

# NEW SYSTEM TO FOLLOW UP THE UNEMPLOYED IN BELGIUM – ROMANIAN PERSPECTIVE

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**A***bstract.* In December 2008, in Brussels, hosted by the Federal Public Service, Employment, Labour and Social Dialogue a peer review on “The new system to follow up the unemployed in Belgium” was developed. Experts from member states (in co-ordination with the Employment Committee of the EU) submit proposals of good practice examples to be the subjects for Peer Review meetings in relevant areas according to the priority theme. The study represents the Romanian independent statements and comments on this subject, persented at the meeting in Brussels.

**Keywords:** labour market active and passive policies, best practices transferability, unemployment compensations, unemployment regulation

**JEL Classification:** I31, J64, J65

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## **1. About the study**

In the framework of the Mutual Learning Programme, within the six-month cycles, the Peer Review meetings cover a number of single initiatives relating to selected employment policy practices in line with the priority themes of the European Employment Strategy.

In December 2008, in Brussels, hosted by the Federal Public Service, Employment, Labour and Social Dialogue a peer review on “The new system to follow up the unemployed in Belgium” was developed.

In addition to the host country, further twelve countries participated in the discussions as follows: Austria, Cyprus, the Czech Republic, Estonia, Finland, France, Greece, Latvia, the Netherlands, Norway, Romania, and Sweden.

The study represents the Romanian independent statements and comments on this subject, presented at the meeting in Brussels<sup>1</sup>.

## **2. Policy context, economic circumstances and institutional/legal background in Romania**

**2.1.** Romania has been, for 19 years, in a thorough and complex process of political, economic and social transformations.

All along this period, the labour market has undergone great structural changes legislation-wise and institution-wise, with ups and downs, sometimes spectacular, in point of quality and quantity, on the demand side, the supply side, and with regard to payment of labour.

The restructuring of the economy in the period 1990-1997 brought about a sharp decline in the demand for labour, and deep changes in the occupational and professional structure of the workforce: the employed population dropped from 10.8 to 9 million persons; the number of employees diminished from 8.2 to 5.6 million persons; the retirees increased from 2.6 to 3.9 million; the unemployed increased from 337,400 in 1991 to 881,400 in 1997.

In the subsequent years, total employment and the average number of employees continued to follow the descending curve down to a record below 8.2 million and, respectively, 4.5 million persons in 2004, after which the curve went slightly up to 8.7 million of total employment, and 4.9 million employees in 2007.

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<sup>1</sup> The study was first published on the Mutual Learning Programme (MLP) website: [http://pdf.mutual-learning-employment.net/pdf/BE08/romania\\_BE08.pdf](http://pdf.mutual-learning-employment.net/pdf/BE08/romania_BE08.pdf).

The annual average number of persons retired under the umbrella of the state social security system reached a peak of 6.3 million in 2002, to drop then gradually to 5.6 million in 2007.

After a historic high level of 1.13 million jobless persons – which translated into an unemployment rate of 11.8% in 1999 – their number went down constantly after 2000 until 2007, when only 368,000 of unemployed persons were on record, i.e. 4.1% of all workforce, which experts consider to be a natural rate of unemployment.

The developments in the labour market of the recent years are accounted for by the period of intensive economic growth of Romania, when the gross domestic product (GDP) rose, in real terms, to 151% in 2007 if compared to 2000, but also by a massive migration of Romanian labour to other EU Member States, the number of Romanian migrant workers being estimated at 2-3 million persons.

This has caused a deficit in workforce on the Romanian labour market during the past three years, 2006-2008, particularly in some economic sectors and in some occupations, such as constructions, retail, health, education and other services.

**2.2.** Unemployment was for the first time recognised as a social and economic problem that required a special regulatory framework in 1991, when Law no. 1/1991, regarding welfare measures for the unemployed, was passed.

Being the first piece of legislation devoted to a labour market at the beginning of what was going to be a long changing process, Law 1/1991 could not encompass the entire spectrum of labour problems, and, consequently, it was successively amended and supplemented through other four acts, two government ordinances, and one government decision, issued until 1997.

The ordinances and the government decision amended and completed Law no. 1/1991 by adding provisions with respect to the qualification, professional readjustment, and refresher courses for the unemployed, as well as to the incentives granted to employers offering jobs to fresh graduates.

These new provisions, however, did not encourage actions or practices meant to stimulate the wish to find a job, nor were they able to maintain a balance between active and passive measures for the unemployed, and to clearly stipulate the tasks devolving upon the various public authorities in charge of labour market management.

Following this, and the parallel need to harmonise domestic legislation with the EU directives, Law no. 72/2002 regarding unemployment benefits and stimulation of employment was enacted.

