

THE ANALYSIS OF SOCIAL PROTECTION EXPENDITURE OF ROMANIA BY FUNCTIONS ACCORDING TO THE EUROPEAN UNION METHODOLOGY

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ABSTRACT: *For Romania, the status of full member of the European Union created obligations, but especially the need to respect the directives and regulations of the European bodies. The European Commission regulation which provides for each Member State the implementation of the ESSPROS methodology which refers to the coordination of social security systems in each country in terms of statistical data collection and calculation of welfare indicators on a comparable basis may also be found among these directives. This paper aims to present and analyze the way in which Romania joined this regulation, how it applies the methodology of the European Union and especially what is the level in which our system of social protection ensures welfare of citizens compared to other systems in the European Union.*

KEY WORDS: *social protection, social protection schemes, functions of social protection, social benefits, social protection expenditures*

JEL CLASSIFICATION: *H53, H55, H75.*

1. INTRODUCTION

In recent years, more than ever, we are witnessing a rapid increase in global interconnectedness of financial markets, products and labour. Therefore new challenges for maintaining or improving social justice must be sought. In a world where economic and financial crises in any region are contagious, and their effects on labour markets and social welfare are spreading rapidly, the ability of individuals to cope with economic risk is much weaker than in the past.

Thus, the national social security systems must be or become stronger than ever to counter the national economic and social risks, but also the additional one

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brought over by globalization. Risks and opportunities that globalization brings require the implementation of an effective social security.¹

In the preface to Report 2010/2011² of the International Labour Organization, the authors believe that "social security is a human right as well as a social and economic necessity." Nothing more true if we consider that all successful societies and economies have created development strategies where social security systems have played an important role in alleviating poverty and ensuring economic protection to help people to cope with life's major risks and the need to quickly adapt to changing circumstances in the economy, politics, demography and not finally the social field.

In this context, the importance of social security welfare workforce, their families and communities in general, is part of the ILO's mandate. Moreover, the essential role that Social Security plays in covering the needs of people around the world begin to be increasingly recognized by other international organizations. In this sense the view of the OECD Development Assistance Committee which considers that social protection "... stimulates the involvement of poor women and men in economic growth ... It helps build human capital, manage risks, promote investment and entrepreneurship and improve participation in labour markets" is mentioned.³ This is actually a new understanding of the interconnection between economic and social development and the need to balance economic growth, which gave a new impetus to find solutions to counter the effects of the financial and economic crisis.

The basic idea more and more present in political debate is that social security systems should not be considered a burden to economic growth in one country or another, but rather, they by conceived as an economic necessity and applied correctly, helping and supporting economic and social development.⁴

The experts believe that "The global financial and economic crisis acted as an accelerator of change in the social security policy discourse, and stressed the role of social security schemes as automatic social and economic stabilizers. It became clear that countries at all levels of development, which have social security systems in place, are in a much better position to cope with the social fall-out of the crisis".⁵

Making the transition from global to the regional level, we find that this concern for increasing the role of social security systems in the Member States' economies are found both in political discourses, but also in EU regulations and directives. This is because countries such as Germany, Britain and Sweden have managed to cope with the economic crisis and their citizens do not perceive such acute effects, while other Member States, the systems of which have not proved effective in

¹ *Social Security for Social Justice and a Fair Globalization*, International Labor Office – Geneva: ILO, 2011, pp. 15-16

² *World Social Security Report 2010/11: Providing coverage in times of crisis and beyond*, International Labour Office – Geneva: ILO, 2010, p. v

³ OECD: *The role of employment and social protection: Making economic growth more pro-poor*, Policy Statement, DAC High-level Meeting, 27–28 May 2009, Paris, <http://www.learn4dev.net/fileadmin/Resources/Publications>

⁴ *Social Security for Social Justice and a Fair Globalization*, International Labour Office – Geneva: ILO, 2011, pp. 16-17

⁵ *Social Security for Social Justice and a Fair Globalization*, International Labour Office – Geneva: ILO, 2011, p. 17

covering the risks induced by the economic and financial matters, are struggling to provide social welfare of the population.

Although the social problem has not been set aside, the European Union since its beginnings focused on economic component. But, extending to Central and Eastern European countries and especially create a single market have raised a number of social problems. Although there were others who, at least in the past, wanted a European Social Model to harmonize social security systems of the Member States, it is an idea quite far from reality. A country like Germany, with a significant history of social protection and a trailblazer in this area will never give up its system, unlike a country such as Romania, which is seeking its own system, cannot, at least in the upcoming years catch up economically and socially with the developed countries.

It is a fact which is faced not only by Romania, but the European Union set a new orientation that expresses a significant change in the optics regarding the role of the European social field. Instead of an interventionist approach, requiring Member States welfare standards a strategy of "cooperation" based on the principle of subsidiarity was therefore preferred.⁶

Accordingly, Regulation (EC) no. 458/2007 states that "by Council Decision 2004/689/CE Social Protection Committee was appointed in order to serve as a tool for exchange of cooperation between the Commission and the Member States in relation to modernizing and improving social protection systems".⁷

The main objective of this regulation is that through the establishment of the European system of integrated social protection statistics (ESSPROS) to achieve a "methodological framework based on common standards, definitions, classifications and accounting rules, which are to be used for statistics on a comparable basis for the benefit of the Community".⁸

All of the above reinforce the idea already stated that EU cannot impose to its Member States a unitary structure of their social protection systems, the sources of income for benefits and nevertheless the expenditures of the social protection schemes beneficiaries. But community bodies have found the solution to monitored, through an integrated system, based on its own methodology, which is explained in the above mentioned Regulation, the operation of social protection systems in each Member State, which is bound to send annually, since 2008, the statistical data necessary for the System.

In our perspective, this system aims to track the level of development and the effectiveness of social protection systems, their hedging area that the citizens faced or may face at some point and last but not least the degree of economic and social welfare of citizens. This paper aims to present how Romania after the EU accession in 2007, joined this Regulation, if Romania, through its social security system covers the area of all risks that its citizens may face, especially the level and destination of the social benefit expenditure.

⁶ Mariana Iovățu, *Bazele politicii sociale*, Eficient Publishing House, Bucharest, 1997, pp. 373-374

⁷ Regulation (EC) no. 458/2007 of the European Parliament and of the Council from 25th of April 2007 on the European system of integrated social protection statistics (ESSPROS), p. 3, <http://eur-lex.europa.eu/ro/>

⁸ Regulation (EC) no. 458/2007 of the European Parliament and of the Council from 25th of April 2007 on the European system of integrated social protection statistics (ESSPROS), p. 4, <http://eur-lex.europa.eu/ro/>

2. SOCIAL SECURITY SYSTEM - CONCEPTUAL INSIGHTS

In terms of the International Labour Organization "The concepts of *social security* and *social protection* have evolved over time, and are used in various ways throughout the world"⁹. Nothing more true if the following are considered.

As experts say, the International Labour Organization does not want to define the concepts related to social security system, but rather clarifies their coverage area. It is shown below.¹⁰

Social protection is often interpreted as having a broader character than social security (including, in particular, protection provided between members of the family or members of a local community). It is also used in some contexts with a narrower meaning than social security (understood as comprising only measures addressed to the poorest, most vulnerable or excluded members of society). Thus, unfortunately, in many contexts the terms "social security" and "social protection" are used interchangeably. In case of ILO, the term "social protection" is used to mean protection provided by social security systems in the case of social risks and needs.

The notion of social security adopted by ILO covers all measures providing benefits, whether in cash or in kind, to secure protection from: lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; lack of access or unaffordable access to health care; insufficient family support, particularly for children and adult dependants; general poverty and social exclusion.

Social security schemes can be of a contributory (social insurance) or non-contributory nature.

Social transfers are transfers from one social group to another (e.g. from active groups to those which have reached retirement age), whether in cash or in kind (access to goods and social services). The beneficiaries are entitled to such transfers because they have earned the right through the fulfilment of some obligations (e.g. paying contributions) and/or certain social or behavioural conditions (e.g. being sick, being poor or performing some work for the community). In recent years, this term was used to describe schemes that are addressed to all the residents and in which benefits are provided with a unique condition of residence (universal cash transfers) or social assistance schemes, which require as prerequisites, additional behavioural conditions (conditional cash transfers).

Social assistance. Social security benefits that are conditional on the level of income of recipient, i.e. are means-tested or based on similar forms of targeting (e.g. proxy means test, geographical targeting), are generally called social assistance. They are generally a device to alleviate/reduce poverty. Benefits can be delivered in cash or in kind.

"Conditional" social assistance schemes require beneficiaries (and/or their relatives or families), in addition to other conditions, to participate in prescribed public

⁹ *Social Security for Social Justice and a Fair Globalization*, International Labour Office – Geneva: ILO, 2011, p. 8

¹⁰ *Social Security for Social Justice and a Fair Globalization*, International Labour Office – Geneva: ILO, 2011, p. 9

programmes (e.g. specified health or educational programmes). In recent years, schemes of this type have become known as *conditional cash transfer (CCT)* schemes.

