

# THE EUROPEAN SOCIAL FUND WITHIN THE CONTEXT OF THE ECONOMIC CRISIS FROM ROMANIA

Corina CACE  
Sorin CACE  
Ștefan COJOCARU  
Victor NICOLĂESCU

## Corina CACE

Associate Professor, Head of Teachers' Training Department,  
Academy of Economic Studies, Bucharest, Romania  
Tel.: 0040-213-191.900  
E-mail: corina.cace@dppd.ase.ro

## Sorin CACE

Senior Researcher, PhD, Institute for Quality of Life Research  
(ICCV), Bucharest, Romania  
Tel.: 0040-213-182.461  
E-mail: corsorin@mailbox.ro

## Ștefan COJOCARU

Associate Professor, Department of Sociology and Social  
Work, Faculty of Philosophy and Social - Political Sciences,  
Alexandru Ioan Cuza University, Iași, Romania  
Tel.: 0040-744-788.779  
E-mail: contact@stefancojocar.ro

## Victor NICOLĂESCU

Associate Professor, Faculty of Social Work and Sociology,  
Petre Andrei University, Iași, Romania  
Tel.: 0040-751-516.016  
E-mail: vic72ro@gmail.com

## Abstract

The paper shows the positive traits of the European Social Fund proved by the history of this mechanism which has been applied in the European Community for almost half a century, as well as the measures adopted in order to improve the measures in the field of employment during the period of the economic crisis. The European Social Fund (ESF) helps increasing the adaptability of the workforce and of the enterprises; it helps increasing the access to the labour market; it prevents unemployment and prolongs the active life; it increases the participation of women and of the immigrants to the labour market; it increases the social inclusion of the disadvantaged people and fights discrimination. In Romania, workforce employment is a priority goal, and POSDRU<sup>1</sup> contributes to the implementation of the measures set by the European Strategy for Employment. The paper shows the need to identify solutions to the crisis of employment in Romania using the funds allocated to the Operational Program, Human Resources Development, which produce measurable effects with regard to the unemployment rate in Romania.

**Keywords:** employment policies, structural funds, crisis, unemployment, human resources.

1 Programul Operațional Sectorial Dezvoltarea Resurselor Umane (POSDRU) in Romanian, Sectoral Operational Program Human Resources Development (SOPHRD) in English.

## 1. Introduction

Until the end of the 1990s, Social Europe was hardly visible in comparison with the internal market and the monetary union. Economic integration, it was said, was pressing on the national welfare systems, but little was done to support and fortify them (Scharpf, 1996). All that referred to the integration of social policies was left 'to develop at the hand of the markets within the legal and economic system' (Leibfried and Pierson, 1995).

In the next century, this evolution prepared the field for a much more active integrative social policy. The Lisbon Congress, particularly, was the first step. The governments decided to implement the open method of coordination of the social policies (Ferrera, Hemmerijck and Rhodes, 2000; Mosher, 2000). Because there is a legitimate debate regarding the progress brought by this method to the Social Europe, the general opinion is that it makes differences in the social policy of the EU and of the member states (Chalmers and Lodge, 2003; Schelkle, 2004).

In terms of society, the EU provides support to the individuals, but it also promotes the solidarity between people, which is meant to strengthen social cohesion. Martin and Ross (2004, p. 11) gave a general explanation for the composition of the European social model which 'refers to the institutional arrangements which form the welfare state (transfer payments, collective social services, financing of these collective social services) and the system of the work relations (work legislation, labour unions, collective negotiations)'. Schelkle defines the social model as the 'political norms and economic functions which are fulfilled by a particular welfare state', which are rather a strategy of legitimization than an operational purpose in which social policy is used for economic growth (Schelkle, 2004, p. 3). However, Schelkle says that the 'unity of a model should derive from a functionalist consensus, that the social policy of the EU has a particular role in solving the problems for economy, *i.e.* to serve the competitiveness and flexible adjustment, replacing thus other ones such as the New Deal consensus, according to which the social policy should serve maintaining the incomes, or the Beveridge norm, according to which, the social policy must ensure the basic and universal security' (Schelkle, 2004). Thus, the opinion is that it is more adequate to interpret the new European social policy as a production factor which improves competitiveness, its purpose being to harmonise social policies.

The current global economic crisis prompted national governments to take measures intended to stop the economic recession and to relocate the economic growth parameters. The variety of measures taken by the United States of America and by the European Union showed that there is no universal panacea to be used by the national policies aiming to limit the effects of the crisis and to end the recession. The purpose of this paper is not to review these measures and to compare their effects, but rather to investigate credible and informed sources which may consolidate the conclusions.

The paper makes an evaluation of the extent to which the European Social Fund, in general, and the funds allocated to the Sectoral Operational Program, Human Resources Development, in particular, may have a direct, measurable and beneficial effect on the unemployment rate in Romania.

