ROMANIA

The need to put social security back on the agenda

Romania's accession to the EU on 1 January 2007 was promoted as a guarantee of improved living conditions, but as far as social security is concerned, there are few solutions in sight. Although only 22% of Romanians believe that the national social welfare system provides wide enough coverage, social security concerns have been pushed off the political agenda by issues like corruption. In this context, civil society must play a role in defending social security as everyone's right.

Fundatia pentru Dezvoltarea Societatii Civile
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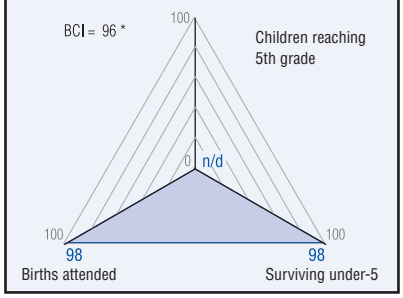
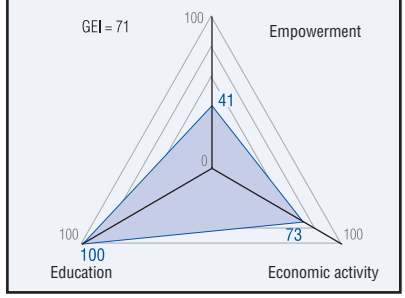
Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



On 1 January 2007 Romania became a member state of the European Union (EU). After long years of insecurity, EU membership has been presented and marketed as a guarantee that life will improve for all citizens. However, as far as social security is concerned, solutions should not be expected to come from the EU level.

According to a recent report released by the World Bank (2007), absolute poverty decreased from 35.9% in 2000 to 13.8% in 2006, as the estimated number of people living with less than USD 3 per day fell to under three million (out of a total population around 22 million). On the other hand, relative poverty increased from 17% to 19%.

Nevertheless, only 22% of citizens believe that the national social welfare system provides wide enough coverage (European Commission, 2007a). According to the Eurobarometer survey from spring 2007, twice as many Romanians (17%) are concerned about pensions than the average in other EU states, and this figure jumps to over 45% among citizens in urban areas (European Commission, 2007b). Meanwhile, 27% of the population is concerned about the health care system (compared to an average of only 15% in older EU member states).

Although these issues have been high on the public agenda in recent years, they have not been given priority by political decision makers. Moreover, in the context of Romania's negotiations to join the EU, they were deliberately given a low profile: of the priority issues for EU accession, only the fight against corruption was high on the political agenda.

Rising work force emigration and informality spark concern

Romania is one of the 20 EU member states with national legislation setting statutory minimum wages. The statutory minimum wage in Romania in January 2007 was USD 157, which ranks Romania in 19th place among the 20 countries, just ahead of Bulgaria (USD 127) (Eurostat, 2007). According to Eurostat data, 9.7% of employees received the minimum wage in 2005. However, this percentage does not entirely reflect the reality, since it is quite common for employers to register their employees with the minimum wage and offer supplementary forms of payment in order to avoid paying higher taxes. According to data provided by the National Institute of Statistics, the average net salary in April 2007 was RON 1,027 (approx. USD 420) (NISR, 2007).

Industrial restructuring is in an advanced phase and the privatization of former state-owned assets is almost complete. Over recent years the private sector share of GDP has increased substantially. At the same time, the informal sector has grown significantly. As a result, while the entire work force was formerly covered by public forms of social security and trade union representation, today large numbers of workers are unprotected. Out of an active labour force of roughly 10 million, 1.2 million workers are estimated to be employed in the informal non-agricultural sector, and the total figure including the agricultural sector is much higher, according to unofficial estimates (ILO, 2007).

With an unemployment rate of 7.2%, the country is close to the EU average of 7.1%. The relatively low unemployment rate is not the result of economic growth or state policies, but rather of massive emigration to older EU member states (especially Italy and Spain). According to estimates from the National Trade Union Bloc (BNS), there are 3.4 million Romanian citizens working abroad. For its part, the Ministry of Foreign Affairs reports that 1.2 million Romanians work abroad legally, while the Ministry of Labour estimates that just over two million people work abroad with or without legal authorization (Coidianul, 2007).

According to data provided by the country's central bank, Romanian citizens working abroad sent home EUR 5.3 billion (USD 7 billion) in 2006. While these remittances contribute, in the short term, to alleviating poverty in the poorest regions of the country, this massive emigration – of which a part is temporary labour migration – creates problems and concerns. Both employers and trade unions have manifested their concern over the unprecedented labour force deficit in several important economic sectors, including construction and the textile industry. The total labour force recently reached 10 million people, and a quarter of it has already left the country. Most of the people working abroad do not contribute to the public social security systems (pension, health care and unemployment). When you add to this the large number of people working on the black (or grey) market – estimated at around 1.4 million – it becomes clear why the public social security system is feared to be moving increasingly closer to a grave crisis.

