

IMPACT OF ECONOMIC CRISIS ON PUBLIC SERVICES OF SOCIAL VALUE IN ROMANIA

Milin Anda Ioana, Ciolac Ramona, Radac Bianca, Fruja Ioan

anda_milin@yahoo.com

ramonablaga2005@yahoo.com

biancaalinaradac@yahoo.com

Abstract: Public services market is closely linked to the involvement of the state in economic and social life. The extent and modalities of involvement varies from one country to another, from one period to another are influenced by many specific factors concrete. With the involvement of the state in economic and social life goals should be considered or - declared or not - -especially those interventions effects on the community and individuals. The paper starts from the idea that public service education, the health care and social services ensures the physical and intellectual integrity of the individual, regardless of his income level. In democratic societies are more and more talking about education as the means of personal development, a service available to all, regardless of social class, religion, gender, and access to health care is considered a basic right of the individual. Medical services should be seen as a means by which many social objectives can be achieved in the long term (equal opportunities, financial security during illness) not as simple care of the sick. The paper includes analysis related to: the structure of social protection in our country, the scope of these services, the relationship between social protection and poverty, the way and the degree to which social protection deepens or contribute to poverty reduction. The economic crisis triggered in Europe in 2008 that also affects Romania, negatively influenced the evolution of social funds in key areas of public interest, education, health and social care. This results from: decreasing share of social spending in the state budget, decreasing share of these expenses in the total family budget due to lower purchasing power and thus the obligation of individual to reduce or waive some costs of this kind, central and local government bodies inability to meet certain service requirements such at the level of the population and especially low-income population groups. Located in the crisis situation the state must seek solutions to keep social services at an appropriate level because the quantity and quality of these services have an impact upon quality of life and standard of living of many individuals. The results of the analysis indicates us a reduced benefit for this type of service, in our country, with negative effects over the entire society. The conclusions aim to support the fact that social policy from our country is insufficient in relation to the real needs of the population, being strongly influenced by domestic economic situation and the size of the global economic crisis.

Keywords: public administration, economic policy, market distortion, social protection

JEL classification: H50

Introduction

Services we analyzed in this paper are general and affect different population groups, constituted from the most diverse criteria. In these circumstances there are individuals and

social groups and disadvantaged, with limited access to some of these services, for reasons more or less objective.

The paper analyzes the evolution of government spending for major public social services in Romania, education, health, social insurance for the elderly through pension fund in 2008-2010. The level of state spending for such services affect the quantity and quality of services. We also made some predictions regarding state budget expenditure on this sector for 2013, based on the Government Program. The paper was developed based on the study and interpretation of statistical data provided by the specialized bodies in Romania and the European statistics regarding the situation of these services from economic crisis to the present day.

Research results and discussion

Public administration has a certain mission, purpose and responsibilities that reflect upon social life. When referring to Romania where public administration is organized on two levels, central and local. The panel is composed of ministries and other central agencies and the local works being based on Romania's territorial organization, communes, towns, counties. There is a clear link between the state (government), administrative services (public) and public policy. Public services are services that provide collective benefits in the general interest of the community (army, police, justice) or directly to that benefit of the individuals (education, health, social welfare). Public policy analysis is, in general, an approach that identifies with programs of action of public authorities in a given area of activity. The term can be used depending on the items that want to be highlight (educational policy, health policy, literacy, non smoking, environmental etc). Public policy in contemporary society:

- is a group of decisions taken at different organizational levels, macroeconomic, meso and microeconomic

- Can take several forms (programs of political parties, especially with the election through legal regulations (laws, emergency ordinances, accountability, local government decisions);

- Mobilize adequate resources to ensure the provision of these services;

follows a general-purpose oriented towards satisfaction of interests, is the carrier of certain values.

Guy Peters defines public policy as "all activities that directly or indirectly affect citizens, which operates on three levels- public election, the results of policies, policy impact" (G. Peters, 1993). Also public policy "is a set of measures taken by the legal and responsible authority that aims to improve the living conditions of the citizens" (Profiroiu M., 2006). The social policy is part of public policy. It consists of various benefits and social services. They are designed to cover the full range of basic needs for all segments of social, occupational or age. The ensemble of benefits forms the system of social protection that consists of:

- universalistic benefits (social services) - granted to all citizens, as "deserve goods"without being a situation of risk (compulsory free education, free health assistance)

- Services provided to disadvantaged groups to allow them to meet the minimal needs (social support of various types-for example subsidies to cover services related to utilities that can not be supported entirely from revenues).