From this perspective, the presentation of the positive traits of the European Social Fund proved by the history of this mechanism which has been applied in the European Community for almost half a century is the evidence we need in order to become aware of the accomplishments in the field of workforce employment. The ESF allocations for Romania during the current programming cycle 2007-2013, compared to the other member countries, provide a new guiding framework to highlight the premises to unlock a declining employment market. The context, which is analysed historically and comparatively, allows us to support the hypothesis of the revival of the absorption of funds allocated to POSDRU, taking into consideration the indicators of job creation by implementing the projects contracted within this program.

## **2. The European Social Fund and European reactions to alleviate the effects of the crisis**

Modern social policies develop the idea of using the power of the state in order to establish the conditions for a modern market and for a successful economy. Hence, the major goal of the policies is the protection of the unemployed by actions fighting the effects of poverty in correlation with the development of that particular country and of its market.

The 'European Strategy for Employment' recommends member states to focus their efforts on three main directions:

- Drawing in and maintaining as many people as possible in employment, increasing the labour force offer and modernization of the social protection systems;
- Improve workforce and enterprise adaptability; and
- Increase the investments for a better education and formation of the human capital.

EFS is the most important and powerful instrument on the labour market, it is the result of more than 50 years of experience in the EU (since it was established by the 1957 Treaty of Rome). ESF supports high employment rates, equal opportunities for men and women, economic and social cohesion. ESF is the financial instrument of the Employment Strategy, which supports PNAO priorities, thus providing a direct support for the recommendations in the field of employment.

On 28-29 of June 2007 at Potsdam, the EU celebrated half a century from the Treaty of Rome and 50 years of 'investments in people' through the European Social Fund. The table below synthesizes the main results and successes in the field of labour force in the European Community (Table 1).

It is necessary to create a 'friendly employment environment', to promote life-long learning, to have continuous professional formation, to have the workforce adapted continuously to the changing conditions, to improve the management of the active labour market policies, to allow the access of the minority groups on the labour market, to promote equal opportunities, to develop the partnership with the social partners and civil society. In this context, it must not be neglected to provide and assure the

quantified information regarding the financial resources that may be allocated for the accomplishment of the different goals of the policies.

**Table 1:** Successful initiatives in EFS implementation

Period	Initiatives/Trends
The 1970s	<ul style="list-style-type: none"> <li>• Opening the ESF towards a broader selection of employees (agriculture, textile industry);</li> <li>• Support for the people experiencing practical problems in finding a job in another CEE country;</li> <li>• Support the training studies and the innovative pilot schemes to test new ideas and practices;</li> <li>• Support for youth in workforce recruitment and employment;</li> <li>• More consistent support for women and for other specific social groups such as old workers or people with disabilities (people aged 50+).</li> </ul> <p>This period marked the beginning of a process in which the Commission and the member states were supposed to define common priorities within the CEE and to allocate significant funds to tackle these priorities. The new system of pre-approval and the more structured approach called for more inspections in order to guarantee that EFS funds were used correctly.</p>
The 1980s	<ul style="list-style-type: none"> <li>• EFS was used for formation in the field of the new emerging technologies;</li> <li>• The requirement that a re-qualified person should have worked at least six months after finishing the training course in a job associated to his/her qualification was removed;</li> <li>• In 1983 it was decided that EFS funds must be directed towards the regions which needed these funds most;</li> <li>• More than half of EFS funds were directed towards the schemes promoting workforce employment in the poorer regions and countries, such as Greece, the French departments overseas, Ireland, Southern Italy Mezzogiorno region and Northern Ireland;</li> <li>• Support for youth with poor perspectives of employment because of the lack of professional training or with improper training, and support for the long-term unemployed. The funds also included the early school leavers because a very large number of young people were leaving school early and with no qualification.</li> <li>• The 1988 reform of the EFS highlighted the importance of 'integrating the women in the professions where they were considerably underrepresented'.</li> </ul> <p>The 1988 reform was the shift from (individual) projects implemented within the national context to a planned multiannual effort in partnership between the member states and the Commission. Consequently, the EFS was closer to the needs of the regions and of the member states.</p>
The 1990s	<ul style="list-style-type: none"> <li>• An increasing number of people could get a job; the employment rate of women increased; the day-care units for children increased and the entrepreneurial spirit was encouraged.</li> <li>• Adaptability was another important dimension, its objective being to foster the capacity of an employee to adapt to new areas of activity, if necessary.</li> <li>• EFS allocated 5% of its budget to finance innovative schemes (including pilot actions and schemes, transfer and dissemination of good practices) in order to evaluate the efficiency of the projects financed from FSE and to support the exchange of experience between the member states, with the purpose to promote innovation all across Europe.</li> <li>• New programs supported the unskilled youth to get their first job; supported groups such as single parents, homeless people, the refugees and the former convicts to get a safe job and to fight against racial discrimination or against other forms of discrimination during the process of formation or employment; they supported people to accommodate to the changes in the business or industry environment, such as formation in the field of information technology.</li> <li>• EFS allocated funds for the formation of old people on the job, thus allowing them to remain employed for a longer period of time, or to bring them back on the labour market.</li> <li>• EFS contributed with subsidies for the day-care centres for children, so that if a mother was supposed to attend training courses three days per week, EFS was bearing the costs of the nursery.</li> </ul> <p>Although it was still high at the beginning of the decade, the unemployment rate decreased to 15.9 million by 1999, almost 3 million unemployed people less. Furthermore, the EU workforce increased by 9 million from 1994 to 1999 (from 149 million to 158 million people).</p>

