Influence of Social and Cultural Expenses on the Population's Pauperization Process

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Abstract: Eradication of poverty and economic development are essential for a durable development. High access to production resources and the activity of effective public institutions are the most important conditions for the fight against poverty. Public and private investments in education, health care and social programs are indispensable for offering market economy integration opportunities to the paupers and to contribute to an economic development for everyone's benefit. The satisfaction of social needs, aiming the improvement of life conditions for each person in a given society, defines an aspect of the importance of public expenses. (Economy dictionary, 1999) The amount of public expenses allocated for socio-cultural actions has an essential economic and social role and has effect on the education, the professional training and qualification, the cultural, artistic and civilisation level, the quality of medical assistance and infant mortality, the system of social protection.

Keywords: poverty, public expenses, social protection, transition, health, education, social assistance programmes

Jel Classification: H40, H55

Detaining an important role in the economy of each country, public expenses for health and education represent almost 1/3 of the state's expenses, the average being lower in the poorest countries and regions.

Table 1. Weight of public expenses for health and education in the total public expenses and in GDP*

Region	Weight of public expenses %			% of GDP		
	Medium	Minimum	Maximum	Medium	Minimum	Maximum
Extreme Orient and Oceania	27	12	53	6	2	11
Europe and Central Asia	31	18	59	10	4	17
Latin America and the Antilles	33	14	52	8	4	13
Medium Orient and Northern Africa	23	13	39	7	4	12
South Asia	21	16	25	5	4	8
Sub-Saharan Africa	25	13	34	7	2	12
Countries with low incomes	25	12	59	6	2	17
Countries with average income	29	13	53	8	4	14
Countries with high income	33	20	56	11	3	15

Source: Banque Mondiale – „*Rapport sur le développement dans le monde*", 2004, ESKA Publishing House, page 39; WDI

*The survey has been performed on 135 countries, based upon data from year 2000 (52 countries), year 2001 (8 countries), 1998 (17 countries) and relatively before 1990 for 28 countries.

Still, there are weight variations of these expenses between countries which belong to the same region (year 1998) Sierra Leone – 13%, Kenya – 34%; (year 1997) Estonia - 18%, (year 1996) Republic of Moldavia - 59%) (BIRT, 2004). *There are*

two explanations for the state's contribution to increasing or decreasing these public expenses:

1. *Market imperfections*, caused by external factors, when the volume of produced and consumed services is inferior to an optimal social level; increase in public expenses and their effective management (through measures to reduce infant mortality or educational reforms in order to increase registration rates in primary education structures, especially for low income countries) can have an essential contribution to the promotion of health and education progress.

2. *Social equity and fundamental human rights*: "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care" (Universal Declaration of Human Rights). Corruption, government and urbanization can play an important role, but different in each country.

The analysis of the public expenses incidence consists of the calculation of the proportion between their financial volume and the beneficiaries of the financed services. Efficiency in using these funds is variable, given that it is difficult to find a coherent relation between the evolution of these expenses and the results. Similar evolutions of public expenses, applied on samples from different countries, produce different evolutions of the results. Result evaluation depends on the specifications in the analysis.

For example, in *Thailand*, the infant mortality rate dropped from 74 deaths / 1000 births (1970) to 42 deaths / 1000 births (1985), respectively 28 deaths / 1000 births (2004). The doubling of public expenses (between 1970 – 1980) and the state's supported and continuous involvement: through building medical centres in distant areas and stimulating doctors to move in these areas, service orientation towards poor areas or families, improvement in the medical staff's professional training, took part in the above mentioned results. Instead, in *Mexico*, the increases of public expenses lead to a decrease in infant mortality rates among poor families, but without a global significant effect. Results were obtained, but these are inconclusive at a statistical level. We consider that public financing is useful to the extent there are implications and appropriate measures which can generate progress.

An analysis on the incidence of public expenses benefits for medical services per patient confirms inequality between poor and non-poor population regarding resources access, as well as the fact that the distribution of these expenses does not favour the first ones. For example, in the *Republic of Moldavia*, the public expenses quota for the poorest quintile is 10 times smaller than the one addressed to the rich quintile. In *Ghana*, in 1994, the distribution of public expenses for health has been of 12% for the poorest quintile and of 33% for the richest one. A survey performed by the primary health centres from Bangladesh found that the rate of doctor's job absenteeism is of 74%, as well as the inadequate professional conduct towards the

poor patients. In *India*, subsidies for curative treatments addressed to the richest quintile are 3 times higher than those for the poorest quintile. Often, medicines destined to health centres never reach the destination: in *Guinea*, in 1980, 70% of medicines disappeared; in *Cameroon*, *Uganda* and *Tanzania*, 40% have been abstracted for personal use.

