



Romania

Analysis of the situation in relation to minimum income schemes in Romania

A Study of National Policies

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Content

Executive Summary.....	3
1. Institutional design of minimum income schemes.....	5
1.1 Eligibility Criteria	6
1.2 Entitlement to other benefits	7
1.3 Transition to employment.....	7
1.4 MIG amounts and method of calculation.....	7
1.5 Time duration.....	8
1.6 Conditionality rules.....	9
1.7 Governance arrangements	11
1.7.1 Institutional responsibilities	12
1.7.2 Financial arrangements	13
2. Assessment of the MIG schemes	14
2.1 Reasons for non-take up.....	15
2.2 Adequacy of MIG level.....	17
2.3 Efficiency in reducing poverty	19
3. Links between MIG schemes and the active inclusion strategy	21
3.1 Support to MIG schemes	21
3.2 Access to services	22
4. Conclusions.....	25
References	26

Executive Summary

Fighting poverty and social exclusion is a major objective of the Romanian Government and a number of policy measures have been set in place to address it. The minimum income guarantee (MIG) policy confirms the Romanian Government's orientation towards means-tested benefits and is part of a more complex approach to poverty alleviation.

Between 1995 and 2001, assistance was provided for the poor by the means-tested social assistance benefit (Law 67/1995). Since January 2002, it has been provided by means of the Minimum Income Guarantee (Law 416/2001). The law defines the right to a guaranteed minimum income as a form of social security; it introduces safeguard measures to mitigate the disincentives to work (i.e. obligation for beneficiaries to undertake community work, incentives for those beneficiaries getting formal employment) and combines cash benefits with in-kind provisions.

The Minimum Income Guarantee is to be welcome in terms of transparency, financing and government commitment. It is a highly targeted allowance, identifying those at risk of poverty and social exclusion, though it is clear that it is offering a safety net at a very low level for families that are truly dependant on this allowance, as a typical beneficiary family would still live in poverty.

Eligibility for the MIG also provides an entitlement to other benefits and apart from cash transfers the support may take the form of goods and services. In addition, eligibility for the MIG also provides for health insurance (with no obligation to pay the health insurance contribution) which represents an important benefit for many beneficiaries. On the other hand, unbalanced distribution of existing services with overcrowding of social assistance services in the urban areas creates a source of exclusion for the rural communities. However, additional forms of support more closely associated to the development of integrated social assistance programmes are needed to offer the beneficiaries not only a minimum of resources but the opportunities for increased autonomy.

The minimum income guarantee clearly contributed to an increase in the population income having a direct impact on decreasing poverty and especially extreme poverty as reflected by lower 'at risk of poverty' rates though, in some cases additional forms of social assistance provided to MIG beneficiaries (i.e. allowances for families and families with children) leads to a decrease in the number of MIG beneficiaries without getting them out of poverty.

The increase of the MIG benefit by 15% for each person formally employed does not seem to provide enough incentive to give up informal incomes and, for the time being the MIG work requirement component is connected to a workfare ideology rather than setting a prerequisite for social inclusion. Therefore, community work may represent a means to encourage activity still, so far it offers little perspective towards formal employment. A set of active measure programmes would be required to specifically address this category of people.

There remain a number of equity issues with this allowance. Some individuals / families that should be entitled to receive the MIG are victims of implementation ambiguities, bureaucracy, a reduced administrative capacity / lack of local financial resources, or information, especially in poorer rural areas.

One of the issues that should be of concern in the implementation of any system of benefits for the poor is that there should be a good take-up of the benefit by all segments of the target group.

In certain cases, the cost for completing the application file in terms of money or time spent is high enough to discourage people from making the effort to get these documents especially, compared to the amount of MIG they would benefit of. The result of these demands is likely to be that the applicant does not pursue the claim and it seems probable that some often fail to receive the benefits to which they are entitled.

Judging from the changes in time in the number of MIG recipients one could say this form of support relatively targets the same number of beneficiaries in extreme poverty. More specific data collection would be necessary to also evaluate the social aid beneficiaries from the perspective of the length of time they are included in the social assistance system, as in most cases those who enter the system do not leave it and for those who do, the reason is they no longer meet eligibility criteria due to uneven indexations of various social transfers (hence they may leave and re-enter the system several times). Improved data collection and regular analysis would allow for more rigorous impact evaluation and policy adjustment in order to develop appropriate solutions and prevention measures.

Improving inter-organisational cooperation and mutual support between various institutional levels and actors involved in designing and implementing social assistance programmes and active inclusion policies by connecting activation measures (as an effective way of social integration and economic independency) and means-tested benefits could address more successfully not only poverty per se, but the risks of social exclusion. As each agency or ministry has its own objectives and programmes related to social inclusion consistent with the National Strategies on Social Inclusion, the Anti-poverty Plans, setting up co-financing mechanisms would promote cooperation and increase effectiveness of various programmes, undertaken by different agencies.

1. Institutional design of minimum income schemes

Fighting poverty and social exclusion is a major objective of the Romanian Government and a number of policy measures have been set in place to address it. Besides economic development and the growth of higher-wage employment that are to lift people out of poverty social assistance is provided, as in most European countries, to support those most in need.

The Minimum Income Guarantee was introduced as an instrument of social security owing to the growing poverty rate as a result of Romania's transition and related economic reforms.

Between 1995 and 2001, assistance was provided for the poor by the means-tested social assistance benefit (Law 67/1995). Since January 2002, it has been provided by means of the Minimum Income Guarantee (MIG – Law 416/2001).

The Minimum Income Guarantee addresses the poorest social segments and is designed to help them get over the poverty level they live on without discouraging the attitude towards work. Although MIG levels were higher than those of the means-tested social assistance benefit in 2001, they were considerably lower than the real value of the means-tested social assistance benefit thresholds in 1995. For example, the MIG threshold for 2002 was only 66% of the real 1995 level.

The practical experience gained from implementing the Guaranteed Minimum Income legislation between 2001 and 2005 indicated a need for specific provisions in terms of:

- assessing which people are eligible to receive financial assistance;
- defining a clear methodology to assess assets and goods;
- defining specific criteria for evaluating incomes generated from agricultural assets (as land owners are typically not eligible, but most old people that own land would not make any income from their land);
- assessing the obligation of community work for certain categories (i.e. pregnant women, those with small children or those caring for dependent family members).