Social assistance schemes are usually tax-financed and do not require a direct contribution from beneficiaries or their employers as a condition of entitlement to receive relevant benefits.

Regarding the European Union, things are totally different. The need to monitor the progress that countries render it in order to strengthen economic and social cohesion and especially everyday situation, but also the progress made by these in the case of social protection have made necessary to create in the late 70's The European System of Integrated Social Protection Statistics (ESSPROS).

This system actually represents the form through the Eurostat (Statistical Office of the European Communities) together with the representatives of the Member States responded to the need to have a specific statistical tool for the observation of social protection systems in the European Union.¹¹

ESSPROS methodology was first published in 1981. In 1996 there appeared the ESSPROS Manual, and a few years later, more specifically in 2008, the Handbook has undergone a review process which aimed to methodologically clarify and adjust some statistical definitions and classifications of social protection systems in the European Union.

Defining and clarifying the concepts of this system and which are found in the ESSPROS Manual 2008 begins indisputable with social protection. This "encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved."¹² The risks or needs that may give rise to social protection are:

1. Sickness/Health care;
2. Disability;
3. Old age;
4. Survivors;
5. Family/children;
6. Unemployment;
7. Housing;
8. Social exclusion not elsewhere classified.

The various risks and needs define the primary purposes for which resources and benefits are provided, irrespective of legislative or institutional structures behind them. In this context, it is customary to use the term *functions of social protection*.¹³

Thus, the risks set out above are actually the 8 functions of social protection which social benefits provided must cover¹⁴:

¹¹ Eurostat, *ESSPROS Manual*, 2008, p. 7, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Social_protection_backgrounds#Publications

¹² Eurostat, *ESSPROS Manual*, 2008, p. 9, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Social_protection_backgrounds#Publications

¹³ Eurostat, *ESSPROS Manual*, 2008, p. 10, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Social_protection_backgrounds#Publications

¹⁴ Eurostat, *ESSPROS Manual*, 2008, p. 31, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Social_protection_backgrounds#Publications

1. The SICKNESS/HEALTH CARE function - income maintenance and support in cash in connection with physical or mental illness, excluding disability. Health care intended to maintain, restore or improve the health of the people protected irrespective of the origin of the disorder.
2. The DISABILITY function - income maintenance and support in cash or kind (except health care) in connection with the inability of physically or mentally disabled people to engage in economic and social activities.
3. The OLD AGE function - income maintenance and support in cash or kind (except health care) in connection with old age.
4. The SURVIVORS function - income maintenance and support in cash or kind in connection with the death of a family member.
5. The FAMILY/CHILDREN function - support in cash or kind (except health care) in connection with the costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members.
6. The UNEMPLOYMENT function - income maintenance and support in cash or kind in connection with unemployment.
7. The HOUSING function - help towards the cost of housing.
8. The SOCIAL EXCLUSION NOT ELSEWHERE CLASSIFIED function - benefits in cash or kind (except health care) specifically intended to combat social exclusion where they are not covered by one of the other functions.

We must not forget another important conceptual delimitation, namely that at European Union level, the coverage of social protection includes social protection provided by the government (social security) and the benefits provided by private social protection schemes, to the extent that they have similar effects on the benefits with those of social security. Therefore, according to the ESSPROS Manual, social security means the social protection which falls within the influence of the state while the social benefits cover the eight major social risks, called functions, listed above.

This is the point of view of the European Union, but on a Member States level and their systems, the situation is different. For example, in the UK only statutory financial benefits are involved. In continental Europe social security is substantially extended and is well developed in France and Germany and almost pushed to paroxysm in some Scandinavian countries, including Denmark and Sweden.

To be able to be effective, it is necessary to have a developed social security system with a complex structure, including social security schemes suitable to respond to all categories of risks that are covered by modern social security systems.¹⁵ The social security scheme is in fact ESSPROS' statistical unit with which it operates.

The social security scheme represents the normative act or the group of normative acts developed and implemented by one or more institutional units, governing social security benefits and their financing. The social security scheme aims to provide protection against one or more risks or social needs well defined and is addressed to a specific group of beneficiaries.

¹⁵ Dobre-Baron Oana, Fleșer Alina, *Particularities of the System of Social Security in Romania and the European Union*, Annals of University "Eftimie Murgu" Reșița, fascicle II, Economic Studies, Eftimie Murgu Publishing House, Reșița, 2009, p. 65

The views presented by the speciality literature of our country do not differ greatly from those mentioned above, namely social protection is defined as "a set of policies, measures, institutions, organizations providing the support of individuals and groups in need and who can not to achieve through its own effort normal or at least minimum conditions of life"¹⁶ or "social protection represents a set of actions, decisions and measures taken by the society to prevent, reduce or eliminate the consequences of events considered social risks on the living conditions of the population"¹⁷.

The structure of the social protection system is made up of various benefits (in cash or in kind) and services in order to ensure a decent living for all the disadvantaged groups. Therefore the social protection system has two main components: financial social benefits and social services.

In the vision of our country's specialists, social protection achieved through financial social benefits is called social security.

Social security can be defined as any measure established by law that is designed to maintain individual/family income or to provide revenue if all sources of income have disappeared or when, exceptionally, sufficiently large expenses that may put people at risk occur (e.g. child care costs or pay for health care). Moreover social security can provide financial benefits to persons facing disease, with some form of disability, unemployment, failure of various causes, widowhood, maternity, child care and upbringing, withdrawal from active life, and others.

The financial social benefits include transfers in cash or in kind to persons who have financial resources deficit. In other words, they do not have the ability to obtain the minimum financial resources required for decent living. There are also two types of social financial benefits:

- *Contributory social benefits* (from the system of social insurance) represent an income replacement obtained through their own activity, given that this is no longer possible due to circumstances of life: age, illness, job loss. Social insurance benefits take the form of pensions, sickness aid and unemployment benefits. These benefits are given under strict condition of participation in a common insurance fund during active life, being proportional to the size of these contributions to a common fund.
- *Non-contributory social benefits* are given to those in need, depending on the size of this need, without any requirement of prior contributions. Such benefits are social aid, child benefits, student grants, other compensation such as gratuities or discounts/price subsidies (social dwellings, transportation, tickets to cultural events, rent subsidies, for dwelling maintenance, etc.). The non-contributory social benefits system is designated by the general term of social assistance.

Therefore social security is all about providing contributory social benefits, through the system of social insurance and non-contributory social benefits, through the system of social assistance. What is not included is social assistance to those in need through social services.

¹⁶ Zamfir Cătălin, Vlășceanu Lazăr (coord.), *Dictionary of Sociology*, Babel Publishing House, Bucharest, 1993, p. 465.

¹⁷ Pop Luana Miruna, *Dictionary of Economics*, Expert Publishing House, Bucharest, 2002, p. 552.

Thus, we can consider that the social security system in Romania, as part of the social protection system is composed of two major components, namely: the social security and the social assistance system based on the transfer of financial resources to those who need them and were detected through subsistence testing means.¹⁸

3. THE COORDINATION OF ROMANIAN SOCIAL SECURITY SYSTEM WITH THE EU SOCIAL PROTECTION SYSTEM

As we have shown in the previous chapter, in the Member States of the European Union statistical indicators on social protection is calculated by a harmonized methodology (ESSPROS) that provide temporal and spatial data comparability. The most important classification of benefits or social protection benefits is the one in concerning the functions which they are addressed.

For Romania, starting the EU accession process means the incorporating of the community acquis, the provision of which must be adopted by each Member State. It contains several large fields including the social one.

The need of adopting the community acquis in the social field is the most important social component for EU programmes. Adopting the social acquis involves a different approach on its compulsory application and how to incorporate it in the social systems of candidate countries, depending on the nature of its various components.

Therefore, during the pre-accession to the European Union, the specialists of the National Statistics Institute have conducted an experimental study, using the ESSPROS methodology of the European Union on social protection statistics. This study called *Social protection statistics*¹⁹ identified within the social security system of Romania in 2004, 26 social protection schemes, each having as a legal ground one or more laws. It was found that the social benefits covered by legislation (in 2004) and their grouping on schemes covers all 8 functions of social protection according to the ESSPROS methodology.

It was also shown that each of the 26 social protection schemes have acted in one or more ESSPROS functions (Figure 1). Out of total schemes, 38.5% have provided social protection for the elderly, and 34.6% have covered social benefits for families and children.