Public expenses for health or education do not particularly address the poor population, the results indicating that the poorest quintile benefits of less than 1/5 of these expenses, while the remainder belongs to the rich quintile. *The reason for this lack of balance is the orientation to the services sector, used in a disproportionate manner, mostly by those with high incomes.*

Eventually, GDP[1], an economic component of the human development, represents the level of subsistence and it is the most powerful predictor of the health status of nation. The sources of financing for the health care are: the state and local budgets (for investment, endowment, and large-scale programmes), state or private health insurances (for a part of manual work, materials and drugs) and population. All these represent only a part of GDP health financing sources per capita. For poor countries is difficult to attain the level health financing of the rich countries. Moreover, a reduced GDP leads to a smaller deducted percent allocated in the state and local budget for health care. In the same time, the decrease of family budgets means the reduction of the percentage allocated to health care, directly or indirectly, within families.

[1] Rada Cornelia et al. *Socio-medical impact of GDP on the life expectancy and infant mortality in Romani*, in *Revista medico-chirurgicală a Societăţii de medici naturalişti*. Iaşi, Medicina Preventivă, vol. 110, nr. 3, 2006, pp. 711-717.

Table 2. Expenses for health care

Country / Zone	Public expenses (% of PIB) , in 1995	Public expenses (% of PIB), in 2003	Beds in hospitals (per 100,000 inhab.)		Doctors (per 100,000 inhab.)	
			1995	**2003**	**1995**	**2003**
UE 15	**7.4**	**7.7**	690	593	-	-
UE 25	-	**7.6**	719	618	-	-
Zone Euro	-	-	745	641	-	-
Belgium	*6.3*	*7.6*	744	686	345	394
Czech Republic	6/4	7.1	939	868	346	389
Sweden	*7.5*	*8.5*	609	-	286	333
Denmark	5.5	6,1	489	398	251	285
Germany	8.4	8.1	970	874	307	337
France	8.1	8,9	890	796	-	-
Netherlands	8.3	8.2	533	463	186	-
Great Britain	*6,5*	*7.7*	-	397	173	216
Greece	*5.6*	*6.7*	500	-	393	-
Cyprus	-	4.1	452	431	220	263
Italy	*5.5*	*6.5*	622	418	-	-
Latvia	-	3.0	1099	779	278	278
Hungary	-	6.2	909	-	303	324
Austria	7.1	7,1	755	836	266	338
Poland	-	4.3	769	668	232	243
Slovenia	-	7.8	574	509	-	228
Lithuania	-	3.9	1083	866	405	395
Bulgaria	-	-	1034	627	345	356
Romania	**2.9***	**3.9****	**763**	**656**	**-**	**200**
Norway	7.4	9.4	406	428	279	329
Japan	-	-	1330	-	-	-
USA	-	-	413	-	203	-

Source: *EUROSTAST – „L'Europe en chiffre", Annuaire Eurostat 2006-07, 2007, p. 112*
*- For **Romania** the source is *RNDU 2001-2002*, pag.102; **- the source is *RNDU 2003-2005*,
Romania, p. 122, elaborated by PNUD, 2005; In 2004, 3.6% of PIB was allocated for health.

The necessary budget for a fair financing of the health system is affected by many variables, including the following: the morbidity rate, the level of population aspirations, geographical constraints. "The open method for coordination" is defining a common framework to support efforts of UE member states for

development and reform of health system. In UE25, a percentage of 7.6% of GDP has been allocated in 2003 for health expenses. Germany, France, The Netherlands and Sweden registered percentages over 8%, while the Baltic States, Cyprus, Poland and *Romania* spent only 4% on health care.

As results from the Table 2, over the period 1995-2003, countries as Belgium, Italy, Greece, Sweden and Great Britain had a rate of growth of over 1%. In *Romania*[1] the public health expenses varied between 2.8 and 4% (years 1990-2003), equivalent of 28-70 USD per capita, while other transition countries spend a few hundred dollars and the developed countries an average of 2000 USD. In absolute figures (PPP$ - parity of purchase power) this difference is much larger, 16 times less than the average for UE, 8.3 times less than in the Czech Republic, 6 times less than in Hungary and 4 times less than in Poland. This fact shows that the precocity of allotted financial resources in Romania is correlated to the alarming status of the most important health indicators. In countries with large health expenses per capita, the *life expectancy at birth* is bigger, but the relationship is not linear: if reduced amounts can assure a life expectancy of 68 years, larger expenses (10 to 20 times) assure a life expectancy of 78 years, approaching asymptotically age 80, it seems that this average age is impossible to be exceeded even with ten times expense increase. In other words, as life expectancy increases, each step costs much more and is smaller than the previous one. (Cotigaru, Petrescu, & Rosca, 2004, pp. 282-291) Romania has yet acute problems in the health-care sector. Some of the priorities are to make aware of institutions' responsibilities, establishment of competences, coordination and collaboration of all persons involved in the reform of the health-care system.

