (% of women aged 15-18) <sup>1)</sup>	Tertiary (% of women aged 19-23) <sup>2)</sup>		Unemployment	Education	Health care	Parliament	Public Administration
<b>ROMANIA</b>	<b>75.5</b>	<b>76.2</b>	<b>54.4</b>	<b>47.3</b>	<b>41.9</b>	<b>66.6</b>	<b>78.8</b>	<b>10.5</b>	<b>58.3</b>
NORTH-EAST	75.5	72.8	35.6	48.6	36.8	65.2	78.0	11.2	54.3
cău	74.7	70.2	20.1	46.7	35.9	67.8	79.6	13.3	61.5
Botoşani	75.3	70.5	1.7	50.8	34.6	62.8	73.2	10.0	53.6
Iaşi	75.7	75.6	106.5	47.3	34.6	56.8	78.3	5.9	55.3
Neamţ	75.8	72.5	4.1	48.9	40.2	76.3	76.5	16.7	55.9
Suceava	76.4	72.8	24.4	48.6	41.9	66.9	78.7	12.5	52.3
Vaslui	75.2	74.5	1.8	51.8	35.1	71.4	80.6	10.0	44.8
SOUTH-EAST	75.6	72.0	31.3	47.0	43.0	69.1	82.1	4.9	58.1
Brăila	75.5	70.3	15.7	50.4	35.2	66.7	85.0	14.3	63.6
Buzău	76.2	72.5	6.9	48.6	41.2	66.7	78.7	10.0	48.5
Constanţa	74.7	81.5	62.1	43.4	53.4	76.6	82.4	-	64.2
Galaţi	76.1	70.9	46.6	45.2	41.7	65.4	85.5	7.7	63.2
Tulcea	73.8	62.2	2.9	48.7	38.8	69.0	80.5	-	53.6
Vrancea	76.5	63.5	6.4	50.9	37.1	65.6	78.3	-	51.7
SOUTH	75.5	70.8	22.5	47.4	41.2	73.3	80.3	11.3	59.3
Argeş	76.2	82.5	48.4	46.7	45.4	73.9	80.4	7.7	61.4
Călăraşi	74.4	60.2	4.9	50.1	37.9	63.8	76.7	14.3	57.7
Dâmboviţa	76.3	65.9	27.6	46.8	41.8	79.6	80.8	9.1	57.9
Giurgiu	74.6	44.8	3.0	49.9	41.2	65.6	78.8	16.7	63.0
Ialomiţa	74.9	72.9	5.6	49.2	41.8	70.7	83.8	16.7	65.2
Prahova	76.2	77.3	24.5	44.6	42.0	75.6	81.9	15.8	62.5
Teleorman	74.9	71.8	6.0	49.7	37.5	70.4	76.9	-	48.6
SOUTH-WEST	75.1	78.0	34.5	47.5	39.7	66.3	78.8	12.5	54.7
Dolj	74.7	78.0	68.4	48.4	38.0	65.4	80.7	13.3	51.9
Gorj	75.7	81.2	28.1	47.4	43.1	71.0	76.8	-	58.6
Mehedinţi	74.2	81.2	24.4	48.1	37.4	72.3	78.6	33.3	57.7
Olt	75.1	71.8	7.4	48.1	36.4	55.4	79.7	10.0	52.5
Vâlcea	76.2	79.7	16.3	45.4	44.3	70.8	76.8	11.1	55.9
WEST	74.5	78.6	62.7	47.5	45.4	66.7	77.4	6.8	57.3
Arad	74.6	75.4	61.9	47.3	41.1	69.1	77.9	10.0	54.8
Caraş - Severin	73.9	71.4	21.3	47.8	42.9	65.0	77.4	-	52.9
Hunedoara	74.5	84.8	28.2	47.0	46.7	70.9	80.0	18.2	65.0
Timiş	74.9	80.0	104.9	47.7	49.6	64.0	75.6	-	56.3
NORTH -WEST	74.7	77.3	54.2	48.5	43.3	66.3	77.5	10.2	57.4
Bihor	73.6	83.1	61.2	49.2	38.6	63.7	78.0	14.3	56.8
Bistriţa - Năsăud	76.0	73.0	6.4	47.3	44.3	68.9	77.6	-	55.6
Cluj	76.4	79.6	119.8	47.9	48.7	63.0	75.9	14.3	60.5
Maramureş	74.5	76.1	22.5	48.4	43.2	67.3	78.8	9.1	54.8
Satu Mare	73.2	70.8	6.3	50.1	39.6	74.3	77.4	14.3	56.5
Sălaj	74.2	76.6	3.3	47.8	39.1	70.0	80.6	-	60.0
CENTER	75.9	74.7	47.9	47.0	42.9	69.2	77.8	5.5	61.3
Alba	75.6	76.8	33.9	47.7	44.1	69.2	77.6	-	60.0
Braşov	76.6	75.3	69.6	44.6	45.4	67.1	78.4	-	65.9
Covasna	75.7	70.3	8.3	49.4	38.5	71.4	75.8	-	63.2
Harghita	76.3	83.1	13.5	49.3	40.9	69.3	75.9	-	59.3
Mureş	75.4	68.4	40.9	47.0	43.3	69.4	79.5	8.3	61.8
Sibiu	76.0	76.3	79.2	46.5	41.5	70.7	76.3	22.2	55.6
BUCHAREST	77.2	93.9	179.2	44.3	53.8	58.6	79.0	22.0	61.5
Bucharest Municipality	77.4	103.2	204.6	44.0	54.6	57.6	79.5	22.7	62.7
Ilfov	76.0	42.1	-	46.5	47.4	74.3	73.2	16.7	48.3
<b>URBAN</b>	<b>76.0</b>	<b>119.2</b>	<b>89.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RURAL</b>	<b>74.8</b>	<b>17.6</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1)</sup> Secondary school (cycle II).

<sup>2)</sup> Including post high school and foreman education.

