

THE ANALYSIS OF SOCIAL SECURITY FOR UNEMPLOYED DURING THE PERIOD 1991-2008

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ABSTRACT: *After tens of years during which unemployment was not officially admitted, centrally planned economy claiming complete labour employing, this phenomenon has appeared since 1990. The transition to the market economy and the massive re-structuring of certain branches of the economy considered as non-viable imply raised social costs, one of these being the increase of the number of unemployed; especially of long term unemployed ones. That's for this social category that authorities should develop a system of unemployment social assurances which, on the one hand, has to protect those persons in difficulty, and, on the other one, to determine such persons whose income is unemployment aid not to abandon the idea of getting a job.*

KEY WORDS: *labour market, unemployment, unemployed, social protection for unemployed, unemployment programs, unemployment support*

One of the main goals of the system of social protection of unemployed, established in 1991, is to assure an income that can replace the salary of those who lose their job out of reasons that do not depend on them, or to assure an income for those graduates who are not able to get a job.

In Romania, until the 1989 revolution, the centrally planned economy had as a main feature complete labour employment, unemployment being a phenomenon that was not officially admitted. The new circumstances determined by the transition to the market economy have determined unemployment, as an inevitable phenomenon, which up to a certain level, is supposed to have positive effects on labour market.

Due to the fact that transition to the market economy resorted in our country to economic re-structuring, people have witnessed, on the one hand, an increase of the number of persons who lost their jobs, and, on the other one, the new graduates who do not manage to get a job. Under such circumstances, unemployment has become a chronic phenomenon that registered a continual increase during the period 1991-1994, an insignificant decrease during the years 1995-1997, a new raise during 1997-1999,

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and again a clear tendency of decrease during the period 2002-2008 (Table 1). Accordingly, in 1994, 1999, 2000 and 2002, unemployment registered the highest levels: 11%, 11.4%, 11.2%, and 10.2% (Figure 1).

Table 1. Number of unemployed persons and unemployment rate during 1991-2008 (Annual rate)

Years	No. of unemployed persons	Unemployment rate (%)
1991	201875	1,8
1992	605350	5,4
1993	1047260	9,2
1994	1229748	11,0
1995	1111327	10,0
1996	814292	7,8
1997	748982	7,5
1998	917069	9,3
1999	1118877	11,4
2000	1067206	11,2
2001	866498	9,0
2002	954546	10,2
2003	689531	7,6
2004	607192	6,8
2005	513721	5,8
2006	484698	5,4
2007	386667	4,3
2008	362429	4,0

Source: The National Agency for Labour Employment, Statistics

As regards the average duration of unemployment, it has maintained at a raised and clearly ascendant level, being of almost 18 months, the lengthiest unemployment duration being registered in the case of 25-34 years old age groups (19-24 months) and 35-49 years old (16-26 months). Unemployment having duration of 12 months affected 41-57% of unemployed.

Unemployment as a social phenomenon is strongly different at the level of the country; areas where unemployment rate is higher than the average rate at the level of the country have already appeared. The categories of labour negatively influenced by the phenomena and mechanisms of the labour market in our country are the following: women, young people, those persons having a lower level of education and training, the persons of over 50 years old, and the population in poorly developed areas.

