The Welfare State Development: Romania - between Perceptions and Reality

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Abstract
The present paper brings a new insight in the welfare state development analysis in Romania, considering the political influences, the macroeconomic challenges and the comparative position with the former communist states of Central and Eastern Europe. Although these countries have experienced the transition period to the market economy from similar circumstances, the main assumptions of this paper state different levels of economic openness and involvement in the globalisation process. According to the common features identified in the welfare states in Eastern and Southeastern Europe, this paper will synthesize the most important indicators of the welfare state dynamism in Romania, creating new links with the public and corporate interventions and offering a clear insight in the recent evolution of european social economic models. The main findings of this paper establish new links in the Romanian welfare state analysis, providing the necessary tools to adjust both the theory and practice through a constant remodeling of social and economic policies.

Keywords: welfare state, Romania, corporate social responsibility, social performance

JEL Classification: I31, I32, M14

Introduction

The welfare state development of the former communist states of Central and Eastern Europe (CEE) have expressed some common points, but also a number of diffused reactions to the transition process, creating the basis for a disproportionate regime that design new forms of integration in the global context. Thus, if Romania has faced an unstable environment generated by the insufficient coherence of the legislative framework, there were countries in the region that faced much better the transition. Romania has a strategic position at

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the international level, but the transition process was little assumed, the economic system metamorphosis being made through incomplete reforms, deficient employment measures and policies passive to the signals of reality. The cumulative effect of these major problems was the impossibility of the CEE countries to completely break the barriers with the West.

Starting from the assumption that it can be outlined different welfare states characteristics for the CEE countries, this paper proposes a detailed analysis of Romania, which has revealed its potential, but also its limits. Considering the most influential indicators of the welfare regimes, the paper proposes a clear insight to define the Romanian evolution in the global and European integration, suggesting a new pattern of development, more appropriate to the current social and economic situation. The comparative analysis with the traditional welfare models offers solutions for a correct classification of the CEE countries, in general, and Romania, in particular, that shape a different perspective of the former communist states of Central and Eastern Europe, as a unique group system.

Literature Review

The current welfare-state literature suggests a variety of classifications and critical assessments, but the most influential typology was developed by Esping-Andersen and includes: (1) the liberal welfare state, with modest social insurance plans, little redistribution of incomes and high level of inequality; (2) the conservative-corporatist welfare state, with a strong presence of the Chatolic Church, is the welfare state type that is strong characterized by a discouraging environment for married woman to work and a moderate level of decommodification, and (3) the social-democratic welfare state, with high levels of decommodification and standard of living, it encourages the cooperation between working and peasant class and has universal welfare policies [1].

The tripolar classification formulated by Esping-Andersen has significantly contributed to the welfare state assessment and its progress, being used as a starting point in proposing new types and extending the existing ones by including a "Southern" type [2], an "East Asian" type [3] or a "Radical" welfare state that separate Australia and New Zealand from the other countries from the liberal welfare state [4]. Even if new alternatives to the welfare regimes have emerged, it can be distinguished major similarities in the composition of the clustering of countries. But the most stringent welfare state approach lead to the emergence to treat the former communist countries from Central and Eastern Europe as a distinct category of welfare state [5], based on the common politics context, the tendency to maintain some practical commitments attached to the socialist values and the market economy pressure.

The critics of this idea identified several disparities between the countries forming this group, various policies adopted in their transitional phases that express the welfare state development in different positions. Referring to the Eastern European Countries, Haber argues that “this transformation process is not only limited to the change of the political systems toward market economies in these countries, but includes participation in the integration process of the western European countries as well” [6]. Thus, the market economy diffusion has guided some of these countries in the European Union direction, process that has significantly contributed to their national reinforcement, which become more similar to the well-known welfare state typologies. The explanation of this basic stratification refers to the achievements of some post-communist countries that have been integrated in European and global structures by replicating the model of EU states and shaping in this way new forms of welfare states with distinct features articulated under the social protection reform.

Methodology

Relying on the current literature, the sample of the paper includes: Denmark, Norway, Sweden (Social Democratic Model), France, Germany, Austria (Continental Model), Greece, Spain, Portugal (Mediterranean Model), United Kingdom, Ireland, Switzerland (Liberal Model), Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia, Bulgaria, Romania, Czech Republic, Croatia (Post-communist countries in Central and Eastern Europe). In order to analyse the position of Romania in the welfare regimes, we have proposed a set of methodological tools and indicators that allow us to better align the countries with similar features into groups and assess the welfare state evolution in Romania.

