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ROMANIA'S SOCIAL PROTECTION PROGRAMS REFORM DURING THE ECONOMIC CRISIS

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ABSTRACT

The post 2007 economic crisis significantly affected EU's states public finances and triggered various fiscal adjustments processes. Inevitably, policies related to social protection benefits were scrutinized and more or less radical reforms were enacted in most states. This article assesses the evolution of spending on various social protection programs in Romania in a comparative perspective. Using data from Eurostat, the effects of Romania's 2011 austerity program are compared with evolutions in the other EU member states. The article also compares the observed modification in comparison with the aims set by the Cabinet through its Social Assistance Reform Strategy. The article also tests whether the intensity of adjustment programs are connected with the intensity of the economic crisis.

KEYWORDS

- social protections programs
- economic crisis
- austerity,
- Romania
- comparative study

Introduction

This article aims to evaluate the effects of the austerity measures undertaken in Romania in 2011 on the relative and total spending on various social protection programs.^[1] These evolutions are assessed using data from Eurostat, data that allows for a comparative evaluation of these evolutions in all EU member states. The rest of the article is structured as it follows: first, I present the two main branches of theories used to explain how various governments would react to an economic crisis. Second, I present comparatively assess the evolution of Romania's social protection benefits spending until 2011. Third, I assess the general pressures generated by the widespread economic crisis on the national state budgets and discuss the Social Assistance Reform Strategy^[2]. Fourth I present the evolution total expenses and expenses/inhabitant on individual programs of social protection (family and child allowances, housing, old

1 According to Eurostat's definition "Social protection encompasses interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved."

2 Strategia privind reforma in domeniul asistentei sociale

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age, sickness/health care benefits, survivors, unemployment benefits, social exclusion) in comparison with evolutions in other EU countries. Fifth, I correlate the directions of these evolutions with the economic pressures experienced by various states. The article ends with several conclusions regarding the direction in which social protection programs have been affected by the austerity packages.

Theoretical aspects

The theories developed to explain the most important factors that would shape how different countries will react to economic crises can be grouped in two main broad categories. Authors within the Power Resource Theory (PRT) argue that strength and alignment of the class organization is reflected in the policies enacted in various countries. Various comparative research like Esping-Anderson and Korpi (1984), Huber and Stephens (2001), Castels and Obinger (2007) support the argument that predominance of left-wing v. right-wing governments significantly influence the social and macroeconomic policies. Thus, while left-wing government vigorously promote policies favoring progressive redistribution and consumption, right-wing governments aim to implement measures that limit the state's role in the economy and favor investments. Thus, under the conditions of an economic crisis, based on the PRT theories, we can expect that right-wing government would enact rapid welfare state cuts. Instead, if left-wing governments are in power, one could expect that they would aim to limit potential cuts on various social protection programs (Allan and Scruggs: 2004; Amable et al:2006).

Instead, the functionalist approach authors like Garrett and Mitchell (2001), Swank and Steinmo (2002), or Rodrik (1997) argue that despite the importance of the ideological composition of the Cabinet, the pressures generated by the increased globalization, competition for capital and various other interdependencies among states would significantly confine governments room for maneuver in terms of policies. During a recession, the capacity of governments to enact measures that would shift the burden toward capital is limited. Thus, depending on the macroeconomic situation of a country, even left-wing government could be forced to enact austerity measures that would significantly affect spending on social protection programs. Within this article I evaluate the intended aims of the 2011 reform measures undertaken in Romania and compare them with measures undertaken in the rest of the European Union, focusing on the Eurostat data on social protection programs.

Pre economic crises evolutions

One of the most important non-formal goals that Romania indirectly adhered to during its EU accession process was the so called European social model.^[3] This is a loosely defined vision according to which the major objective of the State should not be to simply achieve economic growth, but to achieve an equitable model of economic growth that reflects in the increasing living standards and working conditions of all citizens. While the structure of the welfare system significantly differs among the European states (Esping-Andersen: 1990; Schmitter and Todor: 2010) they all have enacted comparatively generous and developed social protection programs. After 1999, when Romania experienced a constant period of economic growth and at the