Taking into account these deficiencies in the implementation process, a new law (Law 115/2006) containing changes and additions to Law 416 has been drafted following consultations with the associative structures of the city councils, local and county councils. This law establishes clear definition of eligible households and individuals, indicators to test the family income in order to eliminate eventual fraud possibilities and to adjust the level of the guaranteed incomes by complementary social benefits/aid. Inspections and sanctions in cases of non-compliance were also included to ensure efficient implementation. The Government Decision 1010/2006 approves the implementation methodology of the minimum income guarantee law with subsequent changes and additions and Law 51/2008 further clarifies criteria for the family / individual income to be considered in establishing the entitlement to a Minimum Income Guarantee.

The changes introduced by Law 115/2006 view: an obligation for mayors to draw up community works plan and maintain a record of the working hours for the beneficiaries of the guaranteed minimum income; definition of persons able to work and exemptions; a national minimum limit for the family income; allowing local mayors to establish their own criteria to assess family net

monthly income; the inclusion of single persons having to support children as eligible for the guaranteed minimum income; a list of goods that are strictly necessary for the family needs as well as a list of goods that are not considered strictly necessary and might exclude the right to a minimum income; provisions to cease the entitlement to social benefit; inspections and sanctions for infringement of legal provisions.

In addition to these laws, the government has issued several emergency ordinances, ordinances and decisions regulating the indexation of the level of the guaranteed minimum income in line with the inflation rate and has introduced and amended certain support measures and facilities.

Law 416/2001 on the Minimum Income Guarantee defines social solidarity as its basic principle within a national policy of social assistance. Its overall objective is to ensure that no Romanian household slips below a minimum level of consumption.

1.1 Eligibility Criteria

Eligibility criteria for the Minimum Income Guarantee view families and individuals, with or without Romanian citizenship as well as persons without a mother country, living / having residence in Romania which may benefit from financial assistance under circumstances when per capita income goes below a minimum income guarantee level.

MIG entitlement conditions include:

- individual / family's monthly income below the set Minimum Income Guarantee level;
- individual / family not to own assets other than those considered strictly necessary;
- individual / family to be resident within the sector or locality where the social assistance application is made;
- if able to work and has no salary income or earnings from other income generating activity, proof needs to be provided for: registration with the employment agency, no job offer or participation to a professional training course provided by the agency has ever been refused. Exemptions view persons that have children under 7 in their care, persons with disability or those attending a training course run by the employment agency.

Eligibility for the Minimum Income Guarantee is determined by income and asset tests. The income threshold is a function of family income and size. Households could have some members employed on low-wages and/or part-time work and still be entitled to receive social assistance.

Persons less than 18 years of age may apply for the MIG when in the following situations: they live with children in their support and are unmarried, divorced, widowed or their spouse is officially declared as missing person.

Homeless persons are distinctively mentioned as eligible to receive the Minimum Income Guarantee on basis of personal statement that they did not apply for aid at another local authority.

Generally MIG beneficiaries include older persons living on their own, unemployed people, young people leaving institutional care or those that have never accessed employment.

1.2 Entitlement to other benefits

Eligibility for the MIG also provides an entitlement to other benefits and apart from cash transfers the support may take the form of goods and services.

The most important of these is the heating allowance payable during the cold months of the year to those living on an income below a set threshold. The value of the heating allowance is differentiated function of the type of fuel used and, for beneficiaries connected to a local heating system the payments are made into a distinct account and directly accessed by the suppliers. The amount of the benefit is differentiated according to the family/individual income levels and is indexed each year. However, some additional facilities (consultancy services etc.) to improve efficiency of energy consumption, household budget management would be needed.

In addition, eligibility for the MIG also provides for health insurance (with no obligation to pay the health insurance contribution) which represents an important benefit for many beneficiaries.

MIG beneficiaries are also entitled to additional forms of assistance such as emergency relief (funded from the central budget, funeral aid (funded from local budget) and may also benefit from in kind support and existing social services (i.e. social canteens although these are almost absent in the rural area and some urban communities do not benefit from this type of service either). On the other hand, unbalanced distribution of existing services with overcrowding of social assistance services in the urban areas creates a source of exclusion for the rural communities.

1.3 Transition to employment

Compared to previous social assistance schemes the MIG Law marks a step forward in encouraging individual efforts to overcome the condition of socially assisted and access employment. Families and single persons with a net monthly income below the minimum income guarantee level benefit of 15% increase in the amount of family social aid under the circumstances when at least one family member provides evidence of being employed through an individual work contract, having a public employee status or carrying out an activity based on salaried income.

Besides standard procedures for entitlement and access to the payment of social security benefits MIG legislation also contains provisions on the obligations of beneficiaries, which include undertaking community work. Household members that are able to work are required to undertake community work if they are not otherwise employed. For such work, the number of working hours is proportional to the amount of the received social security benefit and the hourly pay is equivalent to the ratio between the national minimum wage and the monthly average number of 170 working hours. The community work is not to exceed 72 hours. In some cases, a way of escaping the community work duty and still benefiting of MIG grants is to make use of the medical exemption. Some of the provided medical certificates are suspected to be false but local authorities do not have any competency to deny a medical decision.

1.4 MIG amounts and method of calculation

The calculation method of the social benefit views the difference between the guaranteed minimum income thresholds stipulated by law and the monthly income of the family respectively the single person, including potential income from properties. The equivalent income per capita

as stated by the applicant and confirmed by the social investigation / survey is deducted from the threshold set for a corresponding family size. The result represents the MIG benefit to be paid monthly.

Setting up the MIG entitlement takes into account the family / individual assets included in the list of assets considered as strictly necessary for the family needs and the list of assets that are not considered as strictly necessary. Extra assets that are quantitatively over the category of assets considered as strictly necessary are assessed according to specific criteria / methodology.

In establishing the household net monthly income all incomes earned by family members are to be considered including those coming from state social insurance rights, unemployment insurance, legal support duties, indemnities (i.e. disability, war veterans etc.), full-time allowances and aid (i.e. child allowance) and other legal compensations, except for study or social scholarships and the financial support received by pupils within the programme 'high-school money'.

The minimum income guarantee (a minimum income threshold established by the government and based on family size) is a monthly income. In the main, its value is periodically adjusted (at the beginning of each year) in accordance with the inflation rate to prevent it losing value.

