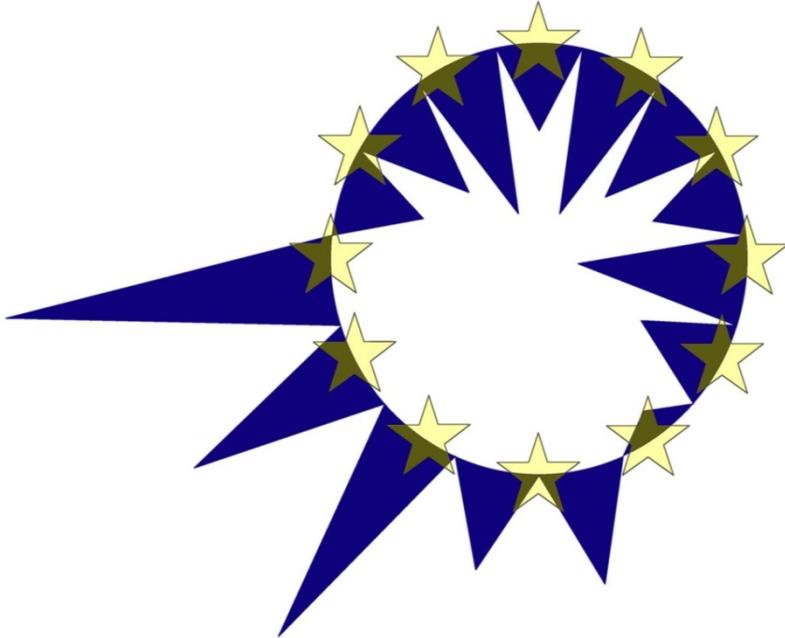


# **EUROMOD**

## **COUNTRY REPORT**



# **ROMANIA**

## **(2007-2010)**

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**June 2012**



EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD has been enlarged to cover 27 Member States and is updated to recent policy systems using data from the European Union Statistics on Income and Living Conditions (EU-SILC) as the input database, supported by DG-EMPL of the European Commission.

This report documents the work done in one annual update for Romania. This work was carried out by the EUROMOD core developer team, based mainly in ISER at the University of Essex, in collaboration with a national team.

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The results presented in this report are derived using EUROMOD version F6.0 EUROMOD is continually being improved and the results presented here may not match those that would be obtained with later versions of EUROMOD.

For more information, see: <http://www.iser.essex.ac.uk/research/euromod>

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This programme is managed by the Directorate-General for Employment, social affairs and equal opportunities of the European Commission. It was established to finally support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.

The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States' commitment. PROGRESS is instrumental in providing analysis and policy advice on PROGRESS policy areas; monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas; promoting policy transfer, learning and support among Member States on EU objectives and priorities; and relaying the views of the stakeholders and society at large

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The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.



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## 1. BASIC INFORMATION

### 1.1 Basic figures

Table 1. Basic figures

	Pop. (m.) <sup>[1]</sup>	Pop. < 18 (%) <sup>[8]</sup>	Pop. ≥ 65 (%) <sup>[2]</sup>	Life expect. (years) <sup>[3]</sup>	Fertility rate <sup>[4]</sup>	Unemp Rate (ILO) <sup>[5]</sup>	GDP per head (PPP) <sup>[6]</sup>	Currency	
								Name	exch. rate <sup>[7]</sup>
2007	21,56	19.51	14,9	72,61	38,9	6,4	42	Lei	3,1340
2008	21,52	18.95	14,9	73,03	40,6	5,8	47	Lei	3,6475
2009	21,49	18.63	14,8	73,33	41	6,9	46	Lei	4,2067
2010	21,46	18.48	15					Lei	4,3688

Source:

<sup>[1], [2] [6]</sup> Eurostat online database, last accessed 2<sup>nd</sup> of May 2011

<sup>[3], [4], [5]</sup> Romanian Statistical Yearbook, 2010

<sup>[7]</sup> Euro exchange rate on 30<sup>th</sup> of June

<sup>[8]</sup> Eurostat online database, last accessed 7<sup>th</sup> June 2012

### 1.2 The tax-benefit system

Table 2. Tax-benefit system and government budget

	Total general government revenue % of GDP	Total tax receipts <sup>[1]</sup> % of GDP	Total general government expenditure % of GDP	Social protection % of GDP
2007	33,7	29,5	36,3	13,55
2008	32,6	28,5	38,3	14,25
2009	32,1	27,7	40,6	-
2010	34,3	27,9	40,8	-

Notes: <sup>[1]</sup> Including taxes on production and imports, current taxes on income, wealth, etc and social contributions

Source: Eurostat online database, last accessed 2<sup>nd</sup> of May 2011

Table 3. Social protection expenditure by function (as % of total social protection expenditure)

	Sickness/ health care	Disability	Old age	Survivors	Family/ children	Unemployment	Housing	Social exclusion
2007	26,749	9,601	41,718	3,876	12,679	2,039	-	3,334
2008	25,174	9,834	46,237	4,413	10,577	1,435	0,161	2,166
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-