The population health status, the dynamics of the natural movement of population (birth-rate, mortality, natural growth, infant mortality) and life expectancy at birth reflect and correlate a series of indicators as: indicators of material and human resources of the health-care system concretizing the number and structure of health units (hospitals, polyclinics, medical consulting rooms, health centres); indicators for human resources concretizing the number and structure of the medical personnel: physicians, dentists, pharmacists, other medical personnel, etc; indicators for the medical activity, as: medical consultations and attendances per inhabitant, vaccinations and revaccinations, hospital internments. In 2002, UE-25 has an average of 618 hospitalization places per 100,000 inhabitants, compared to 715 places in 1995.[2] This 10% diminution results from a more efficient utilization of the resources allocated to the health-care system, the performance of the medical services allowing ambulatory care or diminution of post-surgery hospitalization period.

[1] Until the introduction of health insurance, the state budget was the most important financing source.
[2] EUROSTAT - In Romania from 763 beds (1995) to 656 beds (2003).

In accordance with a report of the World Bank, in 2005 and 2004 *the expenses allocated in Romania for education and health-care* was among the lowest in UE.

As regards the health-care expenses, Romania occupies the last place. In 2004, 5.1% of GDP was allocated to health care, compared to the average of 6.6% in the states with medium to raised revenues. In 2004, Bulgaria allocated for health-care 8% of GDP, Hungary 7.9%, and Poland 6.2%. In 2004, the health-care expenses per capita in Romania were 178 $, while in countries with medium to rise revenues were 342 $. The similar expenses were in Bulgaria 251 $, in Poland 411 $, and in Hungary 800 $.

The poor segment of population is not the main beneficiary of the public health-care or education expenses, the results indicate that the poorest quintila is the beneficiary of less than 1/5 of expenses, the rest favouring the rich quintila. *The reason of this disequilibrium is the orientation towards the service sectors used especially by persons with raised revenues.*

„*Education is not a way to escape poverty. It is a way to fight against it* (Julius Nyerere). In *Nepal*, the richest quintile of the population benefits from 46% of the education expenses, toward only 11% for the poorest quintile. Instead, in *Armenia*, in 1999, the poorest quintile benefited from almost 30% of the advantages distributed through these expenses. In the beginning of the ‘90s, primary schools from *Uganda* received only 13% from the government subsidies distributed to primary education, because of the number of credits received by schools from underprivileged areas, obviously inferior in comparison with the average number. The rest of the funds were addressed to non-educational activities or private advantages.

The challenges of the Lisbon strategy involve the UE states in permanent debates regarding the modalities for increasing financing of educational systems, improving the efficiency and promoting equality. Several of the aimed objectives are: the right of enrolment, administrative and examination expenses, scholarships or loans aimed to raise the rate of enrolment in higher education institutions for those in need, attracting funds for promotion of partnerships between enterprises and universities.

In 2003, the public education expenses in UE-25 was 516 bld.SPA, meaning 4.9% of UE-25 GDP. The diagram no. 1 demonstrates that the development and modernization of education lead to an increase in resource allocation, especially in the developed countries: Germany – 91.5 billion SPA; France – 88.5 billion SPA; Great Britain – 77.8 billion SPA; Italy – 64.1 billion SPA; Japan – 111.7 billion SPA; SUA – 521.4 billion SPA.

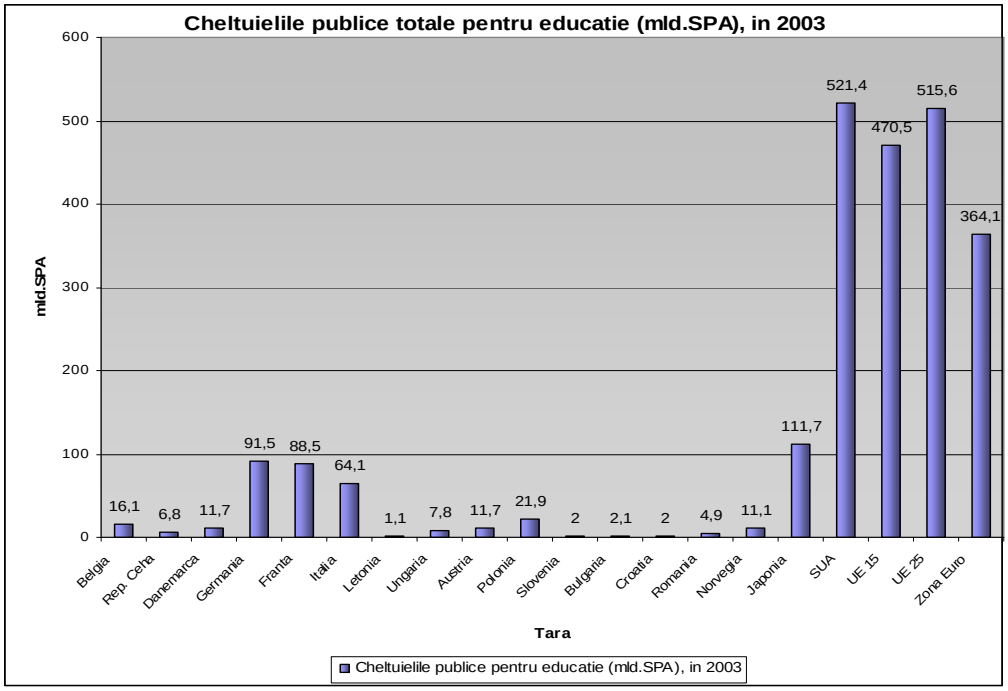

Fig. 1

Source: *EUROSTAST – „L'Europe en chiffre", Annuaire Eurostat 2006-07, 2007, p. 96*