3 In a famous comparison, Tony Judt defined this model as opposed to the "American way of life" Laity, Paul (17 May 2008). "The Guardian". Uncomfortable truths. Interview with Tony Judt. Retrieved 2 January 2010.

same time entered a long and complex period of EU accession negotiation, Romania significantly extended its social protection benefits expenses. For example, Zamfir (2006, p. 197) argues that Romania has managed to significantly develop its social protection system after communism but its overall achievements were nevertheless still limited. According to Buzducea (2008, p.27) central authorities coordinate the functioning of the system, while local authorities are directly responsible for the implementation of various policies. Given the high number of agencies, the coordination capacities are nevertheless relatively limited. While the central State budget cover the costs related to social payments and national interest programs, the local budgets cover the funds for the functioning of the institutions that implement these programs. Some of the most important limitations of the existing system refer to: the limited development of social assistance services, the limited development of prevention programs, a focus on low level payment programs, institutional fragmentation, lack of sufficient specialists, limited funds (Buzducea: 2008, p.1).

Data from Eurostat reflects an increase in Romania's spending on Social protection benefits from 378.7 Euro/inhabitant in 2002 to 916.57 Euro/inhabitant in 2009. Of course, despite the fact that the 2.4 time increase was the highest among the EU member states within this period, its achievement remains very distant to the 7823.13 Euro/inhabitant, the average spending in the EU-15 (the old EU member states), but relatively close with post-communist countries with levels of economic development closer to Romania's (Bulgaria – 645.77 Euro/inhabitant in 2009; Latvia - 1045.36 Euro/inhabitant in 2009). According to Milin et al (2013, p. 494): “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%...- 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;” Thus, Romania is one of the countries with the highest levels of poverty in the EU, and the social protection programs, especially pension, play a fundamental role in limiting a further increase of poverty (Stănescu et al: 2012, p. 243). As data in Figure 1 reveals, Romania's spending on social protection benefits as % of GDP significantly increased after 2006 from 12.4% to 17.4% and got significantly closer to the average spending as % of GDP in the other post-communist countries New Member States (9-NMS). Further, given that the total receipts from taxes and social contributions increased only slightly from 27% in 2004 to 28.4 % of GDP in 2011, the % of social spending in from the total spending of the State increased significantly during this period. Thus, while in the years previous to the economic crisis the system of social protection increased constantly, it still remained among the least developed (except for Bulgaria) in the EU

From the economic crises to the Social Assistance Reform Strategy

By the autumn of 2008, the economic crisis triggered by the sub-prime mortgage collapse spread at the global level. While the Romanian economy started to contract given the decrease demands in the EU markets and given the stall in the building sector, given that 2008 was an electoral year, political parties shied away from recognizing the scale of the problems. Further in 2008, public spending continued to increase and the Parliament voted almost unanimously a doubling of the payments in the educational sector. Given that in December 2009 the Romanian electoral calendar scheduled Presidential elections, the newly formed coalition of the two most important political parties PDL and PSD proved unwilling to enact any relevant

economic reform measure. Thus, the budget adopted in January 2009 was based on significantly outdated economic data. Instead, in 2009 the private sector lost 315,000 employees and internal and foreign investment stalled. Thus, the lack of sustainability of Romania's public budget led to a rapid deterioration of investors' confidence and from January to August 2009 the government bonds long-term interest rate increased from 7% to a top value of 11.4%. Following a series of negotiations, in March 2009, Romania reached a two-year stand-by agreement and contracted a joint 12.95 billion Euros loan from IMF-EU-World Bank. Among the most important measures agreed by the Romanian government focused on significant cuts in government spending. Some other measures agreed with the IMF-EU-World Bank were: cutting public sector wages by 25%; cutting pensions by 5%; 15% cuts to child and unemployed benefits; various privatizations. While the discussion with the IMF for a loan started and were finalized in 2009, the looming Presidential elections blocked any intentions to implement some of the reforms agreed with the IMF (Todor: 2014). After winning his second term as president, following a series of delays, in May 2010 President Traian Basescu announced the implementation of a wide austerity program aimed to lead to 3% decrease of government spending (approximately 700 million Euro) in 2010. Most importantly, the Boc Cabinet committed to the goal of cutting the costs of social security from 2.9% to 2% (the EU average is 5%) as mentioned in the Social Assistance Reform Strategy.⁴ Some of the most important justifications for this strategy referred to the fact that approximately 1.8 million adults (22% of the working age population) who were in employment, training, education or suffer from disabilities benefit from various assistance programs. According to the World Bank, that approved a long for implementing this strategy in 2011:

“The implementation of the Social Assistance Reform Strategy, will bring the fiscal cost of social assistance programs in line with the level of the new EU member states. . . . The planned social assistance measures aim to provide stronger work incentives for some adults in this pool by: (i) reducing the marginal tax rate on earnings for the child raising benefit; (ii) reducing the duration of the child raising benefit to one year for high income earners, and increasing the back-to-work bonus; (iii) eliminating the “false” disabled who could work but were living on benefits; and (iv) introducing stronger work- and activation-requirements in the guaranteed minimum income program.”

Thus, one of the main aims of this strategy was to decrease costs by introducing reliable mean testing mechanism that would allow identifying those individuals that do not really need various welfare benefits. Thus one of the aims committed through the implementation of this strategy was to increase the share of the social assistance programs paid to the poorest population (lowest quintile) from 37.7% to 45% by 2014 (World Bank: 2011). Also, Mihăilescu (2014, p. 337) argues that introduction of the guaranteed minimum income (GMI) increased the overall errors over inclusion of various social protection benefit schemes. Nevertheless, it's worth stressing that even though Romania's social protection benefits continued to increase by 2010, it still remained at least 2% under the average of the 9-NMS. All in all, the strategy adopted by the Boc Cabinet was in line with the neoliberal ideology of the most important party from the governing coalition. A recent evaluation on the characteristics of policy

4 Strategia privind reforma în domeniul asistenței sociale 2011–2013 (National Strategy for reform in the area of social services). Accessed at: <http://www.mmuncii.ro/pub/img/site/files/58bd6ffc9844fbc4a8a639672450872b.pdf>

reforms enacted in Romania after the start of the economic crisis (Todor: 2014, p. 26) reveals that starting with May 2010, “Romania enacted one of the most aggressive and regressive fiscal retrenchment programs. While the scale of this retrenchment can be partially explained through the conditionality from foreign lenders, the regressive nature of all measures is a function of the ideological choice of the core artisans of this austerity package.” Nevertheless, given that the Parliamentary coalition that supported this retrenchment program was formed through a significant political migration, the support for the Power Resources Theory is only limited.

Effects of the 2011 austerity package

To adequately comparatively assess the evolution of spending in various type of programs of social protection benefits, I have followed the following methodological steps: I used data from the Eurostat⁵, specifically from the Population and social condition category – Living conditions and welfare – Social protection sub-category. I used the categories according to which the Eurostat is grouping various social protection programs: family/children function [spr_exp_ffa], housing function [spr_exp_fho], old age function [spr_exp_fol], sickness/health care function [spr_exp_fsi], survivors function [spr_exp_fsu], unemployment function [spr_exp_fun], social exclusion n.e.c. function [spr_exp_fex]. While employing Eurostat grouping decreases the sensitivity of the analysis to the specificities of the social protection system of each country, it allows us to realize a meaningfully comparison of the EU level trends.

From the various indicators related to social protection expenditures I decided to focus on three types of indicators as the most appropriate for the scope of this article. First, the evolution of spending as % of GDP [spr_exp_gdp] – this indicator has the advantage of reflecting the weight of the social benefit program in the total GDP, aspect that reflects the effort a country is making to support these programs. Second, the Euro per inhabitant (at constant 2005 prices) – has the advantage of reflecting the average amount each person benefits from various social protection programs. Third, the Millions of euro spent on each category of social benefits is an indicator that reflects if a specific program had increased or decreased. In order to assess the comparative evolution of Romanian social protection programs, I have calculated the % evolution of these programs taking as of 2008, the last year before the economic crisis as the baseline. I calculated three different type of comparative evolutions:

- the difference between the evolution of Romania’s percent evolution of expenditures and the EU-27
- the difference between the evolution of Romania’s percent evolution of expenditures and the EU-15 – the old EU member states
- the difference between the evolution of Romania’s percent evolution of expenditures and the 9-NMS. The 9 post-communist EU New Member States.