Period	Initiatives/Trends
Beginning of the 21 <sup>st</sup> century	<ul style="list-style-type: none"> <li>• EFS contributes to the development of the educational systems in order to make them better fitted to react to labour market necessities. The stress is on life-long education and professional formation, including within the companies.</li> <li>• Development of active measures for the labour market, with preventive strategies directed towards jobs, including by a higher number of unemployed people which were trained or which received similar formation measures.</li> <li>• Consolidation of the potential for full employment in the sector of services and related industrial services, particularly in the fields of information technology and environment.</li> <li>• Support the new member states, after their accession to the EU, to correct the inequalities and to identify the priorities of their employment policies.</li> <li>• Administration of the immigration flows through a coordinated approach taking into account the economic and demographic situation of the EU.</li> <li>• Support for a longer active, professional life, increasing the employment opportunities for people aged 40-60 through a number of formation schemes.</li> <li>• Enhance the working capacity by a wider access to professional formation and to improved working conditions.</li> <li>• Support career development and the systems for individual guidance, such as education for career included in the school curriculum; counselling for career from community agencies and counsellors; workforce counselling by the public employment offices, by the employment agencies and by the agencies providing assistance and counselling upon sacking; counselling and apprenticeship for the employers through organisations for continuous formation.</li> <li>• Development of new methods to fight discrimination and inequalities on the labour market and to promote a more comprehensive approach by fighting against discrimination and exclusion on grounds of ethnic origin, race, religion, beliefs, disability, age or sexual orientation.</li> </ul>

Source: European Communities, 2007

The enlargement of the workforce market should not be, but most times it is, in the hierarchy of the problems to be solved by the contemporary societies. Within this context, it is a surprise to see the tolerance towards high unemployment rates in contemporary Europe (Sen, 1997, p. 168). Other analyses too reported this economic anomia observed within the European communities: 'The purpose of the economic activity is to improve the individual welfare (...). This statement can become dull (...). Indeed, the related policies often prove to be antithetical to this purpose' (Stiglitz, 2002, p. 168).

According to the Report of the Council of the European Union from March 2009, most of the labour markets from the EU member states were not seriously affected by the recent economic recession: from 2007 to 2008, more than 6 million new jobs have been created and unemployment was below 7%, the lowest rate during the last decade. The employment rates continued to increase in the European Union, reaching an average of 65.5%, of which 58.3% for women and 44.7% of the old people, thus bringing the European Union closer to the Lisbon Agenda goals. The higher employment rates during the period of consumer trust deterioration and of the employment expectation deterioration may be considered a positive development. The structural unemployment continued to decrease to 7.6% in 2008 and it was significantly lower than in 2000. This indicator too confirmed the positive structural impact of the Lisbon reforms implemented during the recent years, which facilitated the transitions from the European labour

markets and which exceeded the barriers to job creation. Due to the same reasons, the high unemployment rate was expected to be transient and to return quickly to the low rates of the recent years, when the real economy revives (Council of the European Union, 2009).

In March 2010, the unemployment rate in the EU remained at 9.6%, compared to February, although the total number of the unemployed increased by 123,000, to 23.13 million (Eurostat, 2010). The number of unemployed people in March 2010 was 2.546 million higher compared to the same period of 2009. The most significant increases of the unemployment rate were reported by Latvia (from 14.3% to 22.3%), Estonia (from 7.6% to 15.5%) and Lithuania (from 8.1% to 15.8%). On the other hand, the lowest increases were reported by Luxemburg (from 5.4% to 5.6%) and Malta (from 6.7% to 6.9%). Compared to these evolutions, the changes in the systems of social insurances of the European countries varied in intensity and significance, and in terms of the covered risk. Thus, taking into account three main indicators (minimal conditions of affiliation, duration of compensation and size of the compensation), in the eleven EU member states and Switzerland (Unédic, DAJ, Département des études internationales, 2008), one may notice a diversity of the benefits, with some common elements; nevertheless: the minimal conditions of affiliation demand employment and payment of contributions for at least half of the period of reference and the minimal period of compensation of about 6 months (except for Spain and the Netherlands); generally, the unemployment insurances decreased towards the end of the insured period (Table 2).