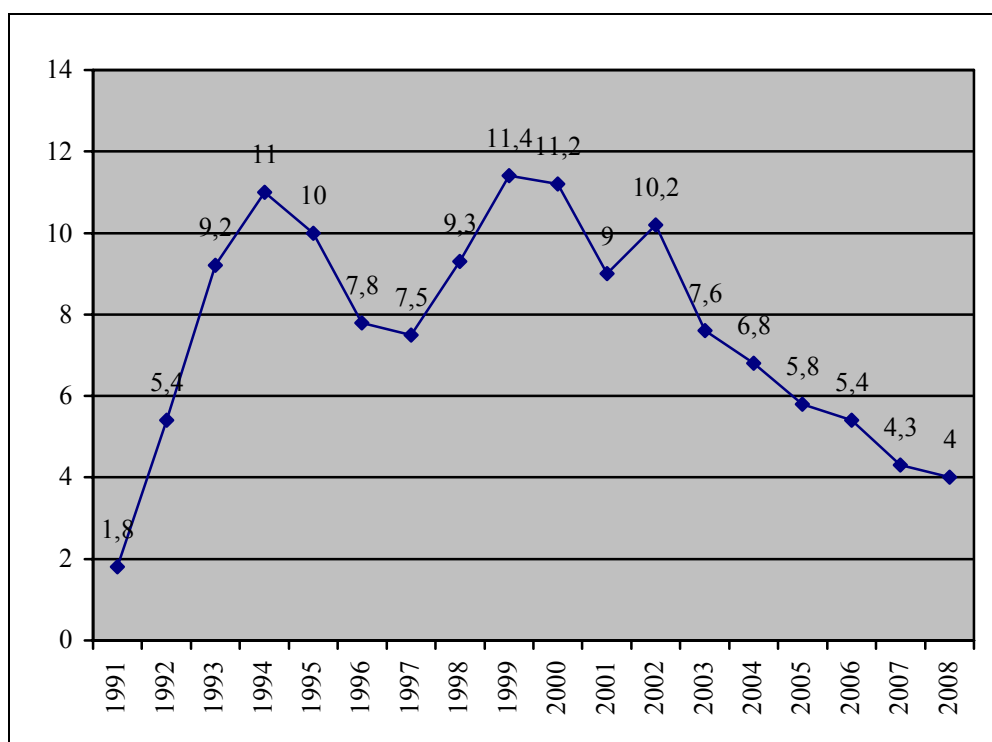


Figure 1. The evolution of unemployment rate during the period 1991-2008 (%)

Returning to the characteristics of the system of security of unemployed persons, unemployment support was introduced in Romania at the beginning of 1991 as a part of the new system of social security, being considered a vital instrument for socially accepting the private form of property and the re-structuring of economy.

From the beginning, the system of unemployment support had in view two goals: on the one hand to provide a satisfactory replacement of the salary, accordingly making acceptable job change; on the other one, it had to be conceived in a manner that would not determine dependency and create lack of motivation for the rapid re-integration in the labour system. In order to attain this second goal, from the beginning, the level of unemployment support was not too high; yet it was nevertheless in accordance with the salary it replaced; at the same time, it was given for a short period of time: 6 months according to the 1991 laws.

In the absence of a system of a minimum guaranteed income (social support), it was extended to 9 months, when it was obvious that unemployment determined by the first shock of re-structuring was not satisfactorily dealt with. Further it continued with an even smaller support allocation (which was a fix sum, irrespective of the previous salary) during 18 months. In fact, the other countries in transition also witnessed a quite severe system unemployment support as compared with that of Western Europe, due to the same reasons as those previously mentioned.

These being the initial intentions, it seems that the system had a somehow contrary evolution: the level of unemployment support decreased as compared with the

salary it replaces (Figure 2), but its duration increased. With the decrease of the amount of unemployment support, its social and psychological functions of facilitating professional re-orientation also depreciated.

The perspective of being an unemployed has become less and less acceptable. As an effect of this depreciation of the system as well as in order to avoid social tensions, in 1997, the government appealed to a completely non-standard method with a view of making socially acceptable the re-structuring of certain important units or industrial branches: in the case of the units being mainly detained by the state, forced to massively fire personnel, compensations of 6-12 average salaries at the level of the economy, depending on the number of worked years, are granted, beside the benefits of unemployment support. (Order no. 9/14.04.1997).