**Table B.13. Human Capital Formation**

	Medium period of attending school (years) 2002		Population who graduated secondary school (% compared to population aged 15 years and above) 2002		Population who graduated tertiary school (% compared to population aged 23 years and above) 2002		Secondary education graduates <sup>1)</sup> (% of the population at graduation age) 2004/2005	Tertiary education graduates <sup>2)</sup> (% of the population at graduation age) 2004/2005	Graduates of technical tertiary education (% of total graduates) 2004/2005	Employees in research and development per 100000 inhabitants 2005
	Total	Women	Total	Women	Total	Women				
<b>ROMANIA</b>	<b>9.7</b>	<b>9.4</b>	<b>69.9</b>	<b>67.2</b>	<b>9.0</b>	<b>8.0</b>	<b>50.2</b>	<b>31.3</b>	<b>22.2</b>	<b>189.8</b>
NORTH-EAST	9.1	9.0	69.8	66.7	6.6	6.2	49.6	21.3	22.9	99.2
Bacău	9.2	9.0	70.9	68.0	6.6	6.1	47.3	10.8	27.9	73.0
Botoşani	8.6	8.5	66.1	61.4	4.2	3.8	50.9	0.4	-	12.2
Iaşi	9.6	9.5	68.2	65.2	10.4	10.1	47.7	68.1	26.6	286.1
Neamţ	9.1	8.9	71.1	68.3	6.2	5.7	53.9	0.4	-	32.4
Suceava	9.1	8.9	73.8	71.6	5.8	5.3	48.4	15.6	23.2	73.1
Vaslui	8.7	8.6	67.1	63.3	4.3	3.8	52.3	0.5	-	19.5
SOUTH-EAST	9.4	9.1	69.5	66.6	7.3	6.4	49.1	18.7	21.3	66.7
Brăila	9.4	9.0	70.1	67.4	7.0	6.1	51.1	9.8	17.4	32.9
Buzău	9.0	8.7	66.4	61.9	5.6	4.8	50.1	1.6	-	14.2
Constanţa	10.0	9.7	71.1	69.3	10.1	8.7	50.3	39.7	15.9	63.5
Galaţi	9.4	9.2	70.1	67.7	7.7	7.2	53.6	28.3	32.1	183.1
Tulcea	9.1	8.9	70.6	67.3	4.9	4.1	46.3	-	-	38.8
Vrancea	8.9	8.7	68.3	65.0	5.4	4.8	38.8	0.6	-	4.6
SOUTH	9.3	9.0	66.8	62.2	6.3	5.5	49.7	16.5	15.6	115.6
Argeş	10.0	9.6	71.8	69.2	8.8	7.7	56.8	38.4	11.2	309.9
Călăraşi	8.6	8.3	62.9	57.3	3.3	2.9	49.5	5.2	14.7	150.2
Dâmboviţa	9.3	9.0	69.4	64.7	6.1	5.4	45.4	25.1	17.7	39.7
Giurgiu	8.4	8.2	61.9	55.2	3.3	2.7	29.6	3.5	-	11.5
Ialomiţa	8.8	8.5	65.3	60.3	4.1	3.5	52.4	3.6	-	1.7
Prahova	9.7	9.3	68.5	65.0	8.7	7.7	54.0	9.5	32.8	132.9
Teleorman	8.7	8.4	59.9	53.3	4.1	3.4	47.8	6.3	-	4.5
SOUTH-WEST	9.6	9.2	68.6	64.6	7.5	6.6	50.8	22.6	16.9	111.4
Dolj	9.7	9.4	65.9	61.9	9.4	8.7	47.8	48.0	17.4	283.4
Gorj	9.8	9.4	72.8	70.5	7.4	5.9	54.3	20.1	20.3	61.3
Mehedinţi	9.4	9.0	68.6	63.9	6.6	5.7	50.4	13.9	24.7	20.7
Olt	9.2	8.9	68.5	63.2	5.1	4.5	47.6	1.4	-	8.9
Vâlcea	9.6	9.3	69.7	66.0	7.5	6.5	56.7	10.5	-	45.8
WEST	9.8	9.4	72.4	70.2	9.2	7.8	50.2	43.2	33.2	96.1
Arad	9.5	9.1	70.6	67.6	7.5	6.1	45.0	40.4	16.1	17.4
Caraş - Severin	9.4	8.9	71.4	68.3	6.7	5.2	49.7	17.5	23.7	86.8
Hunedoara	9.9	9.6	74.1	72.4	8.6	7.0	55.2	17.8	49.8	113.4
Timiş	10.1	9.8	72.7	71.3	12.2	10.7	50.4	72.9	37.7	143.0
NORTH -WEST	9.7	9.4	71.7	69.4	8.5	7.4	45.6	31.7	24.6	98.3
Bihor	9.7	9.4	70.3	67.6	8.4	6.9	46.7	39.7	28.4	29.7
Bistriţa - Năsăud	9.1	8.9	71.8	69.6	5.7	4.7	51.0	4.1	-	57.4
Cluj	10.3	10.1	70.4	68.5	13.1	12.1	37.7	75.8	24.1	299.5
Maramureş	9.5	9.3	72.5	70.1	7.2	6.0	48.0	11.9	22.5	17.8
Satu Mare	9.4	9.1	74.6	72.4	5.9	4.8	48.5	1.7	-	25.0
Sălaj	9.3	9.0	73.0	70.1	5.4	4.3	56.4	1.5	24.1	27.3
CENTER	9.9	9.6	74.4	73.5	8.4	7.3	51.4	25.2	25.1	95.6
Alba	9.7	9.4	72.1	69.8	7.7	6.8	60.0	21.1	4.1	25.1
Braşov	10.4	10.2	75.5	75.6	12.0	10.5	47.5	37.6	35.0	159.3
Covasna	9.4	9.3	75.4	75.1	5.5	4.5	48.3	3.1	-	30.4
Harghita	9.5	9.3	76.8	75.7	5.2	4.3	54.9	3.7	15.4	0.9
Mureş	9.6	9.3	72.1	70.0	7.2	6.2	47.5	21.7	12.2	114.3
Sibiu	10.1	9.9	75.5	75.9	9.9	8.4	53.9	42.2	30.6	151.1
BUCHAREST	11.1	10.9	67.7	66.9	21.3	19.3	57.8	85.1	18.7	998.5
Bucharest Municipality	11.4	11.2	67.3	67.1	23.8	21.5	61.8	96.4	18.7	1030.9
Ilfov	8.9	8.7	70.5	65.7	4.0	3.7	31.0	-	-	778.0
<b>URBAN</b>	<b>10.9</b>	<b>10.6</b>	<b>72.9</b>	<b>72.7</b>	<b>15.3</b>	<b>13.5</b>	<b>74.5</b>	<b>51.5</b>	<b>22.2</b>	<b>-</b>
<b>RURAL</b>	<b>8.2</b>	<b>7.8</b>	<b>66.5</b>	<b>60.7</b>	<b>2.0</b>	<b>1.7</b>	<b>14.5</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1)</sup> Secondary education (cycle II).<sup>2)</sup> Excluding post high school and foreman education.