The comparative analysis with the other CEE countries will distinguish between the emerging and the mature CEE countries in the welfare state dynamics, suggesting a new approach in the Romanian welfare state physiognomy. The quantitative data will outline the main characteristics of the welfare state development in Romania, organizing the set of data in accordance with the proposed criteria and synthetizing the statistical information in order to validate the paper hypothesis of a particular Romanian welfare state that could become a reference for the other CEE states. The identified results provide a valuable approach in the welfare state framework, focusing both on the relationship with other welfare regimes and on the efforts to face the transition challenge through remodelling measures designed to meet the social needs.

Comparing the Welfare States Models – The Case of Romania

Considering the sample of countries detailed in the previous section, the analysis was conducted in accordance with the economic and social directions of the mentioned welfare states, including the GDP exploration, social and labour market indicators. The cluster of countries forming the group of Post-communist countries in Central and Eastern Europe consist of those states that are already part of the European Union, considered more mature in the globalization framework. According to Fig. 1, the Gross Domestic Product (GDP) growth rates suggest a similar evolution of the analyzed countries in the considered period which also includes the global economic crisis of 2008. In this context, all the welfare models included in the analysis have reached the brink of collapse in 2009, followed by a point of slight economic revival in 2010.

The CEE countries evolution and the economic progress in Romania after 2010 highlight the variety of economic structures building this cathegory, but also the severe recession of those states trained by the financial instability amplifying their particular position in the welfare state dynamism. This tendency is the consequence of the fast GDP growth rates in some of those countries, marked by their potential and the continuous restructuring policies which creates the premises for attracting Direct Foreign Investments (FDI), the human resources development and the national living standards. Even if the general tendency is similar to the Liberal Model, the CEE countries can be seen as a mosaic of economic and social challenges that can be best outlined by both an economic and historical overview.

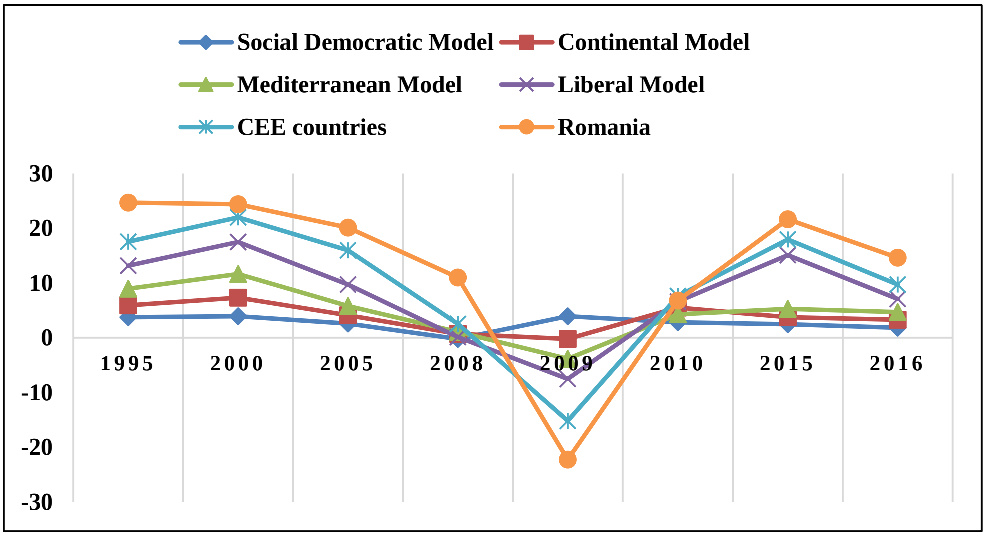

Figure 1: Gross Domestic Product, growth rates

After the fall of the communism in the CEE area, the main objective of the countries forming this zone was the achievement of a functional market in the liberalization approach, leading to regional and global integration. Following the model of the other CEE countries, Romania has started to rebuild the business environment by shaping the market economy, designed to satisfy, at the same time, the requirements of the most extensive regionalization process. The start of the transition period to a market economy was more difficult in Romania than in other CEE countries due to the inefficiency of the system to effectively balance the demand with the supply, to take into account the consumers' needs, encouraging in the same time non-performing sectors.

In the communism regime, the artificial policy of "full employment" of the active population, the low productivity due to the reduced motivation of employees, the over-regulation of the economy without correspondence in the real economy, have caused destabilizing criteria narrowing Romania's possibilities to better connect to the new regional or global development. Fig. 2 highlights the unemployment rate in 2016 for the analyzed welfare regimes, outlining the Mediterranean Model which has the most significant average unemployment rate (18.13%). This situation is closely related to the major difficulties of Greece after the global economic crisis, with an unemployment rate of 13.6%, but also the labour market instability of Spain (unemployment rate: 19.6%) or Portugal (unemployment rate: 11.2%).