Table 2: Unemployment insurance schemes in 11 EU member states and Switzerland (January 1<sup>st</sup>, 2008)

Country	Minimal conditions of affiliation	Duration of the compensation	Size of the compensation	Unemployment rate (December 2007)
Germany	12 months over the past 2 years	6 to 24 months	60% or 37% from the net wage of reference, depending on the family members in support	7.8%
Belgium	12 months over the past 18 months	Unlimited, except for the long-term unemployment	55% to 60% from the gross wage of reference, depending on the family members in support and on the duration of unemployment	7.2%
Denmark	52 weeks of the past 3 years + 1 year membership of unemployment insurance fund	Uniform, limited to 4 years	90% of the reference wage, but maximum €2,043.61	3.1%
Spain	12 months over the past 6 years	4 to 24 months	70% and then 60% of the reference wage	8.6%
France	6 months over the past 22 months	7 to 36 months (it may be maintained to the retirement age)	57.4% to 75% of the gross reference wage	7.8%
United Kingdom	Contributions paid by savings, 25 times the lowest national limit	Uniform, limited to 182 days	Basic allocation depending on the age	5.2%
Republic of Ireland	52 weeks of paid contributions since starting to work	12 or 15 months depending on the period of active work	Basic allocation, but the benefits are decreased if the reference wage is lower than €150 a week	4.5%

Country	Minimal conditions of affiliation	Duration of the compensation	Size of the compensation	Unemployment rate (December 2007)
Italy	52 weeks of contributions over the past 2 years	8 or 12 months depending on the age	60% of the gross reference wage for the first 6 months, 50% in the seventh month	6%
Luxemburg	6 months over the past 12 months	Equal with the period of affiliation, but limited to 365 days over a period of 2 years	80% of the gross reference wage, increasing to 85% if there are children in support	4.8%
Netherlands	Either 26 weeks over the past 36 months or 26 weeks over the past 36 weeks and 52 days a year, over the past 4-5 years before unemployment	3 months 3 to 38 months	75% of the gross reference wage for the first two months and 70% subsequently	2.9%
Portugal	15 months over the past 24 months	9 to 38 months	65% of the gross reference wage	8.2%
Switzerland	12 months over the past 2 years	18.5 to 24 months	70% or 80% of the gross reference wage, depending on the family situation or on the reference wage	3.6% September

Source: Unédic, DAJ, Département des études internationales, 2008

Within the context of the crisis, in 2010 there was increasing demand for a closer coordination of the economic and financial policies at the EU level (Eurobarometer 73, 2010): 75% of the citizens wanted stronger European economic governance (+2 points compared to the fall of 2009 and +4 points compared to February 2009). The economic governance was most strongly supported in Slovakia (89%), Belgium (87%), and Cyprus (87%). There has also been a significant change of opinion in favour of stronger economic governance in several countries, particularly in Finland and Ireland (+13 points compared to the fall of 2009), Belgium and Germany (+7 points), Austria, Luxemburg and Slovakia (+6 points), and in the Netherlands (+5 points). A relevant aspect regards the high trust in EU institutions in May 2010 compared to the trust in the national governments and parliaments (42% compared to 29% and 31%, respectively), even if trust in the EU decreased at the peak of the crisis (42% compared to 48% in the fall of 2009). The highest trust was recorded in Estonia (68%), Slovakia (65%), Bulgaria and Denmark (61%), while the lowest trust was recorded in the United Kingdom (20%).

Europe 2020 Strategy adopted by the European Council in 2010 is a new strategy for jobs and growth, based on consolidation and better coordination of the economic and social policies depending on clear objectives (Table 3) set according to the following priorities (European Commission, Europe 2020 Strategy, 2010):

- Smart growth – ‘consolidation of knowledge and innovation as drive of our future growth’;
- Sustainable growth – ‘promotion of a much more efficient use of the resources, of the greener and more competitive economy’;

- Inclusive growth (this term is used for the first time in the official European documents) – ‘establishment of an economy with high employment rate, ensuring the social and territorial cohesion’, ‘empowering the people by a high rate of employment, by investments in better competencies, by the fight against poverty and by modernizing the labour market, by formation and social protection, thus supporting the citizens to manage and anticipate the changes, while constructing an inclusive society’.

