

## Significant Socio-Economic Developments in the Context of Completing the Implementation of SOPHRD 2007-2013

Stelian SELIȘTEANU<sup>1</sup>, Anca Alina BUZIERNESCU<sup>2</sup>, Dalian Marius DORAN<sup>3</sup>

<sup>1,2,3</sup>University of Craiova

stelian.selisteanu@rcc.ro, ancabuziernescu@yahoo.com, doran.dalian@yahoo.com

**Abstract.** *The global economic-financial crisis of 2008-2013, profoundly affected the socio-economic context in Romania, which led to substantial changes in the premises and trends that were initially based on the Sectorial Operational Program for Human Resources Development (SOPHRD) 2007-2013. The implementation of the measures specific to this program of non-reimbursable financing offered the Romanian economy an unquestionable support to overcome the significant negative phenomena that the economic-financial crisis, which started in 2008, triggered in the economic and social life of our country. By far the most accessed, SOPHRD has been a source of financing, meant on the one hand to support to a significant level the activities specific to the Romanian labour market, hardly attempted by the effects of the aforementioned crisis, and on the other hand to open up new paths for those who have understood and accepted the structural changes of a global economy that demands another vision, another approach regarding the role that the workforce has in such a large community, but which wants to be unitary and indivisible, respectively the European Union.*

**Keywords:** SOPHRD, budget, crises, country development.

**JEL Classification:** H62, H68.

### 1. Introduction

The labor market in Romania has undergone significant changes since the program was drawn up, the employment rate of the Romanian working age population being much lower compared to the EU-27 and EU-15 averages for 2007-2011. According to the synthesis of the intermediate evaluations of the operational programs, the crisis had a significant effect on the implementation of the operational programs and, in particular, on the implementation rate.

Consequences of the aforementioned were, on the one hand, the reduction of demand among potential beneficiaries, and on the other hand the creation of uncertainties among them. Also, the crisis created difficulties regarding the availability of public financial resources at national level, necessary for public sector projects, mostly in operational programs.

In this context, the authorities designated at national level for the management of funds for the financing of SOPHRD, opted for a financial reallocation between the priority axes of the program, obtaining approval in this regard at the meeting on November 16, 2010. However, the EC rejected this proposal to amend the SOPHRD, considering that the arguments presented by the managing authority do not justify the reallocation of funds between priority axes.

Consistent with the actions to streamline the implementation of SOPHRD and to strengthen the strategic role of the program, the national authorities analyzed and approved at the meeting of the SOPHRD CM on November 25, 2011, the proposal regarding the modification of the Implementation Framework Document for the delegation to the Regional Intermediate Bodies of the implementation of the projects.

contracted within the MDI 5.2 "Promoting the long-term sustainability of rural areas in terms of human resources development and employment" and DMI 6.1 "Development of the social economy". This decision aimed to streamline the activity of monitoring the projects aimed at the rural people, this was made easier by delegating the implementation process at the level of each region. Through the ARES address no.323873 / 20.03.2012 EC expressed its agreement for this modification.

In the following, considering the steps and deadlines for achieving the respective SOPHRD closure,

- 01.09.2016- submission of the final statement of expenditure for SOPHRD;
- August - October 2016 - elaboration of the final implementation report;
- January 2017- analyzes and verifications, suspended projects, recoveries, top-ups;
- 31.01.2017- decisions of the Member State for the approval of the List of non-functional projects and of the commitment to finalize those within two years from the submission of the closing documentation;
- February 2017 - approval of the final implementation report and consultation of all stakeholders (MFE, ACP, etc.);
- 31.03.2017 - transmission to the EC by SFC 2007 of the final Implementation Report;
- April 2017 - notification of program closure; reporting on suspended projects;
- April 2017- March 2019- reporting to the EC of non-functional projects

We will carry out a general study on the impact of the implementation of the measures implemented through this program in the evolution of the socio-economic environment in Romania.

