

## Social Assistance Expenditure Efficiency in Romania

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**Abstract.** In comparison with most European countries, the creation and development of the social assistance system in Romania started with a considerable lag, which called for a number of numerous modifications and countless adjustments, with varying degrees of efficiency which, in some cases, had led to obvious improvement, whiles, in others, it brought about either stagnation or regress. Under these circumstances, given the accession of our country to the European Union, new standards have been drawn, calling for both the overall reconsideration of the background that steered the creation of these social interventions and the instruments in use, in order to increase the level of efficiency of the social assistance system as a prerequisite for the EU general standards.

**Keywords:** social welfare, social assistance, social assistance benefits, social aid, social services

**JEL Classification:** I30, I38

### 1. Introduction

In the context of a sustained interest towards the welfare of their citizens and the determination of becoming a European Union member, Romania has constantly worked in the direction of reforming and adapting its social policy and social assistance system while having international standards in mind. Thus, the steps taken after the year 1989 are worth mentioning, since despite economic constraints, social and political instability and overall turbulence, the good practices and the recommendations promoted in the field by the European Union were accepted as guidelines in our country. Although at the time of membership attainment, the performance of social assistance in Romania was still modest due to the inconsistency in the implementation of the undertaken social objectives and the high level of bureaucracy, the concern regarding the limitation of the social risks that the population was facing continued to be among the the utmost important national priorities.

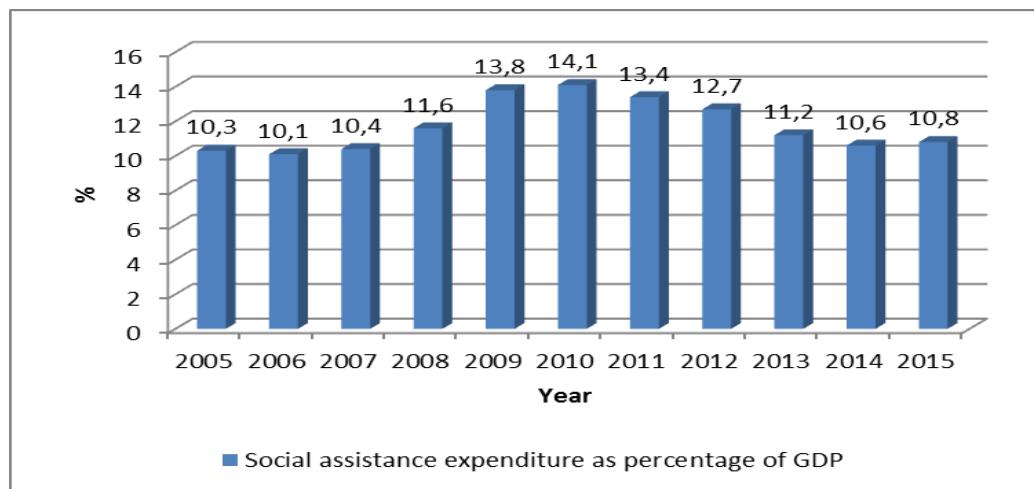
After the numerous calls for legislative and institutional reconsideration that have been brought about by the post-accession period, given the role that the European Community has played in shaping and defining the social policy and social assistance in Romania, social intervention is now seen as a set of „measures and specific actions aimed at developing both individual and group capabilities, in order to meet social needs, improve quality of life and promote social cohesion and inclusion” (Social assistance Law no. 292 of 20 December 2011, art. 1, para. 2) which intervenes beyond the definitory limits of the social protection system or when the degree of inclusion of the latter can no longer lead to favorable social effects.

Taking into consideration the overall efficiency of the system, the entire social orientation today is a proactive one, focusing on goals of equity and social efficiency that take the form of social services and social assistance benefits which are granted in order to help develop and encourage the individual abilities of the person so that a minimal level of welfare be ensured, as the foundation of improved quality of life and, subsequently, of a higher level of social inclusion.