Table 3: Objectives of Europe 2020 Strategy

<ul style="list-style-type: none"> <li>• An economic objective – employment rate: 75% (of the people aged 20-64);</li> <li>• A technological objective – ‘20x20x20’: 20% reduction of the greenhouse gas emissions (compared to 1990), 20% higher efficiency of energy utilisation, or 20% decrease of the energy consumption, 20% increase of the proportion of renewable energy resources within the final gross consumption of energy;</li> <li>• A social objective – decrease by 20 million of the number of people exposed to the risk of poverty (25% less people running the risk of poverty);</li> <li>• An educational objective – maximum 10% rate of early school dropout and minimum 40% of the people aged 30-34 graduating tertiary education or equivalent;</li> <li>• An objective general support of development – proportion of the total (public and private funds for research-development: 3% of EU GDP.</li> </ul>
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Source: European Commission, Europe 2020 Strategy, 2010

However, the measures of the employment policies aiming to limit the effects of the crisis did not have the expected results on the background of higher European unemployment rates. Thus, the unemployment rate reached a new level, 10.1% in January 2012 (EU 27) and 10.7% in the Euro zone. The number of unemployed people in the EU was 24.325 million, with 0.6% increase from March 2011 to January 2012 (European Commission, D. G. for Employment, Social Affairs and Inclusion, 2012b).

The extension of the unemployment insurances is supported by the need to cover the employment, mobility and flexibility risks. The co-financing of the professional paths and routes (characterised by discontinuity), with the purpose to preserve and develop human rights, is a crucial element of the multifunctional implementation of the European Social Fund. The future labour market demands not just ‘payment for the work’, but also ‘payment for transition’. These measures applied to the people affected by unemployment must be correlated with other systems, also undergoing reorganisation (pension insurances, health care insurances and payment of the disease benefits). The reason behind this correlation is to encourage the people to accept the ‘risky’ transition between different forms of employment, to combine different productive activities and even to take jobs in different geographical areas.

### 3. The European Social Fund in Romania

The specific allocations of the European Social Fund for each member state from 2007 to 2013 shows that the new member states received 27,07% of the €117,501,192,762 distributed to all the European countries (Table 4).

Table 4: ESF allocation, for the member states, for 2007-2013

Country	ESF co-funding breakdown			
	EU	National	Private	Total
Austria	€524,412,560	€549,921,560	€110,000,000	€1,184,334,120
Belgium	€1,073,217,594	€1,155,010,157	€91,656,855	€2,319,884,606
Bulgaria	€1,185,459,863	€209,198,799	€0	€1,394,658,662
Cyprus	€119,769,154	€29,942,289	€0	€149,711,443
Czech Republic	€3,774,521,428	€661,259,283	€0	€4,435,780,711
Denmark	€254,788,619	€169,989,437	€84,799,182	€509,577,238
Estonia	€391,517,329	€51,514,377	€18,775,822	€461,807,528
Finland	€618,564,064	€801,836,655	€0	€1,420,400,719
France	€5,394,547,990	€3,692,289,165	€1,188,416,953	€10,275,254,108
Germany	€9,380,654,763	€4,786,130,114	€1,499,483,428	€15,666,268,305
Greece	€4,363,800,403	€1,362,266,800	€0	€5,726,067,203
Hungary	€3,629,088,551	€640,427,395	€0	€4,269,515,946
Ireland	€375,362,370	€981,757,963	€3,000,000	€1,360,120,333
Italy	€6,938,007,896	€8,382,975,181	€0	€15,320,983,077
Latvia	€550,653,717	€85,691,846	€20,612,487	€656,958,050
Lithuania	€1,028,306,727	€105,884,641	€75,822,521	€1,210,013,889
Luxembourg	€25,243,666	€25,243,666	€0	€50,487,332
Malta	€112,000,000	€19,764,705	€0	€131,764,705
Netherlands	€830,002,737	€467,973,207	€407,350,315	€1,705,326,259
Poland	€9,707,176,000	€1,713,031,059	€0	€11,420,207,059
Portugal	€6,512,387,865	€2,697,500,732	€0	€9,209,888,597
Romania	€3,684,147,618	€651,225,177	€0	€4,335,372,795
Slovakia	€1,499,603,156	€264,635,856	€0	€1,764,239,012
Slovenia	€755,699,370	€133,358,718	€0	€889,058,088
Spain	€8,057,328,822	€3,243,162,467	€125,323,084	€11,425,814,373
Sweden	€691,551,158	€691,551,158	€0	€1,383,102,316
United Kingdom	€4,474,917,728	€4,134,516,286	€215,162,274	€8,824,596,288
	<b>€75,952,731,148</b>	<b>€37,708,058,693</b>	<b>€3,840,402,921</b>	<b>€117,501,192,762</b>

Source: European Commission, D. G. for Employment, Social Affairs and Inclusion, 2012b

