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INSTITUTE FOR QUALITY OF LIFE RESEARCH**

IQLR Social Report – 2017

Social Conditions in Romania

Quality of Life: current situation and perspectives for 2038

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Note

The present Report is a synthesis of the studies realised by IQLR within the Romanian Academy's Programme *Romania's Development Strategy for the Next 20 Years* coordinated by Acad. Ionel-Valentin Vlad

Contents

THE SOCIAL CONDITIONS IN ROMANIA: A NEW PRIORITY FOR THE NEXT 20 YEARS	5
PART I QUALITY OF LIFE: ROMANIA 2015	7
I.1. Methodology of diagnosis for the current social conditions	7
I.2. Two Sources of Welfare: Economy and Social Policy	7
I.3. Quality of Life: Social Conditions in Romania in 2015	9
I.4. Governance Quality/ Functioning of Democracy in Romania	20
I.5 Social Issues to Solve in the Next 20 Years	23
I.5.1 The issue of poverty: amplitude and reabsorption perspectives	23
I.5.2. Social inequality	26
I.5.3. Labour migration	27
I.5.4 The socio-economic situation of Roma	27
Part II. Directions/Objectives/Targets for the Quality of Life: Romania 2038	29
II.1 The European Reference Frameworks: Current situation and objectives/targets for 2038	29
II.2. Main Resources for the Quality of Life 2038: Economy and the Role of the State	30
II.3. Quality of Life: Romania 2038	31
II.3.1 Satisfaction with Life	31
II.3.2. Living Standard	32
II.4 Contribution of the State to Romania's Welfare	37
Conclusions: Priority Directions of the Social Development Policy 2038	39

THE SOCIAL CONDITIONS IN ROMANIA: A NEW PRIORITY FOR THE NEXT 20 YEARS

The current *social conditions* in Romania are the outcome of a historical process. The most important factor is represented by the strategic options adopted at the beginning of the transition and that guided the entire process.

Already in the first months of the year 1990 were formulated two possible strategies for the transition.

The Postolache Strategy assumed by the Government in April 1990 contained two fundamental strategic directions: A reform of the economy designed and achieved under supervision for a period of 10 years. It was assumed that the economic reform will be carried out simultaneously with an economic growth. It was expected that structural economic changes would have social costs but that the latter would be compensated by a consistent social policy.

Still, in the process of the Romanian transition another strategy was adopted: A reform centred with priority on fast privatisation, accompanied by social costs regarded as inevitable. The core policy concern was privatisation, without paying attention to re-launching economic development. It was assumed that the privatised economy will ensure economic growth without the intervention of the state. The negative social effects would have to be compensated but only at a minimum that would avoid possible social conflicts. It was explicitly considered that a social support policy beyond the minimum required level would affect the success of the transition's objectives.

The transition objectives in Romania were fulfilled: the reform of the economy, of the political system and of the public institutions, justice, health and education. The outcome is a reformed society, but impoverished and disorganised: fast-paced deindustrialisation, an agriculture that only now must be set straight on a normal development path, public institutions with significant shortages, and a captive state by groups of interests, and exploited by the latter, incapable of preventing the explosion of corruption. The social cost is considerable: loss of jobs, increased migration Western Europe, high poverty but also select groups exhibiting ostentatious wealth, a demoralised population, mistrust in public institutions – a *severely deteriorated social conditions*.

In the new stage in which Romania is entering, alongside rebuilding all economic and social spheres, *the social conditions of Romania/quality of life for the community* severely deteriorated, is necessary to be granted priority attention.

It is obvious that the severe accumulated problems can no longer be ignored in the hope that they will be solved 'automatically'. New issues begin to take shapes which will worsen in the future, and which need to be anticipated and for which preventative actions should be taken.

Solving Romania's economic and social issues through European integration proved to be a dream, as well. Europe is more complex than assumed. Europe provides for opportunities, but also competition of interests to which is added the crisis regarding the vision about the European construction. We begin to understand that, part of the issues faced nowadays by Romania is also because of the confuse policy regarding the European integration process. In this context of European and Romanian crisis, it became clear that Romania's opportunity is to

formulate its own development programme and to act towards its achievement.

The core component of the social conditions of a community is the *quality of life* for the population.

Quality of life is the value of his/her own life for the individual; how good or bad is the life he/she lives as a whole, and on its specific components: the health status, family, profession and job, available financial resources, owned goods, free time, social environment, friends and colleagues, the entire society in which he/she lives. Quality of life represents the global, synthetic quality of all conditions and spheres out of which life is built: the degree to which life offers satisfaction.

Additionally, the concept of **quality of the society** begins to be used. A *good society* is the society providing a high level for the quality of life, a construction of the society centred on the needs and aspirations of individuals.

The thematic of quality of life (QL) launched in the sixties and seventies in the intellectual milieu spread out rapidly also in the collective consciousness and political discourse. Sociology absorbed since the beginning the topic of QL, changing it into a theoretical and empirical research topic. Especially, in the seventies, the Romanian sociology aimed for a wide set of indicators for the quality of life, both objective ones (incomes, consumption, housing conditions, quality of the environment), but also subjective indicators: satisfaction with life indicators, indicators regarding the perceived quality of life in its various spheres.

During the last decades, quality of life became a distinct and priority policy objective at international level. The community needs to become a projector of its own life, and no longer a simple spectator of the economy, thereby making use of the various available resources and disciplining, according to a coherent vision, of all sectors of human life. During the last 10 years, Quality of Life became a systematic concern at EU level, European statistics providing a new opportunity for the comparative evaluation of the QL indicators, and each country being able to compare itself in relation with the other European countries.

In the official documents, at European level, the concept of QL appears in the *Treaty of Amsterdam* (1997) and in the *Europe 2020 Strategy*. In the Romanian policy, the QL topic ranks among the important policy documents: in the *Government Programme 1998-2000* it was stipulated that “the act of governing will pursue the attainment of a decent level for the quality of life”. Other documents referring to the quality of life are: *The Government Programme 2001-2004*, *Government Programme 2005-2008*, *Government Programme 2013-2016* and the *Government Programme 2017-2020*.

The current government programme has at the core of its vision objectives for boosting the quality of life: increasing the material welfare and the quality of life, increasing the incomes of the population, the creation of new jobs and diminishing poverty.

The Programme of the Romanian Academy for the Next 20 Years is an invitation to rethink our future, and the quality of life is set at the core, as scientific and policy objective.

This Report pursues two objectives: *a diagnosis of the current social conditions in Romania (Part I)*, and the *directions for increasing the quality of life in perspective of the year 2038 (Part II)*.

PART I QUALITY OF LIFE: ROMANIA 2015

I.1. Methodology of diagnosis for the current social conditions

We chose to make use of the main social and economic indicators measured in all countries of the European Union as provided by the European statistics.

Relating the current conditions in Romania to the one of Europe indicates what is desirable and possible to achieve, a sound perspective for the objectives and targets set for the 2038-horizon. **The society model** assumed by Romania and by the other former communist European countries was the one of developed European societies. The perspective of accessing the EU stipulated even more accurately this model: a developed Romania, as part of a cohesive Europe.

In order to evaluate the current situation of Romania we shall relate to three groups of countries within the EU:

- **EU 28:** the average of all EU member-countries. The advantage of this indicator is that the European Union policy has as direction for action to create a homogeneous Europe by stimulating convergence towards common standards.
- **EU 15:** the standards of developed European countries provides for a set of targets for the future, proved as achievable. In this group are included countries with a sound development tradition, but also countries that at one time or another were faced with important crises, but countries having, nevertheless a consolidated social-economic structure: Austria, Belgium, Great Britain, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain, and Sweden. These standards are significantly higher than the EU average and Romania should consider them as legitimate aims for the future.
- **EU 8:** the group of the 8 former communist countries that underwent a sensibly better transition process than Romania and Bulgaria: the Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia, and Hungary. By relating to this group of countries, a vision is provided about what was achieved under similar conditions of the transition processes. We did not include in this group Romania and Bulgaria as these countries are faced currently with complex crisis situations, their social-economic conditions being significantly different from the other countries in transition.

I.2. Two Sources of Welfare: Economy and Social Policy

Economy, the foundation for the Quality of Life

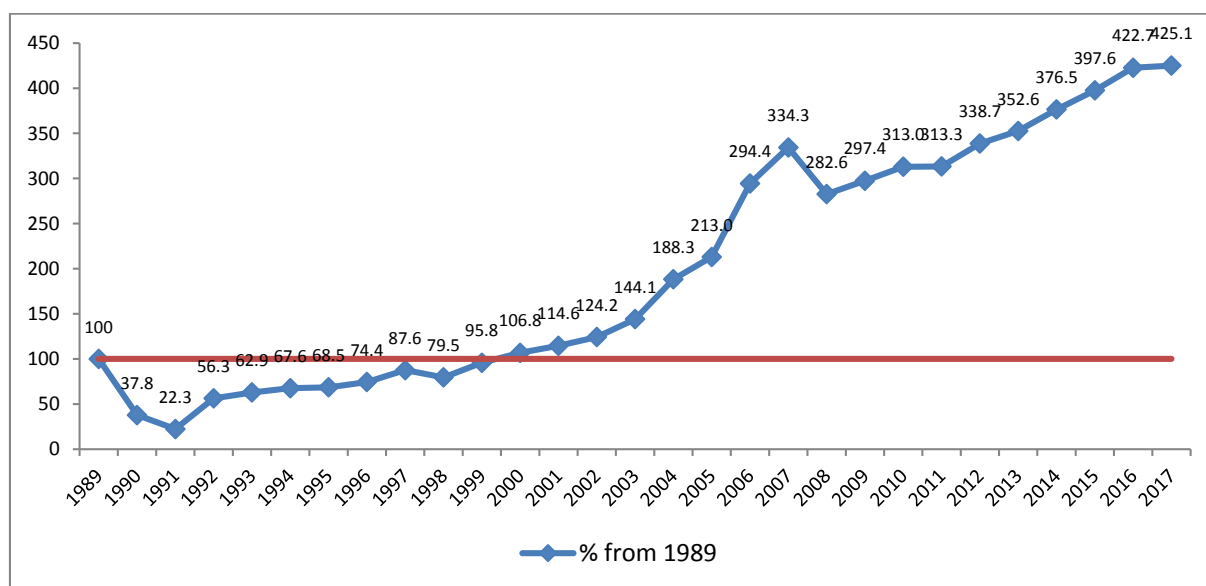
Economy provides the **financial resources** for the living standard within the community: incomes of the population (wages, profit) but also through financing the social functions of the state.

Romania paid the highest cost during transition compared with the other EU member-

states in transition. During the first 10 years of transition (1990-2000), Romania, as opposed to other countries in transition (Poland, Czech Republic, Hungary and Bulgaria), underwent an economic decline with disastrous effects: from a GDP of 42.6 billion Euro in 1989 to 40 billion in 2000 (Figure 1 and Table 1). The restructuring of the economy, the core objective of the transition process, was achieved not by growth, but by disorganising the economy which was pushed into underdevelopment: fast-paced deindustrialisation, disaggregation of the structure of the agricultural economy. The Romanian economy began to undergo a modest recovery in 2001, but this did not save the country from subsequent crises (2008 – 2012).

Romania is the country which recorded during the entire period of 27 years after 1989 the lowest economic growth compared with the main European countries in transition.

Figure 1. Romania's GDP evolution at current market prices as % from 1989 (forecasted for 2017)



Source: *** 2016, *Statistical Annex of European Economy, SPRING 2016*, European Commission, Directorate-General for Economic and Financial Affairs (authors' calculations). GDP 2017 is according to the estimates of the Government.

Table 1. Romania's economic outcomes, and of the other European countries in transition: GDP in 1989, 2000 and 2016

Indicator	Poland	Czech R.	Hungary	Bulgaria	Romania
GDP in 1989 (bn. euro)	64,3	26,9	22,6	11,1	42,6
GDP in 2000 (bn. euro)	186,4	66,6	51,2	14,3	40,8
GDP in 2016 (bn. euro)	432,4	170,7	113,5	45,1	169,4
Multiplication degree of GDP - 1989-2016	6,7	6,3	5,0	4,1	4,0

Source: GDP: *** 2016, *Statistical Annex of European Economy, SPRING 2016*, European Commission, Directorate-General for Economic and Financial Affairs; Multiplication degree of GDP – computed by Mariana Stanciu.

Contribution of the State to Romania's Welfare

One of the great inventions of the 20th century was the *welfare state*. The economy

proved lacking capacity of ensuring alone a satisfying level of welfare for the entire community. The social crisis of the economy at the beginning of the 20th century was the reason for social revolutions and the driver behind the communist movement. The solution for the social crisis of the economy was the communist soviet experiment in the East and, in the West, the welfare state.

In this period of time we are witnessing a rapid increase of the state and a diversification of its social functions. Complementary to the economy, the state assumes an essential role in promoting welfare. It takes over an important part of the financial resources created by the economy and redistributes them under various forms: education and health services, social work, social safety nets, support for families with children, the creation of jobs, social protection of individuals and groups with social risks, support for in risk poverty individuals, and ensuring incomes at the end of the economic life, through the pensions system.

During the transition, one can say that in Romania, the policy actors adhered to a policy blueprint that we called the *policy of the small State*. Contrary to the European vision, the argument of the policy elites was that the State encumbers economy, thus hindering its development. The former President repeated frequently his image of choice “the fat man (the State) riding on the back of the poor man (the economy)” to justify the policy of the small State. The Romanian State was and continues to be “small” as compared with the other European countries. The role granted to the State in Romania is illustrated by the level of its financing as total share in GDP, this being the smallest as compared with the three categories of EU member-countries taken into account in this analysis.

Table 2. Government Expenditures as percentage of GDP (2015)

EU 15	48,5%
EU 28	47,3%
EU 8	42,4%
Romania	35,7%

Source: Eurostat [tec00023]

I.3. Quality of Life: Social Conditions in Romania in 2015

All available data indicate that our country is placed at considerable difference compared to the other European countries on all quality of life indicators, including here the comparison with the other former socialist countries (EU 8).