Source: Eurostat online database, last accessed 2<sup>nd</sup> of May 2011

Table 4. Taxation (as % of total tax receipts)<sup>[1]</sup>

	Personal income tax	Corporate income tax	Social security contributions		Taxes on goods and services	Other taxes
			Employees*	Employers		
2007	6,139	26,076	0,337	0,566	64,849	2,032
2008	7,505	25,914	0,291	0,525	63,625	2,137
2009	7,326	24,686	0,351	0,502	65,454	1,678
2010	-	-	-	-	-	-

Notes: <sup>[1]</sup> Fiscal revenue and social contributions

\* Includes self-employed

Source: Romanian Statistical Yearbook, 2010

### 1.2.1 Basic information about the tax-benefit system

- The tax-benefit system is largely a unified, national system.
- In Romania the fiscal year coincides with the calendar year (1<sup>st</sup> of January – 31<sup>st</sup> of December).
- In June 2007 the state pension age was 58 years and one month for women and 63 years and one month for men.
- Minimum school leaving age is 16 (the compulsory education in Romania consists of 10 school years – lower secondary and two years of the upper secondary education); the child is dependant until the age of 18 or until the age of 26 when in education and not married.
- According to the law a lone parent is a person who is unmarried, widower, divorced or has a spouse declared missing by court order that lives together with dependent children (own, adopted, put into foster care or in tutorship or curatorship).
- The income tax system is an individual system, with spouses being assessed independently.
- Income is taxed by income source. Are excepted from personal income tax: income from social assistance and social insurance benefits except for pensions and temporary work incapacity benefit. Romania has a flat income tax of 16% both for individuals and companies. An exception from the tax rate of 16% was set in the case of income from gambling which was taxed with a 20% rate for the policy year 2007.
- Some income categories from independent activities are taxed at source as a share of 10% of the gross income paid. This is considered anticipated tax payment. At the end of the financial year the anticipated payment is compared to the real duty (16% of net income) and compensations are made in favour of the taxpayer or the state budget.
- There are no statutory indexing regimes for taxes or benefits. The benefits' indexation is operated by Government Decisions.
- In most means tested benefits the monthly income of the family is assessed. In this sense the term *family* designates the husband and wife or husband, wife and their unmarried children, who share the domicile or residence in the identity cards and manage their resources together in the household. In determining the net monthly income of the family all the incomes earned by all members are taken into account, including those from the state social insurance rights, unemployment insurance, legal liabilities for dependant persons, indemnities, allowances and benefits with permanent character and other claims. In case of certain benefits the potential income obtained through the exploitation of certain goods that are not considered to be basic necessity goods is also considered.

## 1.3 Social Benefits

### 1.3.1 Pensions



Romania has a three pillar based pension system:

**1<sup>st</sup> pillar:** public pay-as-you-go scheme: contribution is compulsory for employers, employees, self-employed; differentiated total contribution rate depending on working conditions.

**2<sup>nd</sup> pillar:** mandatory private; contribution based; compulsory for employed individuals under 35 years and voluntary for individuals aged between 36 and 45 years; coverage: 53% of employed population; contribution rate: 2% of gross wage (carved down from the public social insurance contribution rate).

**3<sup>rd</sup> pillar:** voluntary; contribution based; the contribution rate should not exceed 15% of individual disposable income.

### Pension calculation

In the public scheme (*Law no. 19/2000 on the public pension system and other social insurance rights*), the benefit is calculated based on the pension point; one pension point is equivalent to 39% of the national average gross salary (2010). The entire contribution record of the insured person is taken into account.

The *minimum length of contribution career* is 15 years (2013) (gradually increasing from 10 years in 2000) while the *full length of contribution career* is 30 years for women and 35 years for men (2013) (gradually increasing from 25, respectively 30 years).

The *standard statutory retirement age* is 65 for men and 60 for women to be attained in 2013, by gradually increasing the retirement ages of 57 for women and 62 for men in 2000.

These evolutions in 2007 – 2010 are presented in the Table below (Table 5).

Table 5

Period	Women			Men		
	Age of the insured persons at the moment of retiring Years/Months	Complete length of contribution career Years/Months	Minimum length of contribution career Years/Months	Age of the insured persons at the moment of retiring Years/Months	Complete length of contribution career Years/Months	Minimum length of contribution career Years/Months
Dec 2006 – March 2007	58	26	11	63	31	11
April 2007 – July 2007	58/1	26/2	11/2	63/1	31/2	11/2
August 2007 – Nov 2007	58/2	26/4	11/4	63/2	31/4	11/4
Dec 2007 – March 2008	58/3	26/6	11/6	63/3	31/6	11/6
April 2008 – July 2008	58/4	26/8	11/8	63/4	31/8	11/8
August 2008 - Nov 2008	58/5	26/10	11/10	63/5	31/10	11/10
Dec 2008 – March 2009	58/6	27	12	63/6	32	12
April 2009 – July 2009	58/7	27/2	12/2	63/7	32/2	12/2
August 2009 – Nov. 2009	58/8	27/4	12/4	63/8	32/4	12/4
Dec 2009 – March 2010	58/9	27/6	12/6	63/9	32/6	12/6
Aprilie 2010 – July 2010	58/10	27/8	12/8	63/10	32/8	12/8
August 2010 – Nov 2010	58/11	27/10	12/10	63/11	32/10	12/10



Dec 2010 – March 2011	59	28	13	64	33	13
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The pension rights are calculated according to the following formulas:

$$AAS = \frac{\sum_{i=1}^i AS}{FCL}, \text{ where AAS is the annual average score,}$$

AS is the annual score,

FCL is the statutory full contribution career length.

$$AS_i = \frac{S_i}{12}, \text{ where } S_i \text{ is the score of year } i.$$

$$S_i = \sum_{j=1}^{12} MS_j, \text{ where } MS_j \text{ is the monthly score, calculated as}$$

$$MS_j = \frac{GW_j}{SAGW}, \text{ where } GW_j \text{ is the monthly gross wage and SAGW is the average gross wage as estimated by}$$

the National Institute of Statistics and used in the social insurance budget.