**Table B.14. Human Development Profile**

	Enrolment in tertiary education <sup>1)</sup> (% of population aged 19-23 years) 2005/2006	Employees in research and development (per 100000 inhabitants) 2005	Annual number of theatres and concerts spectators (per 1000 inhabitants) 2005	TV subscribers (per 1000 inhabitants) 2005	Population per physician 2005	Population with access to electricity (%) 2002	Private owned cars per 1000 inhabitants 2005
<b>ROMANIA</b>	<b>47.5</b>	<b>189.8</b>	<b>194.2</b>	<b>260.0</b>	<b>456</b>	<b>97.9</b>	<b>126.7</b>
NORTH-EAST	29.5	99.2	71.2	217.4	601	96.4	80.9
Bacău	16.5	73.0	63.9	258.5	754	96.4	90.3
Botoşani	1.0	12.2	196.0	178.7	866	96.9	59.3
Iaşi	89.8	286.1	84.5	219.6	306	95.9	90.9
Neamţ	3.0	32.4	29.5	232.5	777	97.3	84.8
Suceava	20.2	73.1	49.6	202.7	822	97.8	90.1
Vaslui	1.0	19.5	19.6	191.8	989	93.2	50.9
SOUTH-EAST	26.9	66.7	102.4	256.5	671	97.6	117.1
Brăila	12.4	32.9	129.7	237.7	723	98.4	100.5
Buzău	4.3	14.2	13.5	248.0	898	97.9	113.5
Constanţa	55.6	63.5	124.8	286.3	463	97.5	148.1
Galaţi	40.2	183.1	112.5	250.2	760	97.5	115.5
Tulcea	2.1	38.8	156.1	290.0	820	97.8	89.9
Vrancea	4.2	4.6	96.8	218.8	771	96.9	106.8
SOUTH	19.6	115.6	44.8	261.4	768	98.2	111.8
Argeş	43.4	309.9	69.8	255.3	557	98.2	129.7
Călăraşi	3.6	150.2	-	268.5	960	96.7	73.1
Dâmboviţa	24.7	39.7	30.6	270.3	839	98.2	100.6
Giurgiu	1.9	11.5	34.9	268.6	1004	98.6	97.7
Ialomiţa	3.9	1.7	-	248.1	1068	97.6	91.2
Prahova	21.4	132.9	80.6	278.9	713	98.9	141.8
Teleorman	4.1	4.5	26.0	223.7	869	98.2	93.0
SOUTH-WEST	30.7	111.4	175.5	224.1	532	98.3	116.3
Dolj	62.8	283.4	133.0	218.3	367	98.6	122.4
Gorj	26.0	61.3	54.7	224.4	632	98.3	132.2
Mehedinţi	21.6	20.7	559.5	223.7	661	98.1	115.9
Olt	5.3	8.9	206.8	201.0	741	98.3	98.6
Vâlcea	13.3	45.8	43.9	261.3	636	97.7	111.6
WEST	57.0	96.1	141.8	284.4	383	99.1	163.9
Arad	52.3	17.4	285.1	283.0	487	98.8	204.8
Caraş - Severin	18.3	86.8	43.3	251.7	661	98.8	134.8
Hunedoara	27.9	113.4	58.8	270.3	431	99.1	134.4
Timiş	98.5	143.0	152.1	312.0	266	99.4	171.5
NORTH -WEST	47.5	98.3	347.5	258.4	435	97.6	126.7
Bihor	56.4	29.7	202.0	274.8	503	97.9	133.8
Bistriţa - Năsăud	4.8	57.4	-	189.5	754	96.8	103.7
Cluj	108.5	299.5	303.4	271.6	225	98.5	155.0
Maramureş	18.4	17.8	139.8	266.8	687	96.9	93.2
Satu Mare	4.9	25.0	80.1	277.0	690	96.8	132.8
Sălaj	2.8	27.3	2111.2	225.9	777	97.9	122.0
CENTER	42.8	95.6	275.9	251.1	468	97.7	139.3
Alba	28.5	25.1	38.7	224.3	574	97.8	127.2
Braşov	66.6	159.3	126.2	283.6	495	97.8	156.5
Covasna	7.4	30.4	180.6	177.0	640	97.8	130.6
Harghita	11.5	0.9	302.4	228.0	772	97.6	120.8
Mureş	34.6	114.3	235.8	261.3	326	96.7	129.0
Sibiu	69.4	151.1	785.4	272.3	430	98.7	159.2
BUCHAREST	160.0	998.5	527.1	362.4	192	99.3	203.0
Bucharest Municipality	182.9	1030.9	527.1*)	362.4*)	173	99.7	203.0*)
Ilfov	0.8	778.0	...	...	673	97.2	...
<b>URBAN</b>	<b>79.0</b>	<b>-</b>	<b>353.4</b>	<b>286.3</b>	<b>283</b>	<b>99.3</b>	<b>-</b>
<b>RURAL</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>227.6</b>	<b>1806</b>	<b>96.3</b>	<b>-</b>

<sup>1)</sup> Including post high school and foreman education.

\*) Including county Ilfov.

**Table B.15. Difficult areas in human development**

	Infant Mortality Rate (per 1000 live births) 2005	Number of abortions (per one live birth) 2005	Number of premeditated crimes <sup>1)</sup> per 100000 inhabitants 2005	Registered Unemployment rate (%) 2005
<b>ROMANIA</b>	<b>15.0</b>	<b>0.7</b>	<b>8</b>	<b>5.9</b>
<b>NORTH-EAST</b>	17.2	0.6	10	6.8
Bacău	16.7	1.1	8	6.3
Botoşani	20.2	0.6	5	6.2
Iaşi	14.4	0.7	14	7.2
Neamţ	15.5	0.5	10	5.6
Suceava	16.5	0.3	12	6.0
Vaslui	23.3	0.5	7	10.1
<b>SOUTH-EAST</b>	16.5	0.6	10	6.4
Brăila	10.6	1.3	11	6.8
Buzău	18.8	0.6	8	7.4
Constanţa	19.8	0.5	4	5.6
Galaţi	16.4	0.6	14	8.3
Tulcea	16.6	0.2	7	6.0
Vrancea	12.7	0.4	17	4.0
<b>SOUTH</b>	16.5	0.9	8	7.3
Argeş	18.8	0.9	6	5.2
Călăraşi	18.6	0.8	10	9.0
Dâmboviţa	13.8	0.7	9	7.4
Giurgiu	18.0	0.8	7	5.6
Ialomiţa	16.7	2.0	14	12.1
Prahova	14.7	0.6	3	6.3
Teleorman	17.1	0.7	10	8.9
<b>SOUTH-WEST</b>	16.0	0.9	13	7.4
Dolj	13.7	0.8	13	6.3
Gorj	13.8	1.0	10	9.3
Mehedinţi	20.1	0.5	18	9.5
Olt	19.2	1.1	16	7.1
Vâlcea	15.7	1.1	8	6.6
<b>WEST</b>	13.9	0.6	6	5.1
Arad	9.9	0.4	3	3.6
Caraş - Severin	19.5	0.7	6	7.9
Hunedoara	15.8	0.3	9	9.4
Timiş	12.9	0.8	5	2.3
<b>NORTH -WEST</b>	13.5	0.4	6	4.0
Bihor	15.3	0.5	3	2.7
Bistriţa - Năsăud	12.5	0.3	4	4.3
Cluj	10.1	0.7	10	4.4
Maramureş	12.9	0.3	6	4.5
Satu Mare	18.6	0.2	10	3.4
Sălaj	11.3	0.2	6	6.1
<b>CENTER</b>	14.0	0.8	8	7.3
Alba	18.5	0.7	7	8.3
Braşov	14.5	1.1	8	8.7
Covasna	12.7	1.0	4	8.8
Harghita	12.4	0.8	12	8.5
Mureş	13.9	0.7	6	4.6
Sibiu	12.0	0.3	8	6.0
<b>BUCHAREST</b>	9.5	1.4	7	2.4
Bucharest Municipality	9.4	1.5	7 <sup>*)</sup>	2.4
Ilfov	9.5	0.4	...	2.0
<b>URBAN</b>	<b>12.4</b>	<b>0.7</b>	-	-
<b>RURAL</b>	<b>17.9</b>	<b>0.8</b>	-	-

<sup>1)</sup> Persons definitively convicted.<sup>\*)</sup> Including county Ilfov.