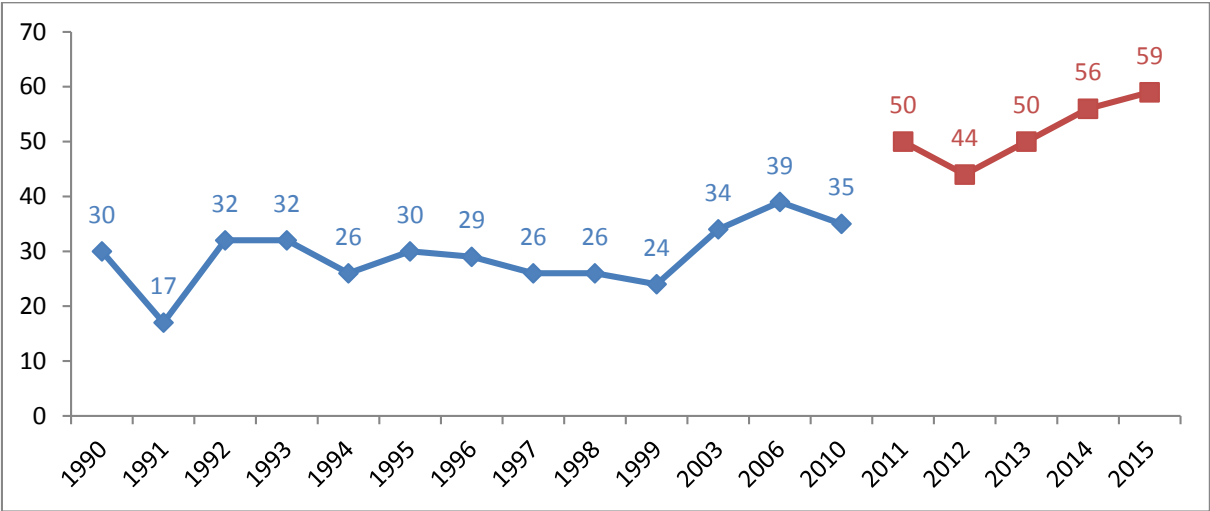
Global Quality of Life: the satisfaction with life indicator

There still isn't an accepted procedure for aggregating the partial indicators into one global indicator for the quality of life. However, the interest for a subjective indicator, the *satisfaction with life* indicator has developed: each individual estimates, by evaluating the global conditions of his/her life whether it is, or not, satisfied. Satisfaction with life depends on the available financial resources but also on the conditions provided by the society: a rational political system, oriented towards the national interest, available jobs and corresponding

wages, adequate social protection, quality public education and health services. This indicator was used not so long time ago only for academic analyses promoted by sociologists. Nowadays, the satisfactions with life indicators start being included into the indicators series provided by the national and international statistics institutions.

The series of indicators for the satisfaction with life realised by the Institute for Quality of Life Research between 1990-2010 record a level of satisfaction with life in Romania which is placed constantly on the negative path: the very satisfied/rather satisfied with their life are placed under **40%** for all these years, just like in Bulgaria, Greece and Portugal with considerable gaps compared to all other European countries (Figure 2).¹

Figure 2. Satisfaction with life: IQLR methodology 1990–2010; EU methodology 2011–2015²



Source: *Diagnosis of the quality of life, 1990–1999, 2003, 2006, 2010, IQLR. Question: “Considering the entire situation, how satisfied are you with your life?” IQLR uses a five grades scale: “1. Very satisfied; 2. Satisfied; 3. Neither satisfied, nor dissatisfied; 4. Dissatisfied; 5. Very dissatisfied”, Eurobarometer: 2011–2014 Scale with 4 grades.*

In relation to the other European countries, the satisfaction with life degree of the Romanians has a wide gap, even if compared with the other countries in transition (EU-8), except for Bulgaria (Table 3).

¹ The satisfaction with life degree is somewhat higher as recorded by the Eurobarometer for the years 2011-2014 and might be the effect of using another scale (respectively 4 degrees instead of 5). The exclusion of the intermediary degree “neither satisfied, nor dissatisfied” has as effect the distribution of options both on the positive and on the negative path.

² The figures represent the share of individuals satisfied with life.

Table 3. Satisfaction with life: share of very satisfied people + satisfied people (2015)

EU 15	83%
EU 28	80%
EU 8	76%
Romania	59%
Bulgaria	47%

Source: Eurobarometer 83 (2015)

The satisfaction with life indicator has a different dynamic compared to the indicators open to continuing increases. Various analyses conclude that a satisfaction with life state within a community that reached a social state of balance between needs and resources is characterised by a distribution **83/17 (SEDA)**: about **83%** of the members of the community express varied degrees of satisfaction and around **17%** are placed on the negative path of the scale.

The distribution of the satisfaction with life recorded by the Eurobarometer in 2015 provides an image close to a 'normal' satisfaction with life distribution: consolidated European countries (**EU-15**) have a satisfaction with life score close to a state of subjective equilibrium: **83%** satisfaction; the former communist countries that seemed to have achieved a relatively good transition (**EU-8**) show a satisfaction with life score close to the equilibrium state: **76%**.

The fact that only **59%** of the Romanians declared being satisfied with their life is an indicator for the imbalance of the social current conditions within the Romanian society.

Living Standard

Employment and quality of employment - The living standard is supported mainly by the incomes obtained within the economy. Therefore, **employment** is the key variable of the standard of living.

The strategy of the Romanian transition had as one of its effects the contraction of the economy. From a very high level of employment opportunities within the economy in 1989 to a dramatic decrease occurred during the following years. In 2015, the employment rate in Romania was 66.0%, smaller than the EU-28 and EU-8 average and one of the lowest in Europe (Table 4).

Table 4. Employment rate: population between 20-64 years of age, 2015

EU 28	70%
EU 15	70,5%
EU 8	71,3%
Romania	66%

Source: Eurostat [lfsi_emp_a]

The most significant impact of transition was on the employment structure. Wage employment which provides higher, relatively certain incomes, accompanied by social and health insurances, diminished to almost half since the beginning of the transition: from over **8.1 million** employees in 1990, to **4.6 to 5.2 million** employees in the period 1990-2014

(Figure 3).

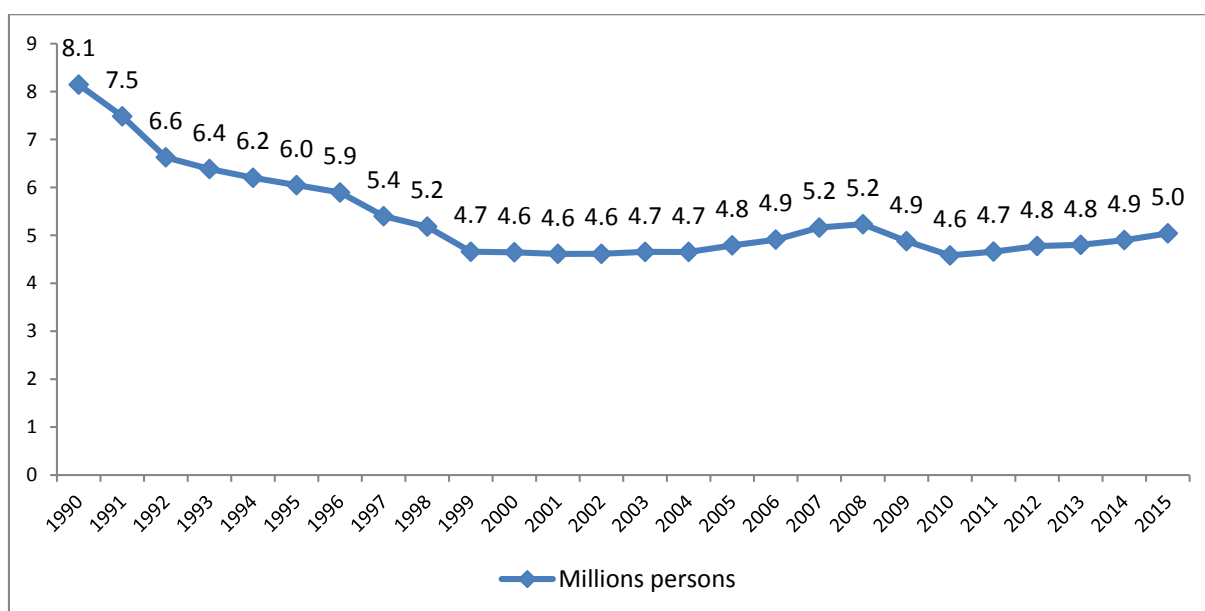
In the area of employment, Romania displays a different situation compared to the other European countries: a high share of unpaid family workers (7,3%) and self-employed who are, to the largest share, all employed in the subsistence agriculture (17,3%) (Table 5).

Table 5. Employment structure 2016 (20-64 years of age)

	Employed	Self-employed	Unpaid family workers
EU 15	85,5	14,0	0,5
EU 8	86,1	13,0	0,9
România	75,4	17,3	7,3

Source: Eurostat, indicator edat_lfs_9906

Figure 3. Number of employees (million persons): 1990-2015



Source: Tempo-online Database [FOM105Aa]

Informal labour in Romania, which provides, in general, precarious subsistence opportunities is estimated between 32 and 36% of total labour within the economy, generating 21% of the GDP, compared to 7-16% of the GDP in EU-28. There are some sectors where the share of informal labour is important: constructions (RO – 21%, EU – 16%), household services (children or elderly care, housekeeping) (RO – 29%, EU – 17%), personal services (RO – 15% and EU – 9%)³.

The decrease of high-skilled employment opportunities generated a phenomenon of underemployment and degradation of existing capacities. Many of the skills from the

³ Special Eurobarometer 284 (2007).

industrial sphere became useless. The solution for many was to return in the rural areas, where they practiced activities for which no special skills were required or migrated for low-skilled work in the West.

Youth employment rate (15-24 years of age) in Romania is 10 percent under the EU average (22.5% against 32.7%). Romania has a high share of youths who are neither in employment, education or training (23.1% against 17.8% EU-average in 2014); at the opposite pole, western and northern European countries have a level for this indicator under 10%.

In Romania, the quality of jobs seems to be amongst the lowest within the European Union⁴. For evaluating working conditions a complex set of factors are taken into account: the physical environment, labour intensity, quality of working time, social environment, skills, perspectives and incomes. Additionally, Romania registers an increased labour intensity (an index with a value of 36, while the European average was 33) and a number of 42 hours worked on a weekly basis compared to the 35 hours worked on average by individuals from EU-28

Employment in agriculture is a critical issue for Romania. The dismantling of cooperatives and land restitution led to excessive fragmenting of exploitations with negative impact on labour productivity. The material base of the agricultural cooperatives and of State owned farms were practically destroyed, and the irrigation system was largely dismantled, while the production went into considerable decline.

The employment rate in the rural area is higher than in the urban one. Over 2/3 of the employed population in the rural area are engaged in self-employed activities and/or unpaid work in the household. The subsistence agriculture is the main form of employment: 54% (TEMPO_AMG1106). Most of these persons represent an extremely vulnerable segment, lacking social and health insurances and struggling at the limits of survival.

In the rural areas of residence over two-thirds of the employed population work predominantly in activities related to agriculture. The weak development of non-agricultural sectors at the level of the rural localities is directly responsible for the persistent over-employment in agriculture. Only in a small part of the localities, as a rule, that are close to important cities, can be found a local economy based on non-agricultural activities, as well.

The rudimentary character of the Romanian agriculture is proved also by the smallest share of wage employment in agriculture (5.2%); in Bulgaria, employees represent 46% from the population employed in agriculture, while in Slovakia their share exceeds 80%. Poland is somewhat closer to the Romanian model; however, it has a double share of employees in agriculture.

Incomes – Incomes represent the core element of the living standard, and one of the most important indicators of the quality of life. The annual income *per capita* places Romania **on the last position in Europe**, at a difference hard to recover in the next years: **25.9%** of the EU-15 countries, but also at **61.1%** of the EU-8 countries, (Eurostat, 2015).

Table 6. Annual income per capita Euro (PPS, gross), 2015

EU 15	32 938
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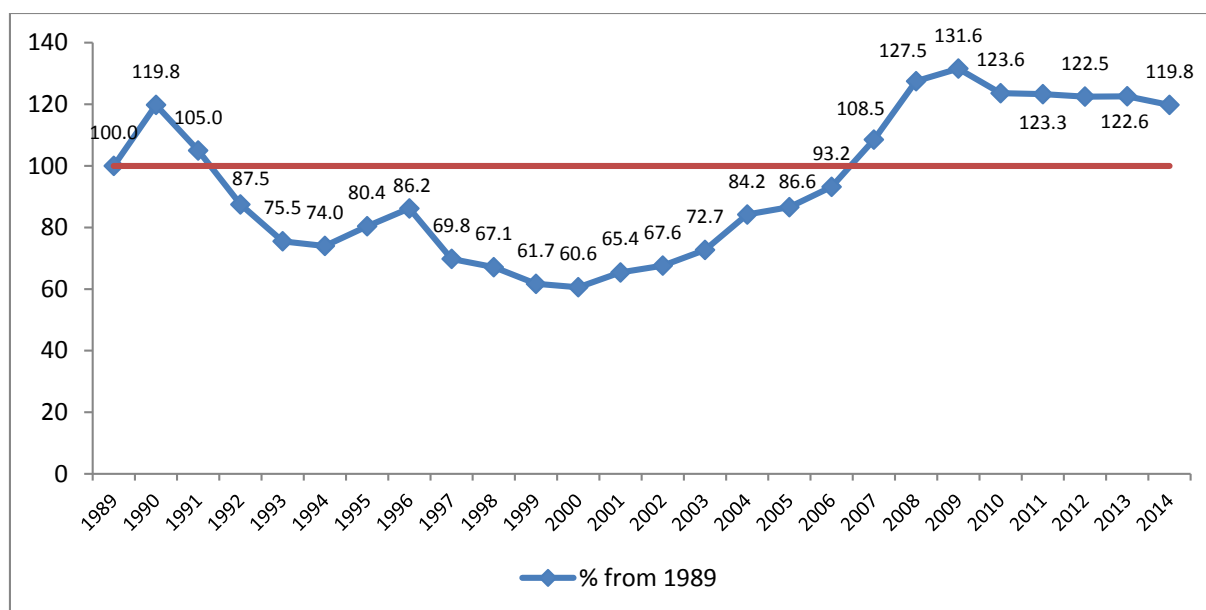
⁴ Eurofound (2016): Sixth European Working Conditions Survey – Overview report, Publications Office of the European Union, Luxembourg.

