

## **CHALLENGES OF SOCIAL POLICY TRANSFORMATIONS IN ROMANIA**

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### **Abstract**

*The paper is analysing the development of a new social policy paradigm in Romania during the post-communist transition. The first part explores the impact of transition period on the development of post-communist welfare system in Romania. The standpoints of the analysis are the communist heritage in terms of wide-coverage social design and the shift from planned economy to market economy. The second part of the paper aims to analyse the change of social policy paradigm in Romania. It includes an outline of the existing situation and prospects the main directions of the national social reform. The main argument of the paper is that the social policy paradigm in Romania is shaped both by failures in adopting efficient social policy reform early '90s and by national policy answers to the EU accession pressure. Lessons learned from previous accession experiences could improve the negotiation process to the European Union with positive long term impact on old and new member states. Accomplishment of EU common goals in the social field and not only is highly depending on this.*

**Keywords:** welfare state, social policy

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### **Introduction**

When referring to social well being of citizens, the literature is offering several well known concepts among which we mention briefly: welfare state, social policy, social security, social protection, welfare regime, and social assistance. It is not our intention to detail each of these terms within this paper. Our attention is mainly focus on the public system of Romanian social policy viewed as the “main preoccupation of modern public policy” [1].

Concerning the redefinition of social welfare, Esping-Andersen pointed out that their subjects of interest are not anymore the welfare states but rather the welfare regimes seen as individual entities. Welfare regimes refer to the modality in each the provision of welfare is allocated between stat, market and household [2]. In the reviewed form of its theory presented in “The Three Worlds of Capitalism”, the three welfare regimes are: the liberal welfare regime, social democrat welfare regime and conservative welfare regime.

The concept use in this paper is the social policy interlinked with the welfare state. Green-Pedersen distinguishes two sets of definition of the welfare state. In a wide sense, the welfare state refers to the “space” between state and labour and it is focus on specific areas such as social policy, macro-economic policy, industrial policy, tax policy and industrial relations. In a more narrow sense, the welfare state is synonym with the social security including different transfers as unemployment benefits, pensions, social assistance, social services and health services, childcare and education [3]. In this paper, we approach the welfare state in the narrow sense due to our research interest to prospect the national social policy transformations.

Referring to Romania, we preferred to use rather the term of social policy than the welfare state. Social policy as public policy includes the state action which through its specific instruments is concern for the provision of welfare to its all citizens. The state intervention is in line with directions established by political actors [4]. The social policy of a country can be seen as the result of a complex consultation and permanent collaboration with all relevant actors involved: stakeholders, representatives of trade unions, representatives of civil society, and representatives of various categories of beneficiaries. From this point of view, the social policy can be defined as activities of the Government and other actors which modify the free play of labour forces in the form of social redistribution, social regularisation and social rights [5].

The mains purpose of this study is to prospect the social policy transformations in Romania in the context of post-communist transition and accession to the European Union. Particularly referring to the post-communist states, main challenges they confronted with after the fall of communist regime were both the economic stability (on short term perspective) and institutional reforms (on long term perspective). The accession of ex-Russian satellites to the European Union was considered both a modality to orient their foreign policies to the West and also a guarantee of ending the long relation with Russia [6].

In an international dynamic context, the welfare state reforms can be seen as modalities to intensify the self-government capacity of people and communities [7]. The future of the social policy is highly influenced by demographic tendencies and globalisation process which can lead to a closer cooperation in the social field at EU level. Analyse of demographic tendencies can provide a clear prospect of the future labour force capacity in relation with the financing the social policy. Consequently, scenario on the necessary social measures could be drafting [8]. Expenses required to support different social programs could be reduced either by the “demand” of international financial markets either for reused under other social programs frameworks. A descendent demographic trend would consequently impact on the financing of the social security schemas on the long run and could determine the allocation of supplementary financial resources as for example for the protection of elderly or pensions system.

### **The configuration of social policy during the communist regime in Romania**

The paper analyses the Romanian welfare system by providing a general overview of the social policy configuration during the communist regime. The starting point of the analysis is the communist heritage in terms of wide-coverage and social design.