Despite the decrease of birth rate, in time, the public education expenses have a slight increase as a result of the conjugated action of economic factors (one of the requirements of economic development is the investment in the human capital, consequently medium and high qualified labour force), social and politics (facilities and grants for pupils / students, obligatory education, school policy). The education financing depends on its structure taking in account that the education systems are different from one country to another. In 2003, the annual expenses for the public and private education were 5518 SPA in UE-25. The expenses / pupil or student increase with the education stage. In 2003, the expenses allocated for a (8060 SPA) in UE-25, was ~1,9 times bigger than for a pupil in primary school (4331 SPA), but inferior to Japan's expenses (2,2 times) or SUA (2,9 times). The rate of public expenses / private expenses varies from one country to another. In Germany, Great Britain, Malta, Cyprus, Lithonia, the importance of private expenses is given by the allocated percentage, i.e. sixth part of public expenses. (Eurostat, 2006-2007, p. 96)

Table 3. Expenses for education institutions in 2003

Country / Zone	Public expenses (% of GDP)	Private expenses (% of GDP)	Annul expenses for public and private education/pupil or student (PPC)
UE 15	**4,9**	**0,6**	**6002**
UE 25	**4,9**	**0,6**	**5518**
Zone Euro	**4,8**	**0,6**	**5883**
Belgium	5,8	0,4	6396
Czech Republic	4,3	0,4	3279
Denmark	6,7	0,3	7251
Germany	4,4	0,9	5861
France	5,7	0,6	6248
Italy	4,5	0,4	6251
Lithonia	4,9	0,8	2234
Hungary	5,5	0,6	7481
Austria	5,2	0,3	2657
Poland	5,6	0,7	
Slovenia	5,4	0,9	4968
Bulgaria	3,9	0,7	1634
Croatia	4,6	-	-
Romania	**3,4***	-	-
Norway	6,5	0,1	8207
Japan	3,6	1,3	6779
USA	5,4	2,1	10005

Source: *EUROSTAST – „L'Europe en chiffre", Annuaire Eurostat 2006-07, 2007, p. 97*

*For the same year, 2003, RNDU- Romania, 2003-2005 presents a percentage of 3% of GDP allocated for public education expenses.

The diversification tendencies of the Romanian education system represent the dimension of transition and the need for creating a strategic connection between the educational system and the needs of the market economy and the modern society in continuous changing. But the education indicators for Romania are in a good position compared to other countries in Central and East Europe and CIS. However, the level of public education expenses is under the average of UE countries.

Several fields of Romanian education system needs special attention on politics as the modernization of the educational infrastructure (technological progress included), the training of teachers and the structure of salaries, as well as the

prevention of the school dropout. If in 2000 the rate of the premature school dropout (young people between 18-24 years) was 23.3% for boys and 21.3% for girls, in 2005 the values were 21.4% for boys and 20,1% for girls. (Eurostat, 2006-2007, p. 90) During 1996-2003, the gross rate of scholar inclusion in all education stages increased, as the table below shows:

Table 4. The gross rate of scholar inclusion (%) in all educational stages, during 1996-2003

Gross rate of scholar inclusion (%) in	1996	1998	2000	2002	2003
Primary education	100.3	99.8	100.3	103.7	109.1
Gymnasium education	87.9	94.3	94.7	93.7	93.5
Secondary education	69.1	67.8	71.7	75.0	74.7
Higher education	22.2	25.4	31.9	38.9	41.2
Gross rate of scholar inclusion in preschool education	60.4	64.2	66.1	71.0	71.8

Source: PNUD - „Romania, RNDU 2003-2005", tab.7. Education, p. 115

In 2005, the education expenses represented 3.6% of GDP, under the average level of 4.6% registered in the state with medium to a raised level, Romania belonging to this category. Greece occupied the penultimate place in UE, with expenses 4% of GDP. Bulgaria allocated for education 4.2% of GDP, Hungary 5.9%, and Poland 5.6%. The budget project for 2007 was based on a budgetary deficit of 2.8% of GDP, an economic increase of 6.4%, an inflation rate of 4.5%, an increase of the medium gross salary of 12.4% and a level of the public debt lower than 60% of GDP. (Eurostat, 2006-2007, pp. 96-98) The public expenses were estimated to 38% of GDP, compared to 34.8% in 2006. A comparative evolution favourable to actions financed from the general consolidated budget is presented in the table below:

Table 5

Actions	% of GDP 2006	% of GDP 2007
General public services	0.89	0.38
Defence	1.48	1.30
Public order and national security	2.56	2.75
Education	4.46	5.18
Health	3.64	4.00
Culture, recreation and religion	0.70	0,75
Social protection and assistance	9,69	10.34
Services and public development, housing	1.31	1.50
Environment protection	0.37	0.44
Economic actions	0,18	0,16

Source: Marin Marina – *Doctoral thesis*, p. 67

The budget project elaborated by the Government for 2008 is based on a GDP increase of 6.5% and a budgetary deficit of 2.7%, the same as in 2007. The priorities foe 2008 aims education, health, infrastructure, agriculture and distribution of economic development to disfavoured categories. Thus, 6.0% of GDP shall be allocated for education (26% more than in 2007, meaning an increase of budget by 5 billion lei, from 9.1 billion lei in 2005 to 25.5 billion lei in 2008), for research 0.7% of GDP, for health 4.5% of GDP (the government announced the construction of tens of hospitals at national level, the necessary equipment included), for social protection and assistance 11.9% of GDP.