5 Accessed at http://ecp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Table 1. Year-by-year comparative % evolutions in Romania vs. other reference groups having 2008 as baseline year. Areas with significant comparative negative evolutions have a red background (9 EU New Member States – excluding Romania)

1.1 All functions [spr_exp_fto] social protection expenditures as % of GDP			
2008 AS REFERENCE%	2009	2010	2011
Ro-UE27	9.4%	14.1%	6.0%
Ro-UE15	9.3%	13.9%	5.9%
Ro-9NMS	14.2%	0.8%	-6.8%

1.2 All functions [spr_exp_fto] social protection expenditures				1.3 Tables by benefits - disability function [spr_exp_fdi]			
Euro per inhabitant	2009	2010	2011	Euro per inhabitant	2009	2010	2011
Ro-UE27	6.9%	7.6%	2.9%	Ro-UE27	8.1%	5.8%	0.4%
Ro-UE15	7.2%	6.9%	2.3%	Ro-UE15	6.8%	1.7%	-3.7%
Ro-9NMS	7.4%	8.1%	3.1%	Ro-9NMS	9.1%	4.0%	-1.5%
Millions of Euro	2009	2010	2011	Millions of Euro	2009	2010	2011
Ro-UE27	-2.6%	2.2%	-2.1%	Ro-UE27	-1.2%	0.7%	-4.3%
Ro-UE15	-4.8%	0.6%	-3.4%	Ro-UE15	-4.8%	-4.2%	-9.2%
Ro-9NMS	5.0%	6.6%	0.5%	Ro-9NMS	10.9%	4.1%	-5.8%
1.4 Tables by benefits - sickness/health care function [spr_exp_fsi]				1.5 Tables by benefits - family/children function [spr_exp_ffa]			
Euro per inhabitant	2009	2010	2011	Euro per inhabitant	2009	2010	2011
Ro-UE27	3.9%	9.2%	3.0%	Ro-UE27	0.7%	-2.4%	-13.2%
Ro-UE15	4.0%	8.3%	2.3%	Ro-UE15	1.5%	-2.4%	-13.5%
Ro-9NMS	10.7%	17.4%	9.4%	Ro-9NMS	-0.4%	-2.0%	-12.1%
Millions of Euro	2009	2010	2011	Millions of Euro	2009	2010	2011
Ro-UE27	-5.3%	3.7%	-2.0%	Ro-UE27	-8.2%	-7.5%	-18.1%
Ro-UE15	-7.6%	2.0%	-3.3%	Ro-UE15	-9.8%	-8.3%	-18.9%
Ro-9NMS	3.9%	11.3%	3.8%	Ro-9NMS	-3.0%	-3.9%	-30.6%
1.6 Tables by benefits - survivors function [spr_exp_fsu]				1.7 Tables by benefits - unemployment function [spr_exp_fun]			
Euro per inhabitant	2009	2010	2011	Euro per inhabitant	2009	2010	2011

Ro-UE27	15.7%	13.3%	12.4%	Ro-UE27	57.6%	129.4%	3.8%
Ro-UE15	17.1%	13.5%	12.3%	Ro-UE15	60.9%	131.6%	4.9%
Ro-9NMS	16.7%	14.5%	13.6%	Ro-9NMS	18.4%	105.2%	-7.9%
Millions of Euro	2009	2010	2011	Millions of Euro	2009	2010	2011
Ro-UE27	5.4%	7.8%	7.5%	Ro-UE27	40.6%	118.4%	-1.8%
Ro-UE15	4.5%	7.3%	6.8%	Ro-UE15	41.0%	119.7%	-1.4%
Ro-9NMS	15.4%	11.5%	12.7%	Ro-9NMS	36.3%	118.0%	10.5%
1.8 Tables by benefits - social exclusion n.e.c. function [spr_exp_fex]				1.9 Tables by benefits - old age function [spr_exp_fol]			
Euro per inhabitant	2009	2010	2011	Euro per inhabitant	2009	2010	2011
Ro-UE27	-38.6%	-21.5%	-40.8%	Ro-UE27	11.6%	8.3%	9.3%
Ro-UE15	-39.1%	-22.1%	-41.6%	Ro-UE15	11.9%	7.9%	8.8%
Ro-9NMS	-37.4%	-41.7%	-64.8%	Ro-9NMS	8.5%	4.1%	5.1%
Millions of Euro	2009	2010	2011	Millions of Euro	2009	2010	2011
Ro-UE27	-43.9%	-26.4%	-46.2%	Ro-UE27	1.7%	2.9%	4.2%
Ro-UE15	-47.0%	-27.8%	-47.7%	Ro-UE15	-0.3%	1.7%	3.1%
Ro-9NMS	-32.4%	-24.5%	-48.9%	Ro-9NMS	6.4%	4.3%	5.7%