Looking back at the communist regime, one legitimate question that could arise would be: what is to be defined under “socialist” social policy framework? Trying to offer an answer to this particular question, Bob Deacon assumed that “the welfare state is not seen as the provider of socialist policy” [5]. From Deacon’s point of view, the abolition of labour division and eradication of oppression of women have represented the central points of Marx’s visions. In a first stage socialism would assure the use of “capitalist” experts under workers’ control while in the second one, communism would be more focused on abolishing the hierarchical division of labour and free movement between horizontally divided technical skills [5].

Referring to social policy in Romania but also to other East European countries during the communist period, one could identify at least two widely respected taboos: the unofficial recognized unemployment [4] and excessive social expenditures [9]. First taboo was in force despite the fact that in the ‘80s the number of unemployed people constantly increased. Officially, the lack of unemployment was interpreting as a complete use of the available labour force with the purpose to achieve ideologically established economic goals. The communist regimes were very proud to successfully implement the communist ideology in terms of collecting individual work contributions to build collective welfare. The second taboo represented a more sensitive issues connoted with fair to show the true about real costs of maintaining the socialists society An honest realist cost-benefit analysis could have exposed the political elites to the potential risk to assume the responsibilities for financial necessary changes, which implies loosing the public support from workers not willing to accept social benefits decrease.

The fundamental aim of the communist welfare project was concentrated on “creating a prosperous socialist society characterized by a highly homogeneous among citizens, not necessarily totally equal but at least low social inequalities in between” [10]. The welfare communist regime was rather focus on assuring an optimal and relatively homogenous level of welfare to all through subsidized social services, free access to education, health, and housing for all workers. Social policies emphasized the equality among citizens, reducing the vertical inequalities and didn’t officially recognise the social problems [11].

As ideological key concept, the “work” represented simultaneously an individual duty to the society and a right assured by the state to anyone. As the state was the main provider of collective welfare, the state employment policies were very much aware about assuring a work place to each person able to work. The social system could be characterised as between American “workfare” and Scandinavian “productive” one in the meaning that the socialist presented two consecutive compulsory issues: people were obliged to work for her /his welfare and the state obliged to assure the jobs [12].

Work participation represented a compulsory key condition to distribute social benefits to workers eligible both by accessing the labour market (i.e. child allowance, housing, scholarships, holiday and treatment tickets, health care, sick and maternal leave) and contributing to the earning-related system (ex. pensions). In this context, persons outside the labour market were completely excluded from the social benefits system. Four types of welfare benefits for social support were used in the communist regime: universal transfers of benefits and services, income-related benefits related to work contributions (i.g. the social insurance system), social transfers dictated by needs but conditioned by participation to work (ex. free health care, housing, child allowance, and free or subsidised health treatment tickets or holiday tickets) and unconditioned transfers targeted for ones in need based on means tests [10].

The welfare policy could have been characterized as a mix between universal social benefits and special benefits related either to employment either to the “advantages” of being hired within a particular economic area [10]. Sometimes comparable jobs implying similar skills and similar work environment were paid differently depending on the industrial area they belong to. As an illustrative example, miners were better paid than other workers [12]. So, more advantages social or family benefits were distributed for employees working in economic areas considered more favourable in terms of higher interest paid by the communist regime.

The mass media network (including communication such as tools newspapers, television, radio) but particularly education system were highly politicised. Everything could potentially represent a threat for promoting communist ideology by affiliation to international scientific exchange ideas outside the communist countries was eradicated. This had a direct impact in terms of closing several university departments in the social sciences, for instance anthropology, sociology, psychology and social work. Some of the direct consequences of these radical measures are: the current low number of Romanian experts in areas of social policy and social work and also discontinuities after the Second World War and in the communist period in terms of developing the sociological achievements of the Romanian Sociological School in Bucharest.

The configuration of social policy in Romania during the communist regime could be described as being focused on the followings: workfare policy in terms of the total use of the existing labour force; assuring a relatively homogenous collective welfare in terms of complete eradication of poverty, promotion of a relatively homogenous collective welfare, promotion of an active policy to compensate differences between needs and resources through social benefits (especially applicable in the case of families with many children), active policy for social housing support; wide coverage of social assurance scheme covering a broad set of risks related with income loss situations; lack of unemployment benefits and means-tested benefits system, work based universal social benefits (in money or in kind), large extent of generous social benefits focus on children, preferences for providing social services rather than direct transfers in money and a non-discriminatory ethnical policy [12].