## **2. Socio-economic Effects of the Crisis in 2008-2010. Subsequent Measures and Reversals**

During the global crisis installed in the third quarter of 2008 and exacerbated in 2009, Romania suffered a significant decrease of the economic production. The first signs of recovery were observed in 2011 when the agricultural production experienced a strong revival, but at national level the economic production continued to be at a low level, with a GDP diminished significantly in 2009 compared to the previous year, between 7 and 9% (EC, 2010), much higher than the average of the 27 EU Member States. Since 2012, there have been two consecutive quarters of lower economic output again, which technically means a recession. Moreover, according to the National Forecast Commission (NFC), by 2015 it was expected that the Romanian economy will experience periods of recession that will alternate with periods of relative growth, at lower rates than in the previous decade.<sup>1</sup>

Paradoxically, however, the unemployment rate registered, after reaching a maximum rate (8.4% or 765 thousand in the first quarter of 2010), a decrease, remaining lower than the average of the other EU Member States.

Noteworthy is the substantial decrease in the number of employees in the private sector, with over half a million, especially in the manufacturing, construction, retail and transport industries, while the number of public sector employees has been rising until January 2009 and has started to fall since February 2009 (Voinea, 2010).

Also, in 2010, especially in small towns and rural areas, the job crisis has particularly affected young people (including college graduates) and people over 45, with employment opportunities for these two age groups being very limited. , as stated by the Barometer of social clusion (Social Observatory, 2010). The lack of public

---

<sup>1</sup> The maximum growth rate predicted by the NFC for 2015 is 3.9% compared to 7.3% recorded in 2008.

funding led to the blocking of active measures for employment, and the salary supplements granted through employers were partially funded in 2010. A consequence, expected, was the departure of young people abroad in order to find a job, while the population over 45 was forced to resort to subsistence agriculture.

Deeply affected by the 2008 crisis, which led to a decrease in the demand for labor in both the official and underground economy, were the poor. Working hours were reduced, overtime was not paid, free days were imposed without pay, and consequently wages were reduced. At the same time, cessation or reduction of "aid" from family members working abroad was significantly higher for poor families.

In 2008, before the onset of the crisis, Romania had the highest poverty rate of people in employment in Europe, a rate that remained relatively constant during the crisis years (EC, 2012), 17% of the employed population living below the poverty line. (Frazer and Marlier, 2010). It is worth noting that households with children are most vulnerable to this type of poverty. Thus, in most of the Member States, the poverty of the persons employed is closely linked to the workload of the household members. This type of poverty depends on the number of children, the existence of a single poorly paid parent or a couple with children in which only one person is employed on a derisive salary. As a rule, the higher the number of dependent children and the smaller the number of employed adults, the higher the risk of poverty for those employed.

In this context, the risk of absolute poverty faced by Roma people determines that, according to studies on poverty in Romania, it will be, if not the most vulnerable, one of the most vulnerable categories of population. This is seven times higher, 31.1% of the Roma compared with 4.4% of the country's population (data 2009, MMFPS). The determining factors of Roma poverty reside in large families (with many children) and a single income, poor education, especially in cultivating the need for work. In other words, a small volume of work, a low level of adult education and the prevalence of black work.

It should be noted, however, that the Roma in Romania compared to the situation at European level, although they have a low participation in the labor market, have a proactive insertion behavior, resorting to informal opportunities for integration. Roma employment is characterized by a very low participation in the formal labor market, but a high participation in the informal labor market, without social security mechanisms.

In 2015, according to the Annual Growth Analysis, the EC has set the economic, investment and social priorities to guide the action of the EU and its Member States in order to stimulate job creation, in line with the Europe 2020 strategy and the the political guidelines of the President of the European Commission. The document mentions the fact that, despite the efforts made both at European and national level, the recovery of the European economy is slower than anticipated in the previous year and thus, the economic crisis triggered an acute social crisis, and the weak economic recovery hinders the efforts. to reduce high levels of unemployment.