**Table B.16. Social Instability Phenomena**

	Convictions per 100000 persons 2005	Number of premeditated crimes <sup>1)</sup> per 100000 persons 2005	Suicides per 100000 inhabitants 2005		Number of rapes <sup>1)</sup> per 100000 women 2005	Thefts and robberies <sup>1)</sup> per 100000 persons 2005	Divorces per 100 marriages 2005	Live births outside matrimony per 100 live births 2005
			Total	Women				
<b>ROMANIA</b>	<b>304</b>	<b>8</b>	<b>12.0</b>	<b>4.2</b>	<b>4</b>	<b>117</b>	<b>23.4</b>	<b>28.5</b>
NORTH-EAST	366	10	12.5	4.8	7	130	24.5	23.1
Bacău	362	8	13.0	4.1	8	127	29.0	27.4
Botoşani	434	5	11.0	5.1	13	199	30.1	19.1
Iaşi	332	14	14.3	6.6	5	134	13.0	23.1
Neamţ	330	10	15.0	4.5	2	103	32.3	23.3
Suceava	360	12	9.8	3.1	7	94	25.1	16.3
Vaslui	421	7	12.1	5.2	13	150	21.8	31.3
SOUTH-EAST	316	10	9.7	3.3	5	136	26.9	29.3
Brăila	364	11	7.0	2.1	5	200	41.6	25.7
Buzău	386	8	9.5	4.7	2	85	26.9	29.1
Constanţa	245	4	7.0	3.3	4	124	18.3	30.1
Galaţi	341	14	13.2	3.5	8	145	31.2	25.9
Tulcea	325	7	14.2	3.9	3	157	31.0	31.4
Vrancea	389	17	7.4	2.0	5	131	23.4	34.8
SOUTH	249	8	10.3	3.8	4	90	27.2	35.6
Argeş	183	6	9.6	5.4	4	52	24.8	24.6
Călăraşi	410	10	12.9	3.7	6	225	36.8	47.7
Dâmboviţa	314	9	6.9	1.8	3	103	27.7	36.1
Giurgiu	138	7	7.3	4.1	7	42	15.7	51.1
Ialomiţa	321	14	10.2	2.0	1	146	25.3	45.4
Prahova	209	3	10.6	3.5	3	73	28.8	27.0
Teleorman	251	10	14.4	6.0	5	60	27.7	42.1
SOUTH-WEST	364	13	10.4	3.4	4	111	19.5	31.8
Dolj	309	13	12.0	4.9	5	110	8.6	39.2
Gorj	404	10	8.6	1.5	4	109	22.6	22.0
Mehedinţi	488	18	12.2	5.8	4	118	29.6	32.4
Olt	402	16	11.5	2.8	6	154	22.8	34.3
Vâlcea	289	8	7.7	1.9	2	57	24.8	25.0
WEST	270	6	12.6	4.2	4	89	26.1	28.5
Arad	264	3	14.0	5.5	3	79	24.0	28.9
Caraş - Severin	243	6	4.8	2.3	4	86	23.2	33.7
Hunedoara	376	9	17.0	2.8	8	153	41.5	28.7
Timiş	212	5	14.5	6.1	3	50	20.3	25.7
NORTH -WEST	354	6	16.3	5.2	2	160	21.7	23.9
Bihor	575	3	16.7	4.6	-	399	16.3	29.1
Bistriţa - Năsăud	281	4	8.1	3.1	5	70	17.9	19.5
Cluj	278	10	13.5	3.2	3	97	23.0	24.2
Maramureş	367	6	15.4	6.1	1	104	24.4	17.6
Satu Mare	251	10	22.7	7.9	3	88	29.4	27.9
Sălaj	250	6	21.4	6.3	5	101	17.2	23.5
CENTER	241	8	21.0	6.9	2	88	26.3	31.7
Alba	282	7	12.1	5.7	2	93	24.5	24.8
Braşov	171	8	8.9	1.6	3	76	27.7	33.2
Covasna	236	4	35.6	13.2	-	86	31.0	34.2
Harghita	407	12	33.3	7.9	4	145	22.8	29.8
Mureş	214	6	25.1	8.0	2	87	21.4	35.6
Sibiu	215	8	10.7	5.1	2	58	32.0	29.7
BUCHAREST	241	7	4.9	2.7	1	118	15.8	27.3
Bucharest Municipality	213	7 <sup>*)</sup>	5.3	3.0	1 <sup>*)</sup>	118 <sup>*)</sup>	16.7	25.6
Ilfov	245	...	1.8	0.7	...	...	6.6	37.7
<b>URBAN</b>	<b>299</b>	<b>-</b>	<b>9.6</b>	<b>3.3</b>	<b>-</b>	<b>-</b>	<b>25.6</b>	<b>25.0</b>
<b>RURAL</b>	<b>309</b>	<b>-</b>	<b>15.0</b>	<b>5.5</b>	<b>-</b>	<b>-</b>	<b>19.3</b>	<b>32.6</b>

<sup>1)</sup> Persons definitively convicted.

<sup>\*)</sup> Including county Ilfov.