Until 2008, this act too was amended and supplemented by two other laws, and four government emergency ordinances.

According to the provisions currently in force, to qualify for the unemployment allowance (that has replaced the unemployment benefit and the subsistence allowance provided by Law no. 1/1991), an applicant must have contributed to the social security fund at least 12 of the past 24 months prior to the date of application, or must be a fresh graduate who could not find a work place.

The unemployment allowance is paid for a period of 6, 9 or 12 months, proportional to the length of social security contribution period, in an amount equivalent to 75% of the national gross minimum wage, plus 3% to 10% of the gross monthly basic salary of the last 12 months prior to unemployment, pro-rata to the length of the social security contribution period.

Fresh graduates may receive, for 6 months, an allowance equal to 50% of the national gross minimum wage.

**2.3.** At institutional level, until 1998, the management of the entire range of unemployment problems was provided by the Ministry of Labour Family and Equal Opportunities (Ministerul Muncii, Familiei și Egalității de Șanse, MMFES), through its 41 labour and social protection territorial departments, one for each county and one for the City of Bucharest.

Since 1999, the MMEFS policies and strategies for employment and professional training of job seekers have been implemented by the then newly established National Agency for Employment (Agenția Națională pentru Ocuparea Forței de Muncă, ANOFM), which operates as a public entity run by a tripartite board of directors (government – trade unions – employer organisations).

The Unemployment Fund Budget, managed by the ANOFM, is formed of the subscriptions paid by employers (1% of all gross wage fund of a company) and employees (0.5% of the monthly gross wage).

The ANOFM works through its 41 territorial departments covering all the counties and the City of Bucharest, and through the regional adult vocational training centres.

The territorial departments provide the following types of services: information and vocational counselling, employment brokerage, vocational training, advisory services for entrepreneurial initiatives, stimulation of workforce mobility, stimulation of employers to hire unemployed persons, payment of unemployment social protection benefits, and certification of providers of services designed to encourage employment.

Territorial departments may open local, units, and offices on an as-needed basis in large cities, towns or districts of Bucharest and local working points where unemployment is higher. The regional centres for vocational training provide information, counselling, assessment, monitoring, and vocational training certification services.

To carry out their tasks, the centres enter into partnerships with the territorial departments of the ANOFM, with employer organisations, trade unions, professional associations, educational establishments, businesses, and other territorial structures (including town halls, prefectures, and their councils).

### **3. Potential transferability of the policy/measure to Romania**

#### **3.1. Belgium's experience in the follow-up of the unemployed**

Stephanie Devisscher și Daphne Valsamis (IDEA Consult) have made a coherent, substantive and convincing presentation of how the Belgian system of active accompaniment of the unemployed works, and of its results.

The survey reveals a good vertical and horizontal institutional distribution of tasks at all levels: drafting, application, enforcement and management of labour market policies.

The Belgian system demonstrates, at all levels, a special care for "a better treatment of the unemployed person, for the purpose of helping such person resume work in an area as close as possible to his/her expectations and skills".

From our point of view, even if after implementation the rate of long-time unemployment is still high, this cannot be automatically ascribed to the system itself. It may be due to other interfering factors, such as science, technology, economy, which advance faster than the capacity of persons and institutions to adapt to changes.

We fully agree to the authors' conclusion that a warning letter may have a positive outcome, without consuming extra resources, and yet being able to sometimes produce surprisingly good effects, and much faster than some policies or public agencies do.

#### **3.2. Opportunities for transfer to Romania**

Under Law no. 76/2002, as subsequently amended and supplemented, the unemployed who wish to enjoy the protection measures designed for them must fulfil the following conditions: to visit regularly, monthly or whenever scheduled,

the employment office with which they are recorded, to seek assistance for job finding; to notify the employment office, within three days, of any change in their occupational status; to attend the vocational training and employment stimulation sessions provided by the office, and demonstrate an active job-seeking attitude.

These conditions of access to the unemployment indemnity generate packages of active and passive measures, and a certain share of the budget resources allocated to these.

The first problem that may be considered in Romania in relation to the passive side of the unemployment protection measures is the amount of the monthly unemployment indemnity. While in Belgium, according to the above-quoted study, this ranges from a minimum of EUR 374/month (for graduates), depending on the recipient's particulars, to a maximum of EUR 1,144/month for the unemployed head of family, in Romania the average monthly amount of the unemployment indemnity (granted for a maximum period of 12 months) was, in 2006, EUR 73.5 (Table 1).

In real terms, according to Eurostat, during the period 2000-2005, the unemployment expenditures in EU25 grew, on the average, by 1.5%, in Belgium by 5%, while in Romania it decreased by 7%.

