

ANALYSIS OF PUBLIC EXPENDITURE FOR THE PROTECTION OF THE UNEMPLOYED AND THEIR IMPLICATIONS

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ABSTRACT

The history of social policies is relatively short, about a century. As a scientific discipline, social policies have an even shorter history of about half a century. The concrete conditions and the different needs that are required to be covered make the ways of achieving social protection different. Thus, the programs are based on differentiated premises in the case of social insurance - intended to cover personal needs due to temporary or permanent loss of work capacity - or in the case of worker protection at work-environment, working conditions-needs that are transferred on production costs and the satisfaction of which is included in the price of the product. The main objective of this study is the analysis of the concept of unemployment and social protection, which is to reduce or even eliminate the consequences of risks on the environment and living standards of some segments of the population. At the same time, a detailed analysis of unemployment in modern economies is carried out in parallel with the situation in Romania.

KEYWORDS: *economy, unemployment, public expenditures, unemployment insurance.*

1. INTRODUCTION

Currently, social protection actions target several areas where collective efforts are needed, namely: health, training and education, culture, rest and recreation conditions, the socio-political environment, in a word, social living conditions (Buzducea, 2009).

There are several categories of people requesting protection: protection of the disabled, protection of children and young people, complementary social protection (Burlacu et al., 2019).

The objectives of the reform in the field of social protection, ie in the field of state material support, are formulated and substantiated so as to ensure the restoration or maintenance of balances between the public and private sectors, between protection and self-protection, between needs and resources, between development of the present generation and that of future generations (Neamțu and Stan, 2005).

Social protection is an important mechanism by which society intervenes to prevent, limit or eliminate the negative effects of events that occur on vulnerable people or groups, without their will or are too little influenced by them (Bercusson and Estlund, 2008). Recent problems, related to slow economic growth, the persistence of high unemployment, the aging of the population, put strong pressure on social protection systems and their financing (Bodislav et al., 2020).

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The vast majority of Europeans see social protection as a major achievement of modern society and is seen as an important means of maintaining social cohesion (Jianu et al., 2019). Western developed countries, especially European ones, are recognized as countries with generous social protection domain (Angheluță et al., 2019). It is differentiated in terms of the mechanisms used to finance expenditures, more specifically of combinations between schemes based on social security principles or on financing from budgetary resources (Burlacu et al., 2019).

2. CHANGES IN THE DYNAMICS AND STRUCTURE OF UNEMPLOYMENT IN MODERN ECONOMIES

The process of recovering the labor market in the European Union has come to a standstill, amid an unfavorable context. The degree of employment is in a continuous process of decline and the outlook for the future is bleak (Văcărel, 2006). Job creation has remained limited and the situation has worsened, despite the untapped potential in some job-creating sectors and in the single market as a whole (Hörisch, 2014). Labor market segmentation has continued to increase, with temporary and part-time contracts on the rise (Androniceanu et al., 2017).

Unemployment is rising again, reaching alarming levels in the euro area, while long-term unemployment has become dangerous highs, especially in Member States that have undergone significant fiscal consolidation (Caliendo, 2011).

In terms of unemployment rates, disparities across EU Member States have widened considerably, reflecting the effects of shocks and the distinct capacities of labor markets to adapt to crisis situations (Rădulescu et al., 2018). Wages and labor costs have begun to adjust; the effects of the reforms are not yet fully visible (Kaštelan, 2017). There are signs of a deterioration in the correlation between labor supply and demand in European labor markets, and rising structural unemployment is likely to become a chronic phenomenon (Costache et al., 2015).

Average incomes are in continuous declining in many Member States and, according to recent data, there is an increase in levels of poverty and social exclusion and a worsening of the forms in which they manifest themselves, with in-work social polarization increasing in several Member States.

The economic and employment prospects are bleak and have worsened in recent months. The only major region in the world where the unemployment rate continues to rise is currently the EU.

The recovery of the labor market has reached a stalemate and the employment rate is declining. The number of people aged between 20-64 in employment in the European Union decreased by 0.4% between 2017 and 2018. During the period 2012–2018, employment decreased by 1.8%, demonstrating a higher resilience.

The likelihood of the unemployed, both short-term and long-term, finding a job has decreased since the beginning of the crisis in most Member States (Dickens, 2008). This decrease has been particularly significant in Member States that have taken substantial fiscal consolidation measures.