	2002	2003	2004	2005	2006	2007	2008	2009
individuals	63 Lei (~20 €) ¹	74 Lei (~20 €)	83 Lei (~20 €)	88 Lei (~24 €)	92 Lei (~26 €)	96 Lei (~29 €)	100 Lei (~27 €)	109 Lei (~26 €)
2 person families	113 Lei (~36€)	133 Lei (~35 €)	148 Lei (~37 €)	158 Lei (~44 €)	166 Lei (~47 €)	173 Lei (~52 €)	181 Lei (~49 €)	196 Lei (~46 €)
3 person families	158 Lei (~51 €)	185 Lei (~49 €)	206 Lei (~51 €)	220 Lei (~61€)	231 Lei (~66 €)	241 Lei (~72 €)	252 Lei (~68 €)	272 Lei (~64 €)
4 person families	195 Lei (~63 €)	229 Lei (~61 €)	255 Lei (~63 €)	273 Lei (~75 €)	287 Lei (~82 €)	300 Lei (~90 €)	314 Lei (~85 €)	339 Lei (~80 €)
5 person families	233 Lei (~75 €)	273 Lei (~73 €)	304 Lei (~75 €)	325 Lei (~90 €)	341 Lei (~97 €)	356 Lei (~107 €)	372 Lei (~101 €)	402 Lei (~95 €)
each additional family member	16 Lei (~5 €)	18 Lei (~5 €)	21 Lei (~5 €)	22 Lei (~6 €)	23 Lei (~7 €)	24 Lei (~7 €)	25 Lei (~7 €)	27 Lei (~6 €)

Source: Ministry of Labour, Social Solidarity and Family.

For example, a 3 person family with an income of 150 Lei will receive payment (social assistance) up to the level of the guaranteed minimum income, i.e. $272 - 150 = 122$ Lei.

In 2006 the granted average social aid registered an increase of 0.1% compared to 2005 (from 132 lei to 133 lei). For the first 9 months of 2007 the average aid was 98.4 lei and for the first quarter of 2008 the average aid was 134.8 lei.

1.5 Time duration

The Minimum Income Guarantee is a monthly payment granted to a person / family for as long as the entitlement conditions are met. Any increase in the income level per individual or family member and also change of residence or family structure has to be reported to the local authority and may lead to a decrease in the minimum income guarantee or respectively, cease of payment.

¹ (Annual average exchange rates Leu / Euro: 2002-3.12; 2003-3.75; 2004-4.05; 2005-3.62; 2006-3.52; 2007-3.33; 2008-3.68; 2009-4.24).

If the MIG suspension has a temporary character and depends on the MIG recipient fulfilling his duties to regularly update the required documents, the voluntary leave or the leave as result of the MIG beneficiary not fulfilling the contractual responsibilities are definitive.

1.6 Conditionality rules

The MIG is granted on basis of a written request and personal statement (supported by the required documentation proving the family configuration and the income earned by family members) registered at the territorial administrative unit within the area of residence. According to legal provisions a social investigation is to be carried out within 15 days from registration and in 10 working days following the social investigation the mayor is to approve or reject the application.

Persons that do not make incomes coming from salaries and are able to work have to provide a certificate to show they are registered with the employment agency as searching for a job and have never refused a job. The MIG payment is made once a month.

The application file needs to include evidence of the following:

- Identity documents of the applicant and family members;
- Identity card or temporary stay certificate in case of foreign citizens or persons without a mother country;
- Birth certificates for children aged less than 14 years;
- Marriage certificate / divorce certificate / death certificate;
- Adoption approval / custody / family placement decision;
- Decision of alimony for children under age (annual update);
- Documentation to prove the guardianship or curator capacity;
- Certificate issued by the employment agency for persons over 16 years of age (to be provided every 3 months);
- Pupil / student certificate;
- Pension (of any type) coupon;
- Unemployment coupon;
- Any type of indemnity coupon;
- Family book;
- Fiscal certificate issued by the Financial Administration for persons over 18 years;
- Fiscal certificate issued by the Income and Taxes Directorate (from the latest residence – every 6 months) for persons over 18 years of age;
- Notary statement for other income sources;
- Housing contract / house sketch / rent calculation fiche;
- Invalidity / handicap certificate;
- Work book;
- Education diplomas;
- Medical certificate to show the health status (able to carry out local interest works) or in case of persons unable to work a certificate issued by the Work Capacity Evaluation Commission;
- Certificate from the local council at the birth place of the applicant whether he owns land or properties within the area.

Duties of MIG beneficiaries include:

- undertaking monthly community work, the working hours being calculated function of the amount of benefit with an hourly payment corresponding to the national minimum gross salary proportional to the monthly average working time;
- informing the mayor in writing about any change concerning the residence, the income and the number of family members within 15 days of the occurrence;
- presenting the local council representatives with necessary documentation / evidence in case of incapacity (including temporary incapacity) to undertake the community work.

Failure to comply with these requirements leads to suspension or cease of MIG payment /entitlement.

Every 3 months, persons able to work that receive the MIG have to provide the necessary documentation proving that they comply with the legal requirements (the law defines persons able to work as persons aged between 16 and the standard retirement age, those not attending a form of education at day courses, those having a physical / psychological health condition that enables them to work).

The territorial employment agency and the Office for Labour Force Migration are to provide quarterly information to the mayors including nominal lists of persons benefiting from MIG that have been employed, refused a job offer or respectively left abroad on a working contract. Every month the mayor has to ensure the Bucharest / County Directorates for Labour, Family and Equal Opportunities receive statistical data on the number of social aid entitlements, the payments made and the amounts approved to be paid.

The social inquiries for the approved MIG payments are to be updated every 6 months. Non-compliance with the legal stipulations brings about the cease of the MIG payment. In case the MIG payment has been suspended, failure to provide the updated documentation proving compliance with the MIG entitlement conditions within 3 months from the suspension brings about the cease of the social aid grant.

Sanctions (fines between 500-1000 lei or approximately 118-236€) may be applied either to responsible local authorities or the Minimum Income Guarantee beneficiaries in cases of non-compliance with their duties following inspection of the Directorates for Labour, Family and Equal Opportunities.

1.7 Governance arrangements

The MIG is administered by local government units. Eligibility is determined at the municipal level according to criteria defined by the Ministry of Labour, Family and Equal Opportunities. However, the criteria are defined at a relatively general level and local government is responsible for determining the imputed income from land and other assets. Social investigations on the MIG beneficiaries are to be made every 6 months by the local council representatives.

Local government is also responsible for allocating and supervising community work.

At the beginning of each trimester the local employment agencies inform the local councils on the MIG beneficiaries having been employed, attending training courses or on those who left to work abroad.

The County Directorates of Labour, Family and Equal Opportunities are responsible for monitoring the implementation of the MIG.

According to the framework for the delivery of the MIG (as per Law 416/2001 and its enforcement methodology) a number of Romanian institutions are involved in the implementation / monitoring / evaluation process including: Ministry of Labour, Family and Equal Opportunities; the County Directorates for Labour, Family and Equal Opportunities, Ministry of Public Finance, County Councils, and the mayors' offices.