Source: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

The start of the economic crisis has significantly affected the availability of jobs and other sources of income in many countries. Inevitably, more and more people appealed to various social protection programs, resulting thus in an increase of pressure on the State budgets.

According to a Report from the European Social Network (ESN: 2010, p. 5), representatives from the local governments estimated a large increase in expenditures on social protection as a result of the economic crisis and stressed that “social services are re-examining and re-prioritizing expenditure in the face of decreasing revenue and increasing demand. It is difficult to achieve the perfect balance in meeting the needs of different service user groups, the expectations of the wider population and the employees of social services.” Thus, starting in 2007, the EU countries experienced an average expenditure increase (both in absolute terms and as Euro/inhabitant) in all categories of social protection programs. Even Greece, the most visible case of recession during the economic crisis experienced increases of expenditures in all categories except for Social housing. When we compare the evolutions of the total social protection expenditures as % of GDP (table 1.1) compared with the baseline year 2008, we observe that in 2009 and 2010 Romania had an increase significantly above those of the reference groups: EU-27, EU-15 and 9-NMS. Instead, in 2011, after most countries implemented various forms of austerity programs’ Romania’s expenditures decreased below those in the 9-NMS. This indicates that the austerity package in Romania affected the area of social protection expenditures more than in

the other post-communist countries. While Romania experienced a higher increase than in the EU-15 countries, this comparison is less relevant given that the initial levels of social expenditures in Romania were much lower. In Table 1.2 the same variable, but at the level of Euro/inhabitant and total expenses, is compared. In this case we observe that the evolutions in Romania were generally in line with the three reference groups, with cuts in the total expenditures above those in the EU-15.

Tables 1.3-1.9 contain data on Romania's comparative evolution in the 7 categories of social service expenditures used by Eurostat. In the area of disability related benefits, we can observe that Romania's total expenditures have decreased in 2011 as compared with all other reference groups. Also, the same evolutions can be observed in the area of sickness/health related social expenditures. The area that has been the most systematically negatively affected by reforms undertaken during the economic crisis is the family/children related social expenditures. Compared to 2008, Romania's expenditures have decreased in all years compared with all reference groups. Reforms undertaken in 2011 led to dramatic decreases of expenditures. Unlike most EU countries, and especially the 9-NMS that actually increased expenditures during the economic crisis with an average of 10%, Romania is one of the countries that implemented some of the most dramatic cuts in family/children related social expenditures (9.5% from 2008 to 2011) alongside with the Czech Republic (15% from 2008 to 2011).

While in the area of benefits for survivors Romania increased its expenditures compared with all reference groups (Table 1.6) in the area of unemployment social benefits we can observe some wide variations (Table 1.7). These apparent anomalies are caused by the fact that Romania dramatically increased its spending/inhabitant on unemployment benefits from 11.56 Euro/inhabitant to 21.76 in 2009 and 29.75 in 2010. Given this 257.4% increase of expense the subject of reforming unemployment benefits has been one of the subjects where the foreign lenders requested significant action. Nevertheless, it's worth stressing that even at its top 29.75 Euro/inhabitant spent in 2010, Romania has by far (except for Bulgaria) the lowest unemployment expenditures in the EU (the EU-15 had an average of 479.52 in 2010, while the EU-27 an average of 390.39 Euro/inhabitant in the same year). The 2011 reforms implemented as a result of the IMF-EU-WB foreign lend agreement triggered abrupt expenditures of unemployment benefits to just 14.14 Euro/inhabitant, by far the lowest level in the European Union.