The amount of the pension is given by multiplying the annual average score by the value of a pension point.

#### **Old-age pension (Pensia pentru limită de vârstă)**

Retirement age: 65 years for men and 60 years for women (2013). Minimum length of contribution career is required. A person who is eligible for old age pension may continue his professional activity on employer's agreement.

The statutory retirement age and the full length of contribution career depend on working conditions. Working conditions, as defined by *Law 19/2000* are: normal, unusual and special. The unusual working conditions are those that can permanently affect in certain periods the working capacity of the insured because of the high risk exposure and the special working conditions are considered: mining; exploring, exploitation and manufacturing nuclear raw materials for the 1<sup>st</sup> and 2<sup>nd</sup> degree exposure to radiations, civil aviation, certain artistic activities.

If the full length of the contribution career is fulfilled totally or partly in unusual working condition, the statutory retirement age can be reduced to 55 years for men and 50 years for women. If the contribution length for special working condition in mining is longer than 20 years, the statutory retirement age is 45 years. For special conditions in certain artistic activities and civil aviation, the full contribution career's length is 25 years and the statutory retirement age is reduced by 15 years. For special conditions in exploring, exploitation and manufacturing nuclear raw materials for the 1<sup>st</sup> and 2<sup>nd</sup> degree exposure to radiations, the reduction in contribution career is 15 years (1<sup>st</sup> degree) and 17 years (2<sup>nd</sup> degree) and there are no statutory retirement age requirements.

Women, who gave birth to at least three children and raised them up to the age of 10 years, benefit of a reduction of standard retirement age by one year for 3 children and 2 years for 4 and more children, but not less than 55 years.

#### **Early retirement pension/ early partial retirement pension (Pensia anticipată/anticipată parțial)**

Age requirements: 5 years or less until retirement age.

Contribution career: full contribution career exceeded with at least/ no more than 10 years.

The pension rights are calculated as in the case of old-age pensions; for early partial retirement pension, the pension is reduced with the reduction of contribution period's length.

#### **Survivors' pension (Pensia de urmaș)**



Eligibility: Survivor children or spouse of a pensioner or a person who was entitled to a pension in the public scheme. The age of the eligible children is 16 years old or 26 years if attending school. The spouse is eligible for survivors' pension at standard statutory retirement age if she has been married for at least 15 years to the deceased. If the marriage lasted less than 15 years, but more than 10 years, the pension rights are diminished by 0.5% per month and 6% per year. If the spouse is in 1<sup>st</sup> or 2<sup>nd</sup> degree invalidity, he/she has the right to survivors' pension if the marriage lasted for at least one year. The length of the marriage period is not an issue if the death is a result of work accidents or professional disease, if the spouse does not earn income from professional activities or their amount is less than one quarter of statutory gross minimum guaranteed wage.

The amount of the benefit is differentiated according to the number of survivors: 100% of the entitlement for three or more, 75% for two and 50% for one survivor.

### **Invalidity pension (Pensia de invaliditate)**

An employee is eligible for an invalidity pension in the case of a total or at least 50% loss of his working capacity as a consequence of a work accident, professional disease or any other kind of accident and disease not related to work. According to the degree of loss in work capacity and the work place requirements, the invalidity pension can be of 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> degree.

The amount of the invalidity pension is calculated by allotting a potential contribution period as the difference between the length of the statutory full contribution period and the length of effective contribution period until the moment the invalidity occurred.

The 1<sup>st</sup> degree invalidity pensioners are eligible for monthly allowance for attendant, in amount of 80% of the value of a pension point.

### **1.3.2. Unemployment benefit (Indemnizația de șomaj)**

Basic legislation applied to the unemployment benefit: *Law no. 76/2002 regarding the unemployment insurance system and employment stimulation*, amended and supplemented and Government Decision no. 174/2002 approving the Methodological Norms for the enforcement of this law.

**Unemployed** is the person who fulfils the following conditions:

- a) is seeking employment, is over the age of 16 years and does not meet the requirements for retirement;
- b) is able to work from the point of view of the health condition and physical and mental abilities;
- c) has no job, no income or has income from legal activities lower than the statutory gross minimum guaranteed wage;
- d) is available to start work immediately, if finding a job.

People that satisfy the following conditions are **assimilated as unemployed (2)**:

- a) are graduates of educational institutions, older than 16, who in a period of 60 days from graduation were not able to find employment according to their professional training;
- b) are graduates of special schools for disabled persons, older than 16, who were not able to find employment according to their training;
- c) are persons who, prior to military service, were not employed and in a period of 30 days after the ending of the military service were not able to find employment.

