
THE EVOLUTION OF THE FINANCIAL SUPPORT FOR FAMILY IN ROMANIA AFTER THE ECONOMIC CRISIS¹

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Abstract: *The assessment of the policies and programs to support the living standards of families and children is difficult to complete, considering the variety of programs, benefits in cash or in goods and services. This paper aims to analyze the configuration of the family support system and its evolution in the recent years. The analysis covers the financial transfers, due to insufficient data about the system of services and the lack of comparability between them. The research target is to look at the state's support for the widespread family, not for particular categories or specific situations in which family could live. After a general evaluation of the financial effort, I take a closer view on four specific instruments of support: the state allowance for children, the family allowance and the paid parental leave together with incentive for work. The analysis reveals a minimal family protection; all indicators examined showing the same pattern: low level of transfers in a decreasing trend for most aspects.*

Keywords: *family policies, financial benefits, family allowances, leave entitlements*

Family policy model in Romania

In spite of the constant attempt of harmonizing social policies, EU states still differ very much on the family support. As a consequence of the lack of consensus over the objectives and instruments of family policy, no generally accepted operational definition of family or of family policy has been formulated at the EU level. Nevertheless, the trends identified in previous research do raise certain policy issues that states are addressing in accordance with their approaches.

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All the EU member states have developed support measures for families and children, even if only a few have an explicit family policy. All countries supply a series of cash benefits, tax-free allowances and benefits in kind. Yet the comparative analysis of family support indicates that the common points are related rather to general principles than to specific policy objectives, revealing big differences among states, especially in policies implementation. The choices of a certain support measures or others relay on different social and familial values (Popescu R, 2003; 2014).

Under the pressure of the transition to a capitalist market, socialist countries have adopted different solutions as punctual responses to the social problems that emerged, so that they should be considered “hybrid arrangements”, with a variety of temporary solutions, not a stable category (Kovacs, 2002; Tomka, 2006). After joining the EU, under the pressures to harmonize policies, social options have become closer to old models (Wisniewski, 2005). Therefore, even if at the beginning Romania was placed in the same category with the rest of former socialist countries, the recent developments led to heterogeneous clusters. Romania is considered to have a non-interventionist model, based especially on the recent austerity policy (Stănescu I., 2014), with high social inequality along with Italy, Spain, Portugal, Latvia, Lithuania and Bulgaria (Knogler and Lankes, 2012).

For 25 years Romania has had a sinuous poverty path corresponding to the dynamic of the economy (Zamfir, 1995; Zamfir, 2001). The state social intervention was rather modest, reactive, and focused on compensating the economical cost, without any clear strategic vision. The competition for budget resources was in general won by the economic sector and lost by the social one.

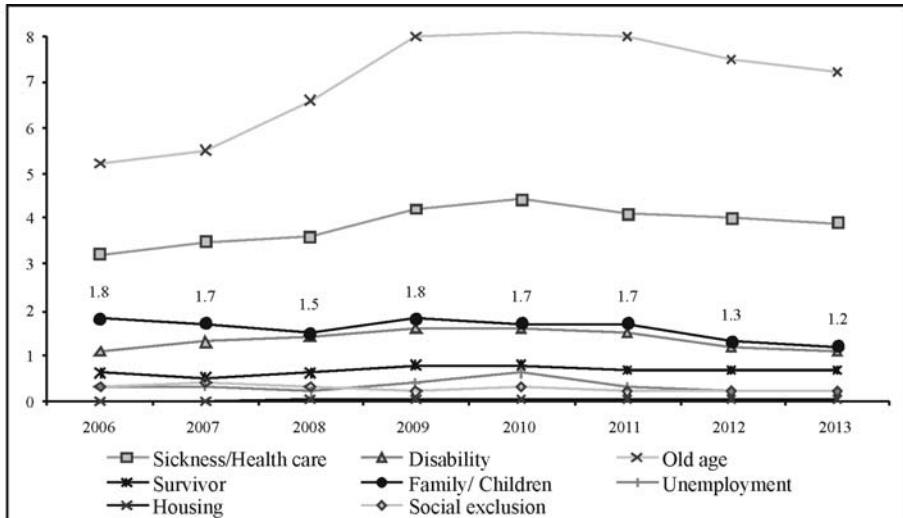
The public interest on social aspects diminished drastically during the recent economic crises, being replaced by fiscal austerity and cut down of the public expenditures. Once again, like at the beginning of the transition period, poverty was rather ignored by decision-makers (Briciu C., 2014). The evolution of family policy in Romania is much linked to the evolution of public interest in poverty and social inclusion in general, because family protection was viewed more in terms of passive support for the vulnerable and poor.