The enterprises and trade unions were formally involved in managing distribution of social services or family allowances depending on political decisions but access to welfare was conditioned by access to labour market as the state was assuring jobs for all [12]. On the other hand, social policies ideologically promoted during the communist period were not sustainable in a long term perspective, due to the high costs involved [11] for supporting the social welfare provision to citizens.

As a general conclusion, the social security system in communist Romania was mainly based on socialist ideology and missed two important elements: unemployment and the means-tested benefits.

### **Social policy in Romania during transition towards a market economy**

As overview of the main tendencies of social reform within the transition period in Romania, the starting point was marked by “a largely obsolete industrial base and a pattern of output unsuited to the country’s needs” [13].

Social problems not officially faced during the communist period have exploded first years after the 1989 revolution exposing especially vulnerable groups to irreversible risks of social exclusion. In this respect, a special category was represented by unemployed people left without any legal protection years before 1989. Due to rapid economic changes their situation increased and forced the authorities to adopt official adequate measures. In this respect, Law 1/ 1991 on social protection and professional reinsertion of unemployed persons was adopted. This legal measure was initiated rather as a consequent of pressure than part of an integrated national vision of social policy. This explains why despite many problems confronted in implementing such legal provision, it took more than 10 years to properly adjusted by adopting the Law 76 / 2002 on unemployment insurances and employment stimulation including active measures to increase employment. It is to be mentioned that the negotiation process was initiated in the same period.

One element of change for the Romanian social policy during transition was the setting up of a non-contributive system in Romania. During the post-communist transition period, both contributive and non-contributive assistance systems in Romania kept the same pattern as in the communist regime and have only slowly progressed further [14]. Developments noticed in the 1990s in these two areas were not part of a coherent national social policy approach [15]. The contributory scheme during communist period was a comprehensive one but focused exclusively on employees. During the transition period, the social policy continued to remain concentrated mainly on wage class protection. The emergence and rapid increase of unemployment in Romania after 1989 has forced the authorities to officially recognise it and develop social strategies to cope with it. Moreover, social problems have increase in amplitude and affected a higher number of citizens exposed to a vicious circle of poverty. Despite this, the slow development of unemployment benefits and means – tested system in the ‘90s didn’t offer the expected social protection to the ones concerned represented especially by highly vulnerable people. Immediately after 1989, the lack of social

measures targeted for people in need, exposed different vulnerable groups to poverty risk. The non-contributive assistance system slowly reacted to dangerous problems like children (especially adopted) and persons with disabilities. The activities of NGOs working in the field of child and youth protection are remarkable and more visible than in any other area [14]. Steps in this direction were done especially in 2004 with legislation for accreditation of social services providers.

In a nutshell, the social policy in post-communist Romania could be described as following three phases: reparatory stage (of injustice measures or lack of specific other social measures), the stage on building a legal and institutional social policy framework with crucial elements but done in an emergency and transition with a social policy rather reactive with strong minimalist tendencies [10]. Social policies implemented during the transition period could have been characterised as a “governmental culture of poverty” [16]. Malfunctions regarding diagnosing of various social problems, developing and implementing more appropriate social policies, evaluating the impacts of social policy show the low political interest, attention and understanding of social issues in Romania.

Social costs of transition were represented by: the increased rate of unemployment; decreasing number of paid jobs; decreased level of medium incomes, especially small incomes; explosion of the informal economy as an alternative; decreased value of social benefits; increased social polarization and social segregation [17]. Major social problems during transition from planned to market economy were: explosive rates of poverty, social exclusion, increasing informal economy, unemployment, lack of access to social service, low education. Highly vulnerable groups were represented: children, young people, elderly, long-term unemployed, homeless, and part of Roma minority. Despite the fact that some of these vulnerable groups were mentioned in the Governmental Programs as target groups [18] follow up social measures were partially satisfied. Assessment of development of social benefits in Romania emphasised a rather reactive than proactive approach [19].

From the legislative perspective, negotiations towards EU accession in the social area shaped the adoption of various regulations due to standard bureaucratic procedure. It is to be noticed that in this particular context the first law regulating the national social assistance system was adopted in 2001 as law 705 and revised twice (2006, 2011). A revised version of this law was adopted in 2006 as law 47. Romania engaged itself in setting up new institutions due to need to harmonisation in the social field especially the implementation of the council regulation 1408 / 1971 on the application of the social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community. The Memorandum on the institutional reform in the field of social assistance mentioned the establishment of a College for coordination of policies for social assistance, the Social Inspection, the National Agency for Social Benefits, and the Social Observatory. Technical assistance was provided for the last three. In what regards the College it works following the Memorandum as composed by state secretaries from the Ministry of Labour. The College is coordinated by the minister of labour and it is composed by state secretary of the Social Assistance and Family

Policies department, the president of the National Authority for Protection of Child's Rights, the president of the National Authority for People with Handicap, the president of the National Agency for Family Protection, the president of the National Agency for Gender Equality.