**The unemployed** are eligible for receiving the unemployment benefit if they meet the following criteria:

- a) they have a minimum contribution period of 12 months in the last 24 months preceding the date of benefit claiming;
- b) they have no employment/self-employment income or the income they obtain is below the level of the statutory gross minimum guaranteed wage (30<sup>th</sup> of June 2007);
- c) they do not qualify for retirement, according to provisions of the law;
- d) they are registered at the employment agencies in the territorial jurisdiction of their residence.

For persons employed with part-time individual labour contract, the length of contribution is determined according to the time effectively worked, cumulating the contribution period according to the part-time individual labour contract. For persons employed with temporary contract, the length of contribution period is determined by the duration of each assignment. The periods when the employer did not pay the contribution to the unemployment insurance budget, due



to judicial reorganization, bankruptcy, operational closure, liquidation, and so on, are also considered contributory periods.

*People assimilated as unemployed (2)* receive unemployment benefit if they meet at the same time the following requirements:

- a) they are registered at the employment agencies in the territorial jurisdiction of their residence;
- b) they have no income or have an income from legal activities below the level of the statutory gross minimum guaranteed wage; (30<sup>th</sup> of June 2007);
- c) they do not qualify for retirement according to the law.

Unemployment benefit is awarded to the *unemployed (1)*, for a period with a length depending on the contributory period, as follows:

- a) 6 months, for people with a contribution period of at least one year;
- b) 9 months, for people with a contribution period of at least 5 years;
- c) 12 months, for people with a contribution period of more than 10 years.

The **amount** paid to the *unemployed* depends on the contributory record, as follows:

- a) 75% of statutory gross minimum guaranteed wage, for people with a contribution period of at least one year;
- b) the amount stipulated in point a) plus an amount calculated by applying a differentiated rate (according to the contribution period) on the gross average monthly base salary for the last 12 months of contribution period.

Differentiated rates according to the eligibility period have the following values:

- a) 3% for those with a contribution period of at least 3 years;
- b) 5% for people with a contribution period of at least 5 years;
- c) 7% for people with a contribution period of at least 10 years;
- d) 10% for those with a contribution period of at least 20 years.

For persons insured under voluntary unemployment insurance contract, the amount is calculated by applying a percentage depending on the period of contribution and on the monthly insured income declared in the unemployment insurance contract.

**The unemployment benefit** is granted to people *assimilated as unemployed* for a period of 6 months and it is a monthly fixed amount, which represents 50% of the statutory gross minimum guaranteed wage, and it is awarded to those assimilated as unemployed (2) once per every form of education graduated.

The payment of unemployment benefits is financed by the unemployment insurance budget.

The GEO no. 126/2008 published in the Official Monitor at the 14<sup>th</sup> of October 2008 eliminated the connection between the unemployment benefits and the level of the minimum guaranteed wage. Thus the income obtained from legal activities for those that apply for unemployment benefits must be lower than the value of a reference social indicator in force. This reference social indicator in force is a quantum expressed in LEI used in assessing the monetary social benefits. The quantum of the reference social indicator was established for 500 lei and can be changed through government decision according to consumer price index. Between 2008 and 2010 the value of this indicator remained unchanged.

### 1.3.3. Health insurance benefits

**Basic Legislation: GEO no. 158/2005 regarding medical leave and health insurance allowances and Law no. 95/2006 on health reform, Title VIII. Health insurance**

**The leave and indemnity for temporary work incapacity caused by regular diseases or accidents not connected to work (Concediul și indemnizația pentru incapacitate temporară de muncă cauzată de boli obișnuite sau de accidente în afara muncii)** is offered for a maximum of 183 days in a period of time of one year. In case of special diseases, the indemnity is offered for a longer period, up to one year and six months in a period of two years.

The gross monthly quantum of this indemnity is of 75% of the calculation base, determined as the average of monthly income for the last six months out of the 12 months that represent the contribution period, but up to the limit of 12 gross statutory minimum wages monthly. In case of special diseases such as AIDS, tuberculosis, cancer and so on the quantum is 100% of the calculation base. The insured persons are entitled to leave and indemnity for temporary work incapacity without a contribution period in case of medical-surgical emergencies, tuberculosis, certain contagious diseases, cancer or AIDS.



**The indemnities for the prevention of diseases and recovery of work capacity (Concedii medicale și indemnizații pentru prevenirea îmbolnăvirilor și recuperarea capacității de muncă, exclusiv pentru situațiile rezultate ca urmare a unor accidente de muncă sau boli profesionale)** are the indemnity for reducing the working time with a quarter of the normal duration and the quarantine indemnity.

The indemnity for reducing the working time is offered for a maximum of 90 days in a period of 12 working months previous to the first leave day and its quantum is equal to the difference between the calculation base previously mentioned and the gross income of the employee working with diminished working time, without exceeding 25% of the calculation base.

The quarantine indemnity is offered to insured people that cannot continue their activity because they suffer from contagious diseases. Its quantum is 75% of the above mentioned calculation base.

#### **Medical leave and maternity allowance (Concedii medicale și indemnizații pentru maternitate)**

The insured women are entitled to receive medical leave for pregnancy and confinement for a period of 126 days and during this period, they receive maternity allowance. Pregnancy leave is granted for a period of 63 days before giving birth, while confinement leave is granted for a period of 63 days after giving birth. The two types of leaves can compensate each other, according to the medical recommendation, but the minimum duration of confinement leave is of 42 days. Insured women that are entitled to disability benefits may receive, on request, a medical leave for pregnancy, starting with the 6<sup>th</sup> month of pregnancy. The gross monthly amount of maternity allowance is 85% of the calculation base. This indemnity is financed entirely from the budget of Unique National Fund of Health Insurance.