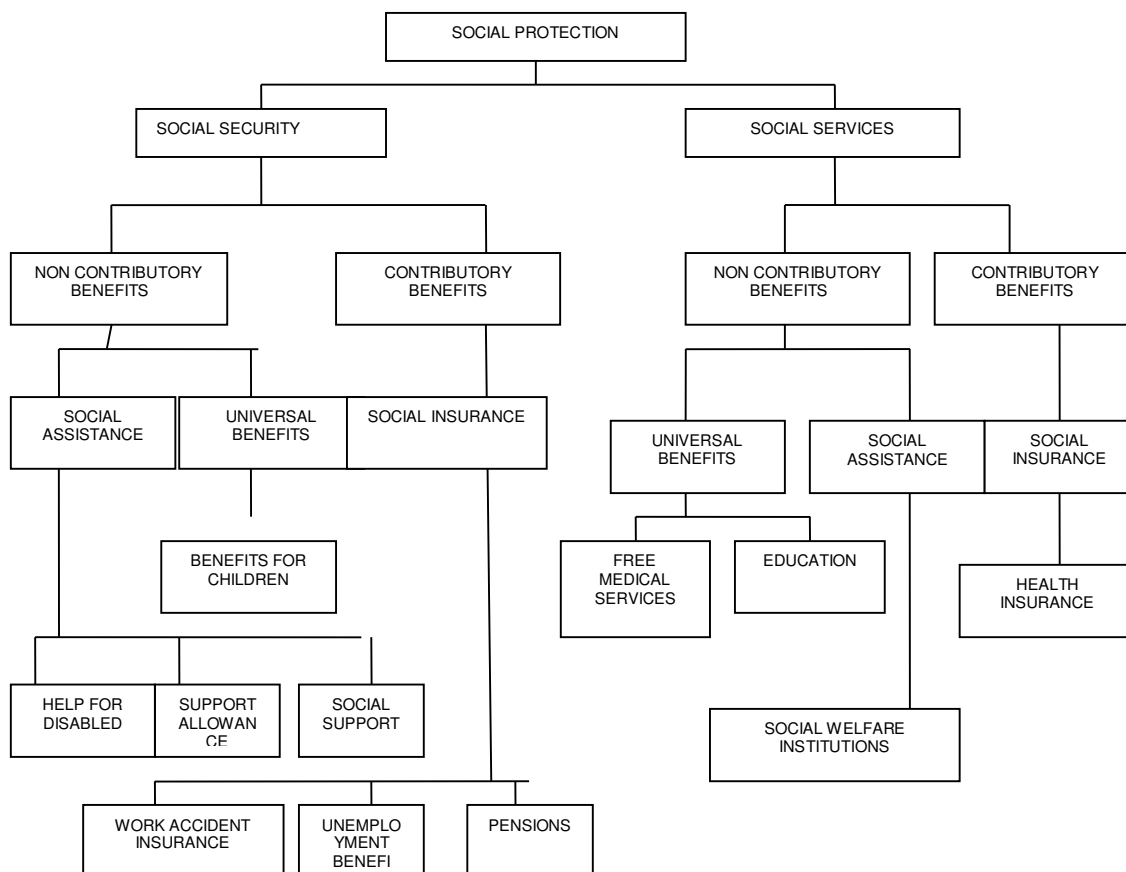


Figure 1- Social Protection System in Romania

Source: author's construction based on Ministry of Finance Newsletter 2010

We chose to analyze over the work from the social security system and pension related expenditures in the state budget and from the social services the one from the health service and free education and expenditure on social and state funds but going beyond its types services.

Schematically social protection system in Romania can be outlined as follows (Figure 1).

Pension system has the main objective to provide a permanent replacement income over a certain age and protection in the event of special circumstances generating temporary work incapacity.