Pension increases: urgently needed, dangerously abrupt

The reform of the pension policy was initiated in 2000 as an attempt to cope with the sharp decline in coverage that has occurred over the last decade. Currently, however, one of the greatest challenges facing the public pension system is to ensure financial sustainability in the long term. Facultative pension schemes and privately managed pension funds have been proposed as potential solutions by the government. Legislation has been introduced since 2004 to create alternative private pension schemes. Trade unions have been particularly concerned about flaws in the legislation and have demanded adjustments in order to ensure equal treatment of women and men in this field, a fair distribution of the savings, lower administrative

* One of the BCI components was imputed based on data from countries of a similar level.

costs and more time for people to become informed and aware of the reforms. It is also estimated that the introduction of private pensions will result in a deficit of around 0.8% of GDP for the public pension system (Voinea, 2007).

Between January and June 2007, the government approved a series of decisions including an increase in the number of employees in the public sector and increases in public sector salaries, military pensions, and social assistance benefits for families and children. All of these commitments represent an additional 3% of the national GDP (Voinea, 2007).

Meanwhile, as politicians are gearing up for two consecutive rounds of elections – European elections in 2007 and national elections in 2008 – the decision has also been taken to increase public pensions by 100% by 2009. In order to reach this level, as of 1 January 2008, public pensions will increase 43%. The average pension in 2008 will be around USD 230, close to 3.6 times higher than in 2002 (USD 65). However, this is still at least three to four times lower than pensions in other 'new' EU member states like Hungary, Poland and Slovakia. The allowances for the almost one million pensioners in the agricultural sector will also double as of September 2007.

Many argue that, although necessary, this very swift increase will have negative effects in the medium and long term. Economic analysts and politicians alike have expressed doubts that the financial resources necessary to cover these commitments, estimated at around USD 3 billion, can be collected (Bobocea, 2007). Experts maintain that the increase in public pensions should have been introduced gradually beginning in 2005, as opposed to this riskily abrupt implementation (Cabat, 2007).

Public health care system plagued with problems old and new

During these last 17 years of transition, statistics and research have revealed a deterioration of the population's health, including a drop in the life expectancy and the reappearance or aggravation of poverty-related diseases. Romania has the highest incidence of tuberculosis in the EU, while child mortality is four times greater than the EU average.

In 1990 Romania's medical system was exclusively public, highly centralized and financed from the state budget; services were offered to the population officially free of charge. However, due to a decline in financing levels, the quality of services declined abruptly, with medical staff working in dilapidated buildings lacking the necessary medical equipment, along with insufficient domestically produced medicines and very expensive imported medicines, unavailable to most of the population. As a result, most of the costs were transferred, directly or indirectly, to the beneficiaries, including through informal payments to medical personnel (Dobos, 2006). While the university centres offered excellent hospitals, primary medical assistance did not cover the entire country, and rural areas especially were cut off from service. The health system was centred on hospital care, and so 70% of the already poor health budget had to be allocated to hospitals.

In this context, political decision makers decided to move to a system based on health insurance. The legislative framework began to be modified in 1996, and the system entered into force in 1999 (Dobos, 2003). The restructuring of the basic set of medical services also seemed necessary because the system could not cope with all the costs. The number of hospital beds dropped from 207,000 in 1994 to 142,500 in 2004. In the meantime, however, there has been no substantial improvement of the outpatient health system.

In 2003 co-payments were introduced for some services, and this measure further limited access to medical care for the poor population. For large categories of vulnerable people the obligation to contribute to the public health care system was subsequently removed. Albeit a positive move, this further reduced the volume of contributions to the system (Dobos, 2003). Currently, contributions to the health insurance fund are made up of 6.5% of the gross salary of employees, with an additional 7% paid by the employers.

In general, experts consider that the whole reform process has led to increased costs, confusion among medical personnel, delays in the creation of the legislative framework defining the responsibilities of different actors within the system, and malfunctions in the disbursement of the funds. Many decisions have been taken without a prior evaluation of their social impact. Although the percentage of those not insured is not very high (between 5% and 10%), the new system has reduced the population's access to medical services through the existence of a category of people who can only benefit from emergency assistance (Dobos, 2006).

Poor families, particularly in rural areas and among the Roma people, have limited access to health services (Bleahu, 2006). They cannot afford the co-payments required for the provision of some services and the purchasing of medicines, as well as extra payment for doctors and auxiliary personnel. For 40% of people in rural areas, transportation and its cost represent a further obstacle to access to medical services (Dobos, 2003).