EU 8	13 962
Romania	8 531
Romania, as % of EU-8	61,1%
Romania as % of EU-15	25,9%

Source: European Commission, AMECO databank

Figure 4 provides a clear image regarding the dynamics of the population's incomes from 1989 up to date. After a peak in the first year of the transitions, respectively in 1990, a continuing decrease followed up to the year 2007, while the minimum was reached in the year 2000 (60.6% compared with the situation from 1989); thereafter, it followed an increase until the 2009, then a new decrease and again an increase in 2015 at a modest level of 122.6% of the year 1989.

Figure 4. Total incomes per capita in the period 1989-2014, 1989 = 100



Source: authors' calculations based on the Statistical Yearbooks 1998-2014

The Income structure – The value of wages is the critical variable for the living standard in present day Romania. During the last 7 years, the share of monetary incomes, especially wages, increased slightly in the total incomes, while complementary there was a decrease of incomes from own consumption.

Table 7. Total incomes structure (100%), 2015

Wages	55,7%
Incomes from social benefits	23,9%
In-kind incomes	12,1%⁵

⁵ 10,7% represent incomes from own consumption and 1,4% are in-kind incomes received by employees and social benefits beneficiaries .

Incomes from agriculture	2,9%
Incomes from independent non-agricultural activities	2,4
Incomes from ownerships and sales of assets from the patrimony of the household	1,3
Other incomes	1,7

Source: NIS, Press release no. 136/ 6 June 2016

Wages – The share of wage incomes in total incomes in Romania was 55.7% in 2015. The minimum wage is, in Romania, more than five times less than in the developed European countries (16.5%), and at half the value of EU-8 (52.7 %).

Table 8. Minimum and average wage (EURO)

	Minimum gross wage (2015)	Average gross wage (2014)
EU-15⁶	1276	3.994
Luxemburg (maximum)	1.993	6.188
Portugal (minimum)	589	1.692
EU-8	411	1,270 ⁷
Slovenia (maximum)	790	2.266
Lithuania (minimum)	300	837
EU-15+EU-8/2	843	2623
Romania	217	661
Romania %of EU-8	588,0%	604,2%
Romania % of EU-15	188,4%	192,1%
Romania % of EU-8 +EU-15	388,5%	398,2%

Source: Eurostat [tps00155] UNECE Gross Average Monthly Wages by Country and Year. The average wage was converted from USD into Euro⁸

Why is the level of wages so low in Romania? The standard explanation in the current public discourse is centred on the confused allegation about the low level of labour productivity. This allegation places the responsibility on the shoulders of the employees. However, the reasons are to be found elsewhere: the collapse of high-value added labour areas (deindustrialisation), the obsolete technology in many sectors and, especially, ill management. Still, a political factor is ignored, as well: the entire transition was dominated by the **low wage policy**. A low level of wages was considered a factor with positive effects on economic growth: it attracts investments, in particular foreign investments.

The pro-profit policy, supported by a weakening of collective bargaining explains the current situation of the relationship between labour and profit. The share of the profit in total newly created value in 2014 was of 62.2% while for the wages was 37.8%. By contrast, in EU-18 the share was 40.9% profit/59% wages, while in EU-8 it represented 39% profit/61% wages, meaning a reversed distribution. In Romania, the position of trade unions is marginalised, making thus comfortable the increase of output by sacrificing labour.

⁶ Data are available for only 10 countries in this category.

⁷ There are no data for Estonia and Latvia

⁸ Available at : http://w3.unece.org/PXWeb2015/pxweb/en/STAT/STAT_20-ME_3-MELF/60_en_MECCWagesY_r.px/?rxid=a9fa5e81-549d-4198-845f-02d7eee8a67b, accessed on 14.01.2017

Table 9. Share of profit in total new created value: Q4, 2014

	SHARE WAGES	PROFIT
EU-18 ⁹	59%	40,9%
EU-8	61%	39%
Romania	37,8%	62,2%

Source: Florin Georgescu, 2016, presentation, in *Romanian, Economic growth, Romania's development and poverty reduction*, p. 13. Available at: http://www.bnr.ro/Prezentari-si-interviuri-1332.aspx?fld_issue_year=2016

The transition was characterised by a considerable wage polarisation: the minimum wage decreased more than the average wage (Figure 3).

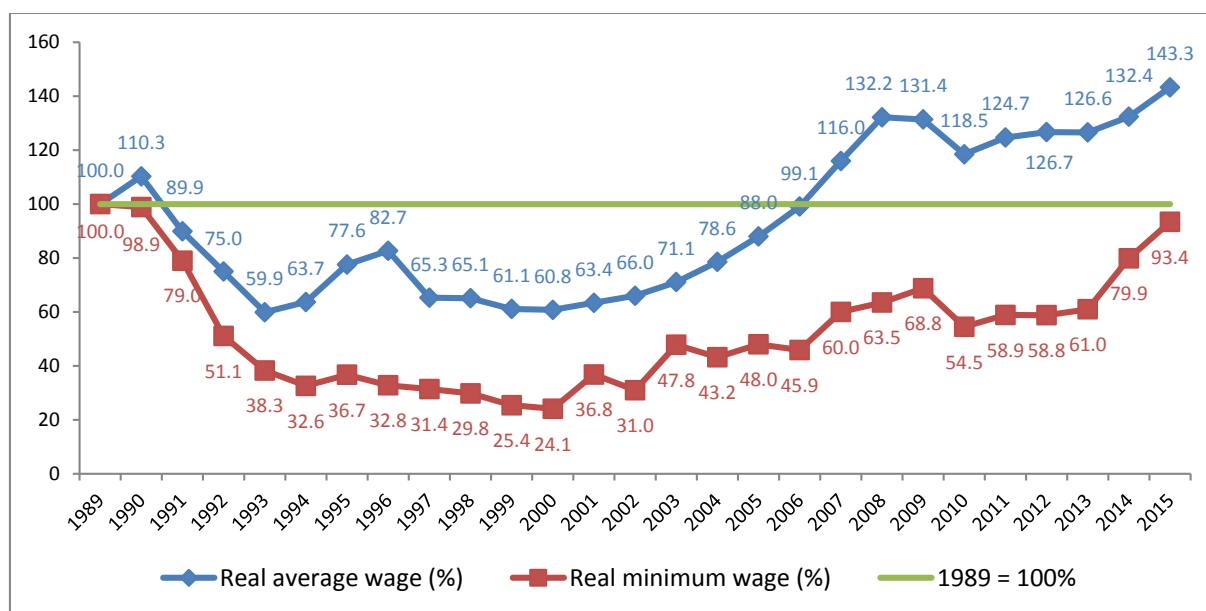
The average wage deteriorated in the first 17 years of transition: after a decrease in 1991, it reached the lowest level in 1993 (**59.9%**) and only in 2007 exceeded the level from 1989 (**116%**) and again a peak in 2015 (**143.3%**).

The communist policy of supporting the minimum wage at a relatively high value was replaced by a downfall of the minimum wage. As opposed to the average wage, the minimum wage had much more dramatic dynamics: a continuing decrease since 1989, reaching an extremely low level in 2000, respectively **24.1%** from the 1989 value and recovering close to the level of 1989 only in 2015.

Maintaining the minimum wage at a much lower level than the average wage is a source for poverty and social polarisation. The in-work poverty of employees also increased.

⁹ Only partial data available: from EU-18 data are available just for 14 countries, and for EU-8 just for 4 countries.

Figure 5. Dynamics of real minimum wage and of the real average wage in the period October 1989 – July 2015 (1989 = 100)



Source: calculated based on NIS data, Bucharest (Adina Mihăilescu)

The experience of the last 27 years does not support the hope that wage incomes will increase automatically as outcome of GDP growth. The data show that a GDP growth of almost 4 times is accompanied by a much more modest increase of wage incomes.

Table 10. GDP and average wage dynamics: 2015 compared to 1990

GDP in Euro	400%
Real average wage	143,3%

Source: NIS, TEMPO-online database.

Social incomes: the policy of the even smaller social state

The evaluations realised by IQLR have shown that since the beginning of the transition, Romania chose a **minimalistic social** policy, unlike the other countries in transition.

The financing of social protection as share of GDP is placed to almost half of the value from the other developed European countries and at considerable difference from the other countries in transition.

Table 11. Share of social protection expenditures in GDP in 2014 (Pensions, Unemployment, Social Assistance)

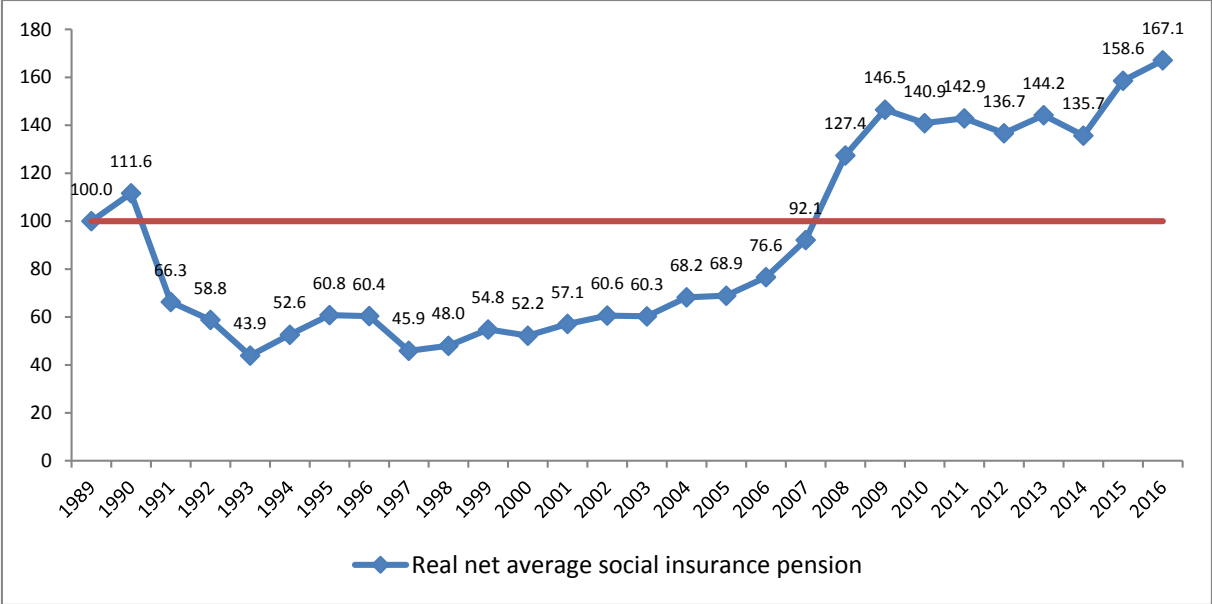
EU-15	19,9%
EU- 8	14,7%
EU-15 + EU- 8/2	17,3%
Romania	11,4%

Source: Eurostat [gov_10a_exp], authors' calculations

A minimalistic policy of social protection is mirrored by the dynamics of social incomes.

These are placed at much lower levels than for the other EU countries. The pension eroded substantially, with massive decreases in 1993 (43.9%) and in 1997 (45.9%) from its 1989 value – Figure 6. The real value of the year 1989 was exceeded only in 2008. Perhaps, the social pressure of the elderly, which is considerable especially during election years, was the factor that hindered an even more hard policy of maintaining pensions to even lower levels.

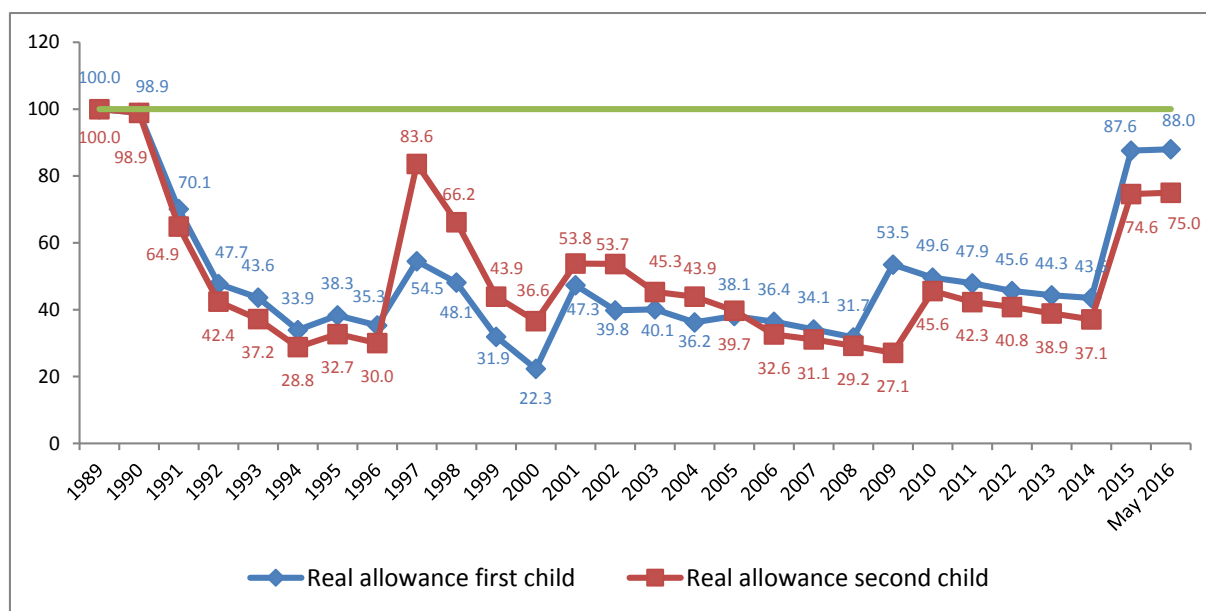
Figure 6. The evolution of the real net average social insurance pension in the period October 1989 – June 2016



Data source: absolute values in Lei of the social insurance net average pension in Lei are taken over from the Statistical Yearbooks of Romania 1990, 1991...2015, NIS, Bucharest. The indices of the social insurance net average pension since the year 1989, the price indices compared to the value from 1989 and the indices of the social insurance real net average pension were computed by A. Mihăilescu, SRII, IQLR

The child allocation depreciated massively after 1989 without ever reaching the initial level, not even at present – Figure 7.