Family policy was driven by a conservative regulatory framework, a lack of financial effort and a scarcity of childcare services. Romania, as some of the former socialist countries, has moved toward a “familialisation” regime (Saxonberg & Sirovatka, 2006) from a double point of view: on one hand the state reinforced through legislative and policy measures the traditional family values and, on the other hand, the state left most duties to the family unit, adding the burden of greater responsibility (Popescu R., 2014).

Types of benefits

The current system of family benefits in Romania is quite comprehensive, including a wide range of cash benefits and services, with direct forms of support for children and indirect forms for family support. However, the complex configuration of the system has an insufficient level of development and coverage of benefits and services. The level of the allowances and the quality of services provided make it strongly deficient.

Chart 1. *Expenditures with social protection as share of GDP*



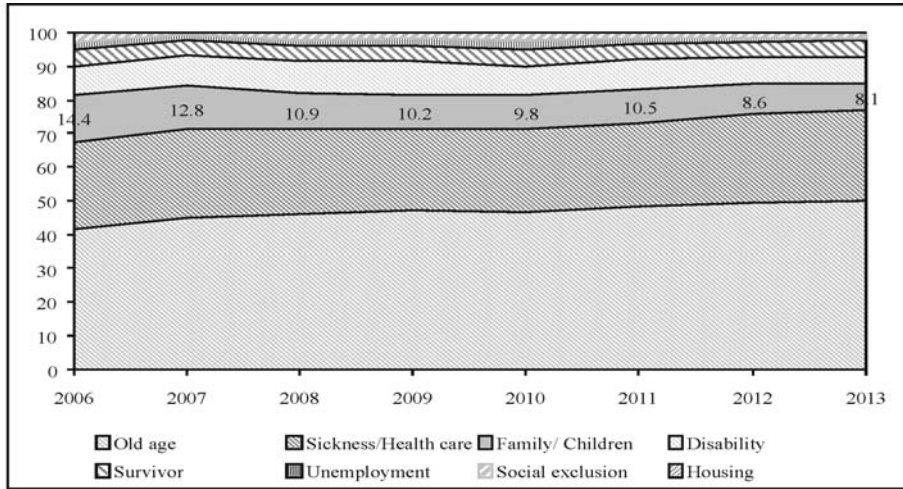
Source: National Institute of Statistics, Tempo database

The evolution of the financial effort for social protection had a sinuous pattern in the last years. For all social domains the peak was recorded in 2009/2010, after that setting up a descendent trend. The pace of decline was very different though. For health care and old age the decrease was only 7-10%, but for unemployment was 50%. The expenditures with family and children decreased with 33%, registering the highest erosion after the unemployment costs.

The family and children expenditures represents 8% of the total social costs, being on a downward trend compared to previous years when they rate over 10%. The decline is a result of the higher budget effort for old age and survivors pensions and health care. The financial efforts for family, social exclusion and unemployment were severely reduced.

This configuration stands for the distinct political option of the state to protect old age and retired persons in the foreground. As I will show further, the low family support is a stable decision, a limited effort being displayed no matter what indicator is chosen for analysis, no matter what domain or period of time we compare with.