A law regulating functions, tasks and related aspects it is expected to be adopted. Even the Memorandum offers references to concrete data line the only institution completely established is the Social Inspection. Even if the College works on a regular basis there is no legislative act on its activity. It was expected that the Social Inspection will be functional starting with 2006, the National Agency for Social Benefits would function starting with 2007, and the Social Observatory would work starting with 2006. No date line is mentioned for the College of Social Assistance.

### **Negotiation framework EU – candidate country**

The accession of a candidate country to European Union represents a major challenge for adjusting the national social policy to EU requirements. During the negotiation process between European Union and a candidate country, three main elements are to be taken into consideration: the accomplishment of Copenhagen criteria (established during the European Council in June 1993), adoption of *acquis communautaire* and the European status by geographical, economical and cultural affiliation.

According with Copenhagen criteria, besides the political and economic conditions the candidate country must proof and ensure the capacity to assume the obligations of a member state. This consequently involves the adherence to political, economical and monetary goals of the EU. Pursuing the goals set up in Copenhagen, European Council of Madrid (1995) has added a supplementary condition: that a candidate country must assure the “conditions for a harmonious integration by adapting the administrative structures” [20]. Madrid Council has represented an important step in the enlargement process as a demand for financial framework analyse was launched as well as the assessment of the impact on EU policies [6].

The second element, *acquis communautaire* is frequently considered to be synonym with common legislation at EU legislation. The *acquis* includes “the primary and secondary EU legislation adopted by EU institutions and included in the jurisprudence of the Justice Court of the European Union, in documents adopted in the framework of the external and Common Security Policy and Justice and Internal Affaires, in international agreements in which EU is involved and the ones signed between EU member states and referring to its activity” [21] In the negotiation phase of Romanian accession, the *acquis communautaire* was organised in 31 chapters corresponding to main field of common interest for member states. Every candidate country submits to the European Commission documents referring to the way of adopting each chapter of *acquis communautaire*. Under the framework of negotiations between EU and a candidate country, the *acquis communautaire* is incorporated in the domestic legislation and implemented through various measures and action plans regulating the priorities for adopting the

*acquis communautaire* and financial tools available for each country as pre-accession funds (PHARE, ISPA and SAPARD) [22] or post-accession funds (European Social Fund).

## Conclusions

Romania is one of the East European post-communist countries confronting the transition from planned to market economy. Deacon characterised the welfare regime in Romania during the transition period as “post-communist conservative corporatist” in terms of low economic development, high working class mobilisation, little influence of catholic church on policy, high absolutist authoritarian legacy, mass character of revolutionary process and low transnational impact (larger if in debt to the West) [23].

The development of a specific common applicable pattern concerning social reforms in East European countries is a quite difficult research task. Anyhow, the analyses of post-communist societies have emphasised one common goal: (re)building of capitalist societies on West inspiration and two visible components: “political democratization” and “marketisation of economy” [11]. Despite initial economic, political and social similarities registered in the beginning of the ‘90s mainly due to the departure from communist regime, the former satellites states of former Soviet Union approached the social, economic and political changes and consequently progressed in their own way [9].

The paper has analyzed the development of a new social policy paradigm in Romania. The social policy during the communist period was very much oriented of the full protection of workers and it lacked two main elements: means tested benefits and unemployment benefits. Slow developments registered early ‘90s in the field of social protection in Romania exposed vulnerable groups to various social problems and social exclusion. Late attention paid to a coherent vision on promoting social inclusion among poor people came very late as well as a proper vision on social protection. The shift registered during the transition was clearly an effect the negotiation with European Union. In this respect, first law regarding the national system of social assistance was voted in 2001 as an effect of the negotiation of the *acquis communautaire* in the social field.

The development of a social policy paradigm in Romania is shaped both by failures in adopting efficient social policy reform early ‘90s and by national political answers to the EU accession pressure.

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