Figure 7. Child allowances as % of the initial value of the year 1989



Source: the absolute values of the allowances were taken from the website of the Ministry of Labour, Family, Social Protection and Elderly. The indices of the allowance for the first child compared to the year 1989, the price indices compared to 1989 and the indices of the real allowance for the first child were computed by A. Mihăilescu, SRII, IQLR.

The public attention paid to children and family in Romania is very low, in relation to the European standards.

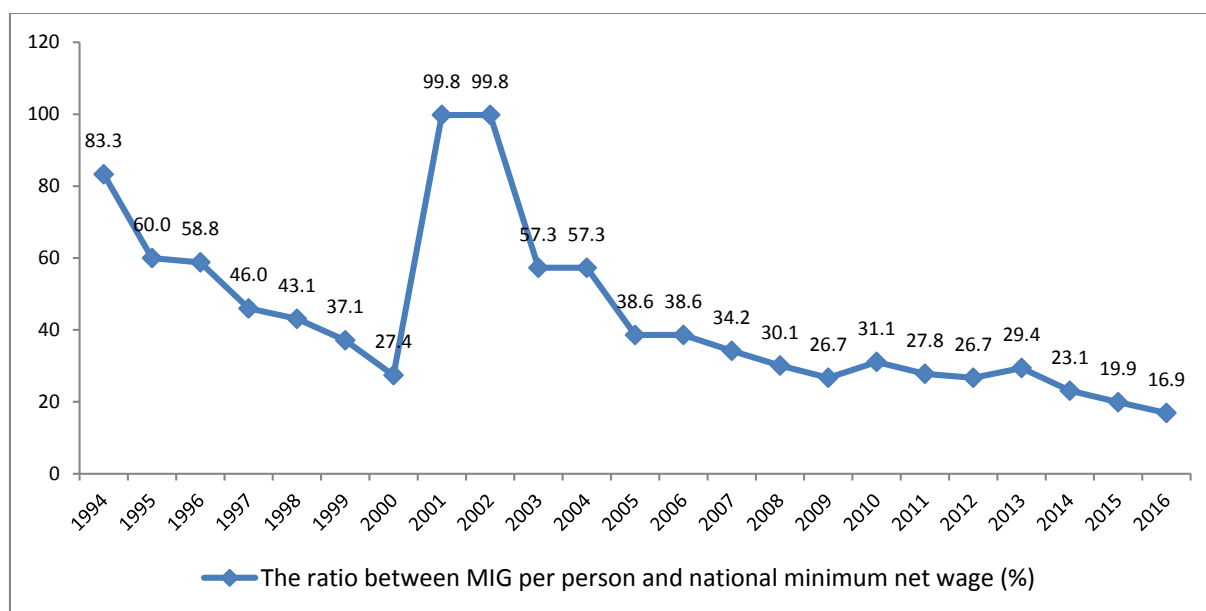
Table 12. Share in GDP of the expenditures for social protection allocated to family and children in 2014

EU-15	2,1%
EU- 8	1,5%
Romania	0,8%

Source: Eurostat,[spr_exp_gdp]

The **minimum guaranteed income**, the most important instrument in alleviating severe poverty which was implemented in 1994 after many political reluctance; initially at a rather high level but diminished its value continuously thereafter – Figure 8.

Figure 8. Value of MIG for a person as % from the national minimum net wage



Source: http://www.dreptonline.ro/legislatie/legea_venitului_minim_garantat.php, and of minimum wage and http://ec.europa.eu/eurostat/statistics-explained/index.php/Minimum_wage_statistics/ro <http://www.mmuncii.ro/j33/index.php/ro/legislatie/venituri-salariale>, calculated by Adina Mihăilescu

All social functions of the Romanian State were subjected to chronic under-financing.

Table 13. Share of public expenditures for education and health as percentage of GDP in 2014

	Health	Education
EU-15	7,2%	5,3%
EU-8	5,0%	5,3%
Romania	4,0%	3,0%

Source: Eurostat [gov_10a_exp]

In the field of education, high convergence is noticed within EU, but Romania is an exception. In the field of health, as well, Romania differences itself from the other European countries.

I.4. Governance Quality/ Functioning of Democracy in Romania

The public system – Presidency, Parliament, political parties, Government, town-halls, public services – are part of our daily life and with significant either positive or negative effects on it. Currently, there are no indicators based on objective, measurable data regarding the quality/efficiency of the public system’s functioning. However, the population can make evaluations based on their daily experiences.

All surveys highlight the fact that the Romanian’s **moral** is extremely low: demoralisation and disappointment, mistrust in the crucial institutions for the functioning of

society. However, it is surprising that the European Union does not perform much better either.

Table 14. Trust in institutions 2015

Institution	Trust - EU28	Trust – EU15	Trust – EU8	Trust – RO
Justice, legal system¹⁰	52%	62%	40%	48%
Police	69%	75%	58%	49%
Army	71%	73%	64%	76%
Local or regional public authorities	47%	52%	45%	42%
Political parties	16%	21%	11%	13%
Parliament	31%	40%	21%	18%
Government	31%	38%	28%	27%

Source: Eurobarometer 83, 2015

In Romania's current context, politics is the key-factor. 'The political class' is facing a visible deep crisis. This class is regarded as responsible for the wrong orientation of the society, and for the State's malfunctioning. The majority of the population is dissatisfied with the way in which democracy functions in Romania in 2015: **84%** of the Romanian population don't have trust in political parties, the key-element of democracy.

The Romanian society risks to be politically fractured not between classes and social groups but between population and political/public institutions affected by corruption and incapable of delivering hope about a credible programme for circumscribing the country on the path of development.

The core issue of the political system is the articulation of a credible vision regarding the direction to which the country is committed. During the entire period of transition, the majority of Romanians considered that the direction taken by Romania was wrong. Nevertheless, some variations can be noticed: during the periods in which governments provided for hope, the people were more optimistic, but always the pessimists constituted the majority.

Table 15. Direction the Society Is Heading Towards

	DECEMBER 2016 (IRES)	DECEMBER 2015 (INSCOP)	2010 (IQLR)
Wrong direction	61%	52%	80%
Good direction	34%	34%	10,5%

Events in recent years have brought an objective proof regarding the ill functioning of the public system. Some experts estimate that the Romanian State during transition has a distinctive profile characterised by the fact that it represents also a mechanism of exploiting the public resources by groups of interest with high tolerance for the various forms of corruption. In the academic literature, very often are used tough characterisations of the current Romanian state: *neo-feudal state or captive state*. In the context of the present scandal regarding the functioning of the judiciary system the formula *corrupt state* circulates around with a high degree of public credibility.

¹⁰ The estimations of the Romanian regarding the judiciary system is made before the current crisis.

The concern strengthened that we are affected by a quick process of *bureaucratization* which hampers the efficient functioning of society. The exclusive emphasis on **procedures** of granting/evaluating programmes/public policies additionally to the low level of attention paid to **evaluating** their **efficiency** has significant distorting effects.

During the last period, several synthetic indicators are promoted for the social policies of the EU countries. For all these indicators, Romania is placed on the last positions. This is the case for the *social justice*¹¹ indicator where Romania's score of 3.9 is placed on the 27th position within the EU, behind Greece with a score of 3.7, compared to the EU-15 score of 6 or EU-8 with a score of 5.8.

Quality of the human environment

'The other' is an important source in everyone's life. The quality of the people is a condition with special effect on the quality of life. The collective **moral** comprises a set of indicators regarding the quality of the others: the quality of interpersonal relationships, the respect paid to the others, the confidence in the others and the support expected in case of need, the appropriateness of the human environment.

Some data indicate that the period of social transformations of the last decades had negative impact on the moral of the community. In spite of this fact, we notice also a positive surprise. If trust in the political system is among the lowest in Europe, the Romanian community despite difficulties it is faced with, continues to have trust in 'the other people': in 2012 an year of deep social crisis, **trust in the others** is placed at the European average, one of the few performances of Romania: **5.0**, compared the EU average of **5.1** on a scale from 1 to 10. The countries with the highest levels of *trust in the others* are Finland and Denmark (7.1, respectively 7.0) followed by Sweden, the Netherlands, and Iceland (6.4 and 6.3). At the opposite pole, the lowest levels of trust are registered in Cyprus (1.9), followed by Macedonia (3.6)¹².

Quality of the built environment: city, village, territorial organisation

The built environment is the outcome of aggregated past efforts, a life environment with positive or negative impact. We will not insist in this area. All data indicate that the development policy of public services both for villages and cities is critically lacking. The public disappointment reached high levels against the failure of developing an efficient and quality system of public roads. It seems that only in the last few years the quality of town-halls operation has underwent a significant improvement, noticed as such by the public.

Quality of the natural environment, changed either positively or negatively by past generations

There is no need to bring arguments about the fact that the natural environment, and the built one as well, provide a framework for life and that their quality is a significant component for the quality of life. Other studies are dedicated to the analysis of this field. However, we considered as fit to mention this area of concern here as a significant component

¹¹ The indicator is composed based on 6 indicators: social prevention, equitable education, access to labour market, social cohesion and non-discrimination, health and intergenerational justice.

¹² Source: EQLS 2012 (European Quality of Life Survey), on a scale from 1-10.

for the quality of life.

Quality of the world

We are all living in one ‘world’ that can be supportive or indifferent, if not hostile at times, dominated by consensus and collective development mechanisms or by destructive competition where the gains of some are achieved based on the losses of the others. A more organised world at various levels is essential. The European Union is an important instance of common organization of nations. We accessed the European Union on the assumption and with the confidence that we will find within it a supportive sphere which by itself is a resource for increasing the quality of life for everybody. However, concerns appear lately also against the West and these seem to spread out increasingly. Any system has its own pathologies and negative impact potential. Many countries of the EU begin to express considerable doubts and critics. For the first time, instances emerge in which one nation or the other examines the alternative chance of exiting the EU. It is a certainty that EU enters into a new stage of mature responsibility or disaggregation.

All spheres of collective and individual life are distinct sources for the quality of life. In given moments some might become more important or less important in configuring the quality of life.

I.5 Social Issues to Solve in the Next 20 Years

In the next 20 years Romania has common ‘growth’ objectives for any modern community, but is also faced with some severe social issues inherited from a history full of failures: poverty, social inequality, migration, and socio-economic situation of the Roma population.

I.5.1 The issue of poverty: amplitude and reabsorption perspectives

The most important social cost of transition was the poverty encompassing a large part of the community. Poverty **has skyrocketed** already in the first years of transition: 1991-1993.

IQLR estimate, 1994¹³:

* Relative poverty (under 60% from the average income ¹⁴ per capita:	41.2%
* Poverty rate (IQLR method):	49.3%
* Discontent with life:	50.2%
* Discontent with incomes:	68.1%

After 2000, the population benefitted somewhat less and relatively unequally from the beginning of the economic growth. Despite the multitude of national anti-poverty strategies

¹³ Zamfir, Cătălin (1994), *Dimensiuni ale sărăciei [Dimensions of Poverty, in Romanian]*. Bucharest, Expert Print House.

¹⁴ In the methodology of that time, the estimates used the relation to the average of incomes, not their median.

and plans, the amplitude of poverty was maintained during the entire period of transition at very high levels in relation to the other European countries, respectively around 40% of the entire population.

The European statistics indicate extremely high levels of poverty in Romania which are almost double the level in other European countries.

Table 16. Indicators of poverty, EU methodologies, 2015

<i>INDICATOR</i>	
Risk of poverty and social exclusion (RPSE)	EU- 15 – 23%
	EU- 8 – 23,5%
	Romania - 37,3%
Relative poverty rate	EU- 15 – 17,%
	EU- 8 – 16,9%
	Romania - 25,3%
Severe material deprivation (SMD)	EU- 15 – 7,2 %
	EU- 8 – 10,3 %
	Romania – 22,7 %
Poverty risk rate for children under 18 years of age	EU- 15-20,4%
	EU- 8-20,8%
	Romania-38,1%
Poverty risk for families with 3 children and more	EU- 15 - 24,5%
	EU- 8 - 30,2%
	Romania - 69,5 %
Poverty risk for families with 2 adults and 2 children	EU- 15 - 13,5%
	EU- 8 - 15%
	Romania - 31,1%

Source: EUROSTAT (*Income and Living Conditions*)

The social group most affected by poverty is the children's group with a large difference compared to the other European countries.

The amplitude of poverty was caused by a mix of 3 factors: *loss of jobs, deterioration of main incomes, wages and pensions and a social protection policy placed at a very low level.*

The data lead to a worrying conclusion: **work** does not represent a safe path for avoiding poverty.