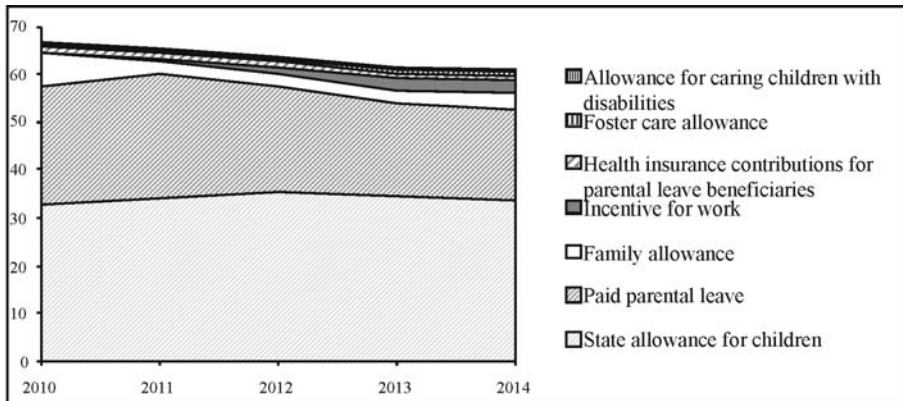
Chart 2. Types of social expenditures as share of the total expenditure of social benefits



Source: National Institute of Statistics, Tempo database

Even in the total of social work expenditures, the family costs declined from 67% to 61% in the last 5 years. The financial family support gathers several benefits, among that the state allowance for children and the paid parental leave are clearly the most important instruments. I will analyze further the most important instruments, my focus being on investigating state support for the widespread family, not for particular categories as foster families or families with children with disabilities.

Chart 3. Share of family benefits in the total expenditures with social work

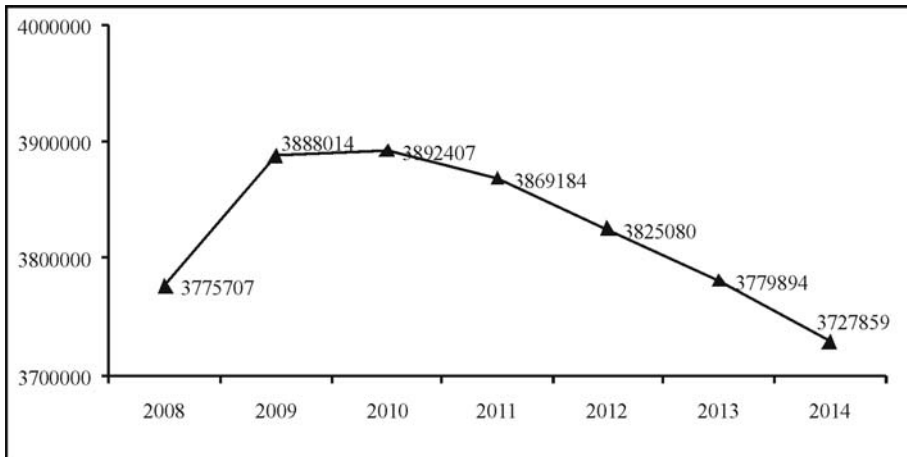


Source: author calculation based on Ministry of Labor statistical reports data

The state allowance for children

As the family policy instrument par excellence, it represents by far the most substantial cash benefit. The state allowance for children is universal, granted for all children, and is paid considering the age limit (18 years or until the child graduates secondary level of education) and the child's need, outlining the category of children with special needs (children disabilities).

Chart 4. The number of beneficiaries of the state allowance for children



Source: Ministry of Labor, Statistical reports

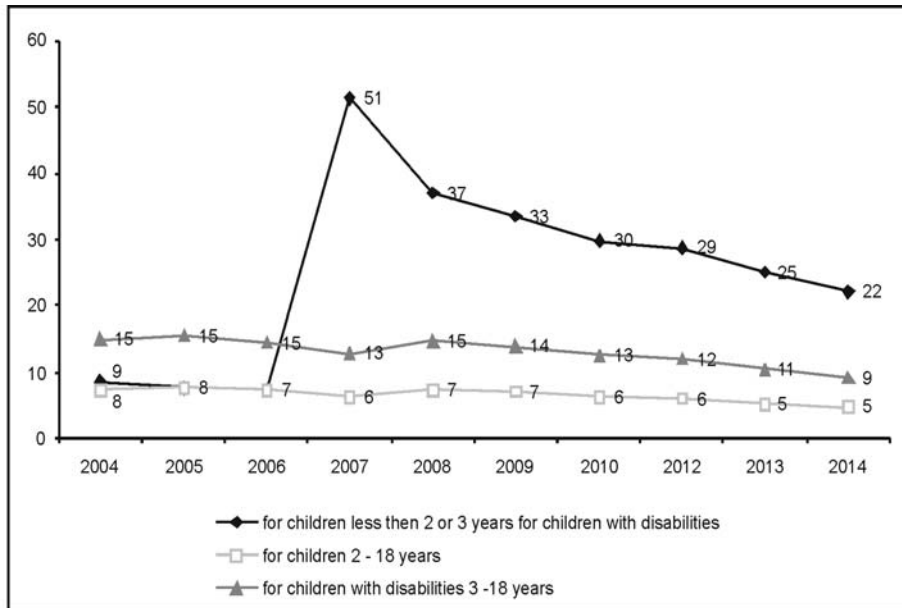
The decrease of over 100. 000 children in the number of beneficiaries is a result of the decreasing population of children and low fertility rate in Romania in the last decades. Even in this circumstance, the benefit has the largest number of recipients in the state protection system, being the only universal instrument in family policy.