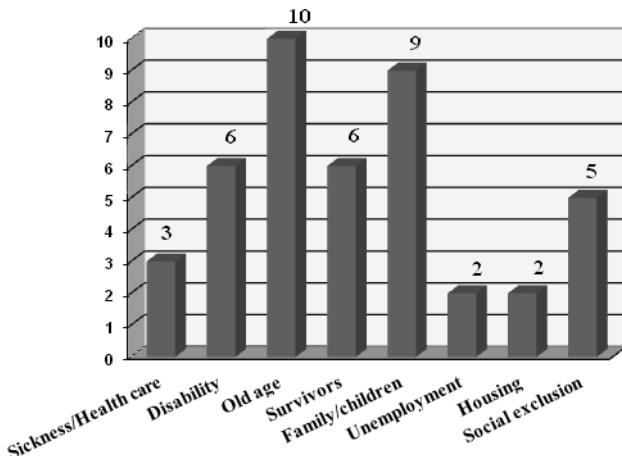
It can be seen that in 2004, most social benefits were granted for the OLD AGE function (10 schemes), immediately followed by the FAMILY/CHILDREN function (9 schemes). At the opposite pole, with two schemes each there are the benefits granted for the UNEMPLOYMENT and the HOUSING functions. It is noteworthy, that in terms of social exclusion, the social protection system in our country comprises 5 schemes.

On the 1st of January 2007 Romania became a Member State of the European Union with full rights. But in addition to these rights Romania has a number of obligations to the European body and its structures. One of these concerns, of course,

¹⁸ Dobre-Baron Oana, Fleșer Alina, *Particularities of the System of Social Security in Romania and the European Union*, Annals of University "Eftimie Murgu" Reșița, fascicle II, Economic Studies, Eftimie Murgu Publishing House, Reșița, 2009, p. 63

¹⁹ National Institute of Statistics, *Social protection statistics. Experimental study - Romania 2004*

refers to statistical coordination on social protection indicators with the ESSPROS methodology of the European Union, methodology described in a previous chapter of this paper.



Source: Dobre-Baron Oana, *Securitatea socială în contextul integrării României în Uniunea Europeană*, Universitas Publishing House, Petroșani, 2009, p. 216

Figure 1. The ESSPROS functions according to the number of corresponding social protection schemes in 2004

Currently, no official websites or periodical publications of the National Institute of Statistics, the Ministry of Labour, Family and Social Protection or of any other concerned ministries have a list of all social protection schemes in Romania. Instead, Eurostat is the one that monitors and periodically update the situation in each Member State regarding the structure of social protection. Such a situation, updated in March 29, 2011, presented for Romania, 31 social protection schemes. These will be further detailed²⁰:

1. The *Social protection and employment of people with disabilities* scheme (PSHAND) has as a legal basis the GEO no. 102/1999 on special protection and employment of people with disabilities and Law no. 448/2006 on the protection and promotion of disabled persons. It comprises the following benefits:

- allowances for handicapped children;
- monthly indemnity for adults with severe or marked disability;
- allowances paid to the personal assistant of handicapped persons;
- social indemnities for the blind;
- free transport for the disabled;
- home help;
- discount for radio/tv tariffs;
- discount for telephone tariffs;

²⁰ http://circa.europa.eu/irc/dsis/esspros/info/data/esspros_public_data/qualitative/qbase/romania.html

- food allowance for the children contaminated with HI;
- special support.

The social benefits comprised by this social protection scheme are classified under the DISABILITY function.

2. The *Care for older people* scheme (ASPV) has as a legal basis Law no. 17/2000 on social assistance for the elderly. Law governed social benefits related to:

- accommodation for old age persons;
- home help for the elderly.

These benefits are classified under the OLD AGE function.

3. The *Rights and facilities for the disabled, veterans and war widows* scheme (IOVR) operating according to Law no. 44/1994 regarding war veterans and a series of rights of the disabled and war widows. The benefits covered by this scheme are:

- indemnities for war veterans;
- allowances for widows of war veterans;
- annual support for war veterans;
- transportation gratuities and fee reduction.

These benefits have been classified under the OLD AGE and SURVIVORS functions.

4. The *State allowance for children* scheme (ALOCOP) operates according to Law no. 61/1993 on state allowance for children and GEO no. 97/2007 amending and supplementing Law no. 61/1993. It has been therefore classified under the FAMILY/CHILDREN function.

5. The *Social protection for children in need* scheme (PLAS) has as legal basis Law no. 272/2004 on the protection and promotion of child rights while the regulated benefits are:

- the placement allowance;
- expenditures for foster care, reception centers, maternity centers;
- expenditure on social protection in foster families;
- support at home for children;
- services performed by professional maternal assistant;
- other cash benefits.

These were classified under the FAMILY/CHILDREN function.

6. The *Social canteens* scheme (CANT) has as a legal basis Law no. 208/1997 on social canteens and regulates the benefit with the same name, classified under the EXCLUSION function.

7. The *Rights and facilities for the heroes of the Revolution of December 1989* scheme (EROI), with a legal basis Law no. 42/1990 (republished) on heroes of the Revolution of December 1989 and Law no. 341/2004 regarding gratitude to the heroes and warriors who contributed to the Romanian Revolution of 1989, has included benefits related to the OLD AGE function classified under:

- allowances for the heroes of the Revolution and for their survivors;
- transportation discounts for the beneficiaries of this scheme;
- burial place for the same beneficiaries.

8. The *Rights and facilities for political and ethnical persecuted persons* scheme (PERSEC) works by Decree-Law no. 118/1990 (republished) regarding the granting of certain rights to political persecuted persons by the dictatorship beginning on March 6, 1945, and those deported abroad or imprisoned. The following benefits have been regulated:

- indemnities for the target group;
- burial places for the same beneficiaries;
- discounts on radio/television subscriptions.

The function that has enabled this scheme was the OLD AGE one.

9. The *Social grants and other rights for pupils and students* scheme (BURSE), builds on Decision no. 625/1991 and 445/1997 in regard to social grants, Law no. 84/1995 regarding National Education, Law no. 116/2002 on preventing and combating social exclusion; Decision no. 1488/2004 for the approval of the criteria and the amount of financial support to students in the national social protection program "Money for School". The benefits covered bear the name of the scheme and the function on which it activates is the FAMILY/CHILDREN function.

10. The *Kindergartens and nurseries* scheme (CREŞE), having as a legal basis the Government Decision no. 360/1991 on the organization of nurseries and kindergartens (abrogated in 2004), Law no. 263/2007 regarding the nurseries, Law no. 193/2006 regarding nursery vouchers, the Law of Education no. 84/1995. The function on which the scheme activates is the FAMILY/CHILDREN function.

11. The *Special education for children with disabilities* scheme (SCINVAL) operating according to the Government Decision no. 261/2000 on social protection of disabled children; Government Decision no. 260/2000 for the approval of the national programmes of interest for the protection of children in need. The benefits covered by it are represented by the rehabilitation and care services for children with disabilities found in specialized institutions.

The function on which activates the scheme is DISABILITY.

12. The *Social assistance and protection provided by NGOs* scheme (ONG) is based on Law no. 34/1998 regarding the associations and foundations; GEO no. 26/2000 regarding the associations and foundations. The benefits covered by this scheme are represented by:

- home help for disabled persons;
- home help for children;
- social protection for children;
- social protection centers for the elderly;
- social canteens.

The functions on which this scheme activates are: DISABILITY, OLD AGE, FAMILY/CHILDREN and SOCIAL EXCLUSION.

13. The *National Solidarity Fund* scheme (FNS) with legal basis Law no. 366/2001 for the approval GEO no. 118/1999 on the establishment and use of the National Solidarity Fund, covering benefits related to:

- healthcare provided abroad;
- solidarity allowance;
- financial aid.

The functions on which activates this scheme are: SICKNESS/HEALTH CARE and SOCIAL EXCLUSION.

14. The *Social protection granted in the form of pensions and other social insurance rights* scheme (SPP) with the legal basis Law no. 19/2000 regarding the public pension system and other social insurance rights, amended and completed. The benefits under this scheme are:

- early retirement due to the reduced work capacity;
- old age pensions;
- invalidity pensions;
- survivors pension;
- death grant;
- maternity allowance;
- parental leave.

The functions on which the scheme activates are: DISABILITY, OLD AGE, SURVIVORS and FAMILY/CHILDREN.

15. The *Social protection granted as pensions for lawyers* scheme (PAVOC) with a legal basis Law no. 452/2001 regarding the approval and completion of GEO no. 221/2000 regarding pensions and other social insurance rights for lawyers, works with the following types of benefits:

- invalidity pensions;
- early retirement due to the reduced capacity to work;
- old age pensions;
- early retirement pension;
- partial early retirement pension;
- survivors pension.

The functions on which this scheme activates are: DISABILITY, OLD AGE and SURVIVORS.

16. The *Social protection granted as pensions for state military* scheme (PMIL) according to Law no. 164/2001 (republished) on state military pensions, with benefits covered by:

- invalidity pensions;
- early retirement due to the reduced capacity to work;
- old age pensions;
- early retirement pension;
- partial early retirement pension;
- survivors pension.