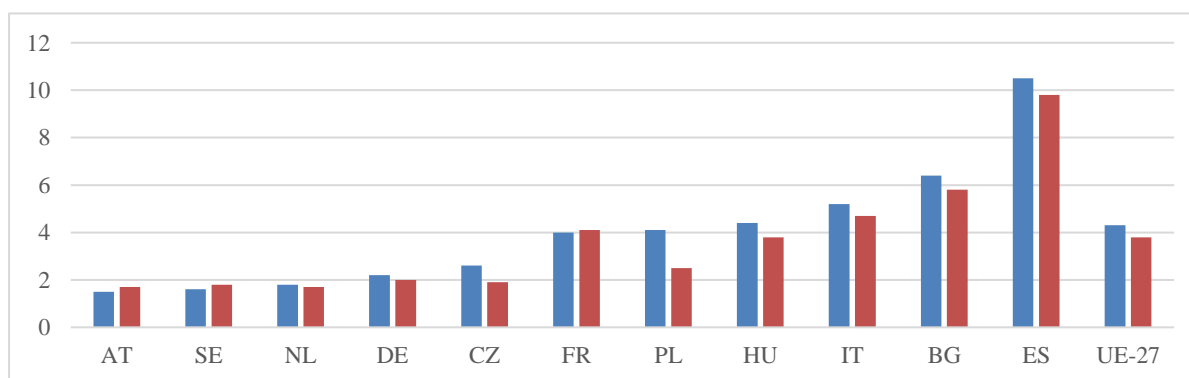


Figure 1. The unemployment in the share of the active population- 2012 and 2018

Source: Eurostat data

The rise in long-term unemployment has affected all age groups, but has particularly affected young people and people with a lower level of education. However, in 2012, the risk for older workers of becoming long-term unemployed was over 55%. Also in 2018, the long-term unemployment rate among third-country nationals was twice as high as the EU average. Some Member States have managed to reduce the increase of long-term unemployment, either due to a shorter period of recession or due to the effectiveness of labor market institutions (Szarka, 2009).

The situation of young people on the labor market, with 5.52 million unemployed young people, is an emergency both economically and socially. During the last year youth unemployment rate has risen in the vast majority of Member States, to over 50% in two Member States and to over 30% in six other states.

The employment prospects for people who left school early are bleak (Ioniță et al., 2009). Of all the young workers in Europe, those who leave school early are probably the most vulnerable subgroup. More than half of young people, who drop out of school are unemployed. Early school leaving decreased from 14.1% in 2012 to 13.5% in 2018. There are still large discrepancies between Member States in terms of early school leaving rates, but those states that have established policies effective and comprehensive measures to reduce early school leaving have also made significant progress.

Employment and social indicators show that the gap between Member States is widening. This gap can be seen especially between the countries of southern Europe and the periphery. The Member States that have survived the best so far are mainly the countries of Central and Northern Europe (Greer, 2008).

Shocks seem asymmetric, but most often countries with relatively unsegmented labor markets, sound social protection systems and the ability to temporarily adjust their schedule and working hours (internal flexibility) are least affected.

According to recent data, the evolution of wages and labor costs is in support of an external rebalancing. In 2018, the real wage per employee decreased in almost half of the Member States, its growth rate being lower than that of productivity, which confirms the downward trend in the share of wage income, initiated in 2010. The evolution of nominal unit labor costs differs slightly from one Member State to another (Schmid, 2008). In general, the evolution of the unit labor cost is more and more favorable to an external rebalancing, a clearer distinction being established between the countries that need more acutely a reduction of unemployment and a rebalancing of the external positions and the countries that register an economic recovery. more sustained and current account surpluses.

3. THE UNEMPLOYMENT PROTECTION SYSTEM IN ROMANIA AND ITS IMPACT

The application in practice of the social policy of the Romanian state has contributed to the crystallization and improvement on a national level of a social insurance system, which includes the organized set of forms of social insurance that retain their individuality, depend on each other, thus achieving the of totality and integrity by which are protected the workers from the state, mixed, private units, the members of the craft cooperatives, the farmers, lawyers, the servants of the cults, the domestic and care staff of the blocks of flats, the pensioners and their family members.

The sources of formation of social insurance funds are the contributions paid by economic agents and employees calculated by applying percentage quotas on salary funds in the case of employers and on gross salaries in the case of employees. So, the amount of social insurance funds depends mainly on the size of the employed by the staff, so an increase in staff income also determines the increase of state social insurance income (Choudhry, 2013).

In the unemployment insurance system are insured natural persons Romanian citizens who are employed or earn income, except for persons who have the quality of pensioners, Romanian citizens working abroad, foreign citizens who, during the period of residence or residence in Romania, are employed or earn an income.

3.1 Analysis of the expenditures from the unemployment insurance budget and their impact

In Romania, the budgeting of public expenditures is in concordance with the UN classifications, using the following groups: economic classification; functional classification; administrative classification; classification by funding sources (Savu, 2013). In the social Romania of the unemployed, it is achieved with the help of the unemployment insurance budget. In order to protect the unemployed, a number of non-governmental organizations operate, carrying out programs with internal, external or mixed financing, aiming at improving the living conditions of the unemployed.

Unemployment benefits are granted in different periods, depending on the contribution period, between 6 -12 months. The level of the allowance is a fixed, non-taxable, monthly amount, which represents 75% of the minimum gross basic salary in the country, in force at the date of its establishment. From the financial sources set up within the unemployment insurance budget, compensatory payments may be granted, expenses may be covered with the financing of training services and activities, payment of contributions for health insurance and social insurance of the beneficiaries of unemployment benefits. The unemployment insurance budget also stimulates employers to employ the unemployed by subsidizing jobs, providing loans on good terms in order to create new jobs or other facilities (reducing the unemployment contribution).