Table 1. State allowance for children – quantum per month

	2004	2005	2006	2007	2008	2009	2010	2012	2013	2014
children less than 2 (or 3 for children with disabilities)	24	24	24	200	200	200	200	200	200	200
children 2 - 18	21	24	24	25	32 40	42	42	42	42	42
children with disabilities 3 -18	42	48	48	50	64 80	84	84	84	84	84

Source: Ministry of Labor, Statistical reports

Chart 5. *The value of the state allowance as share of the minimum wage per economy*



Source: author calculation based on Ministry of Labor statistical reports data

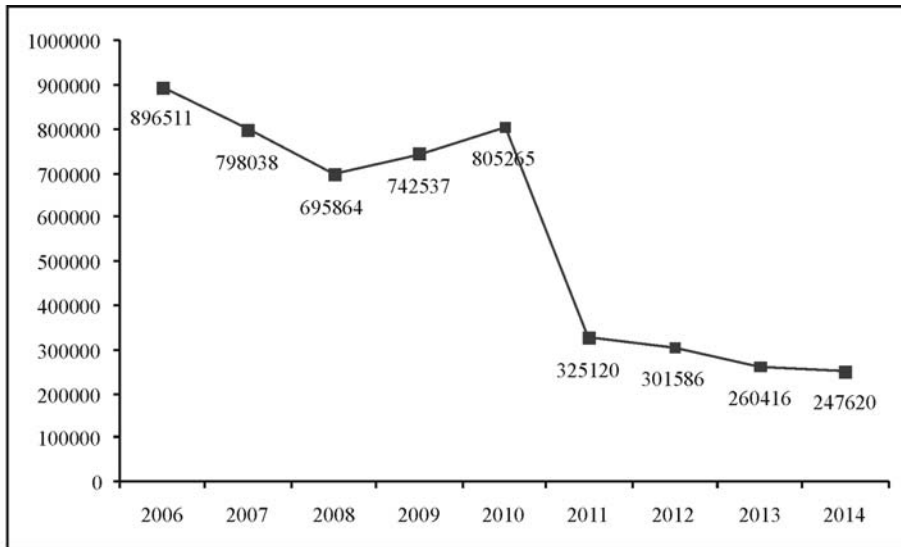
The value of the state allowance has fluctuated between 5% of minimum wage in 2014 (for children of 2-18 years) to 51% of minimum wage in 2007 (for children under 2). The modification of quantum for children less than 2 years in 2007 was one of the most important rises in the financial effort of the family policy. However, since then the value of the benefit was reduced continuously, being now less than a quarter of the minimum wage.

Even if it is not designed for this, the benefit turns out to be an essential instrument for poor families and the constant degradation of its value make it inefficient in supporting them. The normative method for the poverty measure used by the Research Institute for Quality of Life demonstrates that in the urban area, the incomes brought by two minimum wages and two state allowance for children placed a family of four members below half of the decent minimum living threshold in 2011-2013 (Mihăilescu A., 2014). In the rural area the situation is even worse: a family of two adults and two children with one or two minimum wages and the state allowance fall below the subsistence threshold (Mihăilescu A., 2014). According to Eurostat data, almost a half (48.5% in 2013) of the Romanian children are poor or socially excluded, a value almost double compared to the EU27 level, with only 27.7% of the children in the same situation.