The functions on which this scheme activates are: DISABILITY, OLD AGE and SURVIVORS.

17. The *Transportation gratuities and fee reduction* scheme (TRANSP) is based on the following laws: Law no. 147/2000 on the reduction of transport prices for the elderly, GEO no. 102/1999 on the special protection of disabled persons; Law no. 10/2003 for the completion of GEO no. 102/1999, Law no. 84/1995 regarding the National Education, Law no. 42/1990 regarding heroes of the Revolution of December 1989, Law no. 118/1990 regarding the rights of persons who were persecuted for

political reasons, Law no. 49/1991 regarding the rights granted to invalids and war widows and Law. 30/2004 regarding transportation fees reductions granted to retired people.

The benefits are classified within the following functions DISABILITY, FAMILY/CHILDREN and OLD AGE.

18. The *Social protection for former offenders* scheme (INFRAC) with a legal basis Law no. 129/2002 on social protection for former offenders. This scheme regulates the benefits in kind in the form of special social reintegration programmes for offenders who were pardoned by law, and special programmes of social and legal protection of children and young offenders. The function according to which these benefits are classified is the SOCIAL EXCLUSION one.

19. The *Minimum guaranteed income* scheme (VMG) operates on the basis of Law no. 416/2001 regarding the minimum guaranteed income with subsequently amended and completed and GEO no. 91/2005 regarding the granting financial support programmes for heating, with the following benefits:

- minimum guaranteed income including financial aid;
- birth indemnities;
- benefits for wives conscripts;
- emergency support;
- support for heating;
- funeral expenses.

These benefits are classified within the FAMILY/CHILDREN and SOCIAL EXCLUSION functions.

20. The *Social protection for the unemployed under the new legislation unemployment* scheme (SOMI) is based on Law no. 76/2002 regarding the unemployment insurance system and the stimulation of employment, GEO no. 8/2003 regarding the stimulation of the restructuring, reorganization and privatization of national companies, national companies and commercial companies owned by the state, GEO no. 170/2001 regarding the alleviation of the social impact as a result of the reorganization of the defence production sector and GEO no. 377/2002 for the approval of measures to increase the access to employment, financing and instructions for its implementation. The regulated benefits are:

- unemployment indemnity;
- compensatory payments;
- completing income;
- training courses;
- graduates payment (unemployment indemnity amounting to 50% of the gross minimum wage per economy);
- counselling and mediation for the unemployed;
- first installation allowance;
- mobility allowance.

All these benefits are classified within the UNEMPLOYMENT function.

21. The *Social marginalization* scheme (MGSOC) based on Law no. 116/2002 regarding the prevention and elimination of social exclusion, considering the following:

- social programmes for young people with difficulties;
- other benefits for the same target group.

The benefits comprised by this scheme are included in the SOCIAL EXCLUSION function.

22. The *Health insurance* scheme (ASIGSAN) based on Law no. 95/2006 regarding health reform and GD no. 158/2005 regarding monthly indemnities for social health insurance, regulating health care provided in various forms:

- medical services;
- pharmaceuticals and other medical products;
- other medical services;
- compensation for temporary disability.

These are classified under the SICKNESS/HEALTH CARE function.

23. The *Rights for soldiers from the Labour Service (1950-1961)* scheme (DGSM) with a legal basis in Law no. 309/2002 (updated) regarding the recognition and granting of rights to persons who have performed military service within the General Directorate of Labour Service between 1950-1961. The allowances granted to these categories, for the above mentioned military and their survivors, as well a series of discounts on radio/TV subscriptions, they are therefore classified within the OLD AGE function.

24. The *Complementary family allowance and support allowance for single parent families* scheme (ALOCOMP) functioning according to GEO no. 105/2003 on complementary family allowance and support allowance for single parent families governing the two types of benefits classified within the FAMILY/CHILDREN function.

25. The *Protection concerning maternity at the workplace* scheme (PROTMATERN) having as legal basis GEO no. 96/2003 on maternity protection at work and the benefits relate to maternal risk allowance.

This is classified under the FAMILY/CHILDREN function.

26. The *Insurance in case of work accidents or occupational diseases* scheme (ASIGSOC) operating under Law no. 346/2002 on insurance in case of accidents or occupational diseases, amended and supplemented, presenting the following benefits:

- paid sick leave only in the case of temporary disability;
- social protection in case of reduction or loss of working capacity;
- help in case of death.

These benefits are classified within the DISABILITY function.

27. The *Social protection regarding the Romanian Social Development Fund* scheme (FRDS) operating under Law no. 129/1998 on the Functioning of the Romanian Social Development Fund and aims at providing support for disadvantaged groups such as the poor, those without any help, homeless and sick people, young women, pregnant and poor. The function on which this scheme is classified is the SOCIAL EXCLUSION one.

28. The *Social protection for certain student grants* scheme (STUD) operating under GD no. 73/2004 on grants for financial support for students living in accommodation spaces other than student homes of educational institutions, being classified under the HOUSING function.

29. The *Other social benefits for families and children* scheme (FAM) has as a legal basis Law no. 482/2006 regarding the granting trousseau for newborn babies and these benefits in kind fall under the FAMILY/CHILDREN function.

30. The *Monthly grant aid to the surviving spouse* scheme (SURV) operating under Law no. 578/2004 (updated) in terms of providing a monthly support for the surviving spouse and is classified under the HOUSING function.

31. The *Minimum guaranteed social pension* scheme (PENSOC) is intended to maintain a minimum level of social protection for those to whom it is addressed and operates according to GEO no. 6/2009 regarding the establishment of the minimum guaranteed social pension. These benefits are classified in the OLD AGE function.

As it can be notice, now, according to Eurostat, Romania has a total of 31 social security schemes, 5 more than those what the National Statistics Institute Study presented in the study conducted in 2004. It must be also mentioned that out of the 26 schemes then, some are still unchanged while for some of them the social security benefits granted on their basis are no longer the same. They either disappeared completely or were classified within other schemes, or were introduced by the legislation new ones.

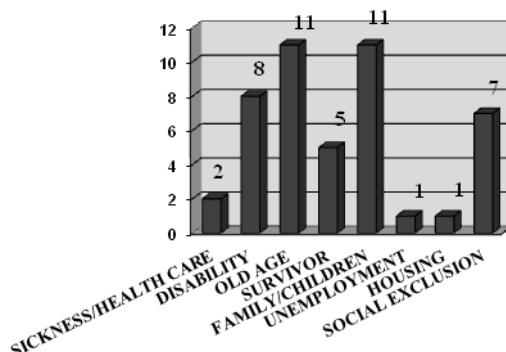


Figure 2. The ESSPROS functions according to the number of corresponding social protection schemes in 2011

Thus, the classification of the number of social protection schemes under the ESSPROS functions is the following (Figure 2):

1. The SICKNESS/HEALTH CARE function - 2 schemes.
2. The DISABILITY function - 8 schemes.
3. The OLD AGE function - 11 scheme.
4. The SURVIVOR function - 5 schemes.
5. The FAMILY/CHILDREN function - 11 scheme.
6. The UNEMPLOYMENT function - 1 scheme.
7. The HOUSING function - 1 scheme.

8. The SOCIAL EXCLUSION NOT ELSEWHERE CLASSIFIED function - 7 scheme.

Most schemes, 11 of them belong to the OLD AGE and FAMILY/CHILDREN functions, followed by the INVALIDITY schemes and then by the SURVIVORS and SOCIAL EXCLUSION ones, both with a total of five schemes. On the last place are graded UNEMPLOYMENT and HOUSING functions, each of them being intended only one scheme.

For the UNEMPLOYMENT function the situation is understandable, given that through the corresponding scheme all the benefits which are granted to those who have lost or cannot find a job are regulated. Instead, for the HOUSING function, Romania and other European Union countries do not have yet a wider range of benefits to help those who cannot afford themselves the cost of maintenance or possession, in one form or another, of a house.

The large number of schemes covering the risks that the elderly, families and children may face, is due to the fact that the elderly and children are the most vulnerable social groups, but also the social protection system in our country, which along a few decades has tried to develop both the social insurance system as well as the one of social assistance, especially for children. Even if the latter focused on social services before 1989, there was no lack of the cash benefits granted in the form of child allowances (even if it was not given to all children, but depended on the status and income of parents), birth indemnities and those for families with more children, etc.

Taking a quick look on ESSPROS information, we find that the situation is very different in the Member States. For example, the UK has a number of 45 social protection schemes, France has 65 and Germany 31²¹. The bottom line is that the number of these schemes does not matter but the risk area they cover and most importantly the benefits provided which depending on the economic situation of each country may or may not ensure a decent living for the beneficiaries.