Social security expenses comprise money support, treatment and leisure tickets, medical assistance, drugs, pensions, social, unemployment, disease support, allocations for disabled persons, allocation for children, support allocations, differentiated on social groups: old persons, invalids, disabled persons, unemployed persons, women, young, children. All expenses aim the increase of disfavoured groups of persons. Each category of expenses may have different numbers of components.

For example, *the social protection expenses* comprise supports for aged persons, IOVR, disabled persons, expenses for families with many children, maternity and children care, etc. Often, the notion of social protection is used together with the notion of social security. *The social protection* comprises the economic and social interventions of public and private organisms and aims to support households or persons requiring assistance and guarantees their defence against negative phenomena or actions affecting their situation.[1] *In UE there are 8 functions of social protection.* (Eurostat, 2006-2007, p. 125)

The statistics regarding the expenses and collecting for social protection are harmonized in accordance with the European System of Integrated Statistics– *Esspros*. *Esspros is a unique instrument to compare social politics in several European countries* founded on the concept of social protection and developed after a common methodology. In 2003, almost 39% of social protection contribution collect in UE-25 resulted from employers, 37% from governments, 21% from employees, and the rest from other sources. In 2003, in UE-25, 28% of GDP was allocated for social protection expenses. Sweden registered the largest amount (33.5% of GDP in UE -25), and Lithonia and Estonia registered the smallest amounts (13.4% each). In 2003, the social protection expenses / inhabitant in UE-25 hardly surpassed 6000 SPA,[2] registering a maximum of 10905 SPA in Luxembourg, respectively a minimum of 1174 SPA in Lithonia. The differences between countries

[1] Several countries includes in the social protection expenses other economic and social expenses (ex: expenses for services and public development, housing, environment and waters) under motivation of their contribution to the increase of life quality. In Romania these expenses are a distinct group of socio-cultural expenses. The ONU functional classification, for Romania to be consulted.

[2] Purchasing Power Standard, used for measuring the comparisons between countries and taking into account the differences of price levels.

results from countries' different level of development, the diversity of social protection systems, the demographic evolutions, unemployment rates as well as other social, institutional and economic factors. The basic pensions for work and age limit – the most important social protection for citizens - represented 41% of UE-25 expenses in 2003, or 12.6% of GDP IN UE-25, with an maximum of 15,1% in Italy and a minimum of 3.9% in Ireland.

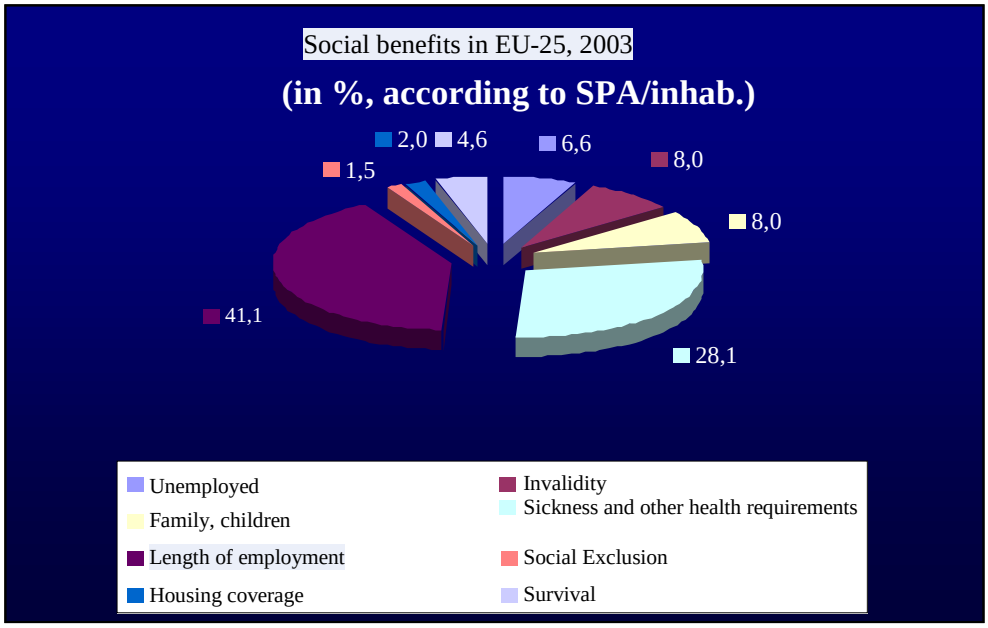

Fig 2
Source : Eurostat - " *L'Europe en chiffres*", Annuaire Eurostat 2006-07, p.130

ROMANIA

In *Romania*, during the 90's *the social protection expenses* represented between 22.5% and 31.5% of the total expenses of the general consolidated budget. In the period 2000-2006 these expenses were 30%-33%.[1] Also, the social security expenses were between 56% and 61% of the total public social expenses.