Family allowance

“The complementary family allowance” and “The single parent family allowance” were instituted in 2004 and granted by means testing, so the income threshold and the quantum varied every year. In 2010 they were unified in the same allowance – “The allowance for family support”, but the base principles remained the same: the quantum varies depending of two categories of income (the income threshold is the same for both types of family) and four categories defined by the number of children.

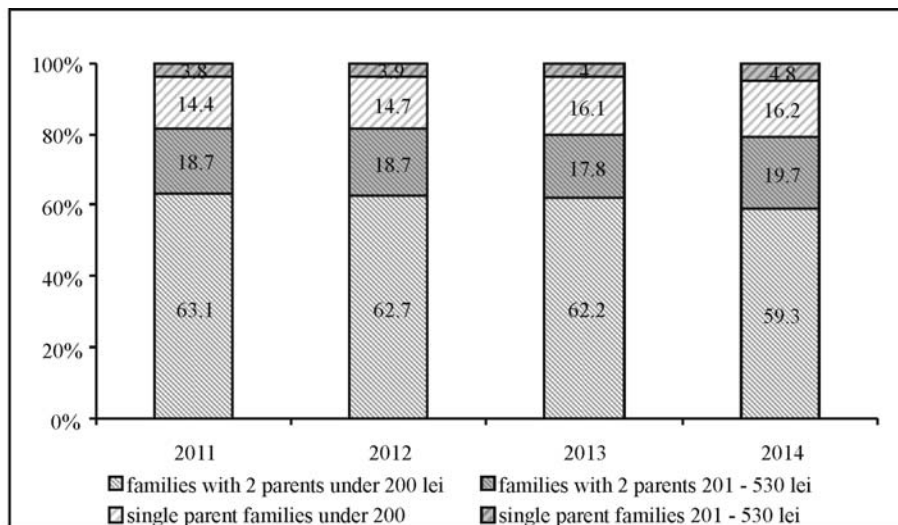
Chart 6. *The number of beneficiaries of family allowance*



Source: Ministry of Labor, Statistical reports

The number of beneficiaries has declined constantly, the highest decrease was recorded in 2011, as a result of the legislative change of merging the two allowances and introducing higher entitlement threshold.

The number of the beneficiaries has declined despite the fact that the poverty rate among families with children has remained constant at high levels. The simple presence of children in a household and any additional child significantly increases the poverty risk for it. The poverty rate for the households with two adults and three or more dependent children is over 60% and the risk of poverty and social exclusion for single-parent families is also around 60% (Briciu C., 2014).

Chart 7. *The share of beneficiaries of family allowance by type of family and area of residence*

Source: Ministry of Labor, Statistical reports

Around 80% of the allowance beneficiaries are families with two parents. Most of the recipients (around 60% each year) are families with two parents and very low income, under 200 lei. At least 75% of the beneficiary children each year came from rural area. For example, in 2014, there were 473. 223 children in the families receiving the allowance and 388. 854 (82%) of them were residents in rural area.