On the second position are the CEE countries, with a mean of unemployment rate of 7.64%, which is a value more similar to the Continental Model. On the other hand, Romania (5.9%) is more closely to the Social Democratic Model (5.93%) or the Liberal Model (5.87%). Another social variable, the public expenditure on labour market policies indicator is composed of: (1) the labour market policies services, related to the publicly costs for jobseekers, including those for the public employment service; (2) the labour market policies measures, directed to the activation measures for the groups of persones with difficulties in the labour market and (3) the labour market policies supports, covering the early retirement and the unemployment benefits. Romania and the other CEE countries have spent the least on labour market policies in 2015 as a direct effect of the defficiencies in the economic openess to the global market and the fragmentary transition process.

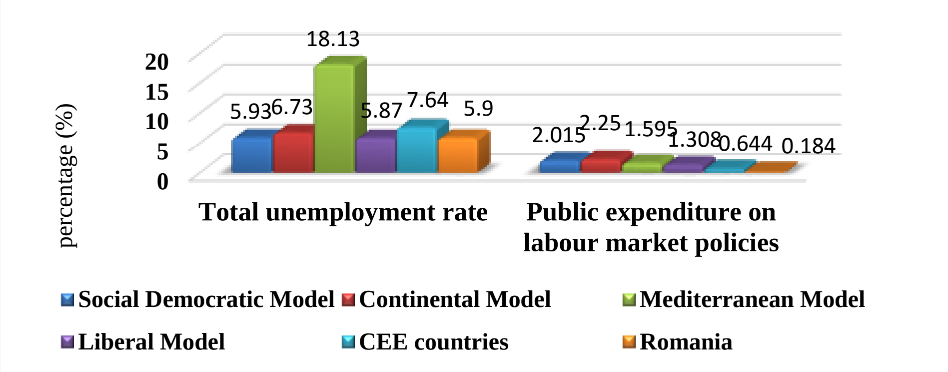

Figure 2: Labour Market Indicators, Comparative Analysis

Comparing the female employment rate (age group 20-64) according to the Fig. 3, the most significant percentage is obtained by Sweden (79.2%). Otherwise, the Social Democratic Welfare State encourages the most female participation to the labour market, followed by the Liberal Welfare State. The CEE Welfare State was divided in compliance with the moment of accesion to the EU structure, being oulined the states that were integrated later in the European Union (Romania, Bulgaria and Croatia). Except those states form the CEE Model, alongside Greece and Spain from the Mediterranean Model, the rest of the countries are aligned with Esping-Andersen welfare models (above 60%).

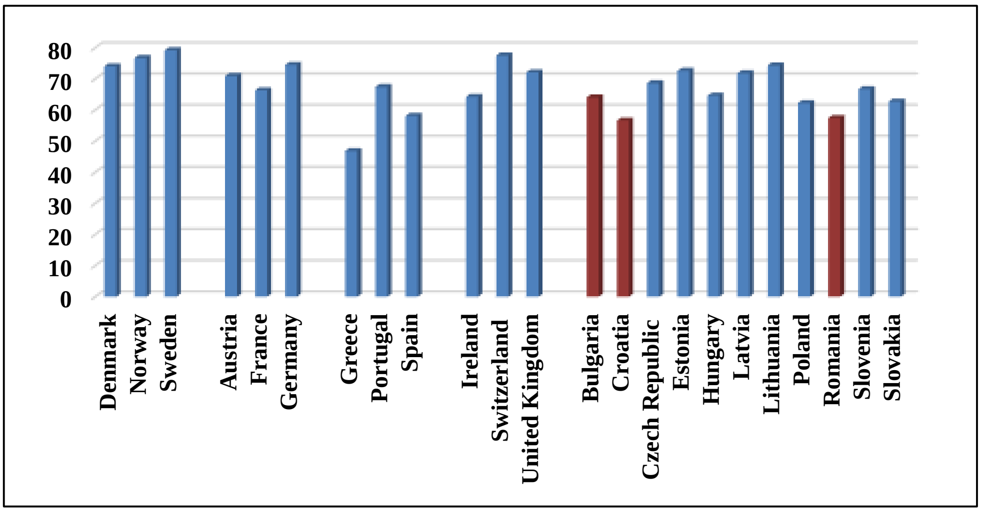

Figure 3: Female Employment Rate

But the most striking differences stem from the gross domestic product (GDP) camparison, taking into account the total population indicator, which best outline the economic development for each country from the sample. The data provided by UNCTAD statistics was further processed resulting GDP per capita, variable that outline the gap in the economic prosperity between the CEE countries and those from the other analyzed welfare states. From this point of view, the Liberal Welfare State is the most efficient model, reaching its maximum through Switzerland, with 79.257 US dollars per capita (Table 1). The Social Democratic Model is also powerful in terms of GDP per capita, the distribution being quite similar between the states that form the model: Norway (73.405 US dollars per capita), Denmark (53.896 US dollars per capita) and Sweden (51.656 US dollars per capita).