**Table B.17. Urbanization**

	Proportion of the urban population (%)			Average annual growth rate of the urban population (%)		Population from towns with more than 100000 inhabitants 2005	
	1970	1990	2005	1970-1990	1990-2005	% of the total population	% of the total urban population
<b>ROMANIA</b>	<b>36.9</b>	<b>54.3</b>	<b>54.9</b>	<b>2.7</b>	<b>-0.4</b>	<b>30.3</b>	<b>55.2</b>
NORTH-EAST	25.3	42.8	43.4	3.2	0.1	22.0	50.7
Bacău	31.2	49.2	46.2	3.0	-0.5	24.9	54.0
Botoșani	16.5	38.1	41.8	4.2	0.6	25.5	61.0
Iași	31.9	50.4	46.2	3.3	-0.6	37.8	81.7
Neamț	23.8	39.1	38.6	3.3	-0.3	19.2	49.8
Suceava	22.4	34.5	43.3	2.9	1.6	15.1	34.9
Vaslui	21.7	41.4	41.6	3.4	-0.1	-	-
SOUTH-EAST	34.9	56.6	55.5	3.3	-0.5	37.3	67.2
Brăila	42.9	67.1	65.3	2.8	-0.8	59.1	90.5
Buzău	19.0	39.8	41.4	4.0	-0.1	27.7	66.7
Constanța	51.8	73.1	70.9	3.7	-0.5	42.8	60.4
Galați	42.1	59.1	56.9	2.8	-0.6	48.1	84.6
Tulcea	27.6	47.9	49.1	3.2	-0.3	-	-
Vrancea	20.4	38.2	37.8	3.5	-0.1	25.7	67.8
SOUTH	23.8	40.2	41.7	3.1	-0.3	12.2	29.1
Argeș	23.9	43.4	48.2	4.0	0.4	26.5	55.0
Călărași	17.2	38.4	39.1	4.0	-0.4	-	-
Dâmbovița	16.7	31.3	31.3	4.1	-0.4	-	-
Giurgiu	13.1	29.0	31.1	3.8	-0.2	-	-
Ialomița	18.3	39.7	45.6	3.9	0.7	-	-
Prahova	41.5	52.4	50.9	2.0	-0.6	28.2	55.5
Teleorman	19.2	33.0	33.6	2.4	-0.9	-	-
SOUTH-WEST	25.1	43.5	47.5	3.2	0.2	22.6	47.6
Dolj	31.8	49.8	53.4	2.6	-0.1	41.8	78.2
Gorj	23.1	40.9	46.9	4.0	0.9	-	-
Mehedinți	28.6	45.8	48.5	2.6	-0.1	36.0	74.2
Olt	18.0	39.0	40.6	4.3	-0.4	-	-
Vâlcea	20.8	38.1	45.2	3.6	0.9	26.9	59.5
WEST	47.3	62.7	63.6	1.9	-0.8	24.5	38.5
Arad	40.8	53.4	55.5	1.5	-0.5	36.7	66.1
Caraș - Severin	43.6	58.3	56.5	2.0	-1.5	-	-
Hunedoara	61.9	75.1	76.9	1.6	-1.0	-	-
Timiș	42.8	62.0	63.0	2.5	-0.5	46.1	73.1
NORTH -WEST	34.7	51.6	53.1	2.6	-0.4	28.2	53.1
Bihor	32.4	48.6	50.4	2.4	-0.5	34.6	68.6
Bistrița - Năsăud	17.2	36.5	36.2	4.7	-0.3	-	-
Cluj	48.9	66.9	67.0	2.2	-0.5	44.7	66.6
Maramureș	40.1	53.0	58.8	3.0	0.2	27.3	46.5
Satu Mare	31.9	46.6	46.0	2.5	-0.9	31.2	67.9
Sălaj	17.3	39.3	40.8	4.3	-0.4	-	-
CENTER	42.8	61.0	59.9	2.7	-0.9	23.1	38.5
Alba	38.1	55.3	58.0	2.3	-0.5	-	-
Brașov	62.0	77.4	74.7	3.1	-1.3	47.5	63.5
Covasna	33.0	53.9	50.4	3.8	-0.9	-	-
Harghita	30.2	47.1	44.1	3.3	-1.2	-	-
Mureș	33.9	51.7	52.8	2.4	-0.3	25.2	47.8
Sibiu	51.1	68.1	67.6	2.1	-1.2	36.5	54.0
BUCHAREST	85.8	89.7	90.5	1.9	-0.5	87.2	96.3
Bucharest Municipality	100.0	100.0	100.0	1.9	-0.4	100.0	100.0
Ilfov	4.2	7.2	26.1	2.5	9.4	-	-
<b>URBAN</b>	<b>36.9</b>	<b>54.3</b>	<b>54.9</b>	<b>2.7</b>	<b>-0.4</b>	<b>-</b>	<b>-</b>
<b>RURAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Biggest town in the county				
Town	Number of inhabitants 2005	Average annual growth rate of the population (%)		
		1970-1990	1990-2005	
<b>ROMANIA</b>				
NORTH-EAST	894022	3.8	-0.6	NORTH-EAST
Bacău	180516	4.0	-0.6	Bacău
Botoşani	117318	5.8	-0.4	Botoşani
Iaşi	307377	3.2	-0.8	Iaşi
Piatra Neamţ	109720	4.0	-0.5	Neamţ
Suceava	106732	4.5	-0.1	Suceava
Vaslui	72359	2.3	-0.2	Vaslui
SOUTH-EAST	1154023	3.4	-0.7	SOUTH-EAST
Brăila	218744	2.5	-0.8	Brăila
Buzău	136624	3.7	-0.6	Buzău
Constanţa	306332	3.7	-1.0	Constanţa
Galaţi	298366	3.1	-0.6	Galaţi
Tulcea	92874	4.2	-0.2	Tulcea
Focşani	101083	4.7	0.2	Vrancea
SOUTH MUNTENIA	743419	3.6	-0.5	SOUTH
Piteşti	171071	4.4	-0.2	Argeş
Călăraşi	73881	3.3	-0.2	Călăraşi
Târgovişte	90581	5.7	-0.8	Dâmboviţa
Giurgiu	69819	2.5	-0.2	Giurgiu
Slobozia	52631	6.5	-0.1	Ialomiţa
Ploieşti	233699	2.4	-0.7	Prahova
Alexandria	51737	4.6	-0.9	Teleorman
SOUTH-WEST OLTENIA	697927	3.9	-0.2	SOUTH-WEST
Craiova	300182	3.0	-0.4	Dolj
Tg. Jiu	96318	4.0	0.3	Gorj
Drobeta Tr. Severin	109444	3.5	0.1	Mehedinţi
Slatina	80282	6.6	-0.6	Olt
Rm. Vâlcea	111701	5.8	0.3	Vâlcea
WEST	630891	2.3	-1.2	WEST
Arad	168606	2.0	-1.2	Arad
Reşiţa	86275	2.5	-1.6	Caraş - Severin
Hunedoara	72370	0.8	-1.5	Hunedoara
Timişoara	303640	3.1	-1.0	Timiş
NORTH-EAST	918731	3.2	-0.6	NORTH -WEST
Oradea	206223	2.6	-0.7	Bihor
Bistriţa	82081	5.9	-0.4	Bistriţa - Năsăud
Cluj-Napoca	310194	2.5	-0.4	Cluj
Baia Mare	140937	3.5	-0.5	Maramureş
Satu Mare	115197	2.9	-1.2	Satu Mare
Zalău	64099	7.1	-0.3	Sălaj
CENTER	754519	3.4	-1.3	CENTER
Alba-Iulia	66402	5.0	-0.7	Alba
Braşov	282517	4.0	-1.7	Braşov
Sf. Gheorghe	62147	5.5	-1.1	Covasna
Miercurea Ciuc	42140	5.1	-0.9	Harghita
Tg. Mureş	147112	2.9	-1.1	Mureş
Sibiu	154201	2.3	-1.4	Sibiu
BUCHAREST	1954106	1.9	-0.7	BUCHAREST
Bucharest Municipality	1924959	1.9	-0.7	Bucharest Municipality
VOLUNTARI	29147	3.0	0.7	Ilfov
-	-	-	-	<b>URBAN</b>
-	-	-	-	<b>RURAL</b>