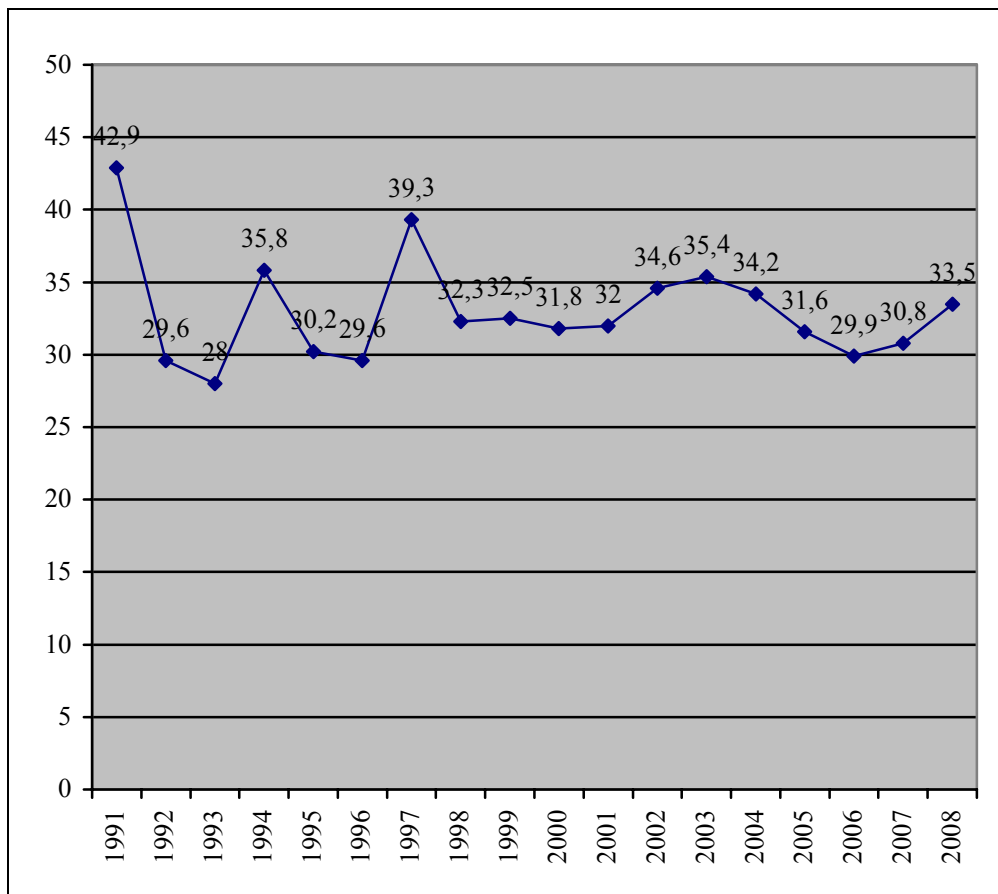


Figure 2. Dynamics of unemployment support as % of the average salary of the year during the period 1991-2008

Under the pressures of the mining trade-unions, Order no. 22/29.08.1997 significantly increased the compensations for the mining industry and geological prospecting: between 12 and 20 average salaries at the level of the mining branch, that

is more than the average at the level of the economy. In this case too the initial intention was not achieved due to the lack of means capable to implement it. Such discrimination among the various types of unemployed persons was initially justified as being part of the program of active measures. The extremely high compensations were treated not as a means of avoiding social tensions and making unemployment acceptable, but more as a means of supporting private initiatives. The existing data show that these compensations, in their majority, have been consumed and not invested.

The programs of the system of security of unemployed persons are the following:

- unemployment support;
- professional integration support;
- support allocation;
- expenses with unemployed persons' qualification and re-qualification;
- graduates payment;
- compensatory payments within re-structuring, liquidation and changing to private property programs;
- other expenses.

These categories of expenses (except compensatory payments), represent sums given according to Law no. 1/1991, regarding the system of unemployment assurance and stimulation of labour employment, re-published in 1994 and completed by the Emergency Order of the Government no. 47/1997.

Law no.1/1991 was afterwards modified by Law no.76/2002 that began to function on 01.03. 2002; Government Decision no.174/2002 approved Methodological Standards of implementing it.

The new law stipulated, beside the old unemployment programs, new ones (Table 2):

- payments stimulating unemployed who get a job before their unemployment period expires;
- payments for stimulating labour mobility;
- payments for stimulating the employers who employ less favoured unemployed persons.

At the same time beginning with 2006 payments are also given in order to:

- stimulate graduates;
- prevent social marginalization.

The amount of unemployment payments rose from one year to the other, but the most spectacular increase was witnessed in 1997. As compared with the total amount of the expenses registered in 1996, of 754,503 million lei, in 1997 they represented 3,215,599 million lei, namely 4.2 times bigger.

The reason is quite simple and regards the introduction of compensatory payments within re-structuring programs. The huge value of the payments done in 1997 which rose to 54% of the total expenses with unemployment during that year is a consequence of the massive firings, especially in the mining industry and above all in the Jiu Valley.