In the circumstances noted above, the priorities of the Government of Romania remained related to the economic recovery, job creation and ensuring the sustainability of public finances, arguing as fiscal solutions that can contribute to improving the business environment and increasing the efficiency and transparency of the public administration that it can lead directly to ensuring the conditions for the implementation of the other reforms.

Therefore, the new reforms included in the NRP 2015 (National Reform Program, 2015), are in the European coordinates but are adapted to the economic and social conditions of Romania of 2015 and of the priorities regarding the new financing period 2014-2020.

Against the background of economic and social reforms implemented through government policies meant to counteract the negative effects of the crisis that began in

2008, but especially the ever-increasing infusion of non-reimbursable financial resources guaranteed through operational programs funded by structural instruments such as the ERDF, FC, ESF, in the financing period 2007-2013 in Romania, the gross domestic product increased in 2014 by 2.8% after 3 years of growth, which reinforces the tendency of recovery from the economic and financial crisis that affected Romania in 2009 and 2010. The increase in 2014 was due to the positive contribution of domestic demand. The main factor of this increase, private consumption, was supported by a strong increase of the real wage and interest rates that reached record low levels.

The annual rate of inflation at the end of 2014 reached an all-time low since 1990, reaching a level of 0.83%, with 0.72 percentage points, below the one recorded at the end of 2013. As an annual average, inflation stood at 2.91 percentage points below the 2013 average, reaching 1.07%. Starting with 2017, the potential for economic growth has increased significantly (with an annual average of 2.8%), standing at over 3%, with positive contributions of all the components, namely the capital stock, the labor force and in particular the total productivity of the factors. The structural and investment stimulus measures will have the effect of accelerating the gross formation of fixed capital, following the adjustments of 2013-2014, which will lead to the increase of the capital stock's contribution to the potential economic growth. Against the backdrop of domestic demand as the main engine of growth, the output gap (output gap) will continue the downward trend, estimated to close in 2017.

If we are to refer to achievements concerning the labor market, but also to the socio-economic context, largely influenced by the non-reimbursable financial infusions having the ESF source (SOPHRD) from the 2007-2013 funding period, we can say that in the year In 2014, they focused, in particular, on facilitating transitions from unemployment or inactivity to employment and improving the professional skills of jobseekers and workers, with the employment rate of the population aged 20-64 being of 65.7%, lower by 4.3% compared to the national target of 70% set in the context of the Europe 2020 Strategy, but nevertheless achieved against the background of the increase the total number of employees by 1.9% compared to 2013 and the reduction BIM unemployment rate from 7.1% in 2013 to 6.8% in 2014. The employment rate of young people (15-24 years) was 25%.

In order to ensure a unitary approach and practice in the management of the allocated funds, starting with March 1, 2014, the Ministry of Labor, Family, Social Protection has taken over the entire structure and attributions of the POS DRU Managing Authority from the Ministry of Labor, Family and Social Protection. and Elderly Persons, through the Government Emergency Ordinance no. 9/2014 for approving measures to improve the efficiency of the management system of structural instruments.

Regarding the fight against unemployment among young people, the Plan for the implementation of the Youth Guarantee 2014 - 2015 has been elaborated, a plan that combines measures in the field of employment, continuous vocational training and education, which are aimed at supporting young people from disadvantaged categories in order to penetrate. on the labor market or in the system of education or continuous vocational training, in order to obtain the formal recognition of the competences acquired in the non-formal or informal system or to start some businesses. There were created for this purpose, 26 Guarantee Centers for Youth and the Public Employment Service (SPO), where the professional profile of the young people and the counseling combined with the career guidance are made free of charge.

At the same time, through the mechanism of early intervention are identified the people with incomplete level of education, being offered various options of insertion in the system of initial education, through programs of the type "second chance", or by granting financial allocations of the type " money for high school "or" professional

scholarship ", measures that are managed by the Ministry of Education and Scientific Research.