#### **The leave and indemnity for the caring of the ill child (Concedii medicale și indemnizații pentru îngrijirea copilului bolnav)**

The insured persons benefit of leave and indemnity for the caring of children up to the age of 7 or in case of children with disabilities up to the age of 18. The maximum duration for this indemnity is 45 days for one child with some exceptions, in case of certain diseases, when this duration can be extended. The quantum is 85% of the calculation base.

#### **The leave and indemnity of maternal risk (Concedii medicale și indemnizații de risc maternal)**

This indemnity is offered without requirement of a minimum contribution period and its amount represents 75% of the calculation base.

### **1.3.4. Non contributory benefits**

**State allowance for children (Alocația de stat pentru copii)** is a universal right granted monthly to families with children (up to the age of 18 or above that age when attending secondary or vocational education). In 2007 the amount was 200 Lei for children below the age of two or three (if disabled or with HIV/AIDS). For children above that age the amount was 25 lei or 50 lei if disabled.

Through the GEO no. 97/2007 the youth that have reached the age of 18 were no longer beneficiaries of State Allowance starting with the 1<sup>st</sup> of January 2008. The GEO no. 16/2008 reintroduced this category of beneficiaries in the 27<sup>th</sup> of February. GEO no. 16/2008 was rejected through Law no. 175/2008 in October 2008 and the Law no. 174 from the 10<sup>th</sup> of October 2008 finally established that persons over 18 who attend secondary education or vocational training could receive the state allowance until the completion of their studies.

Table 6: State allowance for children-monthly amounts

	2007	2008	2009	2010
Aged under 2 (or below 3 if disabled)	200	200	200	200
Aged 2 and above, not disabled	25	32	42	42
Aged 2 and above, disabled	50	64	84	84



**Complementary family allowance (Alocația familială complementară)** is a means tested benefit granted monthly as a support to poor families with children (up to the age of 18). The family is defined as including the husband, the wife and their children up to the age of 18 (dependant on their parents), living together. A child is considered to be dependent on her parents if aged less than 16 or less than 18, with an income below 250 lei per month and not herself a parent. In 2007 this allowance was received by the families with a monthly net income **per family member** of less than 176 Lei.

In the assessment of the family income all sources of income are taken into account: salaries and other wage entitlements; pensions; state insurance and other social insurance rights; unemployment insurance; benefits of permanent nature; allowances; scholarships; aids; other income sources, such as income from lease or rent from lands, buildings, and so on.

In 2007 the amounts were: 36 Lei for families with one child, 42 Lei for families with two children, 47 Lei for families with three children, 52 Lei for families with four or more children. For the families that enter under the incidence of the Law no. 416/2001 regarding the guaranteed minimum income, the amount is increased by 25%.

Starting with January 2007, the Complementary family allowance was received by the families with a monthly net income **per family member** of less than 176 Lei. The threshold changed in January 2008, families receiving the Complementary family allowance in case they had a monthly net income per family member of less than 184 Lei.

The Law no. 236 from October 2008 changed the threshold to the level of the net minimum wage per family member.

The Law no. 161 from May 2009 changed the threshold again, eliminating the connection between the social assistance rights and the minimum wage. The threshold was established to be up to 470 Lei (net income) per family member.

Table 7: Complementary family allowance-eligibility threshold and monthly benefit amounts (LEI)

	2007	2008		2009	2010
		Jan-Oct 2008	Nov-Dec 2008		
Per capita income threshold	176	184	423	470	470
1 child	36	38	50	50	50
2 children	42	44	60	60	60
3 children	47	49	65	65	65
4+ children	52	54	70	70	70

For families receiving the guaranteed minimum income, the amount increases by 25%.

**Support allowance for mono-parental family (Alocația de susținere pentru familia monoparentală)** is a means tested benefit granted monthly as a support to poor mono-parental families. The family is defined as being made of the parent and the children up to the age of 18 (dependant on the parent), living together. A child is considered to be dependent on her parents if aged less than 16 or less than 18, with an income below 250 lei per month and not herself a parent. In 2007, the Support allowance for mono-parental family was received by the families with a monthly net income per family member of less than 176 Lei. In the assessment of the **family income** all sources of income are taken into account. In 2007 the amounts were: 52 Lei for families with one child, 62 Lei for families with two children, 70 Lei for families with three children, 79 Lei for families with four or more children.

Starting with January 2007, the Support allowance for mono-parental family was received by the families with a monthly net income per family member of less than 176 Lei. The threshold changed in January 2008, families receiving the Support allowance for mono-parental family in case they had a monthly net income per family member of less than 184 Lei.

The Law no. 236 from October 2008 changed the threshold to the level of the net minimum wage per family member.



The Law no. 161 from May 2009 changed the threshold again, eliminating the connection between the social assistance rights and the minimum wage. The threshold was established to be up to 470 Lei (net income) per family member.