It is obvious that the unemployment pay in Romania is the result of the country's economic development and of the level of monthly wages.

Law no. 76/2002, as detailed above, provides a flat monthly unemployment indemnity of 75% of the minimum wage, plus the percentage share of the basic salary received, adjusted by the length of social insurance period.

As Annex 1 shows, the unemployment benefit in the period 1996-1999 was even 35.8% in excess (1997) of the national gross minimum wage. Which was far from motivating the unemployed to take an active part in finding a job.

Until the new unemployment law of 2002 was passed, the ratio of unemployment benefit recipients was 90.7% of total unemployment in 1992, and 72.9% in 2001; after 2002, the ratio dropped to 41.1% in 2005, and to 33.2% in 2007 (Graph 1).

Table 1

**Monthly level of unemployment indemnity (EUR/person) and its proportion  
against monthly national gross minimum wage(%)**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	<b>EUR/person</b>															
<b>Unemployment benefit</b>	36.4	14.9	18.9	25.8	24.2	24.6	30.7	33.8	30.4	34.1	37.3	41.9	45.5	50.6	65.1	73.5
<b>Allowance for vocational integration</b>	-	-	-	17.8	16.2	14.2	14.7	18.7	17.0	19.0	20.7	22.7	28.8	31.8	44.2	46.0
<b>Support allowance</b>	-	10.1	10.9	10.4	14.9	13.1	12.0	15.3	13.6	14.0	13.1	14.7	14.6	6.7	0.0	0
	<b>In percentage as against the gross minimum wage at national level (%)</b>															
<b>Unemployment benefit</b>	63.6	64.8	71.3	102.7	97.4	112.9	135.8	103.8	118.9	96.6	72.5	77.5	68.6	73.1	76.1	78.5
<b>Allowance for vocational integration</b>	-	-	-	70.7	65.0	65.0	65.0	57.5	66.4	54.2	40.6	42.1	43.0	46.2	51.6	49.1
<b>Support allowance</b>	-	43.8	41.1	41.2	60.0	60.0	53.2	47.1	53.3	40.0	25.8	26.9	21.9	9.6	-	0

**Source:** Romanian Statistical Yearbook, *National Institute of Statistics, Bucharest, various editions.*

Active employment measures are almost identical in Romania and Belgium: information and counselling, brokering, vocational training, business start-up advisory services, activities stimulating mobility of labour, etc.

To carry out such measures, in Romania there are institutions relatively similar: information and counselling are provided by the specialised units of the employment agencies, but also by contract with licensed providers of such services. For fresh graduates, an individual counselling plan is drawn up.

The share of funds spent for active measures of all expenditure borne by the unemployment insurance budget is illustrated by the graph in Graph 2.

Unemployment spending stood, in 2005, at 1.6% of the EU25 GDP, at 3.5% in Belgium, and at some 0.4% in Romania, both in 2005 and in 2007.

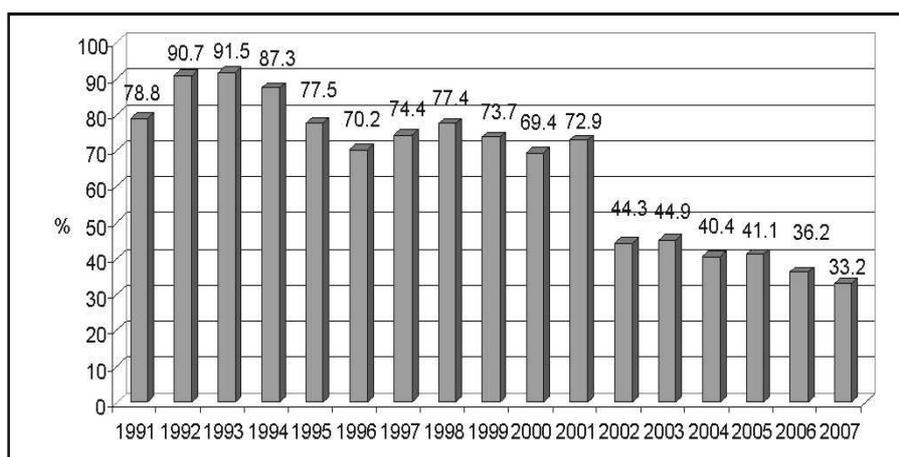
#### 4. Open issues for the future

In Romania, the total spending from the unemployment insurance fund (active and passive measures combined) has been in recent years lower than the money collected for this purpose from employers and employees.

At the end of 2007, the excess amounts carried forward totalled EUR 1.17 billion, i.e. 1% of the gross domestic product. In other words, there is money for the unemployed to afford the necessary welfare.