In order to increase the rate of absorption the EU funds available for New Member states it is necessary to ensure ‘that in the process of putting policies into practice all principles –programming, partnership, co-financing, concentration, monitoring, evaluation and control are applied in compliance with the EU rules and the European Commission’s proposals with regard to efficiency, transparency are entirely understood and carefully observed’ (Profiroiu *et al.*, 2009, p. 153). From this stand point, the momentum and effervescence displayed during the pre-accession period, boosted by the conditions of the integrating process should become endogenous aspects specific to the assumption by every new member state of responsibility for the absorption of the structural funds. In absence of this endogenous element of internal growth, fundamented by political will, there is a possibility to call on exogenous instruments to redirect the process of positive integration of the member states and regions displaying significant lags (Cace *et al.*, 2010a, p. 92). In this respect, the principle of solidarity involves proactive reactions from the ‘old’ member states by making use of their experience to successfully

overcome the difficulties of the crisis and to generate new ways of absorption of the structural funds by the new member states (Cace *et al.*, 2010b, p. 101). On the other side, at the domestic level, 'Romanian authorities should increase the absorption rate by accelerating contracting of the projects and allocating more human resources towards monitoring project implementation and evaluation' (Braşoveanu *et al.*, 2011, p. 46).

The financing for Romania for 2007-2013 amounts €19,213,036,712. The funds are administered through the management authorities of the seven operational programs. The structure of the structural instruments shows the programs with the highest structural allocations (POS-T 26.97%, POS M 21.36%, and POSDRU 20.14%), as well as the programs with allocations less than 1% from the total funds for 2007-2013 (PO DCA 0.98%, and PO AT 0.81%) (ACIS, 2009, p. 25). For Romania, financial support of EU funds represents a great opportunity for central and local administration in order to develop the communities' social and economic dimensions (Brăgaru, 2011, p. 200).

The operational programs financed by ESF in Romania take into consideration the complexity of the economic and social aspects, aiming to get the education and professional formation, including the PhD studies and the university education, closer to the requirements of the labour market. ESF also supports the adaptation of the workforce to the changing economic conditions, increasing its participation on the labour market and substantially modernising the public administration.

Given the challenges confronting Romania, the operational programs of the ESF focus on two main directions.

A. The first operational program is 'Human resources development' and its goal is to develop the human capital from Romania.

B. The second operational program is 'Development of the administrative capacity' and it aims to improve the infrastructure of services and public policies with the purpose to accomplish the goals of the operational program 'Human resources development'.

The absorption rates for the programs specific to the European Social Fund in Romania, for 2007-2013, were rather low on March 31, 2012. Thus, POSDRU had an absorption rate of just 5.48%, while PODCA had an absorption rate of 9.08% (Table 5).

Table 5: ESF funds absorption in Romania (March 31, 2012)

Program	EU allocation 2007-2013 (mil. lei)	Submitted projects		Approved projects		Signed contracts		Internal payments towards beneficiaries		Statements of expenditure sent to EC		Intermediary payments to EC	
		Nr.	Total value (mil. lei)	Nr.	EU value (mil. lei)	Nr.	EU value (mil. lei)	(mil. lei)	%	(mil. lei)	%	(mil. euro)	%
POSDRU	15114	10217	43257	2999	15160	2468	12687	4627	28.85	225.01	6.47	190.33	5.48
PODCA	904	1371	3675	397	981	354	709	128	13.36	23.71	11.40	18.89	9.08

Source: Government of Romania, Ministry of European Affairs, 2012

The standard model for analysis showed a swifter rhythm of ESF funds absorption by Romania; this expresses largely the efforts of the potential beneficiaries to adapt to

the conditions of the financing lines and less a stimulating and selective administrative process concerning the efficiency of the submitted projects. However, the low rate of absorption of the structural and cohesion funds shows that the government of the country has to promote the most adequate measures required to attain the efficiency parameters measurable and comparable with the other states (Cace *et al.*, 2011, p. 103).

With the purpose of attracting European funds, the Government of Romania adopted several measures intended to produce a positive impact in this direction (Morovan, 2010, pp. 14-15): a) the possibility to grant an important proportion from the eligible value of the project as pre-financing; b) presentation by the private companies during the contracting phase of some documents required until now when the application for financing was filed; c) flexibilization of the eligibility criteria in terms of the duties of the applicant to the state budget; d) merging of the first two stages of the evaluation process, administrative eligibility checking; e) simplification of the public procurement norms. Several major problems have also been identified at the level of the management authorities, as well as the possible solutions to these problems depending on the type of program (Morovan, 2010, pp. 9-13). If Romania wants to avoid a 'saturation point' it has to develop with priority its capacity to absorb the structural funds which are allocated for the period 2007-2013 (Cace *et al.*, 2009, p. 24).

#### **4. Benefits of POSDRU for the employment policies in Romania**

Before the negotiations for accession to the EU started, it was considered that 'in Romania there is a high disproportion compared to the EU states regarding the occupational structure of the workforce. The most worrying evolution is the migration of the trained active population towards activities and engagements which require a lower level of professional training, towards the underground economy and towards the agriculture' (Stanciu, 1999, p. 69).