4. SOCIAL PROTECTION EXPENDITURES ACCORDING TO THE ESSPROS METHODOLOGY

4.1. The analysis of social protection expenditure in Romania

The financing of the social protection in order to cover expenditures of the social protection benefits of the schemes require incomes which in Romania come from social contributions, general government contributions and other receipts.

In recent years the level of these revenues showed an upward trend (Table 1), but as it can be seen from data provided by the National Institute of Statistics, they are insufficient to cover the necessary expenditures for social protection of citizens in Romania.

The negative income and expenditure balance recorded of the social protection system throughout the period under review suggests its underfunding compared to the needs of those facing a defined set of risks (Figure 3).

²¹ http://circa.europa.eu/irc/dsis/esspros/info/data/esspros_public_data/qualitative/base_qualitative.htm

Table 1. The income and expenditure of social protection in Romania between 2005-2011 (million lei)

	2005	2006	2007	2008	2009	2010	2011
Income	38019	42642	54035	67877	78196	84642	88722
Expenditure	38831	44184	56375	73354	85770	92057	90691
Balance	-812	-1542	-2340	-5477	-7574	-7415	-1969

Source: National Institute of Statistics, Statistical Yearbook of Romania, 2011, p. 218; 2013, p. 251

The system's underfunding situation is not, we think, surprising to anyone, and the causes are multiple. The number of people receiving benefits under the contribution to the social insurance state budget exceeds that of current contributors, the amounts allocated from the state budget for the social programs and benefits are never a priority, the level of the benefits provided although sometimes very small is addressed to a constantly increasing number of beneficiaries and the examples may continue.

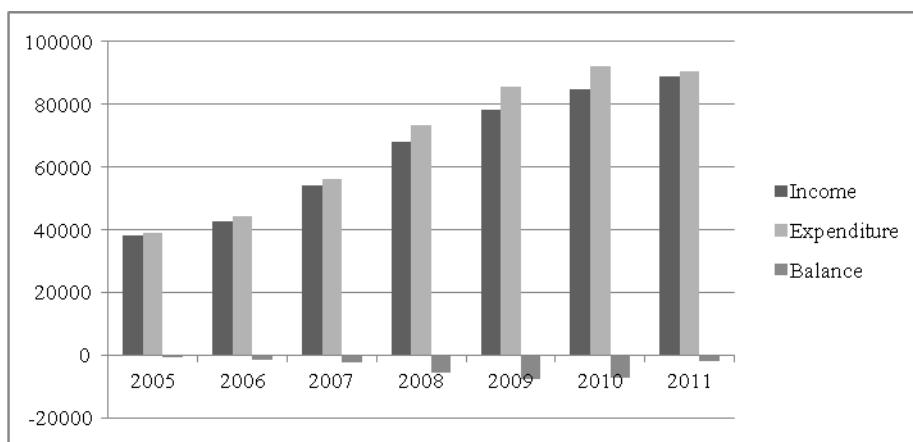


Figure 3. The evolution of income and expenditure for social protection in Romania during 2005-2011

But the analysis takes into account the costs of social protection. After joining the EU, social protection statistics assume data collection according to the ESSPROS methodology. Since 2009, the National Statistics Institute has also included on its statistical base, on its statistical indicators system, the social protection expenditure on social protection functions, meeting the European Commission regulations and in particular the ESSPROS methodology.

Both national statistical data as well as those available at European Union level and provided by Eurostat are calculated and presented at the level of 2011. Thus, Table 2. presents the social protection expenditure in Romania according to the social protection functions and on expenditure categories in 2011.

**Table 2. The social protection expenditure by ESSPROS function in Romania in 2011
(million lei)**

Categories of expenditure	Total	Social protection functions							
		Sickness/ Health care	Disability	Old age	Survivors	Family/children	Unemployment	Housing	Social exclusion
Total social protection expenditures	90691	-	-	-	-	-	-	-	-
Expenditure on social benefits	89787	22564	8105	44045	4153	7974	1453	117	1376
Independent of income threshold, of which:	85262	22555	8025	43575	3686	7421	-	-	-
In cash	60471	1070	7229	43433	3686	5054	-	-	-
In kind	24791	21485	796	142	-	2367	-	-	-
Dependent of income threshold, of which:	4525	9	80	470	467	553	1453	117	1376
In cash	4149	-	67	401	466	502	1420	-	1292
In kind	376	9	13	69	1	51	33	117	83
Administrative costs	871	-	-	-	-	-	-	-	-
Other expenditure	33	-	-	-	-	-	-	-	-

Source: National Institute of Statistics, Statistical Yearbook of Romania, 2013, p. 251

Of course, the social benefit has the largest share 99% in the total social protection expenditures, the rest being represented by administrative costs which are actually expenditure involved in organizing and managing social protection schemes as well as other expenses.

Breaking down the expenditure on social protection functions under ESSPROS methodology is uneven (Figure 4), taking into account the number of schemes for each function, the number of benefits that regulates each scheme, the number of beneficiaries of social protection benefits and not the least the level of each benefit.

In 2011, the highest value of 44.045 million lei, was destined to expenditures for the OLD AGE function while on the opposite side, with only 117 million lei, were the benefits which aimed to help those who couldn't deal with the costs of housing. In Romania, as in other countries, expenditures with social benefits are divided into dependent and independent expenditures according to a threshold income.

Benefits which are independent on the income threshold are granted indifferent of the income level of the beneficiary and represents 94.96% of the total expenditures, namely the majority. It means therefore that in the Romanian social protection system the citizens benefit from them without taking into account the income level of benefits or social services according to the risks they cover. It is to be reminded the high level of the expenditure in kind with health services (26.45% of the total social benefit expenditure), of the expenditure in cash for the OLD AGE function, mostly representing pensions of those who fulfil the legal conditions for obtaining this income (51.1% of the total social benefit expenditure) etc.

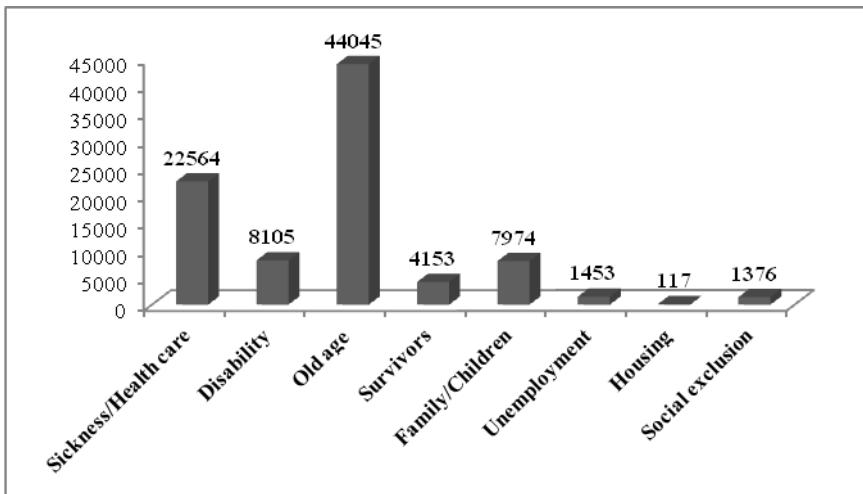


Figure 4. The social protection expenditure by ESSPROS functions in Romania in 2011 (million lei)

Benefits dependent on the income threshold are those to be granted conditionally respectively if the level of the income of the beneficiary is below a preset threshold. In our country, their share is very small, only 5.03% of the total social benefit expenditure. This actually shows the deficiency of our social protection system, which currently has no ability to provide a decent living to individuals and groups of persons who are at the poverty line.

Both independent and dependent expenditure on an income threshold are granted in cash and in kind. Expenditure in kind actually represents amounts of money given for the purchase of necessary goods to those in need or value of services provided to beneficiaries of social protection.

70.92% of the expenditures independent of an income threshold are represented by cash benefits, the rest being expenditure in kind. Instead, the costs with the cash benefits relating to the dependent expenditure amounts to 91.69% of them. It noted in this regard, especially in terms of the social assistance system in our country, a change of view regarding the system inherited in 1989. Romania, unfortunately, was well known around the world due to its institutionalized system of social assistance, preferred by the authorities to the detriment of providing social benefits and focus on individual needs of each of social protection recipient.

Regarding the allocation of expenditure on social protection functions (Figure 5), which is actually the purpose of this paper, it can be easily noticed that the largest share, almost half of total spending in 2011 holds the benefits under the OLD AGE function. This state of facts may be correlated with the 11 Romanian social protection schemes which fall within this function. But, paradoxically, the same number of schemes (11) are classified within the FAMILY/CHILDREN function, but the share of the benefits provided based on it represent only 8.9% of the total social protection expenditure (Table 3).