In January 2014, the Youth Guarantee Implementation Plan 2014 - 2015 was implemented, which paid special attention to the activation of unregistered young people. Thus, in the first four months of registration with the employment agencies of the period January 2014-January 2015, as a result of the programs implemented by ANOFM, approximately 171 thousand young people were included in active employment measures, of which 66,396 young NEETs were employed, and 5,499 young people were hired to provide subsidies to employers. By January 31, 2015, nearly 155 thousand young people benefited from career counseling and information services, and 13,127 young people participated in free vocational training courses. Also, from the state budget was funded the establishment / development of 6,588 companies, being created approx. 3,650 jobs.

Another implemented measure, meant to streamline the implementation of the objectives of the Youth Guarantee Implementation Plan, refers to the correlation of the databases between ANOFM and the Labor Inspection - National registry of employees, as well as with MAI - General register of employees of the population. The correlation of the databases between the Public Employment Service and ANAF is going to be operationalized. In order to create the database that includes young NEETs, ANOFM implemented, during 2015, the project CHANCE4NEET - Electronic Register of young NEETs.

If, for young people, the measures to relaunch and recover the labor market were activated through the plans and strategies mentioned above, regarding the strengthening of the professional insertion capacity of the older workers, at the end of 2014 the National Strategy on persons was launched in public debate elderly and active aging 2014-2020, the process resumed in April 2015.

As part of the project regarding the evaluation of active aging policies and measures, until February 2015, a comparative analysis of measures to encourage active aging in 5 Member States, identification of active aging measures / policies with transfer potential in Romania, was carried out and ex-post evaluation of the impact of measures to encourage active aging in implementation.

In order to increase the quality and access to both tertiary education and lifelong learning, as well as to adapt them to the needs of the labor market, the national strategies projects have been finalized - with the technical assistance of the WB (World Bank) and financed by SOPHRD. for tertiary education, respectively for lifelong learning.

In order to develop the services of education and day care of the child, with priority for children aged 0-3 years and those with disabilities aged 0-7 years, MMFPSPV runs the program Promoting gender equality and balance between life professional and private, in March 2015 being finalized the contracting of the selected projects. The projects aimed to set up ten nurseries for children 0-3 years old and four nurseries for children with disabilities.

One of the objectives of the government aimed at improving the living conditions of adults with disabilities, the government adopting GD no. 989/2014 regarding the updating of the amount of social benefits provided in art. 58 paragraph (4) of Law no. 448/2006 on the protection and promotion of the rights of persons with disabilities, republished, which provides for the increase of the level of social benefits by 16% (the monthly supplementary personal allowance and budget), starting with January 2015.

### **3. The Top-Up Mechanism**

The negative impact on the implementation of the measures aimed at stimulating the economic competitiveness, established by the CSNR 2007-2013, as

well as by the relevant Operational Programs, which had the crisis triggered in 2008, has materialized to a large extent in the diminution of markets, increasingly expensive banking products, turnover of companies in decline and consequently in diminishing the possibilities of co-financing projects, felt both at the level of public authorities and private beneficiaries.

The reduction of budgetary subsidies and the reduction of own incomes in the case of the local public authorities determined the emergence of important problems in ensuring the money availability, representing the co-financing part for the implementation of the projects with European financing. This problem was accentuated by the volume in sufficient resources available at the national budget level.

In this context, starting with the fourth quarter of 2011, the Romanian authorities have started the procedure for introducing the top-up mechanism, initiated by amending Regulation 1083/2006 (art. 77) with reference to the financial management of the Member States that encounter significant difficulties in ensuring stability. their financials. After the repeal of Regulation 1083/2006, the requests were sent to the European Commission based on art. 24 on increasing the amount of payments for a Member State having temporary budgetary problems, from Regulation 1303/2013 laying down common provisions on FESI.