„The social protection transfer significantly differs by proportions and efficiency. Two opposite cases are the allocation for (in 2002 the transfers represented 0.63% of GDP for less than 5 million beneficiaries) and the programme VMG (with transfers representing in 2002 0.28% of GDP for less than 1 million of beneficiaries) with an exact target. If in 2002 the poorest quintila beneficiated from only 20% of allocations for children, 62% of the provided services were allocated to the poorest

[1] In 2003, 32.9%, according to the „National Report of human development 2003-2005 for Romania", p. 130

quintila through the programme VMG (a very good performance compared to the performance of similar programmes from other countries in this region)." (Bank D. o., oct. 2003)

"The way of child valorisation is represented by the society's concern regarding the observance of child rights and the implementation in all the fields of social life".[1] *The state allocation for children* is an amount of money for children under 18 years and following a legal education form and over 18 years and following a higher education form. The beneficiaries of the allocation are children under 18 years with invalidity of Ist or IInd degree of invalidity. Beginning with January 2007, the monthly quantum of the state allocation for children increased from 24 to 25 lei, except for the state allocation for children fewer than 2 years, respectively 3 years for children with disabilities, for which the quantum is 200 lei.[2] The amount is intended to cover the expenses necessary for children support. The amount is unconditionally awarded to children between 0-7 years and for children between 14-16 years not attending school. After the age of 7, the allocation for children depends by the regular school attending and partially loses the function of social protection.

The social support is meant to complete the net monthly revenues of family or single person in order to insure the minimum guaranteed revenue (MGR).[3] *The minimum guaranteed revenue* is insured by the monthly social support, on the basis of the present law. MGR is based on the principle of the social solidarity, in the frame of the national policy for social protection. For the amounts representing the social support, one of the major persons able to work has the obligation to carry out monthly actions or works of local interest, under normal work conditions and observing the security and hygiene norms.[4]

[1] DGPC Galaţi. *Results and perspectives of child protection*, 2004.
[2] According to Art. 4 alin. 1, lit. a) of O.U.G. no. 148/2005.
[3] Provided by art. 4 alin. (1) and (2) of Law no. 416/2001.
[4] The number of work hours is calculated proportionally to the value of social support for the family or the single person, with an hour tariff corresponding to the national minimum gross salary reported to the average monthly duration of the work time. The formula for the calculation of numbers of hours is as follows:
16,9 333 hours*) x VLU of social support Number of work hours = paid minimum gross salary **) in Official Journal, Part I no. 690 din 11/08/2006, of applying the Law no. 416/2001 regarding the minimum guaranteed revenue.

Table 6

Family's type	Level VMG (lei) 2006	Level VMG (lei) 2007
Single person	**92**	**92**
Families 2 persons	166	**173**
Families 3 persons	231	**241**
Families 4 persons	287	**300**
Families 5 persons	341	**356**
For each person over the fifth persons	23	**24**

Source: M.M.S.S.F., Direction M.M.S.F. Galati

The minimum guaranteed revenue was much disputed. In 2005 the number of beneficiaries of the social support was 390,000 and the budgetary effort was 472 million lei. In the second trimester of 2006, the number of beneficiaries decreased by 20,000, and the budgetary allocations decreased by 160 million lei.

It's clear that, in the best case, only a segment of population belongs to the category of severe poverty. The poverty is found not only at level of those receiving the social support. Of course, the priority is the persons in trouble, with completely insufficient resources for survival, but the theme of poverty has to be globally treated. Let's think on a single subject: how a person can survive with a monthly support of only 92 lei? What can be put in the "daily basket" with this money? (Daily basket, August 2006) It's a question awaiting answers from those who established these amounts.

Unemployment insurance in Romania[1] comprises for types of used money: unemployment support, support for the integration of graduates, allocation for long-term unemployed and compensatory payments for the collective dismissed persons. The unemployment support represents 50-60% (depending on the work limit) from the average of the net salary in the last three months, but between the inferior (20%) and superior (55%) limits of the average net salary. (Teşliuc C. M., 2001, pp. 83-86) In Romania, the unemployment salary has a pronounced function for the poverty reduction and is awarded to the persons at risk to lose the job on short and medium term, until one year, depending on the work period. The unemployed can benefit by AJOFM programmes, comprising a series of active measures beginning with June 2005.