Table 17. In-work poverty within the EU- and in Romania¹⁵ 2015

EU-28	9,5%
EU-15	9,3% ¹⁶
EU-8	8,4%
Romania	18,6%

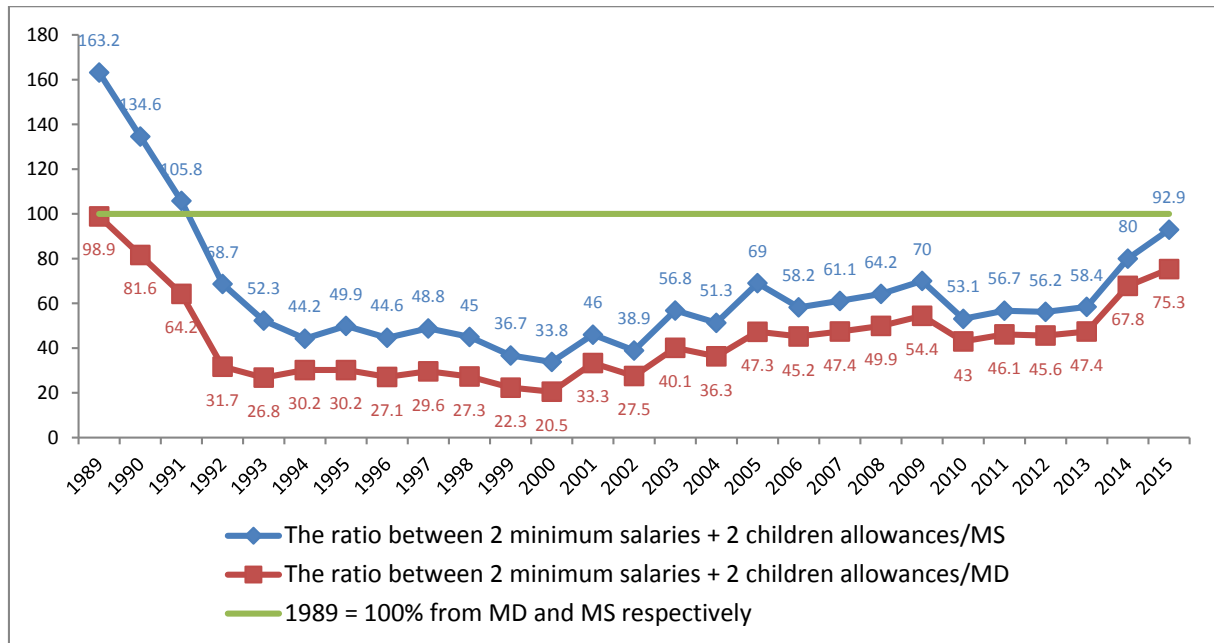
Source: Eurostat, EU-SILC, cod de date online [ilc_iw01]

¹⁵ The in-work poverty rate represents the share of individuals with an available equivalent income under the threshold of the poverty risk established at 60% of the equivalent median income.

¹⁶ For the year 2014

The IQLR computations highlight the impact on poverty of the mix between minimum/average wages and children's allowances. IQLR computed as of 1989 two minimum consumption baskets: *the minimum decent living basket* (MD) and *the minimum subsistence basket* (MS).

Figure 9. Dynamics of the living standard for a family-type of 4 individuals (2 minimum wages + 2 children allocations) in relation to the minimum decent basket (MD) and to the minimum subsistence basket (MS)



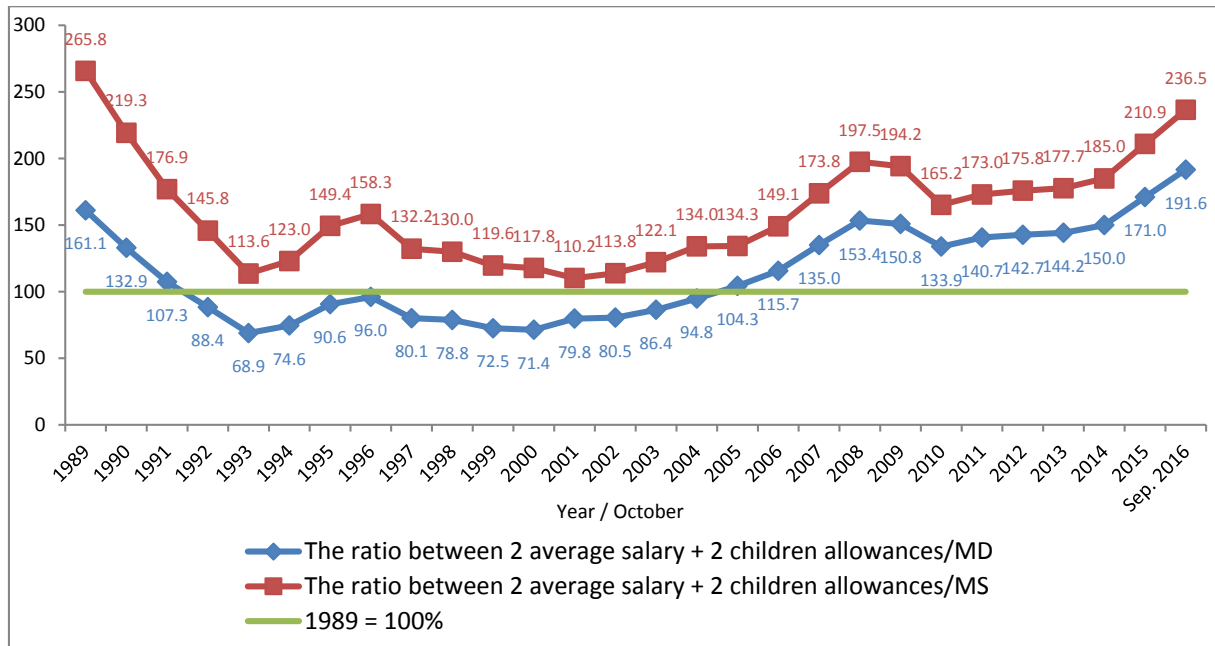
Source: calculations realised by A. Mihăilescu, IQLR

The minimum decent living standard was ensured only in 1989 for the family-type 4 individuals with 2 minimum wages and 2 allocations for children. In 2015, for this type of family, the minimum wage and allowances ensured only 75% from the minimum decent for living.

In 1989 this type of family exceeded by far the minimum subsistence required. During the transition, the material situation worsened and only in 2015 it succeeds in closing the gap to the minimum subsistence level, however without exceeding it yet.

These data lead to an important conclusion: during the entire period, the minimum wage is not a factor contributing to escape from poverty. It does not ensure a decent living standard level, except for the years 1989 and 2016.

Figure 10. Dynamics of the living standard for a family-type of 4 persons (2 average wages + 2 children allocations) in relation to the minimum decent basket (MD) and to the minimum subsistence basket (MS)



Source: calculations realised by A. Mihăilescu.

The average wage (2 average wages, the standard situation of the ‘middle-class’), as well, ensures a minimum decent living standard for the majority of the transition years, but there are some years during the most difficult period of transition (1992-2004), when this type of family was placed significantly under the minimum decent living standard.

The anti-poverty policy has a low efficiency as compared with the other European countries. While former socialist countries like Hungary or Slovenia succeeded in diminishing by over 11% poverty through social transfers, in Romania this percentage does not exceed 4%.

Table 18. Efficiency of social transfers, other than pensions in reducing poverty

Country/group of countries	Post-transfer poverty rate	Pre-transfer poverty rate
EU- 15	17,1	26,5
EU- 8	16,9	24,1
Romania	25,3	29,3

Data source: EUROSTAT, 2015.

1.5.2. Social inequality

During the entire transition, we have witnessed an increase of social inequalities in all former communist countries. If, in 1989, the standard indicator for social inequality, GINI, of the former socialist countries was 22, in 2015, the same indicator increased to **30**. Within this group, we find significant differences regarding inequalities. If in some countries, like the

Czech R. and Slovenia, the level of the inequalities remained at a constant low level during transition with a GINI index close to the one of the Scandinavian countries, known for their equitable distribution of incomes, the other countries experienced an explosion of inequality, as is the case for Romania, Bulgaria and the Baltic States. Romania is among the most non-equalitarian societies from all EU member-states, with a GINI index of **37.4** in 2015, being surpassed only by Lithuania (37.9).

Table 19. Income inequality index, GINI, 2015

EU-15	29,5 ¹
EU-8*	30,0
Romania	37,4

Source: own computations after Eurostat, *ilc_di12*, *ilc_di12b*, *ilc_di12c* oct.2016

1.5.3. Labour migration

Especially after Romania's accession to the EU, the migration estimated to about three million and a half individuals underwent a boom with destructive effects on the Romanian economy and society. The main emigration reason is represented by the lack of jobs and the small wages in relation to the European standards. An overwhelming share of the Romanian migrants, over 85%, is within the European Union and Italy and Spain host more than a half of them. From among the other former communist countries accessing the EU, Romania and Poland are the main migration sources. But, when migration is put in relation to population, Romania is closer to Bulgaria and the Baltic States. Migration from Romania does not seem to slow down significantly, nor the return migration increased considerably.

The emigration of highly educated persons seems to be a phenomenon on increase. The highest visibility, with regard to migration, had been the *migration of physicians*. The migration flows will probably follow the already mentioned and current trends, if not even more accentuated: the emigration of highly educated persons towards unskilled labour in the West. *Return* is possible to undergo an ascending trend, but only after the pensioning of the migrant waves that left the country at the beginning of the years 2000.

1.5.4 The socio-economic situation of Roma

The Roma population, due to the precarious socio-economic conditions faced by the most part of this population, is one of the sever concerns of the Romanian society.

Most estimates converge to about one million Roma (4.5% from the population)

Various research concludes that Roma were possibly the most affected by the negative effects of transition. The deterioration of the living standard of Roma after the year 1989 is the outcome of economic restructuring as they accumulated the effects of a vicious circle of poverty which combines deficits of occupational opportunities, low education levels, low employment levels, precarious housing, and lack of access to quality public services.

The risk of poverty rate is nearly three times higher (84%) for the Roma than among their non-Roma neighbours, and almost four times higher than the poverty risk rate calculated at national level (22%). The share of Roma households who experience severe material

deprivation is 90%, nearly three times higher than the national percentage¹⁷. The nineties were characterised by the political awareness about the Roma. Political changes occurred on several directions: support for the political affirmation of Roma at national and European level, opportunities for reviving the Roma culture, inclusion into the public administration of Roma experts, and access to granted seats for Roma in education at all levels.

The first coherent policy for improving the Roma situation was elaborated in 2001, for a period of 10 years, and it aimed to diminish the gaps between Roma and the other population groups in four fields regarded as crucial: education, health, housing and employment. The most important support policies were developed in the fields of education (subsidised enrolment in high-schools and universities, setting up the occupation/function of school mediator), health (setting up the position of health care mediator) and employment (job fairs for Roma, the employment caravan for Roma). However, the lack of budget resources, but also of some concrete positive outcomes led to estimating these policies and programmes as being most times incoherent, unsustainable, and especially not integrated.

The new inclusion strategy of the Romanian citizens belonging to the Roma minority for the period 2012-2020 aims for more clear targets and adequate budget allocations but is more oriented towards accessing European funds while leaving the task of attracting funds and developing programmes to the local authorities and NGOs that do not have the necessary capacity of accessing these funds. This strategy segmented the effort, lacking an integrated approach and sustainability of the interventions, while their efficiency remains unclear.

After 15 years of public policies addressed to the Roma minority, the situation of Roma does not seem to improve significantly. The employment rate for the Roma population is of 35.5% by 30 percentage points lower than the general employment rate in Romania. In the field of health, 45.7% out of the Roma children do not benefit of compulsory vaccines included in the National Immunisation Programme, and over 50% of these children did not receive even one single vaccine.

The lack of development opportunities is even more visible in the case of Roma communities in the marginalised rural and urban areas. Moreover, Roma are over-represented in these areas. For instance, in accordance with the atlas of the marginalised rural areas elaborated by the experts of the World Bank, from among the 564.000 persons living in these marginalised rural areas (individuals with low education level, precarious health condition and many children in care who also have low employment levels in the formal sector and live in precarious housing conditions), 151.000 are Roma (27%). Often, these Roma communities are found in compact areas at the outskirts of the village, forming actual 'pockets' of severe poverty. The demographic trend of these communities seems to be increasing.

Almost one third of the Roma with residence in the urban area live in marginalised urban areas, in historical areas of the cities or in 'slums', improvised houses built at the limits of peripheral districts. The areas inhabited preponderantly by Roma were formed, mainly, by means of two mechanisms: either as outcome of internal migration from village to city while seeking for work opportunities, or by administrative decisions of relocation that were taken by town-halls.

It becomes increasingly obvious that the adoption of coherent national strategy is necessary for supporting the Roma population.

¹⁷ World Bank (2014) Diagnostics and policy advice for supporting Roma inclusion in Romania. Washington: The International Bank for Reconstruction and Development.

Part II. Directions/Objectives/Targets for the Quality of Life: Romania 2038

The transition process, to which is added also the EU accession, is by now concluded. We enter, inevitably, into a new stage of Romania's history: a new project of social-economic development is thus necessary along with a reconsideration of the strategies up to date.

II.1 The European Reference Frameworks: Current situation and objectives/targets for 2038

How might we project the future we aim to achieve? The modern history of Romania was constantly during the last centuries oriented towards assimilating the acquisitions of the advanced Europe. By EU accession we intended to align ourselves, in terms of development, to the European standards.

For almost all indicators regarding quality of life, Romania is currently showing a significant gap compared to the levels achieved by the other European countries. By relating the current conditions of Romania on various relevant indicators to the current conditions of the European Union, we aim to show what is desirable and possible to achieve, respectively a sound perspective in formulating the objectives and targets for Romania in 2038.

If the socio-economic development process of the entire Europe will continue for the next 20 years, as it is expected, all European countries will register increases of their performance indicators. We must consider, as well, the fact that some increases achieve higher thresholds but, thereafter, growth slows down. If in the next 20 years we are able to close the gap against the current average of developed European countries for all quality of life parameters, than we may estimate that Romania achieved the aimed we proposed.