Table 8: Support allowance for mono-parental family -eligibility threshold and monthly benefit amounts (LEI)

	2007	2008		2009	2010
		Ian. – Oct. 2008	Nov. – Dec. 2008		
Per capita income threshold	176	184	423	470	470
one child	52 Lei	54 Lei	70 Lei	70 Lei	70 Lei
2 children	62 Lei	65 Lei	80 Lei	80 Lei	80 Lei
3 children	70 Lei	73 Lei	85 Lei	85 Lei	85 Lei
4 or more children	79 Lei	83 Lei	90 Lei	90 Lei	90 Lei

For families receiving the guaranteed minimum income, the amount increases by 25%.

**Allowance for family placement (Alocația de plasament familial)** is given to children up to the age of 18 or in case of those included in the educational system, throughout their studies, but without exceeding the age of 26. It is targeted towards children for whom the foster care decision was taken, children put under guardianship, dependent children in the process of adoption, children given to maternal assistants. Children with disabilities benefit from this allowance increased by 50%. In 2007 the quantum was of 86 lei. It is not means tested. There were no significant changes regarding this benefit during 2007 – 2010.

Table 9: Allowance for family placement - monthly benefit amounts (LEI)

	2007	2008	2009	2010
- children	86 Lei	90 Lei	97 Lei	97 Lei
- children with disabilities	The quantum increases by 50%			

**Indemnity for child rising (Indemnizația pentru creșterea copilului)** is created as a replacement income for persons benefiting of a leave for child rising until the child reaches the age of 2 or 3 (in case of disabled children) thus unable to obtain income from professional activities.

In 2007 the amount was 600 Lei. This changed in 2008 when the Law no. 257/2008 established that the indemnity would be 600 Ron, or optionally 85% of the average income for the last 12 months, but no more than 4,000 Ron. The persons that were already receiving this benefit could also choose one of the two alternatives.

The Law no. 239/2009 established that the allowance is increased by 600 Ron for each child born of a pregnancy of twins, triplets or more, starting from the second child from such a birth. From the 3<sup>rd</sup> of July 2010 the Law no. 118/2010 established that the value would decrease with 15%.

This benefit is granted for the first three children, either natural or adopted, entrusted in the process of adoption, in foster care or emergency foster care (except when the child is entrusted to a professional maternal assistant) or in guardianship.

Table 10: Indemnity for child rising - monthly benefit amounts (LEI)

2007	2008	2009	2010



600 Lei	600 Lei	<p>600 Lei or optionally 85% of the average incomes for the last 12 months, but no more than 4,000 Lei.</p> <p>The allowance is increased by 600 Lei for each child born of a pregnancy of twins, triplets or more, starting from the second child from such a birth.</p>	<p>From 1 January to 2 July: 600 Lei or optionally 85% of the average incomes for the last 12 months, but no more than 4,000 Lei.</p> <p>From 3 July, the value decreases by 15% (Law no. 118/2010).</p>
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**Incentive for child rising (Stimulentul lunar)** is an incentive to return to work offered to the person that has been rising a child and benefited of the Indemnity for child rising. It can be received, optionally, by any of the child's natural parents, or by the person who was entrusted with the child in view of adoption, the person that adopted the child, the person that has the child in foster care or in emergency foster care or the person that was appointed guardian of the child. The incentive is received by the persons that were entitled to receive the Indemnity for child rising and earn professional income subject to taxation, under Law no. 571/2003 regarding the Fiscal Code, with subsequent amendments. It cannot be received in the same time with the Indemnity for child rising. The quantum in 2007 was of 100 lei per month. The quantum of the incentive remained unchanged between 2007 and 2010.

**Financial aids for family set up (Sprijinul financiar la constituirea familiei)** is given when both spouses are getting married for the first time and are resident in Romania. It can be given to stateless persons and foreign citizens that benefit from a form of protection in Romania. Quantum: 200 Euros, in Lei equivalent, based on the exchange rate on the day of the application. It is not means tested. The quantum remained unchanged during 2007 and July 2010. In the 3<sup>rd</sup> of July 2010 the law was repealed.

**Allowance for new born children (Alocația pentru copiii nou născuți)** is a benefit designed to support the set up of the newborn child into the family

The beneficiary is the mother or the child's legal representative when the mother is not in the position to benefit from this right. It is given both to Romanian citizens and to stateless persons and foreign citizens that benefit from a form of protection in Romania, with Romanian residence. The allowance is granted for the first four children born alive. The allowance is granted only once for each child born, no later than 12 months after childbirth. It is not means tested and the quantum in 2007 was of 204 Lei. The changes in quantum during 2007 and 2010 are presented in the table below.

Table 11: Allowance for new born children - monthly benefit amounts (LEI)

2007	2008	2009	2010
204 Lei	213 Lei	230 Lei	<p>From 1 January to 2 July: 230 Lei.</p> <p>From 3 July, the law is repealed.</p>

**The outfit for newborn children (Trusoul pentru nou născuți)** is a non means tested benefit consisting in a trousseau including clothing, linen and care products, given to each newborn child. It is granted only once by the local public administration authorities, when the child leaves the maternity or when the childbirth certificate is released. It is given both to Romanian citizens and to stateless persons and foreign citizens, with Romanian residence. The quantum was 150 lei in 2007. The quantum did not change throughout 2007 and 2010. The law regulating this benefit was repealed from the 3<sup>rd</sup> of July 2010.