1.7.1 Institutional responsibilities

Responsibilities of the Ministry of Labour, Family and Equal Opportunities view:

- establishing the implementation methodology;
- drafting changes / additions to the law as required;
- general monitoring of the implementation of the law; and
- defining the amount to be requested from the state budget.

Ministry of Public Finance identifies the necessary contribution for the MIG and associated benefits within the state budget.

Directorates for Labour, Family and Equal Opportunities are responsible for:

- data collection and monitoring;
- requesting the necessary budgetary credits.

County Councils are responsible for distributing the financing provided from the state budget to the local authority units and Local Councils have responsibilities in terms of:

- establishing the imputed incomes that households could expect to receive from their land, buildings or other assets that are surplus to the minimum household needs;
- distributing the specific purpose grant received from the county council;
- allocating the financial resources from local sources (own revenues or shared revenues from personal income tax etc.) to cover the MIG co-financing.

The key responsibility of the Mayors' offices is the MIG implementation. General responsibilities include:

- providing advice to applicants;
- processing applications and determining individual eligibility (including organising and carrying out the social inquiries);
- distributing payments;
- ensuring that the financing is available to provide for full payment of amounts due;
- providing monthly statistical reports to the County Directorates for Labour, Family and Equal Opportunities for monitoring purposes; and
- planning / organising community work.

1.7.2 Financial arrangements

The necessary funding for the payment of the social aid comes from the local budgets, mainly amounts from some state budget revenues. Funding is provided to the local government units from the state budget but local authorities are expected to contribute to the financing from their own resources. Data from the National Institute for Statistics show the Local budget continued to be the financing source for social support, with a weight of 96.3% in total social protection expenditure coming from local budgets in 2006.

Administrative costs for checking up eligibility, compliance with legal provisions and establishing the entitlement to social aid are covered from the local budget. The level of co-financing is not strictly defined in the legislation; nevertheless, the social aid funds are to be distinctively identified in the local budgets and are not to be used for other purposes.

The Ministry of Labour, Family and Equal Opportunities and the Ministry of Public Finances decide on the total value of the MIG programmes and the amount of the specific purpose grant.

The two ministries also determine the effective allocation of this money among counties (based on needs and fiscal capacity per inhabitant), established by the collection level of local taxes and fees and shared revenues from the Personal Income Tax collected at county level.

At the local level the financial sources of the MIG co-financing are:

- local taxes and fees, especially the property tax;
- shared revenues from personal income taxes; and
- general purpose grant (sums deducted from personal income taxes transferred by the central budget).

According to data from the National Statistics Institute the expenditure on social protection followed an ascending trend.

	1989	1995	2001	2004	2005	2006	2007	2008	2009
1	9.5	9.7	10.2	9.9	9.8	9.8	10.3	10.5	10.8
2	5.2	5.8	6.5	6.5	6.1	5.3	5.7	6.5	6.8
3	4.3	3.9	3.7	3.4	3.7	4.5	4.6	4	4

1. Evolution of the social protection expenditure as % of GDP
2. Evolution of the pension system expenditure as % of GDP
3. Evolution of the social assistance expenditure as % of GDP

2. Assessment of the MIG schemes

In the period 2002-2004, monthly social security benefits under Law no. 416/2001 on guaranteed minimum income were granted to 330,000-420,000 families, or almost 5% of the population. During this period, the average monthly amount of the social allowance per family was approximately 1,000,000 lei (approximately 34 Euro). The total value of social security granted by the state amounted 3,400 billion lei in 2002, 3,955 billion lei in 2003 and 4,400 billion lei in 2004; these amounts represent around 0.20%-0.22% of the GDP and around 15%-20% of the state budget income.

Data provided by the Romanian Government report on the implementation of the 2005-2008 Governing programme show by the end of 2005 there were 387,671 registered MIG requests under payment; in 2006 the number decreased to 337,246 requests approved to be paid and in 2007 there were 289,535 paid MIG requests by 25% less compared to 2006. In the first three quarters of 2008 the number of MIG requests approved for payment was 220,196.

Official data on the implementation of the Minimum Income Guarantee programme during the last four years show:

Year	Average number of applications ²	Allocated amounts (million lei)
2005	387,671	472
2006	337,246	449
2007	289,535	396.62
First quarter 2008	284,798	81.74
First 3 quarters 2008	220,196	266.47

A constant decrease in the number of social assistance beneficiaries is to be noticed following the unitary implementation of the criteria concerning the minimum and maximum levels of the potential household income resulting from valuing the extra assets considered to be quantitatively over the determined strictly necessary assets. The amounts granted also decreased by 10% in 2006 compared to 2005 respectively from 472 million lei to 449 million lei. In 2007 the amount allocated for the MIG payments was 396.62 million lei and in the first three quarters of 2008 the amount spent for the MIG payment was 266.47 million lei.

The national distribution of approved applications for social security benefits varies considerably; in 2004 for instance, out of the 442,000 applications nationwide, 2,400 were filed by people living in Bucharest (out of the approximately 2 million inhabitants of the city), while in the county of Iași there were 25,000 applications (out of around 600,000 inhabitants), in Dolj there were 24,000 applications and in Vaslui 17,000 (out of 400,000 inhabitants). The counties with the highest number of applications are to be found in the eastern, south-eastern and south-western regions of the country, where the local budget income is considerably lower. This discrepancy between the number of applications and the level of local resources indicates the need for money transfers from the state budget.

One of the issues that should be of concern in the implementation of any system of benefits for the poor is that there should be a good take-up of the benefit by all segments of the target group. Unfortunately, non-applicants are, by their very nature, very difficult to identify and survey. However, one segment of poor people that are likely to be eligible for the MIG is the homeless.

² Applications approved for payment including families and individuals.

Data is not available on how many homeless apply or benefit from the minimum income guarantee though it is assumed that not many and the treatment of homeless people varies from case to case. In some cases, claimants are asked to provide a great deal of documentation in order to prove that they are not claiming in two places. In some areas, City Hall has accepted the responsibility of resolving these issues but in other areas, the problem is passed to the County Directorates for Labour, Family and Equal Opportunities. The result of these demands is likely to be that the homeless person does not pursue the claim and it seems likely that the homeless often fail to receive the benefits to which they are entitled.

The dynamics of the number of MIG requests may differ both function of the individual mentality and the changes on the labour market; the number of MIG requests is decreasing during the warm months (April – October) because of the growing labour force demand in sectors like constructions, agriculture etc.), and increasing during the cold months because of reduced activity in the above mentioned sectors and the need of the population to cover the raising house maintenance costs in the winter.