- **Maximum performance: EU-15.** The current performances of consolidated European countries provide for very high standards in relation to the current state of Romania. Attaining even the current performances of the EU-15 group is a possible performance but under favourable conditions and with particular efforts. The gap between Romania and the EU-15 in 2038 will be maintained but, we hope, at least reduced substantially.

- **Minimum, modest performance: exceeding the current performances of EU-8.** The current standards of EU-8 are higher than the ones of Romania nowadays, but their achievement will be accomplished by our country in the near future, long time before 2038. The minimum performance level for our country would be surpassing, even if at modest levels, the current performance levels of EU-8 in the next 20 years.

- **Realistic, most probable performance:** it could be estimated for several indicators as average of the current performances of the two groups, EU-8 AND EU-15, but a lot closer to closing the gap against EU-15. The EU-28 average, as well, might be used as reference framework for the next 20 years as all European countries seem involved into a convergence

process.

Of course, there is the possibility of Romania's stagnation in the current crisis, respectively into a state of underdevelopment.

Romania's social development in the next 20 years will not be achieved only by improving all development indicators that were taken into account. It will require also solving some of the inherited major problems. Such severe problems that we are faced with and that will need to be reabsorbed significantly in the following years are: chronic underemployment, poverty, increased migration, the social-economic situation of a significant part of the Roma population, and the housing crisis.

II.2. Main Resources for the Quality of Life 2038: Economy and the Role of the State

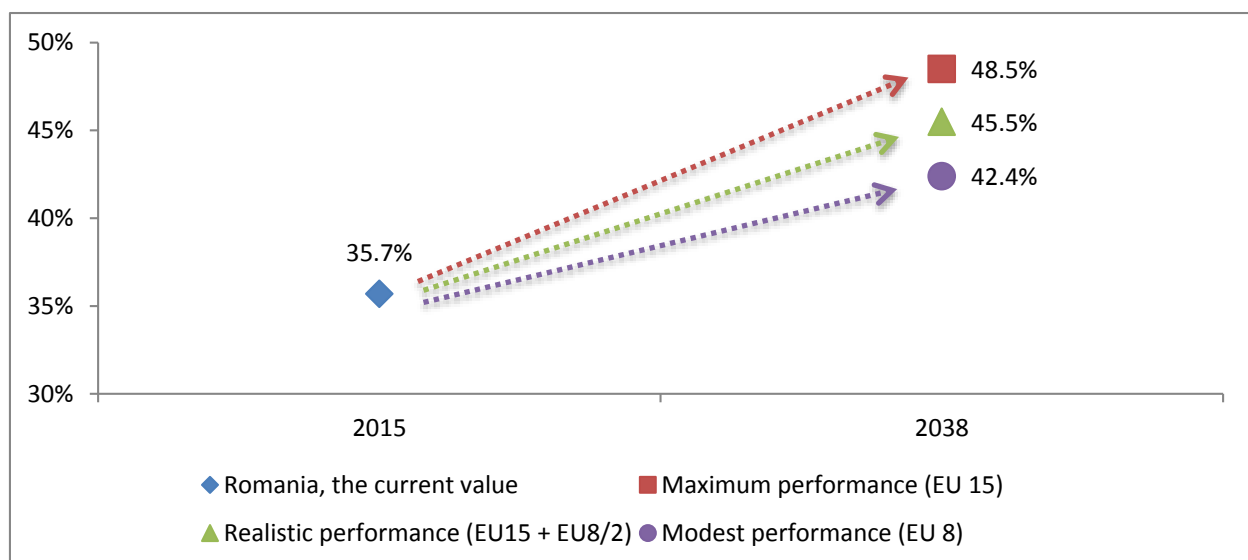
Economy

We might consider as realistic the presupposition that Romania's economy for the next 20 years will continue to increase, probably at a higher rate than in other European countries. According to what the data imply, the less developed economies which have recently accessed the EU have higher growth rates during the first periods than the other European countries.

Role of the State: 2038

The structure of the Romanian State, including of the social functions, but for few exception, is similar to the one of other European countries. However, substantial differences are at the level of the budget financing. The critical variable of the programme for the next 20 years of the new vision is replacing the **small budget** philosophy with the philosophy of **increasing the budget at the level of the European standards.**

Figure 11. Performance projections: government expenditures (% of GDP), 2038



Source: Eurostat [tec00023], own computations of the authors

Increasing the dimension of the State can be achieved, but gradually, based on designed planning. This presupposes several changes of financial policy, therefore posing a lot of difficulties. Political will is essential in this process.

Complementary to increasing the budget as % from GDP, an important resource of the quality of life is increasing the efficiency in using existing budgetary resources, the considerable diminishment of waste and, especially, firm elimination of the mechanisms for public money embezzlement.

II.3. Quality of Life: Romania 2038

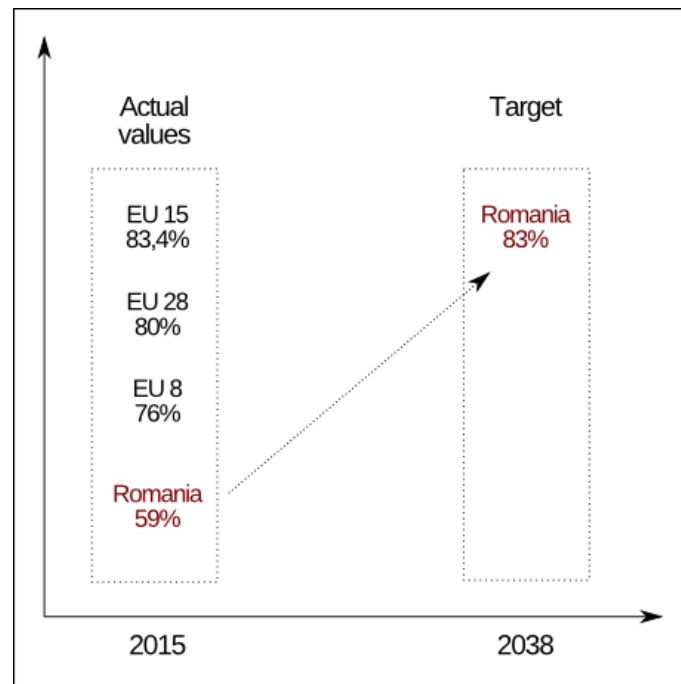
How could/should Romania look like in 2038 from the viewpoint of citizens' quality of life and from the viewpoint of a society of quality?

II.3.1 Satisfaction with Life

The satisfaction with life indicator, as seen in Part I, indicates a state of social balance. Developed European countries (EU-15) are characterized by a state of social balance measured by means of the subjective perception of the population: about **83%** of the people are satisfied with their lives. Romania is placed slightly on the positive path of the scale regarding satisfaction with life, but with at a considerable gap with respect to a balanced social status.

As it is not a state of unlimited growth, but of social balance, for Romania, the target of the satisfaction with life indicator of about 83% is achievable. Even if the level of economic development will not reach the one of the developed countries, the community will consider that a reasonable economic level has been achieved, that would provide for decent living. Moreover, awareness would be achieved about what is possible and that the society is ruled by honesty, and that the democracy is functional, thus Romanians experiment a higher level of satisfaction with life. Such a state of regaining trust cannot be achieved on short periods of time, but is achievable in the next 20 years.

Figure 12. Performance projections: satisfaction with life: % persons with a high degree of satisfaction with life



Source: Eurobarometer 83

The society we aim for in 2038 cannot be guided by the achievement of economic growth at any cost, but rather guided by goals to reach a **prosperous and balanced Romania**. This model may offer a more cohesive society with developments recorded for all its components.

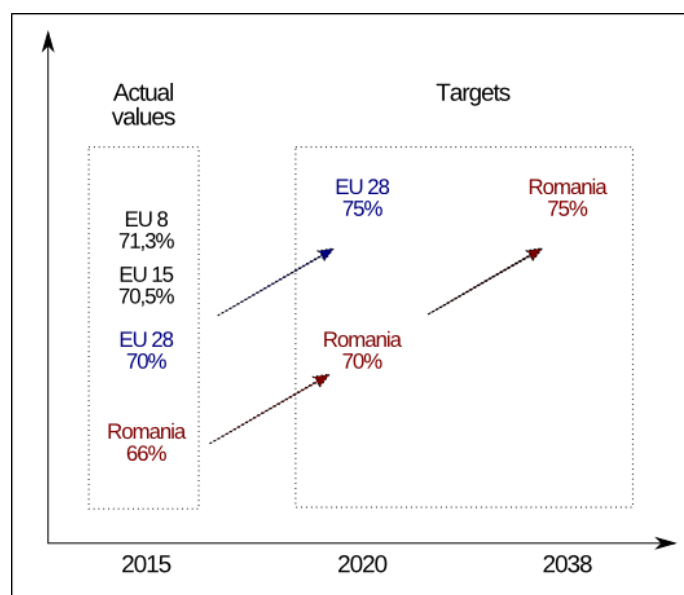
Therefore, the continuing evaluation of the dynamics of the *satisfaction with life* indicator is the key for monitoring the progress process regarding quality of life.

II.3.2. Living Standard

Employment: The other countries in transition succeeded in undertaking economic reforms by maintaining a high level of employment. EU intends to increase its the employment rate by 2020.

The regular target for 2038 will be, therefore, increasing employment at the level suggested by the other European countries: **75%**

Figure 13. Performance projections: employment rate: population aged between 20-64 years



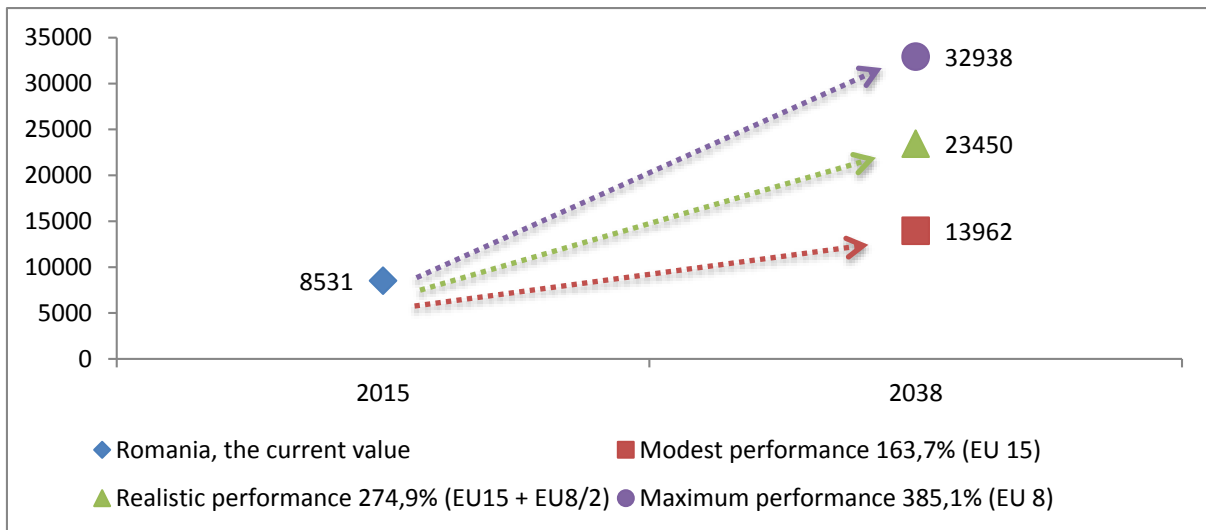
Source: Eurostat [t2020_10].

Increasing the employment opportunities must be achieved based on a package of distinct measures:

- One *quantitative* target: increasing the employment rate. An active policy of creating new jobs and, especially, increasing the share of paid employment.
- Increasing the *quality* of employment might be achieved mainly by reorganising the economy's structure: increasing the share of high value added economic activities. Certainly, these objectives may be achieved especially by reindustrialisation.
- Decreasing the marginal forms of employment, especially of those in the subsistence agriculture; reducing informal employment and eliminating precarious employment.
- Improving working conditions, hence increasing the *human quality of work*.
- Special attention needs to be paid to increasing employment opportunities for individuals in disadvantaged groups: youths, individuals of over 55 years of age, Roma, and persons with disabilities.
- Increasing active labour market policies financing: from **0.02** (Romania's level in 2014) to **0.46** (EU-15 and EU-8 average in 2014).
- Stabilising the active Romanian population: decreasing labour migration and stimulating return migration.

Available **income per capita** places Romania on the **last position in Europe: 61.0 % in EU-8; 26% in EU-15**. The target for 2038 regarding population's incomes will need to be placed around the EU15/EU8 average: **23 450 Euro (PPS)**, which implies an increase by almost 3 times.

Figure 14. Annual income per capita Euro (PPS, gross), 2015



Source: European Commission, AMECO databank

The incomes might increase by redirecting a package of **3** policy options: increasing the value of labour, resetting the relation between economic growth and population's incomes growth, increasing the negotiation power of employees.