In Romania public pension system is mandatory, largely system "step-by-step payment." Under the new pension regulations it is proposed national pension system on three pillars:

- pillar I requires a public pension and mandatory;
- pillar II requires a public and private pensions, mandatory;
- pillar III requires private pension system, which is not mandatory.

Analyzing statistical data presented in the following table can do the following findings: number of pensioners in the period 2008-2010, declined slightly by 26,000

people, in case of pensioners from the state system was decreased with 52,000 people and in the case of farmers with 129,000 people.

Table1 Average number of pensioners (mii persoane)

	1990	2000	2008	2010	2010/1990 (+-)	2010/2008 (+-)
Social insurance pensioners-total	3577	6110	5701	5675	+2098	-26
Social insurance pensioners (without farmers)	2570	4359	4819	4767	+2197	-52
Social insurance pensioners – farmers	1007	1751	866	737	-270	-129

Source: National Institute of Statistic (INS), *Anuarul Statistic al României*, 1991,2001,2007,2011

People should understand that for the future, the pension provided by social security is not enough, but is designed only to cover living expenses and therefore they must think more seriously about private pension plans. The most important issue is the level of education and information of the population, which has already begun to work, but it can be improved for the purposes of initiating campaigns on the utility, the need to use complementary private schemes that would bring the individual finally a supplementary pension. Monthly average pension represented in our country in 2010, 41.7% of the average gross wage on economy, having an average of 716 lei per month (170 euros) down from 2009 when it was 44.8%. The cause is the non index of pensions in relation to the average growth of gross salary and nor with the inflation rate. In 2010 returned in average 1.3 retirees per employee. Income from social benefits were accounted for 25.7% in 2010 from the total income of a family household (total families) having a weight differential, namely:

- 6.5% In the case of a family of employees
- 14.3% For family farmers
- 27.1% For unemployed families
- 55.2% In the case of pensioners

These revenues increased compared to 2008, when they represented 21.6% of total income of a household. In the case of employees were 5.3%, 22.6% the unemployed, 49.5% of pensioners being smaller in the case of farmers, only 15.1%. A certain level of income may be an indicator for assessing the degree of poverty thus poverty level can be assessed according to the size and average monthly income / family. In Romania, in 2010:

- 26.9% of families had a monthly income of up to 349 lei meaning 82 euro / month on witch revenues / day for a person were euro 2.73;
- 37.1% of the families had a monthly income of up to 434 lei, meaning 102 euro, and the daily income per person was 3.4 euro
- 16.5% of the families had an income of over 1,048 lei per month, meaning 244 euro, the average / person. So a daily income of 8.24 euro.

Level of these revenue highlights an increase of the gap between rich and poor, Romania being found among the nations with the highest level of poverty in the EU, 29.4% of all households. Ratio between average daily income / person from the best situated families meaning 89.24 euro and those with the lowest income 2.73 euros was 3/1. Compared with our country, the poverty level in the EU is as follows:

- Less than 5% of the poor population was register in Sweden, Finland, Denmark, the Netherlands, Austria, Spain;
- Between 5-10% poor population-Great Britain, France, Czech Republic, Slovenia, Portugal, Estonia;
- Between 10-20% - in Poland, Hungary, Slovakia, Greece, Lithuania;
- Over 25% poor population, Romania, Latvia, Bulgaria

Poverty varies from one European country to another and therefore has no value in euro / person. (Adevarul 6853/10.01.2013)

The poverty level in Romania is also confirmed by statistical data from semester 3 of 2012:

- Average monthly income / household was 2457 lei, meaning 551 euro and 856 lei/ person, meaning 192 euros.

- Per person income in Euros / day was 6.4 euros.

Expenses of the households in the same quarter represented 90% of total revenues, highlighting a different facet of poverty, the level of these expenses increased by 5% compared to Quarter 3 of 2011. (Adevarul 6852/09.01.2013 and preliminary data NSI 2011).