Workforce employment was considered a priority objective, making efforts to adapt the Romanian system in order to apply the European Strategy for Employment. Thus, in 2001, the Action Plan for employment (PNAO) was developed, together with the Program for the stimulation of employment and decrease of unemployment, which transposed Resolution 99/312/CE regarding the guiding lines in the field of employment.

For Romania, the accomplishment of economic performance and employment at the national level, correlated with a fair social system, is crucial for the sustainable development of society, which is why a set of national priorities has been set, among which we mention the increase of participation on the labour market and promotion of the employment quality (National Reform Programme 2007-2010, p. 46) through:

- Ensuring labour market functioning favourable to job creation, to the decrease of informal work and to the proper management of change among the enterprises and workers;
- Improving the access of the vulnerable groups on the labour market; and
- Promoting the competitiveness on the labour market, particularly by a better correlation between the educational and training systems on the one hand, and labour market requirements, on the other hand.

The 'National Strategic Reference Framework 2007-2013' (NSRF) aims to harmonize all these priorities within a coherent strategy, adequate for Romania, and in agreement with the EU strategies, including with the Lisbon Strategy, and has as an effect economic development and job creation.

It makes the connection between the national and European priorities specified in the 'Strategic Directing Lines for Economic, Social and Territorial Cohesion 2007-2013' and in the 'Integrated Directing Lines for Economic Growth and Employment 2008-2010'. The 'National Strategic Reference Framework 2007-2013' assumed the strategic vision from the 'National Plan of Development 2007-2013' (NPD 2007-2013), setting as a general goal the reduction of social and economic development disparities between Romania and the EU member states.

In terms of the human resources, NSRF highlights the development and more efficient use of the human capital in Romania. The aim is to 'support the educational and training system to improve the quality of education and the qualification of the workforce, and to ensure a higher flexibility of the educational system' (National Strategic Reference Framework 2007-2013, p. 3).

In the National Plan of Development 2007-2013, priority P4, 'Human Resources Development, promotion of employment and social inclusion and strengthening of the administrative capacity' states that the 'general objective is to develop the human capital and to increase its competitiveness on the labour market by ensuring the equal opportunity for life-long education and by the development of a modern, flexible and inclusive labour market which would lead, by 2015, to the sustainable employment of 900,000 people' (NPD 2007-2013, 2005, p. 298). At the European level, the agreed goal for 2020 is the increase of the employment rate to 75% of the population aged 20-64. The National Reform Programme 2011-2013 (April 2011) sets an ambitious target for Romania: 70% employment rate by 2020.

On the other hand, the Operational Sectoral Program Human Resources Development will have 1,650,000 beneficiaries (about 18% of the active population), by activities meant to improve the educational level, the level of professional insertion and worker adaptability.

Within this context defined by various programmatic documents that quantify in different formulas the employment in Romania, one can notice that the unemployment indices underwent positive adjustments in 2010-2012 (March): the number of the recorded unemployed people decreased from 740,000 (peak of the crisis in 2010) to 470,000 (January 2012) (European Commission, 2012a, p. 87). At the end of February, the national unemployment rate was 5.27%, the total number of unemployed people being 473,866 (ANOFM, 2012). Another representative example for the economic revival shows that Romania is among the six EU member states where the unemployment rate decreased in January 2012 compared to the spring of 2011 – Austria (-0.2pp to 4%), Slovakia (-0.2pp to 13.3%), Romania (-0.1pp to 7.2%), Finland (-0.1pp to 7.5%), Lithuania (-1.0pp to 14.3% in December 2011) and Latvia (-1.4% to 14.7% in September 2011).

We may certainly identify different sectoral effects of the measures taken to increase the employment rate, which might be shown to be successful within the context in which the results seem to indicate towards an improvement of the economic situation. We may thus show the benefits which the European Social Fund, through the Sectoral Operational Program Human Resources Development, had for the employment rate. POSDRU 2007-2013 has been adopted by the European Commission Decision no. 5811 of November 22, 2007 when the program implementation started. The Sectoral Operational Program Human Resources Development has 7 Priority Axes and 21 major Areas of Intervention, as shown in the table below (Table 6):

**Table 6:** Priority axes and major areas of intervention of the Sectoral Operational Program Human Resources Development