The application of the top-up mechanism, which is in fact supplementing the expenses for the temporary increase of the EU co-financing rate by 10 percentage points, targeted the declarations of expenditure transmitted to the EC between January 1, 2010 - May 11, 2012 and required the modification of 5 of the the 7 operational programs to increase the EU co-financing rate to 85% at program level. With the exception of ROP and SOP HRD, the other 5 programs requested the EU, during January 2012, to modify the program.

From the analysis carried out regarding the implementation of the top-up mechanism within SOPHRD, it can be noted that 172,993,825.62 euros were received at program level, (138,467,079.11 euros transferred to SOPHRD budget in order to ensure national public co-financing and 34,526 .746.51 euros requested through the request for funds to finance the ESF component of the projects), through this mechanism being supported the projects that promote the competitiveness, the economic growth and the employment, in particular those that have included active measures of employment, elaboration and implementation of individualized action plans, providing assistance in finding a job, guidance and training services for young and long-term unemployed, elderly workers, jobseekers returned to the labor market after a period of absence, development and implementation of measures and actions t ransnational for promoting occupational and geographical mobility, promoting dual financing systems for the employment of young people by combining training in vocational schools and practice in enterprises.

It should be noted that, a complementary measure to the top-up mechanism was the introduction of the payment mechanism, which significantly reduced the financial burden on the beneficiaries level as it facilitated the reduction of the beneficiaries' debts related to the implementation of the projects by using the resources from the state budget and the coverage. of the respective amounts from European funds. At the same time, during the implementation of SOPHRD, in order to ensure the necessary financing of the managing authority, amounts from the privatization revenues were temporarily allocated through government decisions. The overall value of the approved temporary financial allocations was 7,159,544,920.96 lei. The budget execution of these amounts amounted to 6,439,815,139 lei, the difference being returned to the Ministry of Public Finance according to the legal provisions.

#### **4. Conclusions**

As can be seen, the implementation of the specific measures for this grant program offered the Romanian economy an undeniable support to overcome the significant negative phenomena that the economic-financial crisis, which started in 2008, triggered in the economic life and social of our country.

By far the most accessed, SOPHRD has been a source of financing, meant on the one hand to support to a significant level the activities specific to the Romanian labor market, hardly attempted by the effects of the aforementioned crisis, and on the other hand to open up new paths for those who have understood and accepted the structural changes of a global economy that demands another vision, another approach regarding the role that the workforce has in such a large community, but which wants to be unitary and indivisible, respectively the European Union.

As we have shown in the article, the program itself has undoubtedly contributed to ensuring a balanced evolution in the socio-economic life by offering, more or less successful, viable alternatives to different professional categories so that phenomena can be kept under control. such as unemployment, inflation, lower purchasing power, etc. It is no less true that, a complete analysis of the indicators aimed at implementing SOPHRD in its completeness, may reveal a series of deficiencies, a series of irregularities that may be the result of synopses recorded at the level of the management and control system of the authorities involved, with effects in faulty or even fraudulent management in certain cases, or of legislative ambiguities, as a tribute to an unfortunate harmonization of Romanian legislation with Community law.

During the current funding period, 2014-2020, the continuation of the steps in the implementation of the measures included in the new financing program, the successor of SOPHRD, respectively HCOP (Human Capital Operational Program), is a necessity, the more the experts estimate that at The “gates” of the European economy are foreshadowing a new economic-financial crisis.

#### **References**

- Frazer, H. și Marlier E, (2010). Work Poverty and Labour Market Segmentation in the EU: Key Lessons, Synthesis report based on national reports prepared by the EU Network of Independent Experts on Social Inclusion.
- Social Observatory, (2010). Barometer of Social Inclusion, Nationally Representative Survey for Employers and Employees in Romania, University of Bucharest.
- European Commission, 2010. Employment in Europe.
- European Commission, (2012). Employment and Social Developments in Europe 2011, p. 27.
- Voinea, L. (2010). Early Warning Report: Labor Market, Bureau for Labor Market Observation and Quality of Work, SOPHRD project, Bucharest.