The economic crisis has affected education services. In no year after 2008 the education did not receive accordance with the provisions 6% of GDP but much less, meaning 3.6% in 2008-2010. The share of education spending in GDP during this period placed Romania on the place 38 of 41 states recorded statistically in the countries of Central and Eastern Europe that allocated a higher percentage of GDP for these services-Estonia-6, 1% Latvia-5, 8%, Hungary-5, 5%, Bulgaria-4, 7% and well below the level of advanced EU countries: Cyprus-7, 9%, Denmark-7, 77%, Ireland-6, 6 %, Belgium-6, 4%, Sweden-6, 5%, Belgium 6.4%. etc. (INS Statistical Yearbook of Romania 2011). Analysis of statistical information about the education system in the range 2008-2010 allowed us to draw the following conclusions:

- Has decreased the number of administrative and auxiliary staff from education but also teaching staff from primary, secondary and vocational education, the trend was highlighted in the academic year 2010/2011.

- The share of skilled personnel is however an upward trend;

- Report student / teacher ratio was 11 pupils / teacher ratio in secondary education to 17 students / teacher in preschool and primary education;

- Overall school population of Romania is declining (and population);

- More and more children are pre-school (91% of children that entered first grade attended kindergarten);

- Almost 80% of school-age population 7-23 years is included in the educational system;

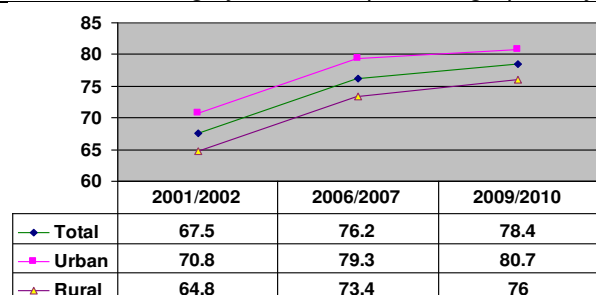
- The last three years participation in higher education;

- Participation rate of adults, 25-64 years in education and training is decreasing, in 2008 it was 1.6%, four times lower than the EU average (Government of Romania, Report on the educational system in 2010).

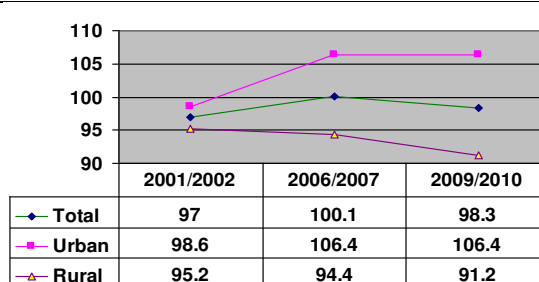
- the material and educational services in rural areas are the most affected by spending cuts in this area.

Material facilities rural education, expressed in quantitative terms, does not seem unfavorable, but in qualitative terms only the analysis in qualitative terms highlights the serious issues of educational services from rural and the gap between this type of services provided in rural and urban areas. In most part of the communes (90%), the educational process is carried up to secondary school level (in some cases only

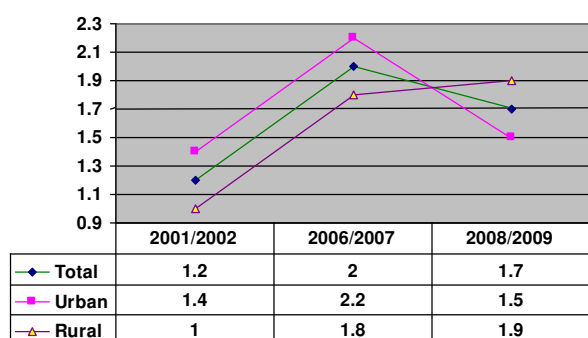
up to primary level), institutions of secondary or post-secondary level are very reduced in number from rural. Under these conditions rural students travel long distances to attend secondary school in some communities or towns in the area. School drop registered in rural areas is mainly due to increasing poverty in rural areas. Statistics on school attendance in rural areas has enabled us to draw the following synthesis, expressed graphically.