The CEE countries are under the Mediterranean Model, but has some specificities. For example, the value registered by Estonia (17.396 US dollars per capita) resembles to the value of Greece (17.599 US dollars per capita) and the value of Slovenia (21.124 US dollars per capita) was almost similar to the one of Portugal (19.662 US dollars per capita). Bulgaria (7.026 US dollars per capita), Romania (9.318 US dollars per capita) and Croatia (11.780 US dollars per capita) experienced the lowest levels of GDP per capita, sustaining the idea that the countries integrated in the European Union in 2004 are more advanced than those that have adopted the acquis communautaire later.

It can be also noted the life expectancy at birth indicator, according to the data provided by Eurostat for the year 2015. Only some CEE countries have the life expectancy at birth – female under 80 years (Bulgaria, Hungary, Latvia, Lithuania and Romania), while for the life expectancy at birth for male, the situation is much worse. Thus, comparing to the maximum life expectancy at birth level reached by Switzerland (80.8 years), Lithuania has the minimum level (69.2 years). The Romanian position is not encouraging (71.5 years), the comparative analysis emphasizing the reality of our country' development and the deep delay in the welfare state dynamic process.

Table 1: GDP per Capita and Life Expectancy at Birth, Comparative Analysis

Welfare State Model / Country		Population (thousands) 2016	GDP (million, US dollars) 2016	GDP per capita (US dollars per capita) 2016	Life expectancy at birth - 2015 - (years) Female	Male
Social Democratic Model						
1	Denmark	5691	306721	53896	82.7	78.8
2	Norway	5272	386989	73405	84.2	80.5
3	Sweden	9852	508917	51656	84.1	80.4
Continental Model						
4	Austria	8570	384637	44882	83.7	78.8
5	France	66962	2452979	36632	85.5	79.2
6	Germany	80682	3431630	42533	83.1	78.3
Mediterranean Model						
7	Greece	10919	192166	17599	83.7	78.5
8	Portugal	10304	202602	19662	84.3	78.1
9	Spain	46065	1225404	26602	85.7	80.1
Liberal Model						
10	Ireland	4714	294006	62369	83.4	79.6
11	Switzerland	8417	667109	79257	85.1	80.8
12	United Kingdom	65364	2592830	39668	82.8	79.2
CEE countries						
13	Bulgaria	7098	49868	7026	78.2	71.2
14	Croatia	4225	49772	11780	80.5	74.4
15	Czech Republic	10548	192801	18278	81.6	75.7
16	Estonia	1309	22771	17396	82.2	73.2
17	Hungary	9821	123677	12593	79	72.3
18	Latvia	1956	27374	13995	79.5	69.7
19	Lithuania	2850	42500	14912	79.7	69.2
20	Poland	38593	465102	12051	81.6	73.5
21	Romania	19373	180509	9318	78.7	71.5
22	Slovenia	2069	43706	21124	83.9	77.8
23	Slovakia	5429	89529	16491	80.2	73.1

Source: UNCTAD, Eurostat

Conclusions

The present paper emphasize the distinctive patterns in the tripolar classification formulated by Esping-Andersen and the link with the CEE countries, assuming that Romania has a strategic position at the global level. Starting from the particular circumstances of the welfare state regime in the former communist states of Central and Eastern Europe, the present paper demonstrates the dominant orientation in the liberalization process to the market economy, the integration efforts to international organizations and the economic openness to the social benefit. The main results express the scholars' dilemma regarding the CEE countries categorization in accordance with the welfare state models, establishing common features in their evolution, but also proposing mixing results, due to the unequal transition stages.

According to the analysed data, Romania respects the general CEE trend in terms of GDP evolution and social indicators, adjusting the national context to the acquis communautaire and developing new perspectives more attached to the traditional welfare state models. Analysing the current global framework, in Romania the risk of destabilizing factors is very high, leading to a "hybrid" form of welfare state which is not entirely sustained by the real economic progress. Thus, even if the GDP growth or the employment rate situation are similar to the Liberal Model, the detailed analysis of the labour market indicators, such as the public expenditure on labour market, the female participation to the labour market, GDP per capita or life expectancy at birth revealed a clear gap between perceptions and reality in its integrated efforts to align to the more mature CEE states.

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