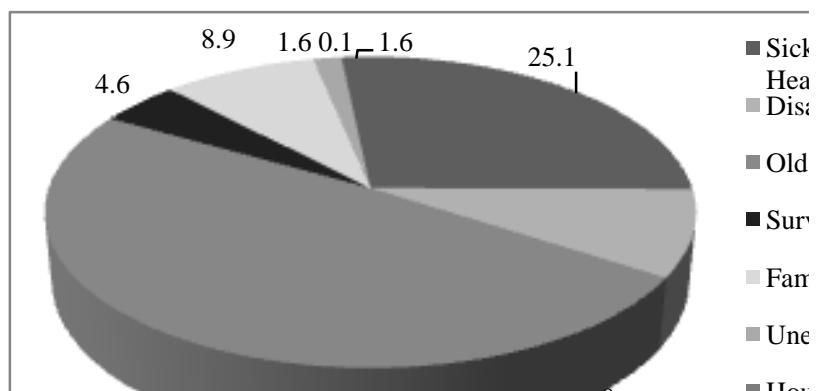


Figure 5. The share of expenditure under each function of social protection in the overall social protection expenditure in 2011 (%)

Table 3. The share of expenditure under each function of social protection in the overall social protection expenditure during 2005-2011 (%)

The social protection functions	2005	2006	2007	2008	2009	2010	2011
<i>Sickness/Health care</i>	28,5	26,1	26,8	25,2	24,5	25,5	25,1
<i>Disability</i>	8,2	8,7	9,6	9,8	9,6	9,1	9,0
<i>Old age</i>	39,9	41,5	41,7	46,2	47,3	46,2	49,1
<i>Survivors</i>	4,1	4,5	3,9	4,4	4,7	4,5	4,6
<i>Family/Children</i>	13,9	14,1	12,7	10,6	10,0	9,6	8,9
<i>Unemployment</i>	3,1	2,7	2,0	1,4	2,4	3,2	1,6
<i>Housing</i>	-	-	-	0,2	0,1	0,1	0,1
<i>Social exclusion</i>	2,3	2,4	3,3	2,2	1,4	1,8	1,6

Source: National Institute of Statistics, Statistical Yearbook of Romania, 2011, p. 219; 2013, p. 252

Within the SICKNESS/HEALTH CARE function there are only two social protection schemes, but based on these the provision of benefits for which the expenditure represented in 2011, 25.1% of total expenditure is regulated.

A relatively high percentage, namely 9,0% is represented by the expenditure for the DISABILITY function, expenses related to benefits comprised in a number of 8 schemes.

Although our country's legislation currently provides seven social protection schemes for the SOCIAL EXCLUSION function, in 2011 the related benefits amounted to only 1.6% of the total expenditure. On the last place there are benefits under the HOUSING function, namely 0.1%, which are assigned to a single social protection scheme and granted as aid for disadvantaged people.

Dynamic analysis of the share of these expenses in the period 2005-2011, shows fluctuating values from one year to another.

In the case of the SICKNESS/HEALTH CARE function, a downward trend is obvious, although in 2007 there was an increase compared to the previous year. This proves the depreciation of the healthcare system in Romania and financial problems it faced, even if in the total of social protection expenditure this function holds a quarter of the amounts allocated.

The benefits provided to the DISABILITY function present an increasing throughout the period under review, going from 8.2% in 2005 to 9.6% in 2009 from the total social protection expenditure.

The function for which the social protection benefits have continuously increased throughout the period under review is the one that covers the risks faced by those who have reached retirement age. From a percentage of 39.9%, the OLD AGE function came to hold in 2011, 49.1% of the total social benefit expenditure, which shows that in Romania, while the vast majority of pensioners have levels of pension to the poverty limit, the system is burdened by a growing number of beneficiaries of such benefits, and by the aging of the population. The latter is a phenomenon specific to most European countries and is alarming from two points of view: declining birth rates, but especially the decrease in the number of active population, namely those who support through their contributions to social insurance budgets payment of benefits to the pensioners.

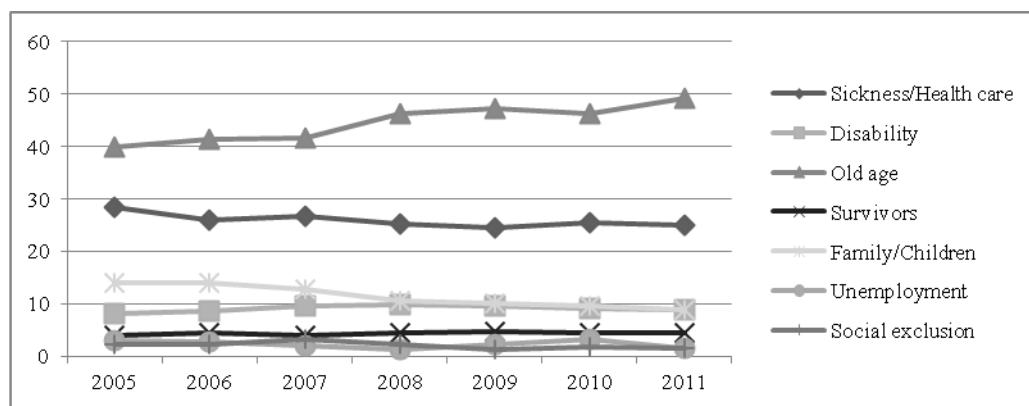


Figure 6. The evolution of the share of social protection expenditure by ESSPROS functions during 2005-2011 (%)

For the SURVIVORS function the share of expenditure varied during the period under review, and in 2009 the highest value throughout interval was recorded, namely 4.7%.

But, while for certain functions the share of allocated expenditure for corresponding social benefits from the total expenditure are increasing, it is normal for others to decrease. It is also the case of the benefits for the FAMILY/CHILDREN function, which during 6 years decreased by 5.2%. This means on one hand, as it has been mentioned, declining birth rates in our country but also maintaining the social benefits under this function to very low values, as is the case of children allowances. Its amount is currently 200 lei for children aged 0-2 years and 42 lei for children

between 2 and 18. The latter was established in January 2009 and its value is still unchanged in 2013.

The share of benefit expenditure for the UNEMPLOYMENT function decreased in 2005-2008, reaching from 3.1% to 1.4%, due to the growth at the time of employment of labor and respectively to the reduction of unemployment. But, with the economic crisis that struck Romania in 2009, there is an increase of expenditure with these benefits, the share being almost twice as high as previous year. The situation represents only the beginning for the next period when the number of unemployed is steadily increasing as well as the amount of benefits that those who lose their jobs should receive.

Although Romania legislation regulates the social protection in a single scheme, benefits regarding the HOUSING function, as can be seen until 2007, were not covered by the allocated amounts of money. Only in the period 2008-2011 statistical data show that within the expenditures of social protection benefits for this function represents 0.2% and therefore 0.1%. There are very small values, but not surprisingly because there is only one scheme comprised by this function, under which subsidies are granted only for the financial support to students who cannot be accommodated in student homes and are unable to support themselves from this point of view.

For the SOCIAL EXCLUSION function, social protection expenditure for disadvantaged persons or groups are not large. These had a positive trend until the accession of Romania to the European Union, knowing that both in the European discourse, but especially in the supranational body directives the emphasis is laid on limiting, if not stopping social exclusion. But as it can be seen, after 2007, when these expenditures had the highest share in total expenditure of the entire period under review fell dramatically, reaching in 2009 only 1.4% of the total.

As a conclusion, we can say that each category of social protection expenditures had a variable share in total expenditure, but this variation did not cause twists in terms of, if it can be called, the classification of expenditure according to ESSPROS functions. Thus, the first place is held by the expenditures classified within OLD AGE function, followed by those from the SICKNESS/HEALTH CARE function. Moreover, almost equal in 2011, are the DISABILITY and FAMILY/CHILDREN functions, followed in order by the SURVIVORS, UNEMPLOYMENT, SOCIAL EXCLUSION and finally HOUSING functions.

Also from the data provided by the National Institute of Statistics the importance that authorities attach depending on the number of beneficiaries and of course, a certain type of risk compared to others can be seen. Therefore the shares of the expenditures within each social protection functions have within the GDP are relevant (Table 4).

The pensions and other social protection benefits classified within the OLD AGE function were in 2011, 7.9% of the GDP and the assistance system in case of illness was 4.1%. Considering that in 2011, as well as nowadays, for example, education has not received more than 5.5% of the GDP.

In the case of this indicator as well it can be seen that marginalized functions for which the smallest amount of money was allocated are still the SOCIAL

EXCLUSION and HOUSING functions. For the latter, the calculated ratio is less than 0.003 and therefore is not recorded in the statistics.

Table 4. The expenditure weights within each social protection function in the GDP in 2011 (%)

Social protection functions	Weight in the GDP
<i>Sickness/Health care</i>	4,1
<i>Disability</i>	1,5
<i>Old age</i>	7,9
<i>Survivors</i>	0,7
<i>Family/Children</i>	1,4
<i>Unemployment</i>	0,3
<i>Housing</i>	-
<i>Social exclusion</i>	0,2

Source: National Institute of Statistics, Statistical Yearbook of Romania, 2013, p. 252

It can be therefore said that in Romania, although in most cases at a level not sufficient enough to provide a decent and sometimes even at the level of their subsistence, amounts of money which cover the benefits paid under all 8 ESSPROS functions are allocated.