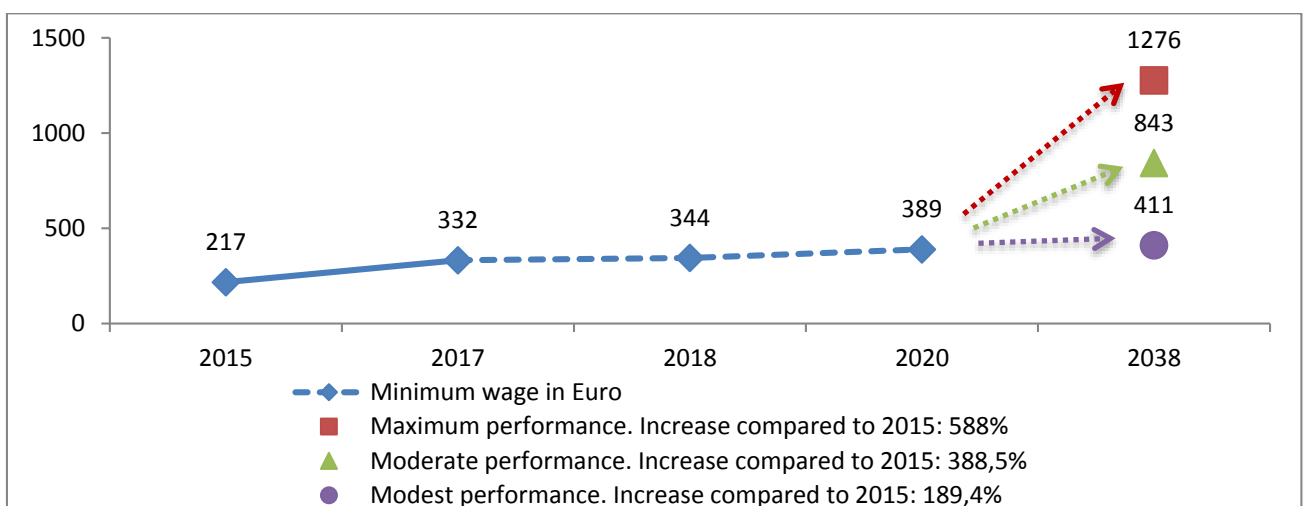
The structure of incomes reflects a situation of underdevelopment:

* The weight of monetary incomes in incomes' structure is still supplemented significantly by own consumption (**14.2%** from the income, in 2014). It is predictable that this last source of income will decrease rapidly in the following years.

* The contribution of wages is yet another sign of underdevelopment. This might be improved based on various sources: increasing paid employment, increasing wages but also by decreasing the informal economy.

The minimum wage is a variable under direct political control. It is possible, as proposed currently, to have a politically determined calendar for its increase.

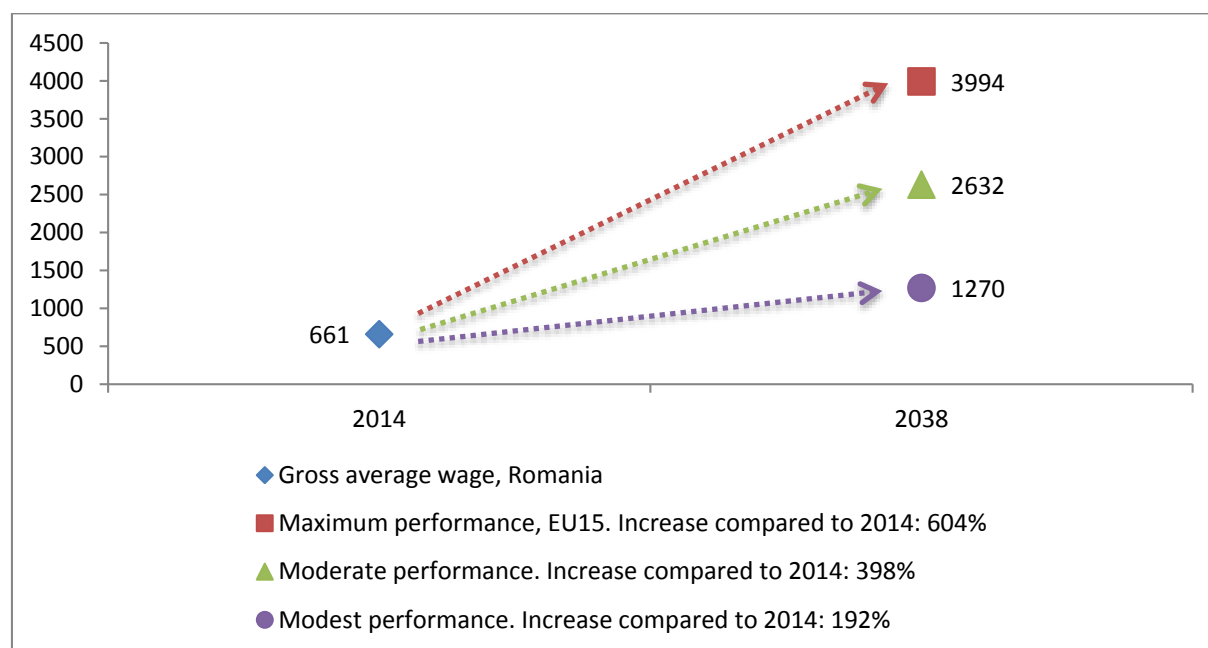
Figure 15. Performance projections: minimum wage in EURO, 2038 in relation to 2015



In the next years, the minimum wage will increase with certainty under the political pressure of the involved social stakeholders.

Average wage

Figure 16. Performance projections 2038: Gross average wage in EURO, 2014



Source: UNECE Gross Average Monthly Wages by Country and Year. The average wage was converted from USD into Euro

The key objective for the next 20 years, **a prosperous and balanced Romania**, cannot be achieved without a radical change in the wage policy: from the **policy of the low wage** to the **policy of progressive wage increase** for achieving the European standards; thus a **pro-prosperity** wage policy.

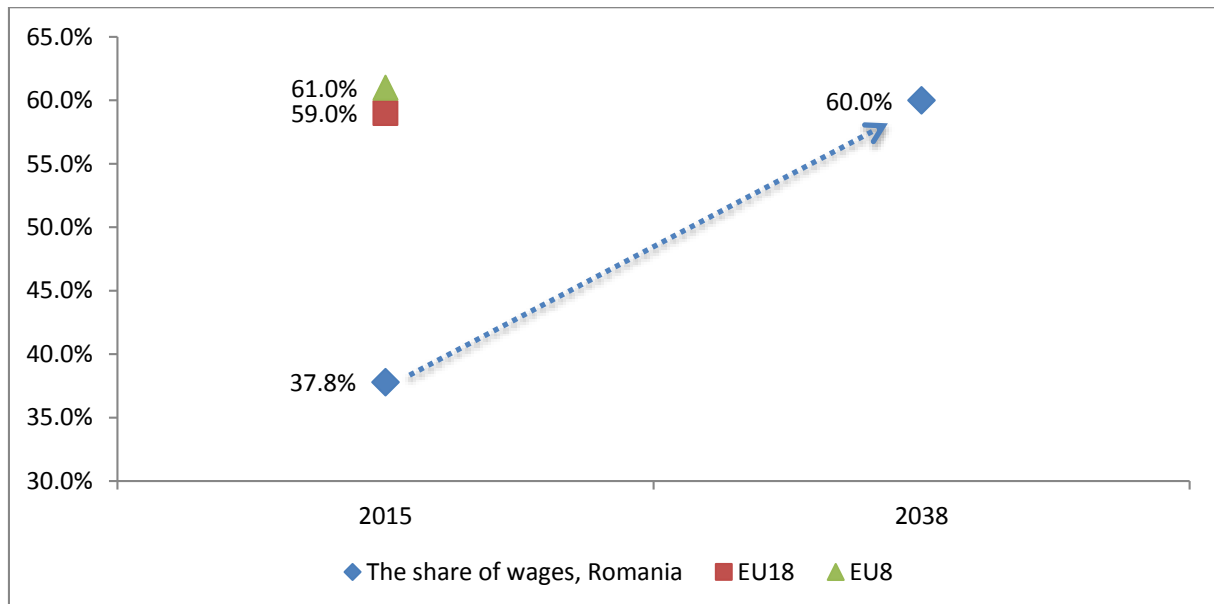
The policy of the low wage did not turned out to be a condition for economic growth, but an ideology of the **work-shy economy**, a **pro-profit economy** lacking the motivation of innovation as primary source of economic growth; the option for the easy exploitation of the labour force supported by political means. Wage increases should be regarded as a factor for motivating innovation and partnership for efficiency, and not as one that would discourage investments and would diminish the economic efficiency.

Wage increases up to date were either due to political concessions especially during the electoral years, or to inevitable adjustments resulting from the economy's dynamics. If the present wage policy would continue to be pursued, Romania would register significant gaps against European standards for the time-horizon 2038.

The present Government aims to increase in stages, by 2020, the minimum wage and hence, the average wage as well.

The wage policy of the next 20 years will have as one of the main mechanisms the recovery of the **collective bargaining power** of trade unions and improvement of the working conditions, additionally to increasing employment.

Figure 17. Performance projections: share of wages in total new created value: 2014



Source: Florin Georgescu, 2016, presentation, in *Romanian, Economic growth, Romania's development and poverty diminishment* p. 13. Available at http://www.bnr.ro/Prezentari-si-interviuri--1332.aspx?fld_issEU_year=2016

An important objective of rebalancing the living standard is, thus, the drastic change of the relation work/profit: from **37.8%** the share of wages in 2014, to about **60%** in view of the time-horizon 2038, thus reaching the European standard.

The data lead to an important conclusion: the other countries in transition, even though faced with difficulties in turning around the economy, and attracting foreign investments managed these by achieving a European level balance between wages and profit.

The rebalancing of population's incomes cannot be achieved without the active intervention of the political factor. In conclusion, for increasing incomes, respectively the key-variable in increasing the quality of life in the current context of Romania, action needs to be taken on the following direction:

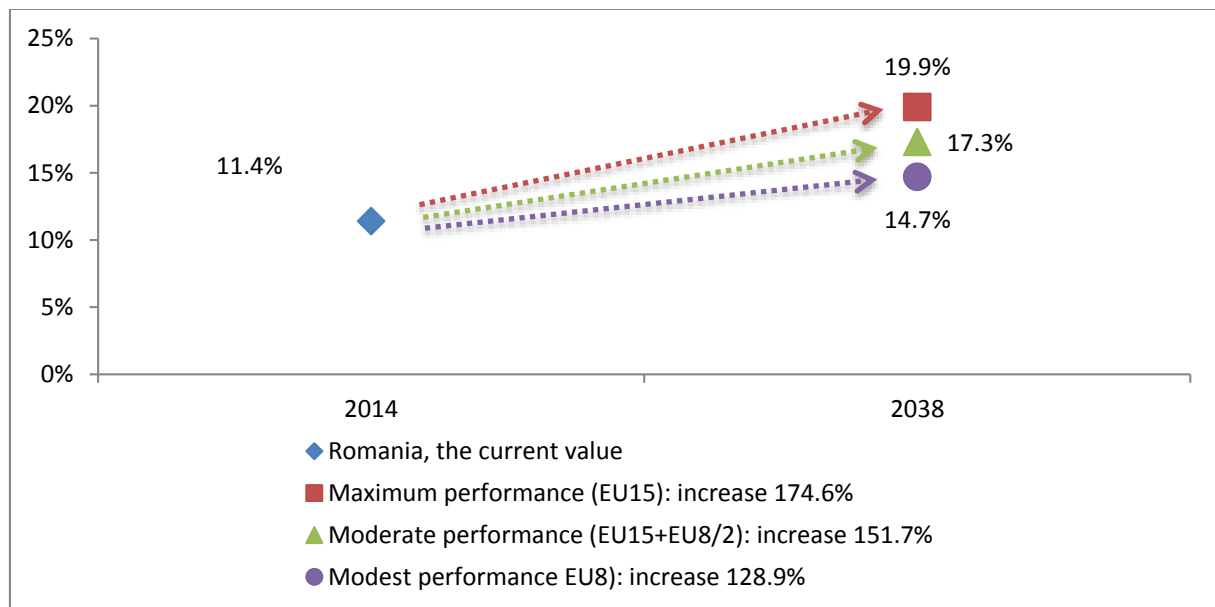
- A much more active policy of increasing employment (increasing the numbers of jobs), of paid employment, increasing the value of work; an industrialisation policy and increasing the value of agricultural work.
- Replacing the **low wage policy** with the **policy of projected wage increases**, by gradual increases of the minimum wage, by strengthening the negotiation power of employees, and a political programme of changing the relationship between wages/profit in the distribution of the new created value.
- Ensuring a decent and stimulating wage level for public sector personnel of high-skills and accountability: the health care system, teaching staff, and research staff.

II.4 Contribution of the State to Romania's Welfare

Not all social goods can be generated only by market mechanisms. The State must assume accountability for their production: education, health, housing conditions, built environment, environmental protection, national and personal safety, justice, science, art, including here consumers' protection; supporting vulnerable groups (children and elderly), based on redistributive policies which is also essential.

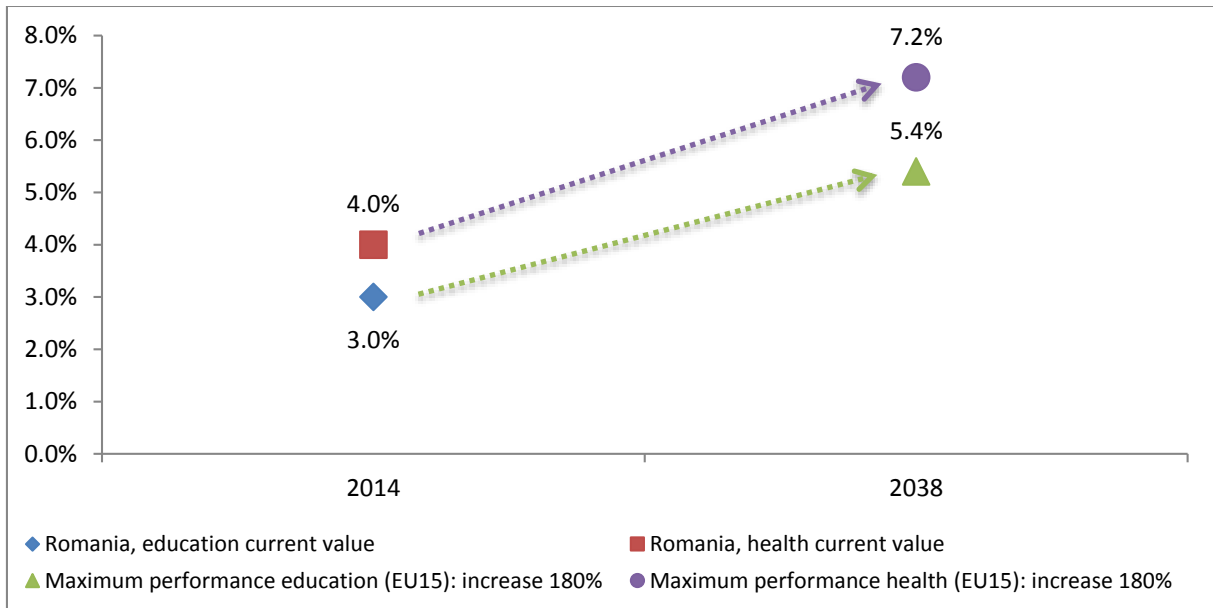
The dilemma, as of the beginning of transition, was to choose between the two fundamental orientations of social policy: a transition with more marked social protection for preventing/reabsorbing the social costs of transition, or regarding the State as a hindrance for transition reforms and, consequently, to be systematically neglected. The latter was adopted. The financing of the social functions of the State (as % of GDP) is placed at half compared to the developed European countries and, also, at a considerable difference compared to the other countries in transition (Table 26).