In most cases those who enter the system do not leave it and for those who do, the reason is they no longer meet eligibility criteria due to uneven indexations of various social transfers (hence they may leave and re-enter the system several times).

2.1 Reasons for non-take up

One reason for non take up may view the official MIG request that is to be accompanied by various annexes certifying the incomes level and the status of each family member. Local authorities carry out a social survey and a response is given to the applicant within 30 days. Different institutions issue the required papers. Part of these documents has to be updated every three months. In case the claimant does not provide the complete file or does not update it he loses the entitlement. The MIG beneficiaries also have to declare any change in the family status, no later than 30 days from occurrence. Sometimes, families that have been granted this allowance may neglect to report a change in circumstance, especially concerning occasional, undeclared income and thus, risk suspension of the payment.

The list of MIG application supporting documents could be rather long³ though, the local authorities consider them entirely necessary, at least at this stage of system's implementation. The beneficiaries' opinion concerning the file size goes between considering them too many or too much time consuming. The length of time necessary for getting all the documents to complete the MIG application file is proportional to both the family size and socio-economic structure. State institutions that issue some of the required documents proving the claimant identity / status have no offices in the claimants' community. In certain cases, the costs for completing the MIG application file in terms of money or time spent to get them is high enough to discourage people from making the effort to get these documents especially compared to the amount of MIG they would benefit of.

There remain a number of equity issues with this allowance. Some families that should be entitled to receive this allowance are victims of implementation ambiguities, bureaucracy, a reduced administrative capacity / lack of local financial resources, or information, especially in poorer rural areas. The poor, single, elderly living in rural areas may be particularly disadvantaged as those who own land (many benefited from the state's programme of land redistribution in the 1990s)

³ See section on conditionality, page 9.

may not meet the eligibility criteria. They are no longer able to work the land so gain no income from it and besides, have to pay taxes imposed for land property.

The community work, to be carried out in order to benefit from additional income under the minimum guaranteed income law, primarily involves street cleaning and rubbish collection. Many people with qualifications or higher education feel humiliated to be seen doing such work and it discourages them to apply for this benefit. However, there are no alternative community work options for them. Others (including many homeless people) prefer to work on the black market, as not only do they avoid the application procedure (getting identification documents, notarised statements etc), they often are able to earn more money.

The reasons for self-exclusion are rather a mix of the above mentioned and include:

- Psychological reasons and stigma: people feel humiliated to be seen in what they define to be marginal jobs and besides, they do not consider they have any moral obligation towards the society as long as the society fails to offer them job opportunities. On the other hand, when possible, they prefer to use their personal network performing occasional small services to others, instead of fulfilling the required community work.
- Financial reasons, based on the balance between what they give and what they gain. Some consider 72 hours of community work is too much compared to the amount they benefit of. One way of solving the issue was to reduce the number of imposed working hours in accordance with the amount to be paid to the individual or family (as share of the maximum possible amount). Even so, a simple efficiency analysis weighing the MIG amount and the income gained on the informal market will make the balance tilt towards the last one (as per day payment when working for the community is less compared to the amount of money gained from occasional work). The increase of the benefit by 15% for each person formally employed does not provide enough incentive to give up informal incomes.
- Professional reasons based on one's qualification. For a small fraction of MIG applicants the offered jobs imply skills under their qualification. So, people do not accept work, where they make no use of their educational / professional skills and expertise.

Anyway, the refusal to undertake the community work automatically leads to the cancellation of the right to the MIG benefit. It may be noticed that the frequency of voluntary leaves is higher before and during holidays (Easter and Christmas) and at the beginning of the agricultural season. That links the refusals concerning MIG required community work to working opportunities on the informal market.

State institutions that issue some of the required documents proving the claimant identity / status have no offices in the claimants' community. Sometimes the costs for completing the MIG application file in terms of money or time spent to get them is high enough to discourage people from making the effort to get these documents especially when compared to the amount of MIG they would benefit of.

At present, the reporting uses mainly the "application file" as a unit for analysis, and not the family of beneficiaries. Therefore, it is difficult to follow up on the actual number of beneficiaries entering and exiting the system (either temporarily or definitively). The report on the number of files should be supplemented by a record of the number of families, in order to avoid situations where one

family is counted twice if it exits the payment for a short period (i.e. 3-4 months) and then re-enters the system.

Also data collection by the Ministry of Labour, Family and Equal Opportunities does not provide information that would prove useful for management or evaluation purposes such as:

- distribution of the outstanding amounts by duration;
- distribution of outstanding amounts by type of beneficiary.

Such information would allow MLSSF to assess the impact on beneficiaries and its development over time.

2.2 Adequacy of MIG level

In each of the three years 2002-2004, the monthly average social security benefit per family was 1,020,000 lei (around 32 Euro in 2002 and 25 Euro in 2004), representing around 60% of the monthly minimum wage in 2002, 40% in 2003 and 36% in 2004. During 2005-2007 the proportion further deteriorated from 32.7% of the gross minimum wage to 29.2% in 2006 and 29.2% in 2007.

Compared to the evolution of the national minimum gross wage and taking into consideration the purchasing power of the poor, the MIG amount registered a gradual deterioration from 45% of the gross minimum wage in 2002 reaching the lowest level of 18.5% by the end of 2008.

Unemployment indemnities			
	2005	2006	2007
Monthly average (lei/person)			
Unemployment benefit 1)	236	259	321
MIG	101.46	110.94	114.15
In percentage as against the gross minimum salary in economy			
Unemployment benefit	76.1	78.5	82.3
MIG	32.7	33.6	29.2

1) According to Law no. 76/2002

The guaranteed minimum income offers a minimal safety net for families that are truly dependant on this allowance, as a typical beneficiary family would still live in poverty.

However, additional forms of support are needed to offer the beneficiaries not only a minimum of resources but the opportunities for increased autonomy. To offer social aid to a family having huge debts in paying the utility bills would not have lasting effects unless accompanied by an intervention to reduce these debts.

The progress made in the accuracy of regulations on guaranteed minimum income is not so noticeable in the amount and maintenance of the real purchasing power of the benefit granted by the state. By comparison with the national minimum gross wage, which has indeed showed a positive nominal and real evolution, the minimum guaranteed income has been rather diminishing.