4.2. The analysis of social protection expenditure in the European Union

In the European Union, according to the statistical data provided by Eurostat, it is possible to compare the costs of social protection of the Member States and in particular the place that our country occupies from this point of view.

The most eloquent comparison takes into account the share of social protection expenditures in the GDP of each country (Table 5).

It is to be noticed that for most countries considering the European average (EU-27) a negative evolution between 2005-2007, afterwards, especially in 2009 compared to the previous year there was a significant increase of this indicator compared to the previous year.

The most spectacular increase in the share of social protection expenditure in the GDP in 2009 compared to 2008, i.e. 5.1% was recorded by Ireland and Lithuania, closely followed by Finland with 4.2% and Denmark with 4.0%. It is believed to be a reaction of these countries, and they are not the only countries to have the reaction since the beginning of the economic crisis that affected the economies globally as well as the population in relation to the protection of citizens who faced some of its effects such as loss of employment, lifetime savings, homes etc. Therefore, this increase at a general level for all Member States of the European Union was the result of the increase in number of the beneficiaries of the social protection system rather than increase the level of social benefits granted.

Table 5. The share of social protection expenditure in EU Member States in GDP during 2005-2011 (%)

	2005	2006	2007	2008	2009	2010	2011
EU-27	27,0	26,6	26,1	26,7	29,6	29,4	29,0
Belgium	27,5	27,1	26,9	28,3	30,6	30,1	30,4
Bulgaria	15,1	14,2	14,1	15,5	17,2	18,1	17,7
Czech Republic	18,4	18,0	18,0	18,0	20,3	20,2	20,4
Denmark	30,2	29,2	30,7	30,7	34,7	34,3	34,3
Germany	29,9	28,7	27,7	28,0	31,5	30,6	29,4
Estonia	12,6	12,1	12,1	14,9	19,0	18,0	16,1
Ireland	17,2	17,5	18,0	21,2	26,2	29,0	30,2
Greece	24,9	24,8	24,8	26,2	28,0	29,1	30,2
Spain	20,6	20,5	20,8	22,0	25,2	25,5	26,0
France	31,5	31,2	30,9	31,3	33,6	33,7	33,4
Italy	26,3	26,6	26,6	27,7	29,9	29,9	29,7
Cyprus	18,4	18,5	18,2	19,5	21,1	22,1	22,8
Latvia	12,8	12,7	11,3	12,7	16,9	17,8	15,1
Lithuania	13,2	13,3	14,4	16,1	21,2	19,1	17,0
Luxembourg	21,7	20,4	19,3	21,4	24,3	23,1	22,5
Hungary	21,9	22,5	22,7	22,9	23,4	23,1	22,1
Malta	17,8	17,7	17,7	18,1	19,6	19,1	18,7
Netherlands	27,9	28,8	28,3	28,5	31,6	32,1	32,3
Austria	28,8	28,3	27,9	28,5	30,7	30,6	29,8
Poland	20,0	19,7	18,5	19,4	20,6	20,0	19,1
Portugal	24,5	24,5	23,9	24,3	26,8	26,8	26,5
Romania	13,4	12,8	13,6	14,4	17,2	17,6	16,4
Slovenia	23,0	22,7	21,3	21,4	24,2	25,0	25,0
Slovakia	16,5	16,4	16,1	16,1	18,8	18,7	18,3
Finland	26,7	26,4	25,4	26,2	30,4	30,6	30,0
Sweden	31,1	30,3	29,2	29,5	32,0	30,4	29,7
United Kingdom	25,8	25,6	24,7	25,6	28,3	27,9	28,0

Source: http://ec.europa.eu/eurostat/statistics-explained/images/4/48/Expenditure_on_social_protection%

Regarding the social protection level of expenditure in each Member State of the European Union, we can say that they vary in a fairly wide range, from the lowest, only 15.1% in Latvia, to the largest, nearly double, 34.3% in Denmark (Figure 7).

Romania, as it can be seen, is at the bottom of the league, our country allocating just 16.4% of the GDP for the social protection expenditure. It is exceeded in this regard by Estonia with a difference of 0.3 percentage points and Latvia with 1,3 percentage points in 2011.

It is worth noting that the level of expenditures is placed above the European average for countries that have a long history and a substantive developed social protection systems such as Germany, France or Sweden, and the placement below the European average of expenditure in the UK. Also the Central and Eastern European countries that joined the European Union later, respectively in 2004 and 2007 are found here. This is mainly due to their level of economic development, but also

because they fail to implement effective social protection systems that would increase the chances of all citizens to a decent living.

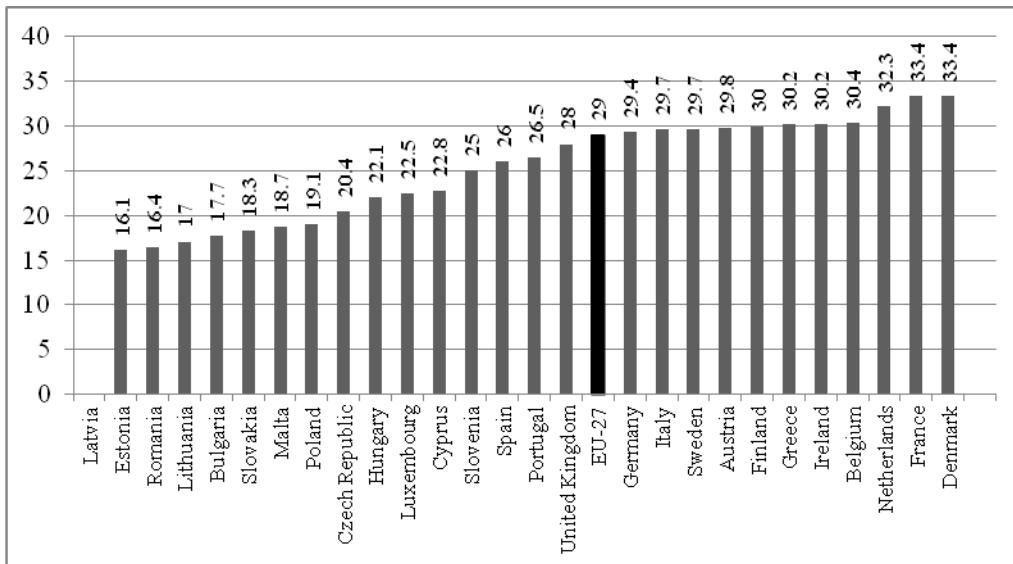


Figure 7. Social protection expenditure as a percentage of GDP in 2011

But for our work is important social protection expenditure analysis by ESSPROS function and to simplify it and for an appropriate comparison at each indicator level, Eurostat classifies social benefits by function as a share of total expenditure on social benefits. This clarification is needed because statistics in our country has the same classification, while the share is calculated from the total expenditures on social protection. As it has been presented in a previous chapter, the latter ones comprise, in addition to social benefits and administrative expenditures other expenses as well.

For a better understanding, it is considered that the analysis of social benefit expenditure for each ESSPROS function is the most suitable one.

Both the European average and the values of each Member State certify that the highest percentage is held by benefits for the OLD AGE function. In Poland and Italy social protection systems allocate more than half of the quantum of the expenditure on social benefits to the respective function, respectively 50.7% and 5.8%, well above the European average which stands at 39%. Ireland is on the opposite side allocating only 21.1% of these benefits because this country has the youngest population across Europe, which allows it to distribute social protection expenditure towards other functions. Benefits granted in Romania for this function puts us on third place, being among the highest in the European Union, but not because of their high level, but due to the number of beneficiaries.

With the lowest share of social benefits for the OLD AGE function, Ireland afford to hold first place in terms of benefits for the SICKNESS/HEALTH CARE function. They amount to 40.6% of the total social benefit expenditure, by more than

10 percentage points above the European average. Bulgaria is placed last with 23.5%, closely followed by Latvia and Denmark with 23.6% and 23.7%. Romania can also be found on the bottom of the rating, with only 24.6% of the total where, unlike other European countries who had developed private health systems, citizens call in a large proportion to public health and health insurance system.