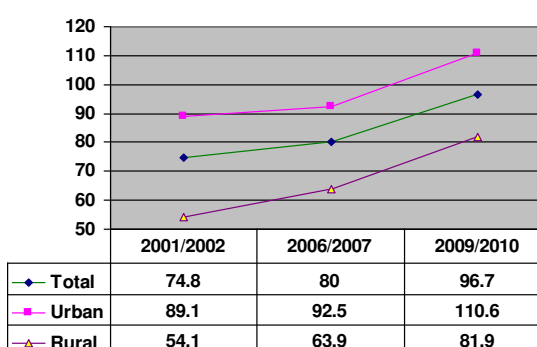
Grafic nr.1-Gross rate enrollment in early education in rural and urban



Grafic nr.2-Gross rate enrollment in primary and secondary education in rural and urban



Grafic nr.3 -The dropout rate in primary and secondary education



Grafic nr. 4-The dropout rate in secondary and vocational education

Source:*** Government of Romania, 2010 Report on the educational system

Analysis of free medical assistance services and health infrastructure were influenced between 2008-2010

- Departures from state health system of numerous medical professionals
- closure of hospitals and health centers, especially in rural areas or smaller towns, especially after 2010.

Health expenses for in 2010 were accounted for only 2% of total expenditures. In the same year came back 24.4 physicians to 10.000 inhabitants and 6.2 beds in hospital per 1,000 inhabitants.

Between 2008-2010 the evolution of medical personnel was as follows:

Table 2 Evolution of sanitary personal

Denumire	2008	2010	2010/2008 +-
Inhabitants/Doctor	428	411	-17
Doctors at 10.000 inhabitants	23,4	24,4	-1
Inhabitants/Farmacists	1837	1573	-264
Farmacists at 10.000 inhabitants	5,4	6,4	-1
Inhabitants/ ward staff	162	169	-7
Ward staff at 10.000 inhabitants	61,6	59,1	-2,5
Ward staff/doctor	2,6	2,4	-0,2

Source: National Statistics Institute, NSI, Romanian Statistical Yearbook 2011

Current government program for 2013 takes into account registration of slight progress or maintain the same level of social expenditure, taking into account maintenance or slight reduction of the phenomenon of economic crisis. According to the national budget, the total GDP of Romania planned for 2013 will be 140 billion euro, of which social security benefits will be at the following levels:

- Pensions Euro 11.2 billion or 8% of GDP;
- Health 6.2 billion euros--4, 43% of GDP;
- Education and Research, 4, 4 billion euros. -3, 14% of GDP;
- Social insurance and social assistance-16, 5 billion euros -11, 78%.

Share of spending will be 46 billion euros. Euros, or 32.85% of GDP and total expenditure budget will be 49 billion difference being covered by the budget deficit.

The share of social expenditure in total budget will be:

- Social security and social assistance-33, 67%
- Expenses for health-12, 65%
- Education and research-8, 97%.

Calculated per capita (population about 20 million people), a GDP of 7,000 / inhabitant. the following data:

- Social security and social assistance-825 / person;
- Expenses for health-310 / person;
- Education and research-220 / person

The three groups of expenses totaling 1355 euros and will represent 19.35% of GDP / capita.

Conclusion, proposals, recommendation

1. The paper analyzed the main trends in the evolution of social expenses in the period after 2008 the education, given the economic crisis event in Romania.
2. Processing and interpretation of statistical data allowed us to notice that our country is among the poorest EU member countries:
 - level-in terms of GDP / capita
 - The share of social spending in total GDP and / capita;
 - share of social expenses in total budget expenses;
 - Average income / household and / person
3. The study reveals the slow pace of poverty reduction in the gap between the level of welfare in Romania and the EU average.

Bibliography

Peters Guy, American Public Policy- Chatham House, Chatham, N.J,1993

Profiroiu Marius-Public Policy- Theory, Analyzes, Practice- Economic Publish, Bucuresti, 2006)

*** The collection of the paper „Adevarul” – nr.6852/09.01.2013 nr. 6853/10.01.2013;

*** National Institute of Statistic -INS- Romanian Statistical Yearbook - 1991,2001,2007,2011

**** Romanian Government - Ministry of Finance-Newsletter December 2008;
[www.ministerul finantelor.ro](http://www.ministerul_finantelor.ro) - Access 18.12.2012

*** Romanian Government – Report on the educational system 2010