**Table B.18. Finished Dwellings**

	1998	1999	2000	2001	2002	2003	2004	2005
<b>1. NORTH - EAST</b>								
Finished dwellings - number - of which:	6914	7207	6265	6255	6009	6532	6567	6869
population funds	6699	6965	6081	5991	5638	5056	5321	5877
Rooms - number -	21522	22117	20168	20239	19350	20152	21388	23510
Living floor – thousand sq.m. -	345.4	363.5	331.2	351.7	329.2	357.6	383.5	427.6
Dwellings per 1000 inhabitants	1.8	1.9	1.6	1.6	1.6	1.7	1.7	1.8
Number of rooms per dwelling	3.1	3.1	3.2	3.2	3.2	3.1	3.3	3.4
Living floor (sq.m.) per:								
- dwelling	50.0	50.4	52.9	56.2	54.8	54.7	56.7	62.2
- room	16.0	16.4	16.4	17.4	17.0	17.7	17.9	18.2
<b>2. SOUTH - EAST</b>								
Finished dwellings - number - of which:	4550	5099	4164	5119	4899	4431	4616	5611
population funds	3924	4533	3931	4718	3981	3580	3613	4427
Rooms - number -	14562	16011	13784	16096	14981	14176	14282	18573
Living floor – thousand sq.m. -	249.3	273.3	247.1	289.5	270.6	271.9	271.1	354.7
Dwellings per 1000 inhabitants	1.5	1.7	1.4	1.7	1.7	1.5	1.6	2.0
Number of rooms per dwelling	3.2	3.1	3.3	3.1	3.1	3.2	3.1	3.3
Living floor (sq.m.) per:								
- dwelling	54.8	53.6	59.3	56.6	55.2	61.3	58.7	63.2
- room	17.1	17.1	17.9	18.0	18.1	19.2	19.0	19.1
<b>3. SOUTH</b>								
Finished dwellings - number - of which:	5612	5248	4481	4590	4984	4642	4706	4228
population funds	5058	4898	4309	4254	4270	3882	3960	3786
Rooms - number -	18074	17517	15242	15317	16455	15581	15531	14759
Living floor – thousand sq.m. -	299.3	304.8	274.0	277.7	308.6	296.7	298.2	290.3
Dwellings per 1000 inhabitants	1.6	1.5	1.3	1.3	1.5	1.4	1.4	1.3
Number of rooms per dwelling	3.2	3.3	3.4	3.3	3.3	3.4	3.3	3.5
Living floor (sq.m.) per:								
- dwelling	53.3	58.1	61.1	60.5	61.9	63.9	63.3	68.7
- room	16.6	17.4	18.0	18.1	18.8	19.0	19.2	19.7
<b>4. SOUTH - WEST</b>								
Finished dwellings - number - of which:	3293	2955	2738	2255	2346	2650	2390	2094
population funds	3068	2715	2559	2182	2066	1809	1930	1928
Rooms - number -	10263	9480	8763	7518	7613	7606	7559	7114
Living floor – thousand sq.m. -	169.9	164.1	160.7	141.7	146.1	148.4	144.8	137.7
Dwellings per 1000 inhabitants	1.4	1.2	1.1	0.9	1.0	1.1	1.0	0.9
Number of rooms per dwelling	3.1	3.2	3.2	3.3	3.2	2.9	3.2	3.4
Living floor (sq.m.) per:								
- dwelling	51.6	55.5	58.7	62.8	62.3	56.0	60.6	65.7
- room	16.6	17.3	18.3	18.8	19.2	19.5	19.1	19.3

	1998	1999	2000	2001	2002	2003	2004	2005
<b>5. WEST</b>								
Finished dwellings - number - of which:	1096	1172	1162	986	1197	1429	1269	2181
population funds	804	891	1091	789	964	982	1156	1346
Rooms - number -	3420	3866	3780	3260	4070	4281	4768	7486
Living floor – thousand sq.m. -	72.6	85.7	88.9	75.7	94.1	100.7	116.2	158.0
Dwellings per 1000 inhabitants	0.5	0.6	0.6	0.5	0.6	0.7	0.6	1.1
Number of rooms per dwelling	3.1	3.3	3.3	3.3	3.4	3.0	3.7	3.4
Living floor (sq.m.) per:								
- dwelling	66.3	73.1	76.5	76.8	78.6	70.5	91.6	72.3
- room	21.2	22.2	23.5	23.2	23.1	23.5	24.3	21.0
<b>6. NORTH - WEST</b>								
Finished dwellings - number - of which:	3226	3151	2946	2887	3064	3524	4219	4612
population funds	2820	2831	2760	2721	2627	2706	3867	4133
Rooms - number -	10256	9762	10018	9779	9989	11119	13928	15731
Living floor – thousand sq.m. -	204.7	187.6	205.3	207.1	208.5	232.5	301.0	326.5
Dwellings per 1000 inhabitants	1.1	1.1	1.0	1.0	1.1	1.3	1.5	1.7
Number of rooms per dwelling	3.2	3.1	3.4	3.4	3.3	3.1	3.3	3.4
Living floor (sq.m.) per:								
- dwelling	63.4	59.5	69.7	71.7	68.0	78.9	71.3	70.8
- room	20.0	19.2	20.5	21.2	20.9	20.9	21.6	20.8
<b>7. CENTER</b>								
Finished dwellings - number - of which:	2366	2607	2338	2152	2402	2948	2842	2846
population funds	2196	2379	2157	2009	2091	2053	2235	2536
Rooms - number -	7943	8646	8254	7886	8268	9333	9702	10271
Living floor – thousand sq.m. -	164.4	176.1	168.4	169.2	180.9	194.1	211.3	223.3
Dwellings per 1000 inhabitants	0.9	1.0	0.9	0.8	0.9	1.2	1.1	1.1
Number of rooms per dwelling	3.4	3.3	3.5	3.7	3.4	3.2	3.4	3.6
Living floor (sq.m.) per:								
- dwelling	69.5	67.5	72.0	78.6	75.3	65.8	74.3	78.5
- room	20.7	20.4	20.4	21.5	21.9	20.8	21.8	21.7
<b>8. BUCHAREST</b>								
Finished dwellings - number - of which:	2635	2078	2282	2797	2821	2969	3518	4427
population funds	1729	1919	1731	2468	2532	2602	2965	3242
Rooms - number -	8285	6968	8072	10602	11186	12439	13422	16676
Living floor – thousand sq.m. -	174.9	155.1	197.3	275.7	269.8	307.1	327.3	390.0
Dwellings per 1000 inhabitants	1.1	0.9	1.0	1.2	1.3	1.3	1.6	2.0
Number of rooms per dwelling	3.1	3.4	3.5	3.8	4.0	4.2	3.8	3.8
Living floor (sq.m.) per:								
- dwelling	66.4	74.7	86.5	98.6	95.6	103.4	93.0	88.1
- room	21.1	22.3	24.4	26.0	24.1	24.7	24.4	23.4