Unemployment and employment have largely followed the cyclical evolution of the economy. In general, during the period of revival and boom, it was found that employment - high - does not, however, eliminate unemployment, but considerably reduces it (Prelici and Bărbat., 2007).

As can be seen in Figure 2, the number of unemployed decreased in the analyzed period, thus reaching the unemployment rate of 1.3%. In 2009, the number of unemployed reached a rate of 2.5%, and the rate of future development depended primarily on the number of employees to be fired. The unemployment rate registered in 2008 experienced the same tendencies manifested in the period 2006 - 2007, respectively of decrease.

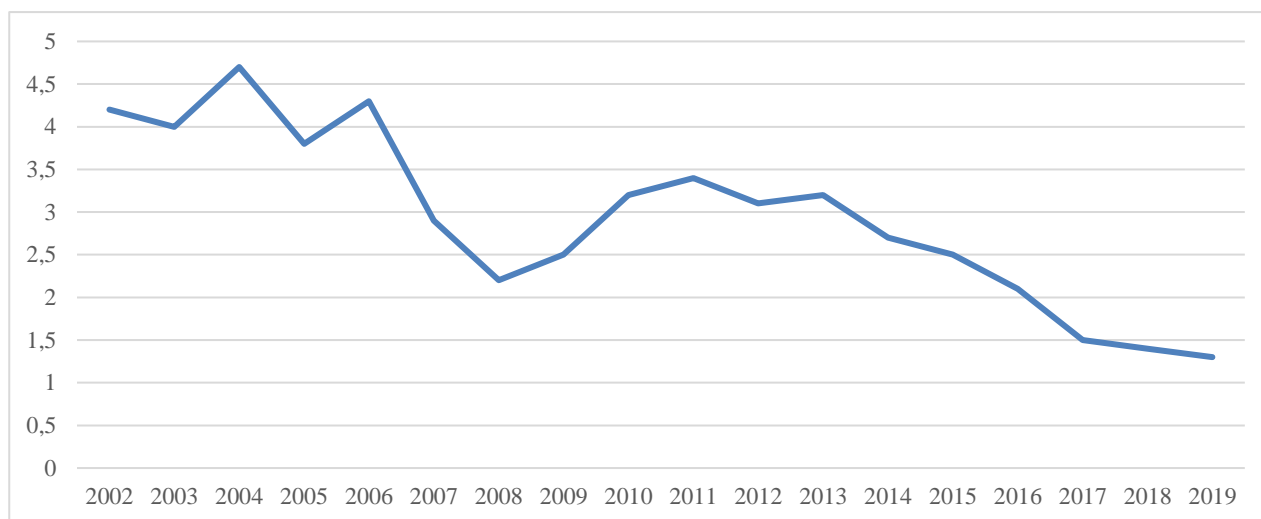


Figure 2. Unemployment in România (2002-2018)

Source: Statistical Yearbook 2019

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4. CONCLUSIONS

Social protection is a very important mechanism by which society intervenes to prevent, limit or eliminate the negative effects of events that occur on vulnerable people or groups, without their will or are too little influenced by them. The purpose of social protection is to reduce or even eliminate the consequences of some risks on the environment and the standard of living for a few segments of population.

Social protection has become an very important topic of debate in EU Member States. Recent problems, related to slow economic growth, the persistence of high unemployment, the aging of the population, put strong pressure on social protection systems and their financing.

The overall unemployment rate in the EU rose to 10.6% in 2012, and in the european area it reached 11.6%, the highest level since the creation of EMU. Unemployment is rising. in most Member States, only six of them decreased during the 12 months preceding August 2012.

Some states of the European Union have taken steps to adjust unemployment benefits to facilitate return to work, to increase labor mobility, to reduce the phenomenon of early exit from the labor market. Measures have also been taken to promote the prolongation of professional life.

There was a decrease in spending, calculated per unemployed person, on active labor market policies. Active labor market policies have a good impact on employment rates, especially for women and the low-skilled.

Romania's development in the conditions of transition confirms that the improvement of the population's livelihood, the eradication of poverty, wider employment are possible only within the limits of increasing national production, increasing the efficiency of resource use, and by equitable distribution of their results so that production and its results should not contradict the social, ecological, cultural, legal and democratic components of the general development of society.

At the same time, the transition process shows that without making real progress in reducing poverty, without significantly reducing unemployment and removing social marginalization of any kind, they can not ensure any conditions for a good development of the economy.

In Romania, the current legislation in the field of unemployment regulates a wider area of problems and purposes such as: reducing unemployment and combating its social effects (through pre-dismissal services), employment and re-employment of people looking for a job, stimulation employment and protection of persons under unemployment insurance.

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