The table below compares average incomes for individuals over the period between 2005 and 2007:

	2005	2006	2007
Guaranteed minimum income per individual per month	101.46 Lei ~28 €	110.94 Lei ~26 €	114.15 Lei ~29 €
Average monthly pension	268 Lei ~76 €	318 Lei ~90 €	374 Lei ~112 €
Minimum monthly wage (gross)	310 Lei ~86 €	330 Lei ~105 €	390 Lei ~117 €
Average monthly wage (gross)	968 Lei	1146	1396
Average wage (net)	746 Lei ~204 €	866 Lei ~235 €	1,042 Lei ~260 €

Source: Ministry of Labour, Family and Equal Opportunities

Despite following the inflation rate (with annual indexations through Government Decisions) the social aid amount does not, by itself, get MIG beneficiaries out of poverty.

	2001	2002	2003	2004	2005	2006	2007
Type of beneficiary	Amount (Lei)						
Individual	63.0	74.0	82.5	88.3	92.0	96.0	100.0
2 member family	113.4	132.8	148.0	158.4	166.0	173.0	181.0
3 member family	157.5	184.5	205.7	220.0	231.0	241.0	252.0
4 member family	195.3	228.5	254.7	272.5	287.0	300.0	314.0
5 member family	233.1	272.8	304.1	325.4	341.0	356.0	372.0
Each person over 5	15.7	18.4	20.5	22.0	23.0	24.0	25.0
Inflation		15.30%	10.60%	7.00%	5.00%	4.50%	4.50%
Increase of the social aid amount		17.00%	11.00%	7.00%	5.00%	4.50%	4.50%

Source: Ministry of Labour, Family and Equal Opportunities

Weighed against their purchasing power, especially when considering the high increase in prices for various utilities, MIG threshold levels remain rather low.

	2005	2006	2007
Consumer price indexes (%) (previous year = 100)			
Total	109.0	106.56	104.84
Food goods	106.1	103.84	103.89
Non-food goods	111.3	108.47	104.99
Services	110.5	108.20	106.63
Monthly average inflation rate (%)			
Total	0.7	0.4	0.5
Food goods	0.5	0.1	0.7
Non-food goods	0.8	0.7	0.3
Services	1.0	0.4	0.7

Source: National Statistics Institute

The level of the guaranteed minimum income has also been eroded by the evolution of utility costs. In the winter months in particular, only the monthly maintenance costs for a two-room apartment tend to exceed 3 million lei, while over 3 million pensioners live on an average 2 million lei monthly pension. These people because of their age cannot be obliged to undertake community work.

The harmonisation and convergence of Romanian prices for 'services of general economic interest' with those in European Union countries will continue to give rise to tension and pressure

on family and local and central administration budgets. Consequently, the need to increase the guaranteed minimum income will continue to grow.

In some cases other forms of social assistance / support provided to families and families with children leads to a decrease in the number of MIG beneficiaries without getting them out of poverty. The child allowance provided for children up to two years of age (3 years in the case of a child with handicap) could possibly explain the significant decrease in the number of MIG beneficiaries. Usually, families with many children living on small incomes are eligible for the MIG according to Law 416. With the 200 lei representing the child allowance, the per capita income of many families goes over the MIG threshold. For instance, in 2008 the MIG for a family of two members should be 181 lei. In the case of a single mother with a baby only the child allowance (200 lei) makes the family income go over the set amount entitling them to the MIG. For families with three persons the MIG should be 252 lei. Again if they have a child up to two years they no longer can benefit from this minimum income guarantee support.

2.3 Efficiency in reducing poverty

The guaranteed minimum income is a highly targeted allowance, identifying those at risk of poverty and social exclusion as it is means-tested, based on income, household possessions and land ownership and it is conditional on the beneficiary being involved in community work in order to discourage inactivity.

The increase in the population income had a direct impact on decreasing poverty and especially extreme poverty as reflected by lower at risk of poverty rates and gradual reduction in numbers of MIG beneficiaries.

In 2000, the poverty rate in Romania was approximately 35.9%; by 2003, the poverty rate had dropped to about 25.1% and the rate of severe poverty declined from 13.8 in 2000 to 8.6% of the population in 2003, as confirmed both by the World Bank poverty assessment (2003) and Birks Sinclair & Associates Ltd evaluation of MIG impact. These developments were the result of economic growth at a pace of over 5% starting from 2000, as well as legislation on social security and the guaranteed minimum income.

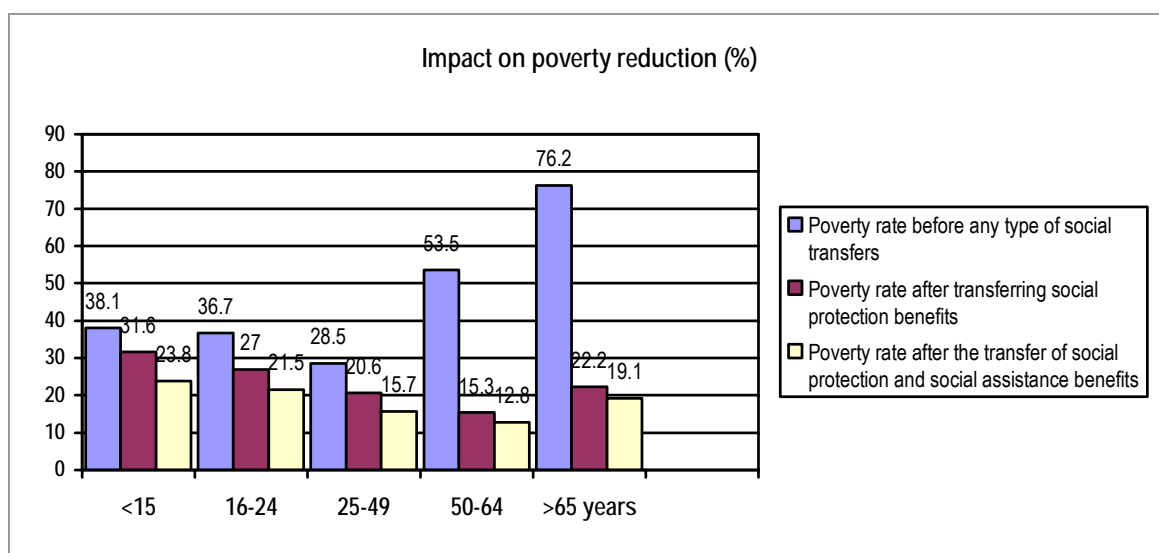
By Zamfir C (2005)⁴ the social protection benefits are well targeted towards the poor contributing to a reduction of inequalities except for maternity indemnities and child upbringing allowances that have a regressive character as these are the only benefits conditioned on previous labour market participation. The most progressive benefits are the social aid (with 68% of the amounts reaching the first quintile individuals) and the aid for disabled (43% of the granted amounts reaching the lowest income quintile).