**Table B.19. Natural Resources**

	Total surface (ha)		Proportion in the total surface (%)				Proportion of the private sector in the agricultural surface (%)	
			Agricultural surface		Forests			
	1999	2005	1999	2005	1999	2005	1999	2005
<b>ROMANIA</b>	<b>23839071</b>	<b>23839071</b>	<b>61.8</b>	<b>61.8</b>	<b>28.5</b>	<b>28.3</b>	<b>77.6</b>	<b>95.6</b>
NORTH-EAST	3684983	3684983	57.7	57.8	33.5	33.4	81.9	97.8
Bacău	662052	662052	49.3	48.4	42.5	42.6	83.1	98.9
Botoşani	498569	498569	77.8	78.9	11.5	11.5	93.9	97.3
Iaşi	547558	547558	69.4	69.7	18.1	17.9	75.9	97.2
Neamţ	589614	589614	48.2	48.2	44.2	44.2	80.6	97.6
Suceava	855350	855350	40.9	40.9	53.4	53.0	81.3	97.7
Vaslui	531840	531840	74.6	75.5	14.8	15.0	76.5	98.2
SOUTH-EAST	3576170	3576170	65.2	65.2	16.0	16.0	72.2	91.7
Brăila	476576	476576	81.0	81.5	5.5	5.8	62.3	81.2
Buzău	610255	610255	65.9	65.9	26.8	26.9	79.1	96.9
Constanţa	707129	707129	80.0	79.8	5.0	5.7	58.3	98.6
Galaţi	446632	446632	80.3	80.3	9.8	9.8	78.3	94.5
Tulcea	849875	849875	42.7	42.8	13.1	12.3	89.3	86.4
Vrancea	485703	485703	52.6	52.6	39.8	39.8	74.3	87.6
SOUTH	3445299	3445299	71.1	71.1	19.6	19.6	74.9	96.1
Argeş	682631	682631	50.5	50.5	41.9	42.5	98.3	98.7
Călăraşi	508485	508785	84.1	83.9	4.4	4.3	60.5	92.9
Dâmboviţa	405427	405427	61.6	61.5	29.8	29.8	77.5	98.6
Giurgiu	352602	352602	78.6	78.8	10.9	10.8	69.0	92.8
Ialomiţa	445289	445289	84.0	84.1	5.8	5.9	69.8	95.5
Prahova	471587	471587	59.3	58.4	32.4	31.9	71.8	97.3
Teleorman	578978	578978	85.6	86.3	5.0	5.0	78.3	97.5
SOUTH-WEST	2921169	2921169	62.3	61.8	29.3	29.4	86.9	96.3
Dolj	741401	741401	79.4	79.0	11.0	11.5	82.2	96.1
Gorj	560174	560174	44.7	43.5	48.9	48.9	79.2	94.5
Mehedinţi	493289	493289	59.7	59.6	30.3	30.4	78.7	96.4
Olt	549828	549828	80.0	79.5	10.6	10.7	96.0	96.0
Vâlcea	576477	576477	42.7	42.7	50.7	50.5	99.2	99.2
WEST	3203317	3203317	58.5	59.0	35.5	34.3	82.2	96.1
Arad	775409	775409	66.0	66.0	27.4	27.3	86.6	93.6
Caraş - Severin	851976	851976	42.6	46.7	52.4	48.3	68.1	93.4
Hunedoara	706267	706267	41.9	39.7	52.2	51.8	89.4	99.4
Timiş	869665	869665	80.8	80.6	12.5	12.5	83.2	98.1
NORTH - WEST	3416046	3416046	60.8	61.1	30.7	30.3	72.9	97.0
Bihor	754427	754427	66.2	65.9	25.9	26.1	69.3	96.7
Bistriţa - Năsăud	535520	535520	52.5	55.4	39.2	35.9	74.4	98.3
Cluj	667440	667440	64.0	63.6	25.2	25.6	66.5	97.5
Maramureş	630436	630436	49.4	49.4	45.9	45.9	83.7	92.3
Satu Mare	441785	441785	71.9	71.9	17.7	18.3	72.5	98.3
Sălaj	386438	386438	62.3	62.3	27.5	27.6	76.3	99.2
CENTER	3409972	3409972	56.9	56.6	36.5	36.4	75.1	94.4
Alba	624157	624157	52.2	53.0	36.8	36.2	74.9	98.4
Braşov	536309	536309	55.5	55.4	37.2	37.2	71.6	96.1
Covasna	370980	370980	50.2	50.2	44.8	44.5	65.3	95.6
Harghita	663890	663890	61.2	59.4	35.0	36.0	69.3	99.4
Mureş	671388	671388	61.8	61.7	32.0	31.1	98.1	82.7
Sibiu	543248	543248	56.7	56.4	37.1	37.6	61.2	97.0
BUCHAREST	182115	182115	63.7	63.0	14.1	14.4	73.0	94.1
Bucharest Municipality	23787	23787	22.7	18.8	2.6	2.6	68.2	71.9
Ilfov	158328	158328	69.9	69.6	15.8	16.1	73.2	95.0
<b>URBAN</b>	-	-	-	-	-	-	-	-
<b>RURAL</b>	-	-	-	-	-	-	-	-