Table 2. Expenses with the social protection of unemployed persons (million lei)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	(million lei)											(million RON)			
Total, out which:	482134	717406	754503	3215599	5332475	8290324	9333053	9404370	11344334	14690775	16579518	1535	1543	1447	1386
Unemployment support	292805	205037	183643	625065	1334908	2252600	1951695	2810186	4246386	6214640	8238027	812	805	724	634
Professional integration support	4998	59405	58315	101933	200850	283047	370661	434120	451662	388682	569466	55,5	36,3	29,2	29,7
Support allocation	106826	229247	200166	215599	497681	1043516	1346319	1166913	1089159	254149	2687	-	-	-	-
Unemployed qualification and re-qualification	1269	1602	2986	14012	19212	25432	30183	24197	40510	64631	101536	18,2	25,3	24,7	27,4
Graduates payment	5404	4520	4856	8088	42000	66024	89476	118634	201231	356019	489483	68,1	64,7	59,7	56,5
Payments for stimulating graduates	-	-	-	-	-	-	-	-	-	-	-	-	1,67	2,97	3,55
Payments stimulating unemployed getting a job before their unemployment period expires	-	-	-	-	-	-	-	-	117873	277701	340937	14,1	12,4	13,2	14,4
Prevention of social marginalization	-	-	-	-	-	-	-	-	-	-	-	-	7,70	11,8	15,9
Payments for stimulating labor mobility	-	-	-	-	-	-	-	-	16531	42931	68206	5,38	5,60	5,72	6,48
Payments for stimulating the employers who employ less favored unemployed	-	-	-	-	-	-	-	-	61437	420978	622989	64	75	90	101
Compensatory payments within re-structuring, liquidation and changing to private property programs	-	-	-	1739203	2303917	3319147	3186215	996191	1131180	1317728	1569773	86	45	44	59
Other expenses	70832	217595	304537	511699	933907	1300558	2358504	3854129	3988365	5353316	4576414	411	463	439	436

Source: INS, *Statistics Annual Report of Romania, 2007*, INS, *Tempo on-line data sources*

The distribution of the payments of the social protection of unemployed according to categories of expenses emphasizes the fact that the most important share is detained by unemployment support, about 50% while the most decreased one, under 0.05%, is detained by support allocation. The last one, as one can notice, hadn't been granted since 2005.

We have previously mentioned that as regards the amount of unemployment support and of support allocation, they are not satisfactory from the point of view of the person who gets them as their levels are reduced when compared with the salary the unemployed would get in case he/she had a job (Table 3). This situation may have two consequences: on the one hand, it incited the search of a job and labour re-integration, on the other one, unemployed persons, and especially those who are long

term unemployed, increase the number of poors, circumstances that are difficult to be faced.

Table 3. Unemployment payments - monthly average

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	(lei/person)											(RON/person)			
Unemployment aid	50834	63750	95000	248685	337228	495237	680484	966720	1311807	1714512	2046378	236	259	321	401
Professional integration aid	35000	42544	54700	118935	186997	276580	381440	541807	712182	1076202	1292428	160	162	180	236
Support allocation	20385	39275	50500	97472	153117	222151	281326	344648	455030	547903	270093	-	-	-	-

Source: INS, Statistics Annual Report of Romania, 2007, INS, Tempo on-line data sources

Beside the analysis previously done regarding the size of unemployment support as compared with average salary, it is necessary to draw out an analysis of unemployment indemnifications as compared with the minimum salary at the level of the economy (Table 4).

As regards unemployment support, the situation proved to be changing during the analyzed period the highest level was attained in 1997 when unemployment support was 35.8% higher than the minimum salary. At the opposite pole we find year 2003 when unemployment support represented only 68.6% of the minimum salary. Although the rate increased in 2004 when compared with the previous year, yet its level of 73.1% does not represent a significant improvement. During the period 2005-2008 unemployment registers a new increase until 2007; afterwards, it begins to decrease again, its 2008 value being almost equal with that of 2006.

Table 4. Unemployment indemnifications as % compared with the gross minimum salary at the level of the economy

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Unemployment support	102.7	97.4	112.9	135.8	103.8	118.9	96.6	72.5	77.5	68.6	73.1	76.1	78.5	82.3	78.6
Professional integration support	70.7	65.0	65.0	65.0	57.5	66.4	54.2	40.6	42.1	43.0	46.2	51.6	49.1	46.2	46.7
Support allocation	41.2	60.0	60.0	53.2	47.1	53.3	40.0	25.8	26.9	21.9	9.6	-	-	-	-

Source: INS, Statistics Annual Report of Romania, 2007, INS, Tempo on-line data sources

Another analysis regards the professional integration support and support allocation. In the case of the first one, the rate compared with the minimum salary continually decreased during the period 1994-2004, dropping from 70.7% to only 46.2%. 2005 represents a new increase, but until 2008 it attains again a value similar to that of 2004.

In case we have in view the support allocation, Table 3 clearly shows that its monthly average in 2003 was of 547,903 lei/person, and in 2004 of 270,093 lei/person, that represents half of the first one. This allocation represented in 2004 only 9.6% of

the gross minimum salary at the level of the economy. This decreased value is exactly the reason why support allocation hadn't been given since 2005.

It is well-known that in Romania the minimum salary at the level of the economy is very small, those having to live out of it having a poor living standard; subsequently, 9.6% of this salary represents nothing.

The financing of the expenses for the social protection of unemployed persons is done out of the Unemployment Fund.

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