## 2. Evolution of the indicators regarding the social assistance expenditure in Romania

Although, when compared to other countries, the range of benefits and services provided under the social assistance system in Romania is very broad and could prove a hazard by undermining the objective of financial sustainability, in an emergent society faced with mounting pressure and a constant requirement of international standards alignment, the basic element of social equity, as a prerequisite of individual well-being, continues to be the financial support offered by the state, which acts as to eliminate the various adverse effects of social situations that go beyond the person's own control and power. In this respect, beyond the need for better targeted „social assistance programs and strengthening of the many [types of] existing social welfare instruments” (Chamber of Deputies, 2009-2012 Government Programme, p. 13), based on the premise of possible shortcomings deriving from the broad- range of benefits and services provided under the social assistance system in Romania, it is necessary to analyze the budgetary and financial impact and effectiveness of all these interventions, and also their social effect.

From a macroeconomic perspective, the total social assistance expenditure as a percentage of GDP is positioned on a downward trend starting 2011, as can be seen in Graph no.1.



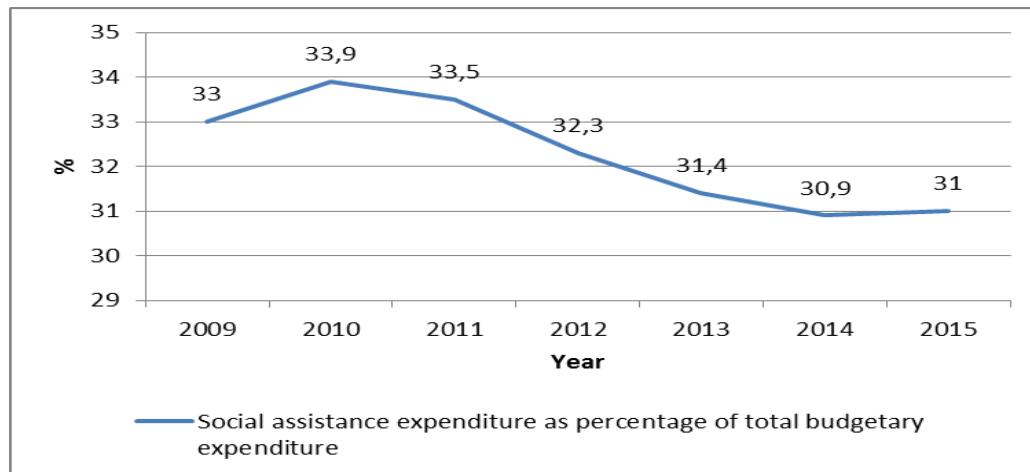
**Graph 1** The evolution of total social assistance expenditure as a percentage of GDP between 2005 – 2015 (% of GDP)

Source: working of the author based on the data available in the 2012-2015 Annual Reports of the Fiscal Council, Bucharest, available at [www.consiliulfiscal.ro](http://www.consiliulfiscal.ro), accessed on 27.06.2016

According to the data presented in Graph no. 1, the share in which total social assistance expenditure impacts GDP has been seeing a downward trend between 2011-2015 compared with previous time periods, most likely due to the efforts of streamlining the budget under the impact of the Social Assistance Law 292/2011. The only divergent variation is seen in 2015, when the GDP share of this category of expenditure experienced a slight appreciation of 0.2 percentage points compared to the previous year, most likely due to the increase in the amount of the state allowance

for children. Despite this gain, by comparing the share of GDP spent on social assistance between 2011-2015 to that of the period 2005-2010, we can not but note that the trend has become negative, an aspect that leads us to believe that implementation of risk assessment measures and eligibility criteria based on which social aid is provided has worked for a better sizing and implicit allocation of funds and expenditure.

A similar dynamic is seen in the share of total social assistance expenditure to total budget expenditure (Graph no. 2.). We therefore note that although the overall value of the indicator lies on a downward trend, the dynamics of total social assistance expenditure to total budgetary expenditure between 2014-2015, is similar to that of the dynamics relative to GPD, namely a slight increase under the impact of rise of the state allowance for children.