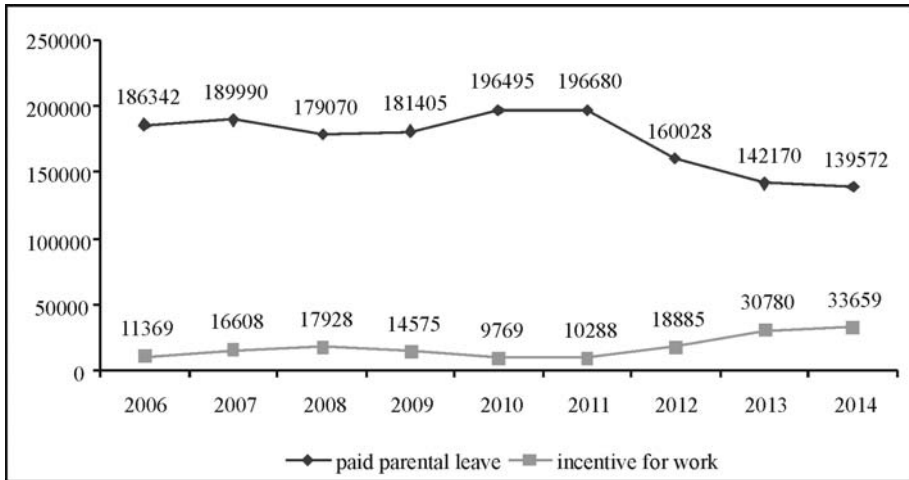
Leave entitlements

Parental leave and monthly allowance for children is the second important instrument in family policy. The indemnity is given to insured persons and can be performed on demand, by mother or father, until de age of 2 (or 3 for children with disabilities). The minimum working/insured period has varied across the years from 6 months to 9, 10 months, at present time being 12 consecutive months. The quantum represents 85% of the parent's previous income, but the range limits are different depending on the lengths of the leave: if the parent chose 1 year of leave, the value should be minimum 600 lei and maximum 34000 lei; if the parent chose 2 years of leave, the value should still be minimum 600 lei, but the maximum is only 1200 lei. Before 2012 a lot of income standards were applied: 75% of the previous income of the parent (but with a maximum of 4000 lei), a flat rate of 600 lei and 85% of the average wage per economy and so on.

Parents returning to work before the child age of 2/3 years receive a 500 lei incentive for the re-insertion on the labor force. The same amount will be received by those who have not contributed to the social security fund before birth, but have found a job in

the period of leave, in order to encourage the employment and fertility in the employed population. In the past, this incentive was 100 lei, but starting with 2011, the quantum raised fifth times.

Chart 8. *The number of beneficiaries of the leave entitlements*



Source: Ministry of Labor, Statistical reports

The decrease in the number of paid leave beneficiaries is a result of fertility decline and particularly of re-insertion on the labor market. The evolution of the two support instruments is in opposition: when paid leave recipients are increasing (for example 2008-2011 periods), the incentive receivers are decreasing. The 5 times increase of the quantum of the incentive in 2011 (from 100 lei to 500 lei) results in a 20% decrease of the paid leave beneficiaries and 80% raise of the incentive recipients next year. In 2014, the number of incentive receivers became almost 3.5 times higher than in 2011, before the increase. Hence, the measures succeed to achieve their objective: encouraging parents to return to work.

Parents can choose from one of the two options depicted in Table 2. The majority choose the second, almost two third of them taking paid leave for 2 years, even if the maximum threshold is smaller. But considering their previous income, the choice is rational: more than half of them take the minimum amount of 600 lei, compared with only 7% of parents choosing the first option. Additionally, the parents choosing the second option do not start working before the 2 year leave. On the contrary, the parents choosing the first option with shorter leave (only 1 year) also go back to work earlier, and represent almost 90% of the incentive receivers.

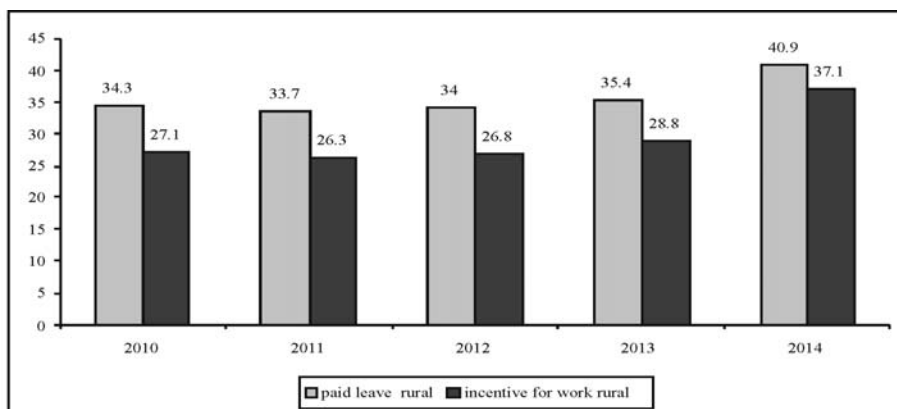
Table 2. The number of recipients of paid leave and incentive for work, the two options

		2013	2014
Total	minimum value of 600 lei	75509	71113
	85% of income	65805	67092
	incentive for work	30506	33641
Option 1 1 year leave paid min 600 lei max 3400 lei	Total	9781	9493
	minimum value of 600 lei	1102	694
	85% of income	8591	8707
	incentive for work	27865	29592
Option 2 2 years leave paid min 600 lei max 1200 lei	Total	126614	125810
	minimum value of 600 lei	71615	68449
	85% of income	54106	55692
	incentive for work	2641	4049