There are also problems inherited from the old system that have not been solved and that limit access to medical services or reduce their quality. These include the lack of primary medical assistance in many rural localities, the shortage of medical facilities and equipment, the low salaries paid to health care workers, and the practice of informal payments to medical personnel. The crisis in the health system has reached such proportions that at times it has even become impossible to ensure appropriate food and accommodation for hospital patients. Many hospitals do not meet basic public health standards and function in very precarious conditions. For instance, in one county alone in June 2007, 22 hospitals were fined for various such breaches (Crisan, 2007).

The public health system's problems have been heightened in recent years by the growing inability to provide free or subsidized medicines for those who need them. The liberalization of the pharmaceutical market and decrease in domestic production have led to a steep rise in prices for pharmaceutical products, further limiting the poor population's access even to vital, obligatory treatments.

The supply of medicines to hospitals has often been discontinued by business conflicts between the public health system and large pharmaceutical distributors. During this turf war, those affected are the patients. To recover their debts, medicine suppliers have halted their operations and further hiked up their prices (David, 2007). Adding to this problem are the aggressive marketing tactics of pharmaceutical companies targeting doctors. In exchange for sponsorships covering their participation in international medical conferences and seminars, doctors prescribe medicines which are more expensive. Pharmacies therefore reach the quota of subsidized or free medicines that they are entitled to offer each month much more quickly, leaving more poor patients without access to needed medication.

In 2004 there were only 22.2 doctors per 10,000 inhabitants, or one doctor for every 450 people. The medical educational system is underfinanced and has been affected by a decrease in enrolment space in medical schools to allow for greater enrolment in other university departments. As a consequence, each year the number of new doctors entering the system decreases. A recent survey conducted by the professional association of doctors in Iasi, the second largest city, revealed that over 50% of doctors and 75% of other medical staff have considered leaving the country to work in Western Europe. When compared to the entry salary of a resident doctor in Western Europe, a Romanian doctor earns 10 times less. Meanwhile, Western European countries have a deficit of doctors and have opened their health sectors to doctors from new member states.

Given the insufficient financial resources in the health care sector, one rather unorthodox means of keeping qualified medical personnel in the country has been the toleration of corruption, which plagues the public health system at all levels. A survey funded by the European Bank for Reconstruction and Development revealed that so far in 2007, 30% of Romanian citizens have made informal payments to medical personnel. The country's health system tops the list for illegal payments made by populations to public institutions. According to a study carried out through a World Bank project, in 2004 Romanians paid USD 360 million to public health system personnel. This amount represents 10% of the total health budget for 2004. Poorer families pay larger amounts (up to 78% of their monthly income). Pharmaceutical companies also are reported to offer illegal commissions to purchasing agents and to doctors who prescribe their medicines. Meanwhile, the use of electronic tenders, although introduced in order to improve efficiency and eliminate corruption, has lead to the purchase of low quality or ineffective products.

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Giving back meaning to the right to social security

During Romania's transition from a socialist to a market economy and preparation for EU accession, Article 22 of the Universal Declaration of Human Rights has been lost along the way. Today, the phrase "Everyone, as a member of society, has the right to social security" seems emptied of any meaning for most of the population. Although social protection represents a critical need for most of the people, it is no longer perceived as a right. It has been taken off the public agenda, and is absent from the political agenda. It is in this context that civil society is called on to act and promote debate over social security as a right, and therefore an essential priority around which public policies must be created at the service of a healthy society. ■

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Nevertheless, despite the evident negative effects of the transition on the population, the government's efforts are still much more focused on attracting foreign investment, building the market economy and protecting the interests of the newly established capitalist class, than on protecting, fulfilling and safeguarding the attained level of economic and social rights as prescribed in the ICESCR and the new Constitution. ■

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The government has also put into operation and strengthened new instruments in line with the recommendations of the 2005 Paris Declaration of the Organization for Economic Cooperation and Development (OECD). The initiatives to convert debt into development projects and direct support for national budgets in countries that receive aid should be intensified and extended to more countries, and greater social control and participation in how these budgets are oriented and executed should be promoted. These kinds of measures can make a direct contribution to much-needed investment in basic social services, which is something governments in developing countries must do if they are to progress towards the Millennium Development Goals set in 2000.

It is less than a year since important legislation for Spanish development assistance was concluded, and action must be taken to promote some basic measures so that the trends that were initiated should not be merely transitory. It has become urgently necessary to impose regulations (which people have been demanding for some time) to sever the links between economic and commercial interests and Spanish foreign assistance, and to thoroughly overhaul the system through which Spanish cooperation is managed (the Spanish International Cooperation Agency). Almost the only step taken in this reform so far has been to announce it, and there will have to be a commitment from various ministerial departments to inaugurate structures for political and strategic guidance that is well prepared and coherently coordinated, so as to achieve solid cooperation. The challenge is to consolidate a new dimension of cooperation and executive action on the political stage. In this reform Spain is seeking to permanently consolidate what have been isolated innovations up to now. ■

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