Another area where Romania implemented dramatic cuts during the economic crisis is the area of social exclusion expenditures (Table 1.8). Both in terms of Euro/inhabitant and total expenditures, Romania decreased its expenditure by 2011, from 64.8% to 40.8% in comparison with the three reference groups. While Romania cuts its expenditure/inhabitant from 17.37 in 2008 to 13.39 Euro in 2011, the average expenditures in the EU 27 increased from 85.93 to 101.31 Euro/inhabitant.

Last but not least, the evolutions in the area of old age (Table 1.9) appear to indicate that Romania's evolution was above the reference groups. Actually, if we compare these evolutions starting in 2006 we can observe a continuous and significant increase in this area, increase that was caused mostly by the continuous increase in the value of pensions. While the 2011 year affected all other areas, the pension expenditures did not decrease given the decision of the Romanian Constitutional Court that prevented the Cabinet to implement a 15% cut in the value of pensions on reason that the pension represents a patrimonial right.

Table 2. The evolution of total expenditure on old age [*spr_exp_fol*]

2006	2007	2008	2009	2010	2011
5,049.28	6,864.72	9,090.09	9,452.80	9,974.07	10,390.25

Source: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

Spending on social protection programs in relationship with other variables

In Table 3 (in Annex 1) I present the data on the situation of various variables that are theorized to influence the evolution of government policies (data from Lierse: 2012) and implicitly the spending on social protection. In the last column of the Table I included the results of the correlation between each indicator and the % evolution of expenditures between 2007 and 2009 (given that I correlate data for the entire universe of study, I did not include the statistical significance). One of the first unexpected results is the fact that the presence of a right-wing government in power in 2008 is positively associated with increases in social expenditures as % of GDP. Thus, for this period, it is not only the case that right-wing governments did not implement measures that were more likely to cuts spending on social benefits, but they increased this spending. Also, we observe that the countries which implemented more tax changes in 2008, a factor that indicates that the government aimed to take action regarding the economic crisis by altering the tax system, experienced a higher than average increase in the social spending. Thus, those countries that implemented tax cuts have a strong negative correlation (-458) with increase in social expenditures, while those that increased taxes have led to a strong association with increases in social expenditures (0.556). These positive correlations indicate that the tax and social policies were strongly related across the EU countries.

As expected, the economic growth is strongly negatively correlated (-0.758) with evolutions in the area of social spending. Thus, the higher the rate of economic growth, the lower the increase in social spending a country experienced. Thus, the evolutions in Romania, country that experienced one of the most abrupt economic contraction but decreased spending in several key areas, do not follow the pattern of the other EU countries. The last two variables of interest are the evolution of public deficit and the interest rate for government bonds. While the public deficit has a low negative correlation with social spending evolution (-0.14), indicating that those countries that experienced high deficits had increased social spending, the high correlation (0.664) between the interest on government bonds and the increase in social spending shows that those countries that experienced the highest increase in social spending also experimented the highest surges in their interest. Given that this is just a correlation, a clear causal link for these correlation could be established only by employing more complex statistical techniques. All in all, this analysis can only establish that macro variables appear to be highly correlated with increases in social spending, while, unexpected, right-wing governments have accommodated more increases in social protection spending. These evolutions clearly give more weight to the functionalist argument advanced by authors like Garrett and Mitchell (2001), Swank and Steinmo (2002), or Rodrik (1997).

Conclusions

In this article I reviewed some of the most important empirical evidence related to the effects of the economic crisis on the evolution of spending on social protection programs in the EU countries, especially in Romania. The main contribution of this article lies in explaining the causal mechanism that triggered the implementation of one of the most aggressive austerity programs in the EU country with the least developed system of social protection. Also, I showed how these measures have been advocated through factually false arguments regarding the presumed overspending in the area of social protection. By comparatively assessing the evolution of spending, both in absolute terms, as % of GDP, and as Euro/inhabitant on the whole and on various categories of social protection programs I could draw a nuanced picture of the transformations that took place in Romania. While Romania, along with Bulgaria, had the least developed social protection system in the EU, by the start of the economic crisis it got closer to the average of the New Member States. At the start of the economic crisis, Romania confronted a dramatic situation, reflected in the significant increase of the interest rate of its bonds and the staggering deficit. Given the long electoral periods triggered by the 2008 Parliamentary and 2009 Presidential elections, no significant reforms were implemented until May 2011. The austerity package in the area of social spending, package that followed the lines of the Social Assistance Reform Strategy had uneven effect on various social programs. The disability, sickness/health care, family/children related allowances, unemployment and social exclusion were areas where significant cuts were implemented. As discussed, the unemployment, the social exclusion and family/children benefits were significantly diminished. Instead, the 15% cut of the pensions was blocked by Constitutional Court. If Romania would have had implemented the 15% cut of the pensions it would have probably been the absolute champion of austerity among the EU countries.