The evolution of unemployment rate in Romania had an ascendant trend of 11.8% in the period 1995-1999 (except year 1996, when a rate of 6.6% was registered), since 2000 registered a decreasing tendency so that in 2003 was 7.4%. (Bank D. o., oct. 2003) The incidence of long-term unemployment registered at «6 months o more »

[1] Beginning with 1990, the social protection of unemployed was regulated by the following legislative papers: Lg. 1/1991, regarding the social protection of unemployed and their professional reintegration and lg. 76/2002, regarding the unemployment protection system and the stimulation of the labour force, modified and completed by OUG 124/2002. Law 107/2004, OUG 144/2005.

had an inversely proportional tendency compared to the unemployment rate, decreasing from 70.4%, in 1995, to 59.3% in 1999, after that, the increasing tendency reappeared and surpassed the value of the year 1995 and in 2003 was 78.7%. The unemployment rate for young (18-24 years) decreased from 50.35 in 1996 to 17.7 % in 2003.

Table 7. The evolution of the unemployment rate in Romania (%)

Rş (%)	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	9.5	6.6	8.9	10.4	11.8	10.5	8.8	8.4	7.4
Men	-	5.7	8.5	10.4	12.1	10.8	9.2	8.9	7.8
Women	11.4	7.5	9.3	10.4	11.6	10.1	8.4	7.8	6.8

Source: PNUD Romania – *„RNDU, 2003-2005”*, pag.118

Most interesting is that the same tendency was registered at category «12 months and over», as well as for the category «24 months and over». As regards the unemployment rate for men, it kept the same tendency with for women, except the unemployment rate for women, 9% bigger than the rate for men for categories «6 months and over» and «12 months and over», except the category «24 months and over» for which the difference is 5%. The explanation of the deterioration of the report employees / unemployed can be summarized in three words: privatization, restructuration, bankruptcy. The public sector generated unemployment, while the private sector has created few jobs and the opportunities and possibilities were limited. From national sources, between 1995 and 2005, *the public expenses for pensions* were stabilized to 6.5% of GDP. After 2005, the expenses for the payment of some categories of pensions were externalized, i.e. were excluded from the state social insurance budget and included in the state budget. If in 1995 the pension system registered deficits covered from the state budget, in 2006 a surplus was registered. (Teşliuc C. M., 2001, pp. 83-86) In Romania, the average amount of pension represents 38.8% of the average revenue. The reforms in Romania comprising the pensions by repetition as well as the development of new capitalization pension funds (obligatory or voluntary contribution) reflects the similar reform packages adopted in Europe, especially in the new member states. The pension systems in Eastern Europe, like in the occidental countries, were born from the increasing concern regarding the pauperism risk after industrialization and aiming that the generation before the war benefits from the economic raising after the war. The eligibility criteria and the pension amount were generous, representing ~60-70% of the average gross salary in some countries (Poland, Georgia, Yugoslavia). With its main objective «the insurance of welfare on the basis of inter and intra-generative redistribution» (Davis, 1998), the public pension system PAYG (« *Pay-as-you-go* ») aimed the protection of aged workers against poverty. This system was financed by the contribution of the active generation and was criticized,

especially in the transition period. The appearance and increase of the number of unemployed, the migration of labour force, the decrease of birth rate and the massive reduction of contributions are a part of the critics of this system. Many economies in transition takes measures aiming the long-term increase of the durability of pension systems: increase of pension age (Romania, Bulgaria, Czech Republic, Hungary, Poland, Macedonia), the indexation rules were changed using prices instead salaries (Croatia), a combination between salaries and prices (Czech Republic, Hungary, Poland), a calculus formula for pensions (Macedonia, Slovenia). But what was the strategy of the economies in transition for the recovery of the state pension system? As Rutkowski said, in 1998, the implementation of *a multi-pillar pension system* will allow to persons to diversify the risks in many countries, regions or assets.[1] In *Romania* the system was recently implemented, in 2007. The projection of the concept of «*the pension system based on three pillars*», suggested in 1994 by the World Bank, is presented in the table below:

Table 8. The reform of the pension system in Romania

PILLAR I	PILLAR II	PILLAR III
Actual system – obligatory	Obligatory system - 01 August 2007	Optional system - May 2007
Public	Public/Private	Private
System of collective contributions	System of predefined individual contributions	System of predefined individual contributions
PAYG →3.5% of employee's gross salary (actual level is 9.5%); Employer's contribution =19.5%	PAYG Financed →6% (actual 2 %, increasing by 0.5% →6%)	Financed →15% of gross salary
Anti-poverty, contribution→ 1 pensionary	Forced economies	Personal economies
Reduced social protection (30%)	Investment in own pension (20%)	Investment in own pension (30%)

Source: Personal adaptation after Hemming, 1998, pag.6

In Romania, the social protection programmes (World Bank, 2001, p. 30) are important from point of view of financial covering, number of beneficiary persons or families. The measure of the success of any system of social transfers is represented by the contribution to the decrease of paupers. The application of Law VMG, dedicated to the most pauper social segments and the constant increase of the minimum salary are the two factors contributing to the redistribution of the resources of economic growth in 2003 towards the disfavoured categories of population and maintained the Gini indices at the same level as 2002. In 2001, the

[1] It was owed to the reduction of expenses as a result of the externalization of benefits on short term and the renouncement at obligations regarding the pensions of independent farmers.

richest 20% of population had an income 4,6 times bigger than poor 20%, compared to the report 4,4 in UE-15 or in UE-25 (Eurostat şi JIM). The program is rather «specialized» in fighting against risks of paupers. Many poor persons can "slide" between programmes and remain without support (e.g.: unemployment support substantially reduces the paupers of families whose head had been unemployed, the allocation for children reduces paupers in families with many children).