The amounts received through social protection transfers ensure a considerable part of the poor' consumption. Although only 25% of the amounts distributed through social protection transfers are directed towards the first quintile these represent almost half (44%) of the first quintile consumption. By comparison, 14% of the amounts are distributed among the wealthiest quintile but they ensure only 6% of the consumption. Among all social transfers, child allowances have the highest impact on reducing poverty, by achieving the widest coverage of families in the poor quintiles.

⁴ Zamfir, C., (coord.) 2005, *Understanding the Dynamics of Poverty and Development Risks on Children in Romania*, UNICEF Report, Bucharest.

According to Constantin Zaman⁵, the impact of social protection measures on reducing poverty is analysed differently for social protection / insurance and social assistance transfers. When considering the age structure the greatest impact of social transfers appears in case of the elderly with 76.2% of the population aged over 65 years living in poverty if no benefits are provided (before transfers). However, this figure should be interpreted with caution, because it does not take into account the pension to which individuals are legally entitled. The amount of the pension is included in the social protection / insurance element (social protection / insurance without social assistance transfers); since the pension represents a legal right for retired persons, the real poverty rate is in fact 22.2% for this category.

To a significant extent, the same logic applies for the next age group (50–64 years old); a segment of individuals belonging to this category are retired and therefore benefit from pension rights. When adding up social assistance (social protection / insurance and social assistance) poverty further decreases reaching 19.1% for the age group above 65. It results that those most affected by poverty are below 50 years of age, for which the impact of both social protection/insurance and social assistance transfers is lower than for older people.



Source: Ministry of Labour, Family and Equal Opportunities, 2006

Economic growth (i.e. in 2004, GDP increased by 25% compared to the previous year) and reduced unemployment rates (i.e. in the same year the unemployment rate decreased by approximately 14%) do not always reflect in smaller numbers of social aid beneficiaries (i.e. the highest number of social benefits was recorded in the same year, 2004) and the decrease in the number of social benefits after 2006 is rather due to the implementation of the new stricter income assessment criteria.

Overall, public expenditures on social protection have increased during the transition period, but remain among the lowest in Europe. However, detailed data on the financing of many social protection programmes, especially the transfers between central and local levels are not publicly available. Since the introduction of the MIG scheme the share of social assistance spending has increased more significantly, yet the resources allocated are considered to be insufficient to meet the needs.

⁵ Zaman Ctin, Inside the European Union: A diagnosis of the labour market and social protection system in Romania at the moment of integration, January 2007

3. Links between MIG schemes and the active inclusion strategy

The permanent imposed contact between the MIG beneficiaries and the Employment Agencies (MIG beneficiaries have to provide evidence from the employment agency that they are registered as searching for a job and they have never refused a job offer) is intended to promote an active attitude toward formal job opportunities, although this type of liaison is similar for those on unemployment benefit too.

Although MIG legislation contains provisions for the beneficiaries to undertake community work as a prerequisite for social inclusion there is little evidence of MIG beneficiaries being 'recuperated' on the labor market. Low prospects of labor market integration have an effect especially on MIG beneficiaries in economic inactive regions or in rural areas with very limited employment and labor force mobility opportunities. Most of those who enter the MIG system do not leave the system and those who do, become ineligible due to uneven indexations of various social transfers (therefore they may leave and enter the system several times).

3.1 Support to MIG schemes

Personalized employment / training programmes do not target MIG recipients in particular although; they may equally benefit from existing employment policies (including services such as information / counselling, training opportunities, job mediation, job fairs etc.).

Law nr.116/2002 on the prevention and fighting the social marginalization although not specifically targeting MIG beneficiaries contains provisions on guaranteeing effective access, especially for youth, to elementary and fundamental rights such as right to a job, housing, medical assistance, education. There are also provisions for setting up measures to prevent and fight social marginalization and to mobilize institutions with duties in the area. In order to integrate or reintegrate youth in difficult situations and facing professional exclusion on the labour market they may benefit of: professional counselling, job mediation, job placement on basis of a solidarity contract with the employment agency for a period up to two years but not less than one year. Activation measures for young people (under 25 of age) are institutionally separated from the means tested scheme. The first is under the responsibility of county level employment agencies and the second one under the responsibility of the local authority and (methodologically) the county level specialised services for social assistance.

Many of the MIG beneficiaries are unskilled workers and have not completed compulsory education. The level of completed education decreased after 1989, for a significant part of the young generation. Increasing investments in professional formation would be an equally important alternative for the social aid beneficiaries. Emphasis on professional training could meaningfully increase self-activation capabilities of individuals and at the same time, compensate for the lack of employment alternatives.

Based on the principle "no rights without responsibilities" the community work generalises a good practice set at local level. The MIG increase by 15% under the circumstances when one family member gets formal employment hardly represents an incentive as long as a minimum wage in the family budget may cancel the eligibility to the benefit. On the other hand, the MIG amount is quite low so, 15% would rather be considered a bonus. In addition, due to various associated benefits which almost automatically accompany MIG, the incentive for MIG beneficiaries with no

or low qualification to enter the labour market is almost negative. Disincentives for entering the labour market in low paid jobs lead to long-term unemployment and social exclusion.

Therefore, community work may represent a means to encourage activity though, so far it offers little perspective towards formal employment.

3.2 Access to services

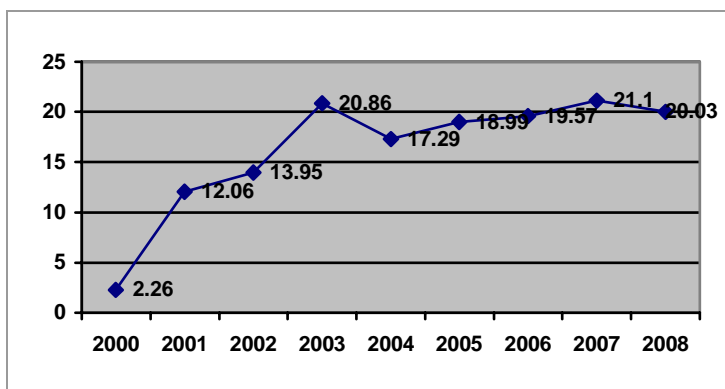
Complementary to the social protection schemes, the social assistance system provides several types of allowances (for children, single parent families, families with many children, disabled people), indemnities, in-kind transfers and services. Existing support services include social canteens, sheltered accommodation, job insertion centres etc. with the local authorities and non-governmental organisations being the main providers. Concentration of these services in the urban areas denies access to this type of assistance for quite a large number of people living in remote / isolated communities.