Source: Ministry of Labor, Statistical reports

The configuration of the two choices indicates two distinct categories of parents:

- The workers with high income, staying at home and caring for the child for less than one year: over 75% of them received incentive for starting work earlier than 1 year. These parents are less frequent; they represent only 7% of the whole beneficiary parents.
- The workers with low income, probably the majority of them having the minimum threshold or less, who stay home and care for the child for the entire extent of the 2 years of leave: 53% of them are paid with the minimum amount and only 3% of them received incentive for starting the work earlier than 1 year. These parents represent the vast majority, over 90% of the recipients.

Chart 9. Leave entitlements in rural area

Source: Ministry of Labor, Statistical reports

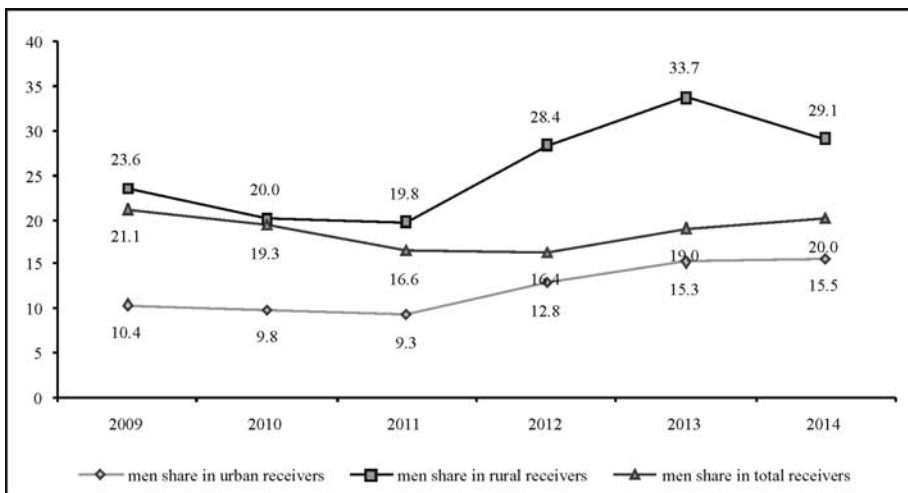
These arrangements indicate a poor situation of the labor force of the young parents and a modest standard of living for the family of the newborns in Romania, especially in rural areas.

Even if every year 45% of the newborn children come from rural area, only around 35% of the paid leave recipients and less than 30% of the incentive-for-work recipients are parents from rural area. However, a growing share of the rural recipients (40% of the paid leave and 35% of the incentive receivers) could be identified in 2014, but there is no clear trend of a better employment in rural area for young parents yet.

It is remarkable that men are quite frequent among paid leave beneficiaries, especially in rural area. Romania has the highest rate of men taking leave entitlements from the European Union and this could be interpreted as a sign of a better work life balance and equality. Considering the whole picture of gender equality in Romania, this explanation becomes hard to believe. Men are involved in parental leave rather as a strategy of adaptation to the lack of resources (Popescu R., 2014).

First, the share of men in paid parental leave or receiving incentive for work comes to be over 33% in rural area in 2013, with a slightly decrease in 2014, but still reaching almost 30%. In addition, since the latest legislative changes in 2012, men taking parental leave are increasing.

Chart 10. *The shares of men in leave entitlements receivers (paid leave and incentive for work), by area of residence*



Source: author calculation based on Ministry of Labor statistical reports data

Second, the so called “daddy’s month” is taken by only 0.5% in 2013 and 2.8% in 2014 of the fathers entitled to. This measure aims to a better involvement of fathers in

childcare, a better gender equality in the family and a better work life balance for both parents. Considering the fact that less than 3% of fathers choose to take this opportunity and prefer to lose this one month paid leave (it can't be switched between parents), we can assume that these are parents with a better social status that do not want to lose 15% of their income.