Figure 18. Performance projections 2038: expenditures for social protection (pensions, unemployment, social assistance), as % in GDP



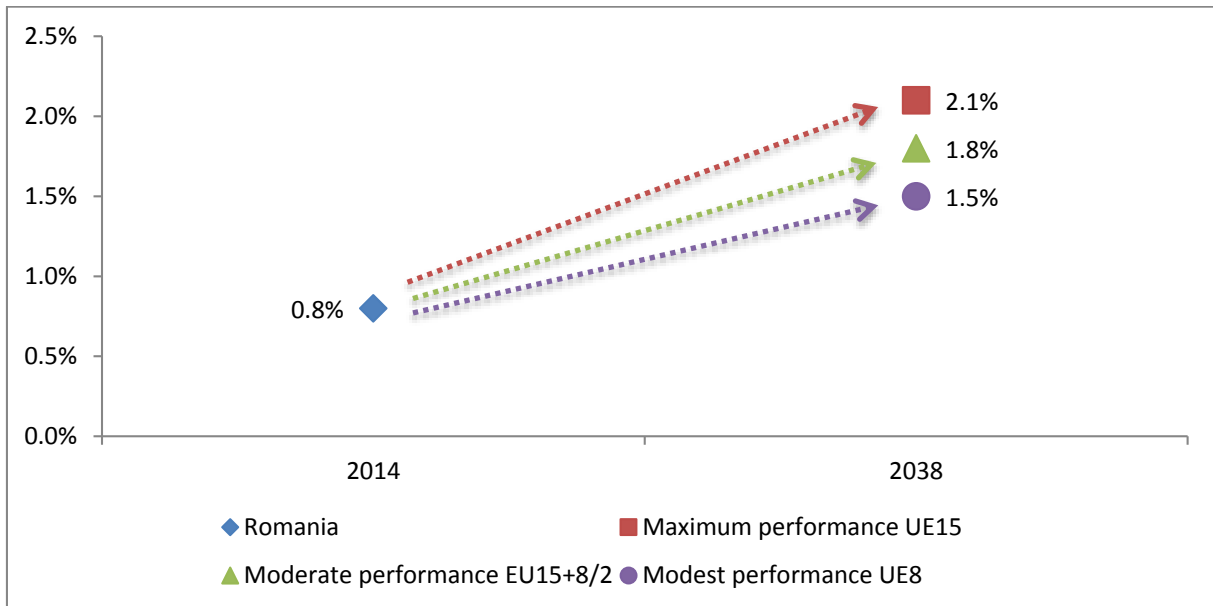
Source: Eurostat [gov_10a_exp], authors' own calculations.

Figure 19. Performance projections 2038: financing health and education as % in GDP



Source: Eurostat [gov_10a_exp], authors' own calculations

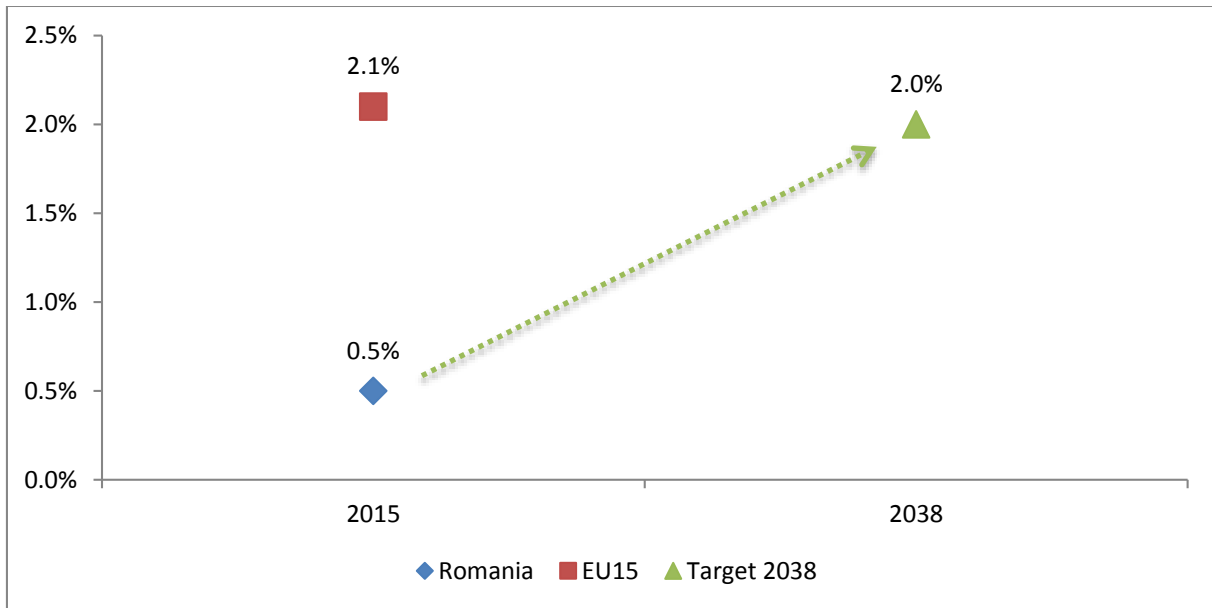
Figure 20. Performance projections: public support for children and family as % in GDP, 2014



Source: Eurostat,[gov_10a_exp]

Special attention needs to be paid to re-launching **science**. Science becomes in the modern society an increasingly vital resource of social development.

Figure 21. Performance projection 2038: research and development financing as share in GDP, 2015



Source: Eurostat [tsc00001]

Especially, research on the social problems of Romania is heavily underfinanced and when financed, it is outsourced to international institutions which are very often deformed in their views based on the own ideological orientation. Academic scientific research needs to be promoted as absolute priority.

Conclusions: Priority Directions of the Social Development Policy 2038

After 27 years, Romania is placed on the last position, together with Bulgaria, showing development gaps compared to European standards, but also to the other former socialist countries in the EU; An underdeveloped, impoverished country, with a de-industrialised economy and disorganised agriculture, an economy incapable of providing jobs for the entire population, low value-added jobs and a demoralised community.

Unlike other countries, like the Czech R., Hungary, Poland or Bulgaria that registered economic growth during transition, Romania was the only country where during the first 11 years of transition (1990-2000) the economy fell down by 30%.

Already by the beginning of the transition, Romania decide on minimal social policies, and the financing of the social protection system was placed at half the value recorded by developed European countries and at substantial difference compared to the other countries in transition (EU-8).

Romania's legitimate objective, as EU member under these circumstances is to achieve or narrow significantly the gap regarding European standards in the next 20 years. Our analysis determines the directions and targets for Romania in the next 20 years regarding the main indicators of social development of the country.

Next to the objective of eliminating underdevelopment, we must also take into account the reabsorbing of the severe issues generated by a long history, but also by the recent past, poverty, increasing migration, social inequality, the critical socio-economic situation of the Roma population; altogether to correct the errors of transition.

Romania's social-economic development strategies must take into account the European context to which it belongs. We accessed a Europe that proves to be different from the one we naively imagined. Europe, as well, is faced with crises; the member countries are also in competition with one another. It is vital to define more realistically and responsibly our European position.

The social conditions in Romania, which were severely ignored, must constitute a priority. It displays a high degree of underdevelopment and disorganisation. "Rebuilding" the social conditions of the country must be one priority strategic objective. It is vital that both social conditions of the country and quality of life represent priority strategic objectives to direct future projections.

It would be an error for the next 20 years to be a continuation of the pattern up to date. A reorientation of our political strategic thinking is necessary. We suggest **10** priority directions:

1. From economic reform with rather negative outcomes and the sacrifice of the social conditions of the population, to a **strategy centred on exiting the multiple crises of the Romanian society and promoting the model of a society of quality that would ensure prosperity.**

2. Compensating moderate economic growth by promoting a **socially balanced society**, which is organised judiciously, with a high level of democratic functioning, focused on the needs of the population; increasing quality of life, optimism, trust in public institutions, respect for the individual.

3. Replacing the vision dominated by a **world global economy** with a programme for developing the **national economy** oriented on promoting collective welfare; re-launching the Romanian economy with the objective of creating **new and quality jobs; the low wage policy** replaced with the **European level wage policy**; rebalancing the **relation between work and profit** which is currently severely to the detriment of work.

4. A new vision about the position and role of the State: from a **minimal State** to a **State of European dimensions, oriented actively on promoting the social-economic development.**

5. Social policy focused actively on supporting **children and families**. A national programme for **birth-rate rehabilitation** and, additionally, combating child abandonment. **One medium- and long-term objective:** stabilising the birth rate at least at the level of the simple reproduction of the population.

6. Reform of the public system on priorities: **de-bureaucratisation, simplicity and efficiency, citizen as central value of the public system.**

7. Promoting moral values in the social life, accountability and social cohesion.

8. Approaching as priority **extreme social conditions**: population impoverishment tended to become chronic at the level of 40% of the population; eliminating 'poverty pockets', as most are still on an increasing trend; emergence of new sources for entering into poverty, for instance disconnection from the public heating and electric power system, housing evictions, and the crises generated by hopeless financial indebtedness.

9. Promoting a **balanced lifestyle** adjusted to the context of a modern society, but also the existing economic resources.

10. Implementing a national system for **monitoring and evaluating** social policies, programmes/projects, and Romania's progress/level towards reaching the development indicators.

List of figures:

Figure 1. Romania's GDP evolution at current market prices as % from 1989 (forecasted for 2017)	8
Figure 2. Satisfaction with life: IQLR methodology 1990–2010; EU methodology 2011–2015	10
Figure 3. Number of employees (million persons): 1990-2015	12
Figure 4. Total incomes per capita in the period 1989-2014, 1989 = 100	14
Figure 5. Dynamics of real minimum wage and of the real average wage in the period October 1989 – July 2015 (1989 = 100).....	17
Figure 6. The evolution of the real net average social insurance pension in the period October 1989 – June 2016	18
Figure 7. Child allowances as % of the initial value of the year 1989	19
Figure 8. Value of MIG for a person as % from the national minimum net wage	20
Figure 9. Dynamics of the living standard for a family-type of 4 individuals (2 minimum wages + 2 children allocations) in relation to the minimum decent basket (MD) and to the minimum subsistence basket (MS).....	25
Figure 10. Dynamics of the living standard for a family-type of 4 persons (2 average wages + 2 children allocations) in relation to the minimum decent basket (MD) and to the minimum subsistence basket (MS).....	26
Figure 11. Performance projections: government expenditures (% of GDP), 2038.....	30
Figure 12. Performance projections: satisfaction with life: % persons with a high degree of satisfaction with life	32
Figure 13. Performance projections: employment rate: population aged between 20-64 years	33
Figure 14. Annual income per capita Euro (PPS, gross), 2015	34
Figure 15. Performance projections: minimum wage in EURO, 2038 in relation to 2015.....	34
Figure 16. Performance projections 2038: Gross average wage in EURO, 2014	35
Figure 17. Performance projections: share of wages in total new created value: 2014	36
Figure 18. Performance projections 2038: expenditures for social protection (pensions, unemployment, social assistance), as % in GDP	37
Figure 19. Performance projections 2038: financing health and education as % in GDP.....	38
Figure 20. Performance projections: public support for children and family as % in GDP, 2014	38
Figure 21. Performance projection 2038: research and development financing as share in GDP, 2015	39

List of Tables:

Table 1. Romania's economic outcomes, and of the other European countries in transition: GDP in 1989, 2000 and 2016.....	8
Table 2. Government Expenditures as percentage of GDP (2015)	9
Table 3. Satisfaction with life: share of very satisfied people + satisfied people (2015)	11
Table 4. Employment rate: population between 20-64 years of age, 2015.....	11
Table 5. Employment structure 2016 (20-64 years of age).....	12
Table 6. Annual income per capita Euro (PPS, gross), 2015.....	13
Table 7. Total incomes structure (100%), 2015.....	14
Table 8. Minimum and average wage (EURO)	15
Table 9. Share of profit in total new created value: Q4, 2014	16
Table 10. GDP and average wage dynamics: 2015 compared to 1990	17
Table 11. Share of social protection expenditures in GDP in 2014 (Pensions, Unemployment, Social Assistance)	17
Table 12. Share in GDP of the expenditures for social protection allocated to family and children in 2014.....	19
Table 13. Share of public expenditures for education and health as percentage of GDP in 2014	20
Table 14. Trust in institutions 2015.....	21
Table 15. Direction the Society Is Heading Towards	21
Table 16. Indicators of poverty, EU methodologies, 2015	24
Table 17. In-work poverty within the EU- and in Romania 2015	24
Table 18. Efficiency of social transfers, other than pensions in reducing poverty	26
Table 19. Income inequality index, GINI, 2015	27