Free services provided through the employment agencies for persons in search of a job including MIG beneficiaries view:

- Information and professional counselling;
- Provision of information regarding the labour market and the evolution of occupations;
- Assessment of abilities in view of professional orientation;
- Training on methods and techniques to search for a job;
- Mediation services;
- Information on job vacancies and conditions to access these jobs by posting job vacancies, organising job fairs;
- Electronic mediation with a view to automatically liaise job demands and job offers via PC;
- Pre-selection of candidates according to their training abilities, expertise and interests in accordance with the employers' requirements;
- Professional training;
- Training / re-training courses;
- Practical / specialty stages;
- Consultancy and assistance for starting an independent activity or initiating own business;
- Legal / financial advice;
- Consultancy services;
- Efficient management techniques and methods.

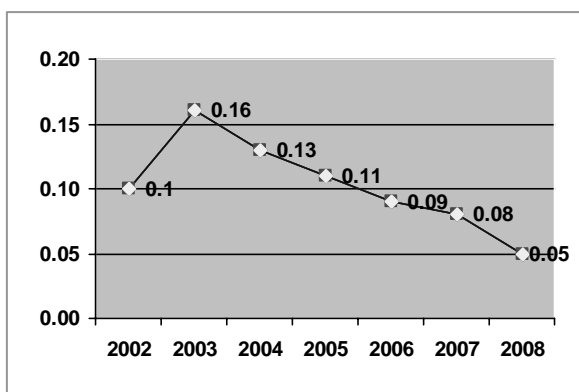
Although Romania registered an economic growth for several consecutive years, it did not always reflect in adequate employment levels and new jobs creation.

On the whole, the weight of active labour market policies in the unemployment insurance budget total expenditure has followed an increasing trend.



Source National Employment Agency - 2008 Activity Report

Generally, the active labour market policy (ALMP) expenditure maintained at a level almost ten times higher compared to the base of reference (0.03% of the GDP in 2000). The slightly descending curve registered by the weight of the active labour market policies expenditure in the GDP was caused by augmented GDP growth pace. By contrast the passive labour market policy expenditure went from 0.96% of the GDP in 2000 to 0.47% in 2005 (with 0.64%, 0.59%, 0.55% and 0.53% between 2001 and 2004),



Active labour market policies seem to have been effective, on average, in decreasing unemployment rates. Among such policies, direct employers' subsidies for job creation and temporary employment in public works in community service seemed to be the most effective.

The table below shows the employment rate, labour force participation rate and unemployment rate with and without active labour market policies (ALMPs) effects:

	2000	2001	2002	2003	2004	2005
	%					
Employment rate	63	62,4	57,6	57,6	57,9	57,7
Labour force participation rate	70,9	68,6	64,1	62,3	62,1	61,3
Unemployment rate	11,2	9	10,2	7,6	6,8	5,8
Unemployment rate*	-	9,6	12,6	10,5	9,3	7,6

Unemployment rate* - unemployment rate without ALMPs effects

Source: National Employment Agency

On the other hand, practical experience of MIG implementation suggests temporary employment in public works and community service need to be addressed as they often hamper participants' employment prospects.

Training programmes also need to be further developed with particular focus on the poorest segments of unemployed / long term unemployed, and private sector incentive schemes need to be promoted with particular attention to counselling and assistance services for starting up an independent activity / business including granting low interest loans to Small and Medium Enterprises for new jobs creation.

On the other hand, even though ALMPs do decrease unemployment, they also weigh on the budget. Institutional reforms to lower production costs and enhancing labour market flexibility and work incentives may be an alternative to increase employment rates.

Looking at statistical data provided by the Ministry of Labour, Family and Equal Opportunities it appears, the counties with the highest number of granted social benefits do not always match with the counties where the highest unemployment rates are recorded.

With few exceptions, between 2002 and 2008 (the MIG implementation period), counties that benefited from the highest number of social benefits appear to remain the same each year. This possibly indicates the need for increased focus on taking the necessary macroeconomic measures for poverty reduction. That is to be reflected in bringing closer the monthly average values by county / region to the monthly average values of social benefits at national level.

4. Conclusions

The minimum income guarantee policy confirms the Romanian Government's orientation towards means-tested and away from universal benefits. The policy is part of a more complex approach to poverty alleviation. The minimum income guarantee law introduces safeguard measures to mitigate the disincentives to work commonly associated with means-tested benefits (i.e. obligation for beneficiaries to undertake community work, incentives for those beneficiaries getting formal employment) and combines cash benefits with in-kind provisions (i.e. school allowances for pupils). This approach still needs to be more closely associated to the development of integrated social assistance programmes.

Generally the increase in the population income had a direct impact on decreasing poverty and especially extreme poverty. Most social allowances are means-tested and differentiated in order to better answer the needs of individual families, but still need to be better correlated with work related income levels and balanced with additional support facilitating access to health, employment services, parent education, information on rights etc.

Same as in previous years, in 2009 the amount of the minimum income guarantee was indexed according to the inflation rate. With the effects of the economic downturn becoming more and more visible (increasing unemployment and over-indebtedness among the poor) the authorities express their commitment to take all the necessary measures to protect the population living on small incomes.

Yet, in order to speak about MIG as an efficient social inclusion mechanism, the policies ensuring a minimum income support for individuals and families need to go along with appropriate economic policy measures to activate the labour force supply. The decentralisation process also needs closer attention: the rhythm of delegating responsibilities from central to local levels needs to be correlated with identifying new resources, so to avoid financial shortages at local level, in the same time allowing for the design of local development plans / corresponding resources.

Judging from the changes in time in the number of beneficiaries one could say this form of support targets a relatively equal number of beneficiaries in extreme poverty. A set of active measure programmes would be required to specifically address this category of people. In the same time it would be necessary to also evaluate the social aid beneficiaries from the perspective of the length of time they are included in the social assistance system.

Bringing together current resources (state and local funds) and resources attracted from the Unemployment Fund or from the Ministry of Education would contribute to strengthening an accountable and transparent (indicator based) financing strategy for the MIG benefits including related administrative work and could increase the responsibility of local decisions and actions with regard to the broader objective of the MIG scheme: prevention of social exclusion instead of coping (less than satisfactory) with poverty. As each agency or ministry has its own objectives and programmes related to social inclusion consistent with the National Strategies on Social Inclusion, the Anti-poverty Plans, such a co-financing mechanism would promote cooperation and increase effectiveness of various programmes, undertaken by different agencies.

Improving inter-organisational cooperation and mutual support between various institutional levels and actors involved in designing and implementing social assistance programmes and active inclusion policies by connecting activation measures (as an effective way of social integration and economic independency) and means-tested benefits could address more successfully not only poverty per se, but the risks of social exclusion.

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