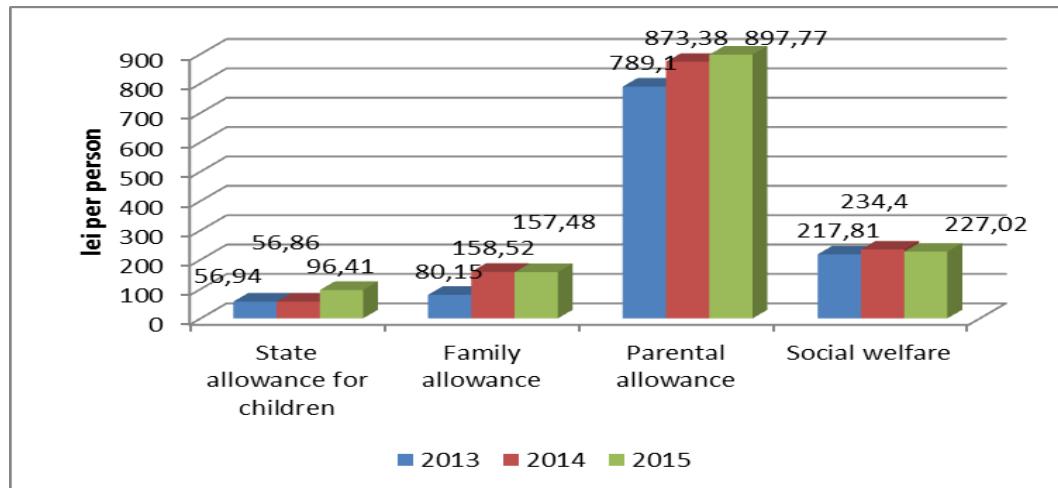


**Graph 2** The evolution of total social assistance expenditure as a percentage of total budgetary expenditure 2009 – 2015  
(% of total expenditure)

Source: working of the author based on the data available in the Reports of the Ministry of Finance regarding the macro-economic situation between 2010 -2015, available at la <http://www.mfinante.ro/pdfbuget.html?pagina=acasa>, accessed on 28.06.2016

Even if, at first glance, the reduction of the overall social welfare expenditure from 33,9% in 2010 to around 31% during 2014-2015 as a share of total expenditure of the state budget could be considered to be a reduction of funds, in reality, the evolution of the indicator may be a favorable one, signaling efficiency should a positive correlation with other elements such as the variation in the amount of benefits provided under the social assistance system or the evolution of the number of beneficiaries be seen.

Thus, by associating data from Graph no. 2 of that of Graph no. 3. regarding the evolution of the average amount of four social security benefits, it appears that the declining in the share of total social assistance expenditure to total budgetary expenditure did not have a negative impact on the welfare of the population deriving from monetary benefits.



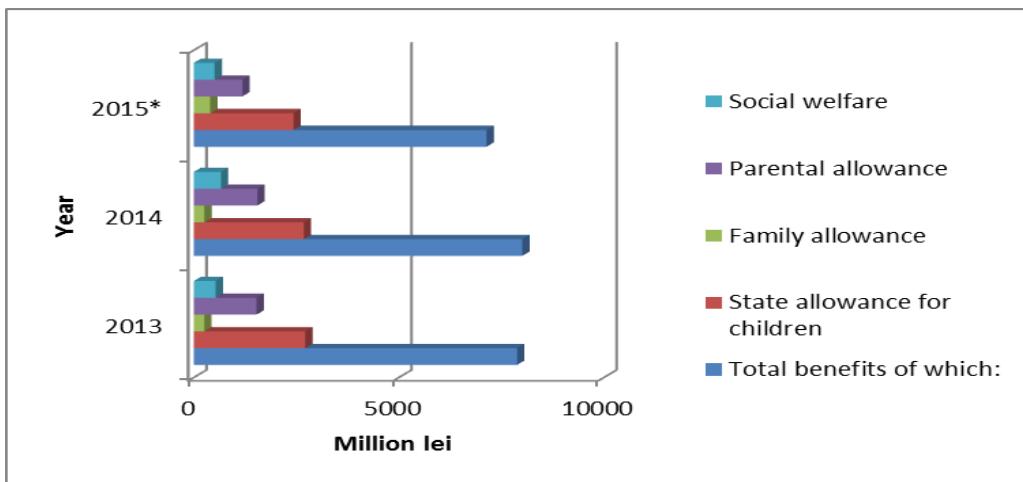
**Graph 3** The average amount of the four main types of social assistance benefits in December of years 2013 – 2015<sup>i</sup> (lei)

Source: working of the author based on the data available from the Ministry of Labour, Family, Social Protection and Elderly, <http://www.mmuncii.ro/j33/index.php/ro/>, accessed on 10.06.2016

In this regard, according to Graph no. 3, in comparison to the values from 2013, all four types of benefits had higher values in the years 2014 and 2015, although the year 2015 brought about a slight decrease as against 2014 as far as family allowance and social welfare benefit are concerned. We do however believe that the differences of the amounts are insignificant in 2015 and thus they do not adversely affect the purchasing power and hence the welfare of beneficiaries.