MEXICO

The main issues the Latin America deals with regarding social policies are poverty and social inequity. The causes of these issues are various, the mainly cited one (Carlos Filgueira, Andrés Peri, 2004) being the advanced demographic growth – in geometric proportions – towards the economic growth at national level – which advanced in arithmetical proportions. Over the year, especially after 1997 up to the present, these discrepancies lead to a surplus of active population of the job market.

The fight against poverty and the measures for decision making and administrative privatization and decentralization constitute the new orientation of social policies in the Latin America's countries, including Mexico. There are statistics which show the fact that over 40% of the Latino American population lives in poverty, many of these persons confronting extreme poverty issues. Generally, social policies in the Latin America's countries use the model "state (source) of social welfare" and, in accordance to this model, the states in the region often granted many social benefits to the poor class. As crisis grew deeper, the national economic growth could not ensure the necessary amounts to continue social measures. Consequently, measures as allocating an increasingly lower percentage for social policies from the national budgets were applied, following that in 2003 the allocated amounts would be similar to those from the '80s (although the population had seriously increased, and issues related to unemployment and jobs were accentuated). As time passed, these measures generated serious financial problems, and, when these measures started to again reduce financial allocations, the poor population expressed its disapproval in several ways, with negative effects on the social security system, the public health system and the access to education – essential elements which contribute in a fundamental manner to the development / wellbeing of a society. Because of this, the quality of public services decreased, especially in the field of public health and education, where salaries dropped drastically.

Poverty in the countries from this region can be classified in two main categories: structural poverty (referring to the society's marginal population sectors, population percentage which is excluded from the formal economic circuit of these regions, with a limited and insufficient access to offers on the job market and to education) and newly appeared poverty (phenomenon appeared following the entrance in these countries of persons banished from their origin countries or of immigrants who left their countries because of economic or structural restrictions – unemployed youth, retired persons or early retired persons). Hence, countries like Mexico, Costa Rica,

and Cuba have more developed social systems, ensuring a population percentage of 70 up to 100% integrated in this system, while countries like Honduras, Guatemala, and Salvador have poorly developed systems, the ensured population segment being of maximum 20%.

Criticism towards this social security system refers to it not taking into account the poor population (unemployed persons, gutter men without workman's pass, seasonal workers, persons ensuring housekeeping in households), which cannot contribute to these funds, creating nevertheless "privileges" systems for persons in the medium class of the society.

The recent Mexico financial crisis (caused by the privatization of state banks and, subsequently, by the constitution of the FOBAPROUA Fund regarding bank compensations) and the deficiencies existent in the traditional social security system (financial crisis of the Mexican Institute of Social Security – IMSS) maintained the crisis of social policies in this country. The social services in these countries imply social security systems, for typical cases of disease, accident, disability, as well as universal social security measures, such as offering public health services for free.

On the one hand, there will be practical measures, of financial intervention, for the very poor population, by connecting poor population groups to the national social security system. In Mexico, the access of very poor population to public health centres and to education is free – according to the political principle of the universalistic state, the principle of redistributing social incomes.

In the countries of this region, there are social services addressed to supporting the poor class. Starting with the '60s – '70s, countries like Mexico, Costa Rica, and Guatemala began to adopt social programs for this class of the population, consisting of food assistance measures and additional funds, free access to public health centres and to education. The free social assistance and social support measures represent a new element. During the '80s and '90s, the national funds were supplemented through the BM and BID structural funds destined to countries in the region – funds for social assistance and investments in social policies (social security). Starting with this period, social projects have been performed, containing measures like: building social houses, conceiving and applying emergency plans for fighting unemployment among the underprivileged population, social intervention programs in the food sector, opening information and legal and social assistance desks in the districts with poor population and without financial means, so as the payment of this public services could be afforded – programs developed especially through NGOs, which started to develop their activities and become visible after 1990, free courses for different poor population segments.

The aim of this external structural financial support was to initiate social measures under social reform programs from these countries, these funds being accessible on short term and ensuring the background for national measures to be included in long

term reformation programs. These funds were especially addressed to NGOs existent in these countries, and the target groups were children, women, unemployed persons and marginalized persons from the poor population segment. The problem was that these funds were obtained by NGOs experienced in the field and acquainted with the application of BM proposed methodology.

The concrete measures to be adopted in order to improve social services are: programs which would sustain free access to good quality education for children from the poor population segment, in accordance with the needs noticed in the production fields; programs for preventing diseases; social funds for social support.

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