With these two sets of data in mind, even if there is not sufficient evidence to support it, my hypothesis is that men in parental leave are the only employed person in the household and have most probably low incomes. The majority of them choose most likely the second option of 2 years leave and minimum of 600 lei payment. They can have temporary informal jobs in that period, the housewife being the one that actually takes care of the child. This result is a rational solution of the family, especially for rural area, where the employment opportunities are smaller.

Conclusions

The evolution of family policy in Romania is strongly associated with the evolution of public interest in social aspects in general, because family protection was viewed more in terms of passive support for the vulnerable and the poor. The interest in family support diminished drastically during the recent economic crises, being replaced by fiscal austerity and cut down from public expenditures; similar to the beginning of the transition period, social aspects and especially family difficulties were rather ignored by decision-makers.

The low family support following the economic crisis turns out to be a constant decision, a limited effort being displayed no matter what data, no matter what domain or period of time we choose to compare with. The configuration of financial family benefits in Romania stands for a distinctive political decision to place family behind other social protection domains like old age and healthcare. This choice emerged not only from the total amount paid (that is expected to be higher for this two social protection aspects), but from the downward trend compared to previous years, expenditures with family and children registering the highest erosion after the unemployment costs. Under the pressure triggered by the economic crisis, major cuts were made on the family benefits because they are not considered as critical and imperative. This situation is quite contradictory with the declarative pro-family policy, evident from many other features, from the protection of family set by the constitutional law to stipulation of family unit, not individuals, as the base of the social protection system.

The financial family support gathers several benefits, among that the state allowance for children and the paid parental leave are clearly the most important instruments. The state allowance for children is the only universal instrument in the family protection system and by having the largest number of recipients (around 3.5-4 millions of children) and the largest share in the social work expenditures (over a third) represents by far the most substantial instrument of the family policy. The value of the state allowance reached a peak of over a half of the minimum wage for children under 2 in 2007; however, since then, the value of the benefit has reduced continuously, being now less than a quarter of the minimum wage.

The allowance for family support is a benefit targeting poor families, typically from rural area. The benefit is means tested and over 75% each year are families with very low income (under 200 lei) and at least 75% of the beneficiary children each year come from rural area. The number of beneficiaries has declined constantly following the economic crisis, even if the poverty rate for families with dependant children has remained at high levels.

Parental leave and monthly allowance for children is the second important instrument in family policy. The configuration of choices between one or two years leave and incentives for work reveal two distinct categories of parents: 1) the workers with high income, staying at home and caring for the child less then one year, who are less frequent, representing less than 10% of the whole beneficiary parents and 2) the workers with low income, probably the majority of them having the minimum threshold or less, who stay at home and take care of the child for the full length of 2 years of leave, who represent the vast majority of parents, over 90% of the recipients. These arrangements indicate a poor situation of the labor force of the young parents and a modest standard of living for the family of the newborns in Romania, especially in rural areas. Only approximately one third of the paid leave recipients and less then 30% of the incentive-for-work recipients are parents from rural area. Men are quite frequent among paid leave beneficiaries, especially in rural area, but as a strategy of adaptation to the lack of resources rather than a symbol of gender equality. They are probably the only employed person in the household and have low incomes. Parental leave beneficiaries' profile needs to be closer examined in order to consider this hypothesis.

All indicators studied show the same pattern: low level of transfers in a decreasing trend. The number of beneficiaries is declining; the relative value of the benefits is diminishing. The analysis of the four main financial instruments of the family policy (state allowance for children, the family allowance, the paid parental leave and the incentive for work) reveals a minimal family protection, a scarce effort following the economic crisis, with little hope to redress.

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values. However, the research focused on the early years of the construction, rather to a thorough investigation of the present. Nevertheless, the question of how linked the lodgers of a new district were at a certain point and how this progressed in time remains a strong instrument of analyzing the everyday life in a specific district.

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- ***Lămuriri pentru doritorii de a-și construit locuințe prin Casa Autonomă a Construcțiilor, *Societatea de Măine*, 15 Noiembrie 1930

Interviews:

- Interview in Vatra Luminoasă district, June 2013, Mr. A. B, ~50years old
- Interview in Vatra Luminoasă district, June 2013, woman, ~70 years old
- Interview in Vatra Luminoasă district, June 2013, man, retired, moved in the district in the sixties
- Interview with D. A., aged 72, retired, interview on phone and face to face meeting in June 2015