The analysis in the fifth section reflects the fact that while in Romania a right-wing government implemented significant cuts in various programs, across the EU right-wing government are correlated with higher increases in social spending. Instead, the factors that mostly affected the evolution of social spending relate to macro-economical variables.

Appendix 1

Table 3. Correlation of various macroindicators with the evolution of social protection benefits as % of GDP [*spr_exp_gdp*] and tax policy changes (from)

Greece	Ireland	Estonia	Germany	Denmark	Czech Republic	Bulgaria	Belgium	GEO/TIME	
								Social protection benefits as % GDP	2007
24.1	17.1	12.0	26.8	29.3	17.5	13.7	25.5		
27.4	25.1	18.8	30.2	33.1	19.7	16.7	29.1		
113.7%	146.8%	156.7%	112.7%	113.0%	112.6%	121.9%	114.1%	Evolution	2007 -2009
2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	Year	
0.5	1	1	1	1	1	0.5	1	Gov. Comp. 1=right 0=left	
7	6	5	5	6	5	8	5	Total number/ Tax Changes	
1	2	0	5	4	3	5	4	Tax cuts	
6	4	5	0	2	2	3	1	Tax increase	
-1.83	-4.03	-5.3	-0.03	-1.4	0.23	0.3	0.13	Growth	
-11.9	-18	-1.47	-2.07	-0.73	-4.43	-2.07	-3.77	Deficit	
6.35	5.17	7.37	3.31	3.6	4.45	6.06	3.93	Interest rate	

Austria	Netherlands	Malta	Hungary	Luxembourg	Lithuania	Latvia	Cyprus	Italy	France	Spain
27.0	26.7	17.5	22.3	19.0	14.0	11.0	17.8	25.4	29.3	20.3
29.8	29.7	19.4	23.9	23.9	20.6	16.7	20.8	28.5	31.9	24.9
110.4%	111.2%	110.9%	107.2%	125.8%	147.1%	151.8%	116.9%	112.2%	108.9%	122.7%
2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10
0	1	1	0	1	1	1	0	1	1	0
4	5	1	12	2	9	6	5	7	4	6
4	5	1	6	2	4	1	3	6	3	3
0	0	0	6	0	5	5	2	1	1	3
0.1	-1.83	1.87	-1.83	0.43	-3.5	-7.5	0.97	-1.73	-0.43	-0.97
-3.2	-11.9	-3.93	-11.9	0.13	-6.63	-7.2	-3.47	-4.23	-5.93	-8.17
3.85	3.64	4.85	6.35	4	8.39	9.7	4.6	4.34	3.67	3.59

	United Kingdom	Sweden	Finland	Slovakia	Slovenia	Romania	Portugal	Poland
	23.8	28.6	24.6	15.4	20.7	13.2	22.6	17.8
	27.8	31.4	29.5	18.2	23.7	16.9	25.5	18.8
	116.8%	109.8%	119.9%	118.2%	114.5%	128.0%	112.8%	105.6%
	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10	2008-10
	0.5	1	1	0.5	0.5	0.5	0	1
	3	5	8	6	7	8	5	5
	2	5	5	5	5	6	3	4
	1	0	3	1	2	2	2	1
	-1.23	-0.13	-1.4	1.67	-1.07	-0.37	-0.4	3.53
	-8.93	0.5	0.3	-6	-4.47	-6.87	-7.57	-6.3
	3.74	3.34	4.2	4.28	4.43	8.24	4.71	6
Correlation with the Evolutions between 2007 and 2009								
	0.233788							
	0.132211							
	-0.45829							
	0.556471							
	-0.7584							
	-0.141							
	0.664372							

Data rom Lierse (2012)

Source: Lierse (2012)

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