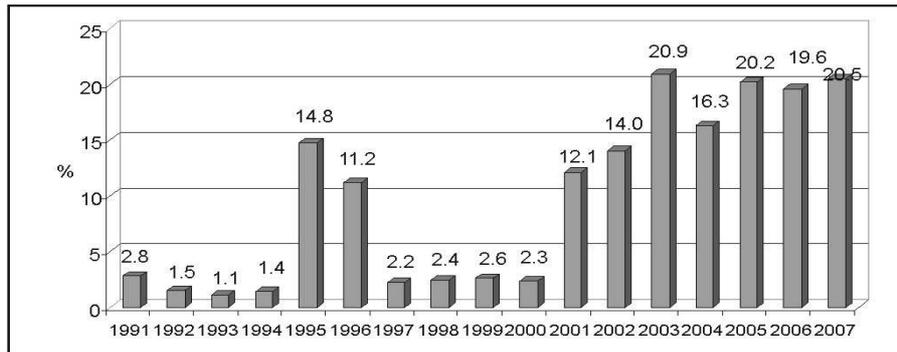
Graph 1

Paid unemployed as percentage of total unemployment (%)



Graph 2

**Expenditures on active measures as percentage  
of total expenditure from the unemployment budget (%)**



The 2007 ANOFM annual report explains that the spending fell behind the scheduled amounts due to the “considerable reduction in the number of recipients of unemployment protection rights, mainly as an effect of the decrease in number of stipended jobless, and of deferred mass layoffs.” The severance pay for redundancy caused by restructuring, privatisation, and windup of some companies dropped from EUR 230.6 million in 1998 to EUR 13 million in 2006 (Table 2).

The budget surplus of EUR 180 million in 2005, EUR 199 million in 2006, and EUR 319 million in 2007 could be used as source of funding the development of measures and institutions designed to address the unemployment issue on a par with their counterparts in Belgium.

For example, they could serve to: a more complex approach, under the National Reform Programme, to partnerships with local authorities, including by way of transfer of available resources; training the necessary human resources to provide counselling and mediation through a personalised approach; developing research work devoted to stimulating employment, creation of jobs, and maintaining the balance on the labour market; attracting social partners towards developing new forms of dialogue and communication, etc.

Such developments could be encouraged as a priority in the development regions, in high unemployment rate areas and for long-term unemployed.

It goes without saying that the ANOFM is not at liberty to spend such resources unless the Government puts in place the requisite legal framework.

And last, this surplus could also be combined with the European structural funds now available to Romania, including for projects that require national co-finance, so that the Government would be spared the need to resort to external loans.

Table 2

## Expenditures on unemployed social protection (million EUR)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1991-2006
Total	77.4	112.3	201.1	245.1	272.8	195.3	397.4	533.8	508.7	467.7	361.3	363.0	391.2	409.0	423.7	438.0	5397.9
Unemployment benefit	47.9	79.5	124.8	148.8	78.0	47.5	77.3	133.6	138.2	97.8	108.0	135.9	165.5	203.2	224.2	228.5	2038.8
Allowance for vocational integration	0	0	0	2.5	22.6	15.1	12.6	20.1	17.4	18.6	16.7	14.5	10.3	14.0	15.3	10.3	190.0
Support allowance	0	9.0	53.6	54.3	87.2	51.8	26.6	49.8	64.0	67.5	44.8	34.8	6.8	0.1	0	0	550.4
Unemployed qualification and requalification	1.5	0.9	1.3	0.6	0.6	0.8	1.7	1.9	1.6	1.5	0.9	1.3	1.7	2.5	5.0	7.2	31.1
Graduates remuneration	0.7	0.8	1.0	2.7	1.7	1.3	1.0	4.2	4.1	4.5	4.6	6.4	9.5	12.1	18.8	18.4	91.7
Incentives for the unemployed who got employed before the unemployment period expiry	0	0	0	0	0	0	0	0	0	0	0	3.8	7.4	8.4	3.9	3.5	27.0
Incentives for labour force mobility	0	0	0	0	0	0	0	0	0	0	0	0.5	1.1	1.7	1.5	1.6	6.4
Incentives for employers who hire the unfavoured unemployed	0	0	0	0	0	0	0	0	0	0	0	2.0	11.2	15.4	17.7	21.3	67.6
Compensations granted within the programmes of restructuring, privatization and removal	0	0	0	0	0	0	215.0	230.6	203.7	159.7	38.3	36.2	35.1	38.7	23.7	13.0	994.0
Other expenditures	27.4	22.2	20.4	36.0	82.8	78.8	63.2	93.5	79.8	118.2	148.1	127.6	142.5	112.9	113.5	134.1	1400.9

Source: Romanian Statistical Yearbook, National Institute of Statistics, Bucharest, various editions.

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