As far as the actual amount of social assistance benefits is concerned, according to the Graph no. 4, the year 2014 brought about the highest paid amounts, totalling 8015,42 million lei, which counted for a 1,7% increase compared to the previous year. In 2015, at the end of the third quarter, the benefits paid amounted for 7139,87 million lei, marking an increase of over 20% compared to the value recorded during the first three quarters of 2014. Taking the liberty to estimate that this increase did not diverge till the end of the year 2015, it is our belief that the financial increment of the value of social assistance benefits has favored the welfare of the population due to the addition of purchasing power, without having a negative impact on the sustainability of public finances, since, as we have shown in Graph no . 2, the budgetary impact of social assistance expenditure in total public expenditure only topped at 0,1 percentage points.

As shown in Chart. 4, the larger share of social assistance expenditure both to GDP and total budget expenditure in 2015 compared to 2014 was primarily due to the increase in the amounts of the state allowance for children and family allowance. While state allowance for children marked a 21% increase during the first three quarters of 2015 in comparison to 2014, family allowance expenditures increased by 119%.



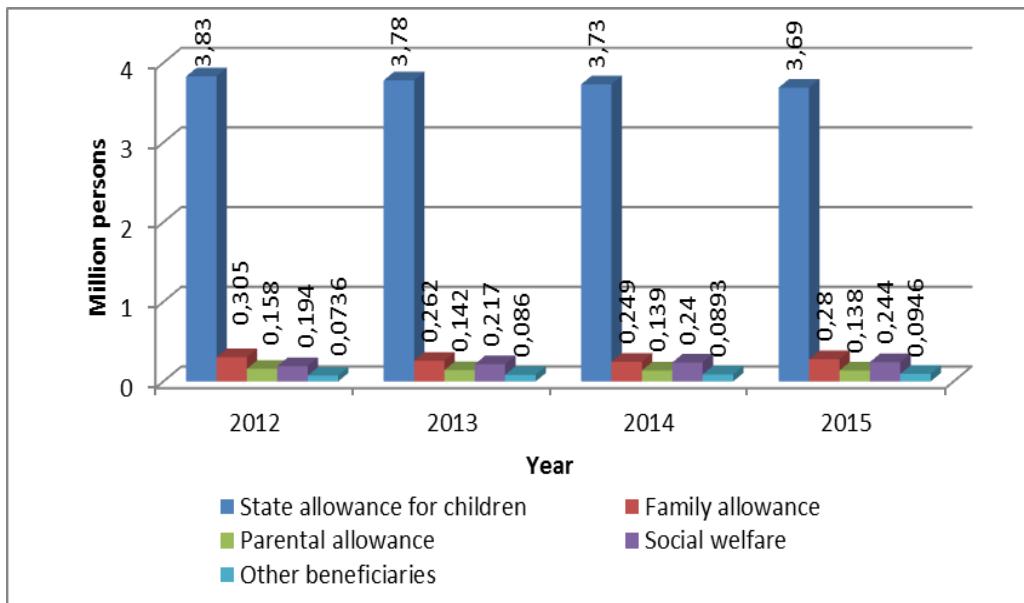
**Graph 4** The total amount paid for the four main types of social assistance benefits in December of years 2013 – 2015<sup>ii</sup> (lei)

Source: working of the author based on the data available from the Ministry of Labor, Family, Social Protection and Elderly, <http://www.mmuncii.ro/33/index.php/ro/>, accessed on 26.06.2016

Without an adverse budgetary impact we see this increase as appropriate and financially sustainable, one which could bring about a significant contribution to the level of social welfare in our country, given that it „*has been taken to ensure opportunities and resources for citizens to participate in the economic and social life and to support those facing difficulties so that they overcome social exclusion and benefit from reintegration*” (M.M.F.P.S.P.V., 2015).