Priority axes	Major areas of intervention
1. Education and professional formation in support of the economic growth and of the development of the knowledge-based society	<ul style="list-style-type: none"> <li>• Access to quality initial education and professional formation;</li> <li>• Quality higher education;</li> <li>• Human resources development in education and professional formation;</li> <li>• Quality in CPF;</li> <li>• Doctoral and post-doc programs in support of research.</li> </ul>
2. Correlation of the life-long education with the labour market	<ul style="list-style-type: none"> <li>• Transition from school to the active life;</li> <li>• Prevention and correction of the early school dropout;</li> <li>• Access and participation in CPF.</li> </ul>
3. Increase the adaptability of workers and enterprises	<ul style="list-style-type: none"> <li>• Promote the entrepreneurial culture;</li> <li>• Formation and support for the enterprises and their employees for the promotion of adaptability;</li> <li>• Development of partnerships and encouragement of the initiatives of the social partners and of the civil society.</li> </ul>
4. Modernization of the public employment service	<ul style="list-style-type: none"> <li>• Strengthen the capacity of the Public Employment Service to supply employment services;</li> <li>• Formation of the staff of the Public Employment Service.</li> </ul>
5. Promote active measures of employment	<ul style="list-style-type: none"> <li>• Development and implementation of active employment measures;</li> <li>• Promote the long-term sustainability of the rural areas regarding human resources development and workforce employment.</li> </ul>
6. Promotion of the social inclusion	<ul style="list-style-type: none"> <li>• Development of the social economy;</li> <li>• Improve the access and participation of the vulnerable groups on the labour market;</li> <li>• Promote equal opportunity on the labour market;</li> <li>• Trans-national initiatives for an inclusive labour market.</li> </ul>
7. Technical assistance	<ul style="list-style-type: none"> <li>• Support for POSDRU implementation, general management and evaluation;</li> <li>• Support for POSDRU promotion and communication.</li> </ul>

Source: Government of Romania, Ministry for Administration and Interior, 2010

As of the date when POSDRU implementation started, until March 31, 2012, a total of 1,050,802 people (63.68% of POSDRU 2007-2013 target of 1,650,000 people) participated, and 963,296 participated in just one operation (58.38% of POSDRU 2007-2013 target). For the 2,468 contracts of financing signed from 2008 to March 2012, it is suggestive to notice the wide coverage of the impact for the people supported directly through projects (Table 7).

Table 7: People supported directly through projects, POSDRU 2008 – March 2012

<ul style="list-style-type: none"> <li>• 167,695 employees</li> <li>• 13,047 entrepreneurs</li> <li>• 15,585 rural employees</li> <li>• 8,196 PhD students</li> <li>• 61,928 school children running the risk of early school dropout</li> <li>• 16,002 parents/tutors of the school children running the risk of early school dropout</li> <li>• 1,846 people affected by diseases influencing their professional and social life (such as HIV/AIDS, cancer etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• 43,670 people wanting to start an independent activity</li> <li>• 12,759 people with disabilities</li> <li>• 23,855 Roma people</li> <li>• 58,399 job seekers</li> <li>• 37,495 people engaged in subsistence agriculture</li> <li>• 9,324 long-term unemployed</li> <li>• 84,641 unemployed</li> <li>• 55,146 long-term unemployed</li> <li>• 21,846 unemployed over 45</li> <li>• 65,839 young unemployed</li> </ul>
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Source: AMPOSDRU, 2012

POSDRU priorities and the related financial allocations are in agreement and support the interdependent goals of the Lisbon Strategy: full employment (increase the overall employment rate to 70%, increase the employment rate for women to 60%, increase the employment rate for the old people to 50%), increase work quality and productivity, strengthening the social cohesion and inclusion. About 93.27% of the financial allocations of ESF for POSDRU 2007-2013 support the goals of the Lisbon Strategy.

## 6. Conclusions

In order to identify possible solutions to solve the employment crisis from Romania it is important to continue and detail the labour market analyses only within the context of the situation at the European level and in close connection with the process of participation of Romania to the administration of the main financial instruments of support from the European Union.

The European Social Fund (ESF), governed by Regulation (EC) no. 1081/2006, supports the adaptability of the workforce and of the enterprises, the increased access on the labour market, the prevention of unemployment, the prolongation of the active life and a higher rate of participation of the women and of the immigrants; it also supports the social inclusion of the disadvantaged people and fights discrimination. Even though it states that the 'European institutions are not quite visible in terms of their role for the implementation of such policy' (Serrano Pascual, 2003, p. 162) it is acknowledged that the 'role of the union must not be underestimated because the European Strategy for Employment is to promote and popularize a specific diagnosis of the problem (interpretation and causes), the principles of legitimating, the targets of the intervention and the role of the state' (Serrano Pascual, 2003, p. 151).

In Romania, workforce employment is a priority goal and efforts are taken to adapt the Romanian system in order to implement the European Strategy for Employment. Thus, POSDRU implements different measures by supporting the formation and acquisition of managerial qualifications; encouraging corporative responsibility by providing stimulants for the employers; making employers and employees aware of the necessity of the continuous professional formation; improvement of the quality of the employment services; social economy development; improved access and participation

of the vulnerable groups on the labour market; promoting equal opportunities on the labour market; consolidation and improvement of the way in which the systems of initial and continuous education and professional formation work.

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