Table 6. The share of social benefits by ESSPROS function in total social benefit expenditure in 2011 (%)

	<i>Sickness/ Health care</i>	<i>Disability</i>	<i>Old age</i>	<i>Survivors</i>	<i>Family/children</i>	<i>Unemployment</i>	<i>Housing</i>	<i>Social exclusion</i>
EU-27	29,6	7,9	39,0	6,0	7,9	6,0	2,0	1,4
Belgium	28,2	7,0	32,7	7,5	7,7	13,2	0,7	2,7
Bulgaria	23,5	8,3	46,8	5,0	11,9	3,1	0,03	1,2
Czech Republic	32,3	7,7	41,9	3,8	7,2	5,3	0,3	1,1
Denmark	23,7	15,1	37,1	0,02	12,9	6,5	2,3	2,6
Germany	32,0	8,0	33,1	7,1	10,5	6,3	2,1	0,5
Estonia	28,4	9,9	41,9	0,6	11,9	6,4	0,1	0,6
Ireland	40,6	5,1	21,1	4,1	13,8	11,6	1,3	2,2
Greece	29,1	4,7	41,4	8,2	6,7	5,8	1,8	2,1
Spain	29,8	7,0	31,3	8,8	6,1	14,9	0,8	1,0
France	29,6	5,9	39,2	6,3	8,3	6,0	2,6	1,7
Italy	25,7	6,1	50,8	9,2	4,9	2,8	0,08	0,2
Cyprus	24,6	3,6	38,5	5,7	10,6	4,6	5,3	6,8
Latvia	23,6	7,7	45,2	1,8	10,4	9,5	0,7	0,8
Lithuania	26,1	10,1	40,6	3,2	13,6	4,3	0,007	1,8
Luxembourg	25,4	11,3	27,3	8,9	17,8	5,5	1,4	2,1
Hungary	24,7	9,0	39,6	5,8	13,1	4,2	2,7	0,5
Malta	30,8	4,7	42,9	9,3	6,3	2,9	0,8	1,9
Netherlands	34,8	8,4	35,2	4,1	4,3	4,8	1,2	6,8
Austria	25,5	7,6	42,3	6,8	10,2	5,9	0,4	1,1
Poland	24,5	7,3	50,7	10,4	3,8	2,0	0,3	0,7
Portugal	28,4	8,4	43,5	7,1	5,8	5,3	0,009	1,3
Romania	24,6	9,5	47,4	4,6	10,0	2,3	0,1	1,2
Slovenia	33,0	7,3	38,8	7,3	8,8	2,4	0,03	2,1
Slovakia	31,3	9,4	36,8	5,2	9,2	5,6	-	2,3
Finland	25,6	12,2	35,3	3,2	11,2	8,1	1,6	2,4
Sweden	25,4	14,4	40,2	1,8	10,2	4,1	1,5	2,2
Great Britain	30,8	10,5	42,6	0,5	6,4	2,9	5,2	0,7

Source: Eurostat, Social protection,
http://epp.eurostat.ec.europa.eu/portal/page/portal/social_protection/data/main_tables

Regarding the DISABILITY function it is noted that the Scandinavian countries which spend less for functions than it was previously reviewed, allocates large amounts of money for it. Cyprus has recorded the lowest value of this indicator, only 3.6%, while Romania's share is above European average.

For the SURVIVORS function there are very large discrepancies between the countries. Benefits start from insignificant values such as 0.02% of the total expenditure in Denmark to 10.2% in Poland and 9.3% in Malta. Romania is somewhere in the middle with 4.6%, but since benefits are granted based on 5 social protection schemes, the conclusion that there is no shortage of benefits and of beneficiaries, but their value is too low, may be drawn here.

Luxembourg and Ireland are the countries that to the detriment of the OLD AGE function, allocates the largest amount of money to the FAMILY/CHILDREN function. Romania as well with a share of benefits of 10% is above the European average and above the value recorded in countries such as Great Britain or France.

European Union countries which allocate the biggest expenditure on social benefits for unemployed are Spain, Belgium and Ireland. There is here a two-digit value, far exceeding Poland, Romania and Slovenia where the benefits are barely above 2%.

Expenditure on social benefits for the HOUSING function are very small and non-existent as in Slovakia, but also have a share of 5.3% of the total social benefit expenditure in Cyprus and 5.2% in the UK. These are exceptions that raise the European average of 2%. Romania, which has allocated money for these benefits only since 2008, had a share of 0.1%, but significantly larger than 0,007% as Lithuania had.

Disadvantaged individuals or groups receive most benefits in Cyprus and the Netherlands, while in the remaining countries these are slightly lower or higher than the European average while in Romania this is exceeded by only 0.2%.

This brief analysis shows that there are significant differences between Member States of the European Union concerning the structure of their social protection benefits considering the ESSPROS function. The difference are mainly due to the share the two main components have in their social protection system namely the insurance and the social assistance, but also because of some functions the state is not the only one that contributes to cover the risks faced by citizens, which might choose private social protection schemes.

5. CONCLUSIONS

This paper began by emphasizing the worldwide role of the social protection systems nowadays. It can be said that the economic and financial crises started on a national as well as a regional and global level affected more or less all the citizens of the world.

But as we all know, all states are responsible for the social welfare of the population, both in periods of economic growth as well as in times when due to internal and external factors, people cannot cope alone with the risks that may arise. This is where the social protection policies and measures come into place and are comprised in an effective system in order to counteract the negative effects of economic measures and at the same not constituting a burden for the economy. This is, in our opinion, a very difficult balance to achieve.

Considering our country, the old social protection system inherited from the period before 1989 as well as the hardships of transition to the market economy, are

elements that help create a system that must ensure at all times a decent life to all Romanians.

The authorities are still in a continuous search mode for the best solutions, but our economic development level and especially the political struggles and different points of view of left and right parties make it impossible to establish an integrated strategy on social protection system, which adapts to the conditions of our country.

Both the state social insurance system and social assistance face difficulties. For the first one, the biggest problem is the large number of beneficiaries of social benefits linked to the insufficient number of active contributors to this system. For the social assistance, such as benefits provided in cash or in kind according to tests, such as social assistance services, the situation is even more problematic. Insufficient funding and problems faced by some people or groups of people, make this system, according to experts one of residual type, i.e. it intervenes only when the risk occurs and the help does not provide to the beneficiaries only an income or service at the level of subsistence. This, cannot be considered social welfare anywhere else in the world.

But as every medal has two sides, we cannot disregard the few positive aspects. These are substantially related to the accession of Romania to the European Union. The need to fulfill the community *acquis* towards the accession and then, after having joined in 2007 to comply with the regulations and directives of the European bodies, meant that the social protection system in Romania had to undergo a series of changes.

The first step has proven to comprise of all social protection benefits in a system of statistical indicators according to ESSPROS European Union methodology. This meant that all social protection schemes regulating the granting of benefits were classified by one or more ESSPROS functions, European Union experts considering them to represent the 8 major risks which a population of a country may, namely: SICKNESS/HEALTH CARE, DISABILITY, OLD AGE, SURVIVORS, FAMILY/CHILDREN, UNEMPLOYMENT, HOUSING and SOCIAL EXCLUSION.

The list of schemes available in Romania in 2011, namely 31 in number, was able to be presented based on the information obtained from Eurostat. Based on the benefits that are provided under each scheme, we were able to situate them within the ESSPROS functions and it was found that our country's legislation provides social benefits covering all 8 major risks. Therefore they are:

1. The SICKNESS/HEALTH CARE function - 2 schemes.
2. The DISABILITY function - 8 schemes.
3. The OLD AGE function - 11 scheme.
4. The SURVIVOR function - 5 schemes.
5. The FAMILY/CHILDREN function - 11 scheme.
6. The UNEMPLOYMENT function - 1 scheme.
7. The HOUSING function - 1 scheme.
8. The SOCIAL EXCLUSION NOT ELSEWHERE CLASSIFIED function - 7 scheme.

Therefore from this point of view, our country has made important steps. However, our further analysis, namely the one of the social protection benefits expenditures by ESSPROS function shows us different shares in the total expenditure,

which attests the focus on the coverage of certain risks, sometimes to the detriment of others.

Our social protection system focuses mainly on the OLD AGE and SICKNESS/HEALTH CARE functions and less or very little on the UNEMPLOYMENT, HOUSING and SOCIAL EXCLUSION ones.

Compared to other European Member States, the systems of social protection of which are either focused on contributory benefits or on benefits related to the social assistance system where people in need are covered unconditionally against risks, the Romanian system cannot yet be situated any of the type of a system, but it tries to cope with the economic and social problems as they arise.

Moreover the greatest shortcoming of our social protection system is its underfunding. Unfortunately, in 2011 in Romania only 16.4% of the GDP was allocated for the social protection expenditures, a value which placed our country on the third place but at the end of the ranking from all 27 Member States, far behind countries such as Denmark or France, where the share of these expenditures is 34.3% and respectively 33.4%.

It depends however, as it was said before, in the greatest extent on the degree of economic and social development of a country.

It is believed that the objective proposed in this paper has been largely achieved, but equally it was suggested a continuation thereof, that would move towards an analysis focused on each and every social protection function. Such an analysis should take into account the cost of social protection benefits on schemes falling under a single ESSPROS function.

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