Given the above discussion, at first glance, the effectiveness of Romania’s social welfare system seems obvious and it is further supported by the dynamics of the number of beneficiaries which showed a clear decrease from 4,56 million people in 2012 to 4,44 million people in 2015 (Graph no. 5) marking a downward trend of 2,5%. By linking the dynamics of the number of beneficiaries with that of social benefits in terms of value, we could say that, at least during the more recent years, the social assistance system in our country has made remarkable progress and managed to provide the socially deprived with a sufficient level of welfare sufficient so that risks and vulnerability be neutralized.

Should the analysis of the number of social assistance beneficiaries be carried out in relation to the type of benefit paid to each individual, a shift in perspective is disclosed, pointing out that the most significant reductions were recorded for beneficiaries of the state allowance for children (-3,66%), family allowance (-8,2%) and parental allowance (-12,6%), while the number of beneficiaries of social aid and other categories benefits showed an increase of over 25% during the period under review.



**Graph 5** The evolution of the number of social assistance beneficiaries in Romania between 2012-2015 (mil. persons)

Source: working of the author based on the data available from the Ministry of Labor, Family, Social Protection and Elderly, <http://www.mmuncii.ro/j33/index.php/ro/>, accessed on 26.06.2016

From this standpoint it becomes obvious that although the amounts of the benefits provided by the social assistance system have increased, their effect has failed to meet welfare objectives. Despite the drop in the total number of beneficiaries, the detailed analysis points out an unwanted dependency of the social assistance system as far as the working –age population is concerned.

So, despite Romania's significant focus on the adaptation of its social assistance instruments to international standards which call for equity and social efficiency through social assistance and social services, as the basis of individual development for future personal welfare, the European Commission's position towards Romania's social assistance system is still not a favorable one. In this respect, in 2013, the Council's Report on the National Reform Programme of 2013, warns that „*poverty reduction is a major challenge that derives from the low level effectiveness and efficiency of the social assistance benefit package*” so, the continuous adaptation and adoption of additional legislative provisions „*are the vital steps needed in order for goals to be met*” (European Commission, 2013, p. 4). A similar position was adopted by the European Commission again in 2015 regarding the measures of social assistance, given that „*the effects remain modest as social transfers are not properly connected with activation measures and reform program itself is lagging behind*” (European Commission, 2015, p. 5).

### 3. Conclusions

Under these circumstances, the reassessment of the overall social welfare system in Romania became an obvious necessity, despite the time lag in social assistance development. In this context, efforts were made to reform and improve existing practices, although weaknesses, failures and anomalies have continued to somehow spread over the years. In the face of a sustained interest towards the welfare of its citizens, and especially due to the ongoing desire to accede to the European Union, Romania has constantly acted to reform and adapt the social policy and social assistance systems to international requirements.

Starting off from the above discussion and based on the undertaken analysis, we consider that although Romania has made remarkable progress in the field of social assistance, particularly through the reconsideration of the working mechanism of social welfare benefits form the neutralization of consequences to the anticipation of risks, the persistent economic and social gap adversely impacted the targets and, subsequently, welfare. Thus, „*severe material deprivation rate is at high levels, although some decreases have however been recorded [starting] from 2007-2013*” (Matei, Gh., Tudose, N., 2015, p. 35 ). In our opinion, one of the most important sources of this shortcoming lies in the extensive range of social benefits that are provided under the social assistance system in Romania, because they generate dual effect: on one hand, they have a positive contribution by managing an array of social risks and, while, on the other hand, they encourage the dependence of certain social categories the financial assistance provided by the state. Although most of the benefits provided in our country are selective, namely means-tested, the system lacks the instruments by which the state can influence the actions of the beneficiary in order to raise awareness and responsibility towards self-welfare. For these reasons, it is essential to note that although the total number of social assistance beneficiaries in our country has diminished during recent years, the share of working-age individuals benefiting from social assistance has shown a significant increase. Should we uphold this aspect with the negative natural increase of the population and the increase in the amount of social assistance benefits is becomes our opinion that, at least under the current conditions, we can only point out efforts aimed at leveraging the social assistance system in Romania, but no actual efficiency.

We therefore believe that, Romania will, only to a very small extent, succeed in achieving the social standards and targets set out by the Europe 2020 Strategy through the Europe 2020 strategy in the remaining time until the end of the decade.

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<sup>i</sup> The data presented for the year 2015 refer to 01<sup>st</sup> of January – 30<sup>th</sup> of September

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