Proportion within the arable surface (%)						
Arable surface		Pastures and hay fields		Vineyards and orchards		
1999	2005	1999	2005	1999	2005	
<b>63.5</b>	<b>63.9</b>	<b>32.8</b>	<b>33.1</b>	<b>3.7</b>	<b>3.0</b>	<b>ROMANIA</b>
63.8	64.8	33.0	32.5	3.2	2.6	NORTH-EAST
57.0	58.1	39.5	38.7	3.6	3.2	Bacău
75.4	76.0	23.2	22.9	1.4	1.1	Botoşani
65.8	66.4	28.6	28.2	5.6	5.4	Iaşi
60.0	60.2	38.6	38.7	1.4	1.1	Neamţ
50.9	51.7	48.1	47.4	1.0	0.9	Suceava
70.2	72.6	24.2	23.7	5.5	3.7	Vaslui
77.8	78.3	16.9	16.9	5.4	4.8	SOUTH-EAST
89.1	90.0	8.5	8.6	2.3	1.4	Brăila
63.6	64.1	29.5	29.3	6.9	6.6	Buzău
85.6	86.2	10.7	10.9	3.7	2.9	Constanţa
81.3	81.8	12.3	12.4	6.4	5.9	Galaţi
79.9	80.3	16.8	16.5	3.3	3.2	Tulcea
57.6	57.9	29.7	29.9	12.7	12.1	Vrancea
80.2	80.7	15.7	16.0	4.2	3.3	SOUTH
49.5	50.0	42.6	43.1	7.9	7.0	Argeş
96.6	97.5	1.4	1.3	2.0	1.2	Călăraşi
69.9	70.2	25.7	25.9	4.4	3.9	Dâmboviţa
93.6	93.9	3.2	4.3	3.2	1.8	Giurgiu
93.2	93.9	4.9	4.8	1.9	1.3	Ialomiţa
51.6	52.8	38.8	39.4	9.6	7.8	Prahova
91.4	90.9	6.2	7.2	2.4	1.9	Teleorman
68.4	69.5	25.7	25.8	5.9	4.8	SOUTH-WEST
82.8	83.4	12.5	12.2	4.7	4.4	Dolj
41.3	40.7	50.2	53.8	8.5	5.5	Gorj
63.3	64.2	30.5	31.1	6.2	4.7	Mehedinţi
87.5	89.3	8.0	7.2	4.6	3.4	Olt
33.7	35.8	58.0	56.9	8.3	7.3	Vâlcea
58.4	57.6	39.4	40.5	2.2	1.9	WEST
68.0	68.3	30.1	29.9	1.9	1.8	Arad
35.0	32.0	61.2	64.9	3.8	3.1	Caraş - Severin
30.0	28.4	68.6	71.2	1.4	0.4	Hunedoara
75.5	75.9	22.6	22.1	1.9	1.9	Timiş
48.6	48.7	48.6	49.2	2.9	2.1	NORTH -WEST
60.6	62.2	36.3	36.4	3.1	1.4	Bihor
35.5	34.4	60.8	62.5	3.7	3.1	Bistriţa - Năsăud
41.8	41.9	56.3	57.0	1.8	1.1	Cluj
26.9	27.0	71.1	71.0	2.0	2.1	Maramureş
69.8	69.8	26.5	26.8	3.7	3.3	Satu Mare
51.1	50.5	45.7	46.7	3.2	2.8	Sălaj
39.6	39.8	58.8	59.0	1.6	1.2	CENTER
40.4	40.9	57.4	57.5	2.2	1.6	Alba
39.7	39.7	59.3	59.4	1.0	0.9	Braşov
46.3	45.0	53.0	54.5	0.7	0.6	Covasna
22.8	23.3	76.8	76.5	0.4	0.2	Harghita
53.6	53.6	44.2	44.9	2.2	1.5	Mureş
37.8	37.8	59.4	59.7	2.8	2.5	Sibiu
94.3	95.2	2.1	2.0	3.6	2.8	BUCHAREST
84.3	81.1	9.6	11.3	6.1	7.5	Bucharest Municipality
94.7	95.8	1.7	1.6	3.5	2.6	Ilfov
-	-	-	-	-	-	<b>URBAN</b>
-	-	-	-	-	-	<b>RURAL</b>

**Table B.20. Environment: Municipal waste collected in 2004**

thou tonnes

Region/County	Total	Household and similar waste	Municipal service waste	Building material and demolition waste	Other waste
<b>ROMANIA</b>	<b>6716.6</b>	<b>5162.2</b>	<b>840.4</b>	<b>645.0</b>	<b>69.0</b>
<b>NORTH-EAST</b>	<b>861.0</b>	<b>723.2</b>	<b>87.5</b>	<b>41.5</b>	<b>8.8</b>
Bacău	190.9	155.1	23.9	7.4	4.6
Botoşani	77.7	33.9	25.6	15.2	3.1
Iaşi	259.0	246.1	11.5	1.3	-
Neamţ	160.9	147.2	8.0	4.6	1.1
Suceava	97.9	75.9	10.3	11.8	-
Vaslui	74.6	65.0	8.2	1.3	0.1
<b>SOUTH-EAST</b>	<b>795.1</b>	<b>685.4</b>	<b>89.1</b>	<b>10.4</b>	<b>10.2</b>
Brăila	67.5	57.1	9.9	0.6	-
Buzău	77.9	60.3	17.5	0.1	-
Constanţa	316.2	258.4	38.4	9.2	10.2
Galaţi	207.6	190.1	17.4	-	-
Tulcea	48.4	47.5	0.3	0.6	-
Vrancea	77.6	71.9	5.6	0.1	-
<b>SOUTH</b>	<b>579.8</b>	<b>463.9</b>	<b>68.4</b>	<b>35.9</b>	<b>11.5</b>
Argeş	130.8	122.5	6.2	2.1	-
Călăraşi	81.6	56.3	7.9	17.5	-
Dâmboviţa	55.1	47.0	8.1	-	-
Giurgiu	45.1	34.0	9.9	1.3	-
Ialomiţa	57.2	48.8	1.4	7.0	-
Prahova	135.7	99.5	21.3	7.5	7.5
Teleorman	74.2	55.9	13.7	0.6	4.0
<b>SOUTH-WEST</b>	<b>363.9</b>	<b>290.4</b>	<b>41.7</b>	<b>22.7</b>	<b>9.1</b>
Dolj	28.5	23.0	5.2	0.2	0.1
Gorj	89.8	85.5	3.9	0.3	0.1
Mehedinţi	83.4	65.6	15.9	1.9	-
Olt	70.0	60.1	6.0	3.2	0.7
Vâlcea	92.3	56.1	10.8	17.1	8.3
<b>WEST</b>	<b>685.7</b>	<b>599.6</b>	<b>62.5</b>	<b>15.1</b>	<b>8.6</b>
Arad	119.2	97.2	8.6	9.8	3.6
Caraş - Severin	139.4	123.0	13.5	2.7	0.3
Hunedoara	245.3	224.2	20.2	0.8	-
Timiş	181.8	155.1	20.1	1.9	4.7
<b>NORTH -WEST</b>	<b>1094.2</b>	<b>863.3</b>	<b>150.8</b>	<b>63.6</b>	<b>16.6</b>
Bihor	159.7	149.5	5.5	2.2	2.4
Bistriţa - Năsăud	88.6	70.3	14.3	2.9	1.1
Cluj	465.3	356.8	67.2	41.3	-
Maramureş	222.5	155.2	48.5	5.8	13.0
Satu Mare	95.7	81.1	12.5	2.1	-
Sălaj	62.4	50.5	2.7	9.2	-
<b>CENTER</b>	<b>1081.9</b>	<b>928.6</b>	<b>116.5</b>	<b>34.8</b>	<b>2.0</b>
Alba	146.4	117.4	6.9	22.2	-
Braşov	285.3	237.4	44.9	2.8	0.2
Covasna	73.7	66.9	5.6	1.2	-
Harghita	228.6	215.3	11.1	1.9	0.4
Mureş	227.1	192.1	32.6	1.0	1.4
Sibiu	120.8	99.6	15.4	5.9	-
<b>BUCHAREST</b>	<b>1254.8</b>	<b>607.9</b>	<b>223.9</b>	<b>420.8</b>	<b>2.3</b>
Bucharest Municipality	857.9	599.1	220.5	416.4	2.3
Ilfov	16.6	8.8	3.5	4.4	-