**Emergency benefits (Ajutorul de urgență)** are means tested benefits destined to support the families that face justifiable emergency situations or emergency circumstances due to natural disasters, fires, accidents, and other special situations established by law. The benefit is given both to Romanian citizens and to stateless persons and foreign citizens, with Romanian residence. The amount is established based on the assessment of the situation through social



inquiry carried out by specialized personnel from the Territorial Directorates of Labour and Social Protection. There were no significant changes regarding this benefit during 2007 – 2010.

**Financial aid (Ajutorul financiar)** is a means tested benefit given to families and persons that face extreme difficulties due to health problems or other justifiable causes. The benefit is given both to Romanian citizens and to stateless persons and foreign citizens, with Romanian residence. The amount is established based on the assessment of the situation through social inquiry carried out by specialized personnel from the Territorial Directorates of Labour and Social Protection. There were no significant changes regarding this benefit during 2007 – 2010.

**Home heating aid (Ajutorul pentru încălzirea locuinței)** is given as a support for poor families that cannot afford the expenses of home heating during cold season. The aid is given to spouses and other persons - Romanian citizens, stateless persons and foreign citizens with residence in Romania - that share the same residence, are subscribed in the building book and are taken into consideration in calculating the dwelling maintenance costs, whether or not family relations exist. The benefit is given monthly during the cold season, since November 1<sup>st</sup> till March 31<sup>st</sup> next year. It is means tested.

The conditions and the amounts are differentiated according to the type of heating – energy provided in the centralized system, natural gas or wood, coal and oil fuel.

In case the heating is provided in the centralized system, the quantum of the aid consists in a percentage of the amount that must be paid by the household. The percentage that will be compensated is established according to the average monthly net income per family member (see below).

**Table 12: 1 of November 2006 – 31 of March 2007, GEO 57/2006:**

Average monthly net income per family member, and per a single person (LEI)	Percentage compensation of the actual amount of heat energy bill (%)
<b>GEO no. 57/2006:</b>	
<b>During : 1 November 2006 – 31 March 2007</b>	
<b>Thermal energy provided by the centralized system</b>	
Up to 125 Lei	90%
125 – 170	80
170 – 210	70
210 – 250	60
250 – 290	50
290 – 345	40
345 – 390	30
390 – 440	20
440 – 500	10

**2007-2008:**

**Table 13: 1 of November 2007-31 of March 2008, HG 1197/2007:**

Average monthly net income per family member, and per a single person (LEI)	Percentage compensation of the actual amount of heat energy bill (%)	Average monthly net income per family member, and per a single person (LEI)	Percentage compensation of the actual amount of heat energy bill (%)
<b>GD 1197/2007:</b>			
<b>During 1 November 2007 – 31 March 2008:</b>			
<b>Thermal energy provided by the centralized system during November – December 2007</b>		<b>Thermal energy provided by the centralized system during January – March 2008</b>	
Up to 125 Lei	90%	Up to 155	90%
125,1 – 170	80	155,1 - 210	80
170,1 – 210	70	210,1 - 260	70



210,1 – 250	60	260,1 - 310	60
250,1 – 290	50	310,1 - 355	50
290,1 – 345	40	355,1 - 425	40
345,1 – 390	30	425,1 - 480	30
390,1 – 440	20	480,1 - 540	20
440,1 – 500	10	540,1 - 615	10

**Table 14: During 1 November 2009 – 31 March 2010, GEO no. 106/2009:**

Average monthly net income per family member, and per a single person (LEI)	Percentage compensation of the actual amount of heat energy bill (%)
<b>GEO no. 106/2009:</b>	
<b>During 1 November 2009 – 31 March 2010:</b>	
<b>Thermal energy provided by the centralized system</b>	
Up to 155	90%
155,1 - 210	80
210,1 - 260	70
260,1 - 310	60
310,1 - 355	50
355,1 - 425	40
425,1 - 480	30
480,1 - 540	20
540,1 - 615	10

In case the heating system of the household uses natural gas or wood, coal and oil fuel, the household is awarded a support in a monthly amount that depends on the average monthly net income per family member (see below).

**Table 15**

Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)	Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)
<b>1 November 2006 – 31 March 2007:</b>			
<b>Natural gas</b>		<b>Wood, coal, and oil fuel</b>	
		<b>GEO 57/2006:</b>	
		Until September 15 of each year, mayors are obliged to draw up the lists with the beneficiaries of social aid for heating the house using wood, coal, oil fuels, based on documentation submitted to establish the social support. On this list, the mayors list provide orders regarding the establishment of the entitlement for home heating aid, which is transmitted till September 30 of each year to the social support holder.	
		<b>GEO 107/2006, starting with 1 of January 2007:</b>	
Up to 125 Lei	210	Up to 125 Lei	46
125 – 170	130	125 – 170	42
170 - 210	110	170 - 210	38
210 - 250	90	210 - 250	34
250 – 290	70	250 – 290	30



290 - 345	50	290 - 345	26
345 - 390	35	345 - 390	22
390 - 440	25	390 - 440	18
440 - 500	15	440 - 500	14

Table 16: 1 of November 2007-31 of March 2008, HG 1197/2007:

Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)	Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)
<b>During 1 November 2007 – 31 December 2007:</b>			
<b>Natural gas</b>		<b>Wood, coal, and oil fuel</b>	
Up to 125 Lei	233	Up to 125 Lei	50
125,1 – 170	144	125,1 – 170	45
170,1 - 210	122	170,1 - 210	41
210,1 - 250	100	210,1 - 250	36
250,1 – 290	78	250,1 – 290	32
290,1 - 345	56	290,1 - 345	28
345,1 – 390	39	345,1 – 390	24
390,1 - 440	28	390,1 - 440	19
440,1 - 500	17	440,1 - 500	15
<b>During 1 January 2008 – 31 March 2008:</b>			
<b>Natural Gas</b>		<b>Wood, coal and oil fuel</b>	
Up to 155 Lei	233	Up to 155 Lei	50
155,1 – 210	144	155,1 – 210	45
210,1 - 260	122	210,1 - 260	41
260,1 –310	100	260,1 –310	36
310,1 – 355	78	310,1 – 355	32
355,1 - 425	56	355,1 - 425	28
425,1 - 480	39	425,1 - 480	24
480,1 - 540	28	480,1 - 540	19
540,1 - 615	17	540,1 - 615	15

**2008-2009:**

Table 17: 1 of November 2008-31 of March 2009

Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)	Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)
<b>During 1 November 2008 – 31 March 2009:</b>			
<b>Natural gas</b>		<b>Wood, coal and oil fuel</b>	
Up to 155 Lei	262	Up to 155 Lei	54
155,1 - 210	162	155,1 - 210	48
210,1 - 260	137	210,1 - 260	44
260,1 - 310	112	260,1 - 310	39
310,1 - 355	87	310,1 - 355	34



355,1 - 425	62	355,1 - 425	30
425,1 - 480	44	425,1 - 480	26
480,1 - 540	31	480,1 - 540	20
540,1 - 615	19	540,1 - 615	16

**1 of November 2009-31 of March 2010** (GEO no. 106/2009, approved with modification by Law no. 358/2009)

GEO no. 106 / 7 October 2009 – the reducing of the threshold from 615 Lei to 425 Lei, but GEO is approved with modification of the threshold from 425 Lei to 615 Lei, by Law no. 358 / 20 November 2009)

Table 18

Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)	Average monthly net income per family member, and single person (LEI)	Monthly amount (LEI)
<b>During 1 November 2009 – 31 March 2010:</b>			
<b>Natural gas</b>		<b>Wood, coal and oil fuel</b>	
Up to 155 Lei	262	Up to 155 Lei	54
155,1 - 210	162	155,1 - 210	48
210,1 - 260	137	210,1 - 260	44
260,1 - 310	112	260,1 - 310	39
310,1 - 355	87	310,1 - 355	34
355,1 - 425	62	355,1 - 425	30
425,1 - 480	44	425,1 - 480	26
480,1 - 540	31	480,1 - 540	20
540,1 - 615	19	540,1 - 615	16

In the year 2008, there was an additional aid for home heating to support the families and single persons with low incomes, who use gas for heating (see below).

Table 19

Average monthly net income per family member, and single person (LEI)	Monthly amount (Additional monthly amount) (LEI)
<b>During February – March 2008 and November – December 2008:</b>	
<b>Natural gas</b>	
Up to 155 Lei	100
155,1 – 210	70
210,1 – 260	60
260,1 – 310	45
310,1 – 355	30
355,1 – 425	25
425,1 – 480	20
480,1 – 540	15
540,1 – 615	10



Home heating aid is received at the request of the beneficiary, based on documentary evidence regarding the family structure and on personal statement regarding the incomes earned by its members in the previous month before application, accompanied by supporting documents.

In determining the net monthly income of the family, all the incomes earned by all members are taken into account, including those from the state social insurance rights, unemployment insurance, legal liabilities for dependant persons, indemnities, allowances and benefits with permanent character, with the exception of income from scholarships and aid received in the program Money for school.

The law establishes a list of goods of basic necessity that are taken into account in assessing the right to receiving this benefit. In case the family or single person owns only goods considered of basic necessity they are entitled to receive the home heating aid. In case the family or single person owns goods that are not enlisted as basic necessity goods, the family or single person are not considered entitled to receiving the home heating aid.

If the family or single person owns basic necessity goods in an amount that exceeds the limit established by law, the potential income obtained through their exploitation is considered in assessing the net monthly income.

The lists of basic necessity goods and the limits are updated annually by Government decision. This list of basic necessity goods is also applicable for the social assistance benefit under the law regarding the guaranteed minimum income.

The list of basic necessity goods includes immobile goods (house and housing annexes) and mobile goods (gas cooker, refrigerator, washing machine, home heating system, computer, TV, furniture, and so on), land (differentiated according to the number of household members and to the type of crops that can be obtained), poultry and animals (in certain numbers) and other goods (clothing, personal hygiene and so on).

The GEO no. 26/2010 established that ownership of certain goods was a condition for the exclusion of the person / household from receiving this aid.

**Benefits for refugees (Ajutorul rambursabil pentru refugiați)** are granted to stateless persons and foreign citizens with the status of refugee. The benefit is paid monthly for 6 months and in exceptional cases the aid can be obtained another 3 months. In 2007 the amount was set at the level of the national gross minimum wage.

Table 20: Benefits for refugees - monthly benefit amounts (LEI)

2007	2008	2009	2010
<p>The benefit for refugees is set at a national gross minimum salary for six months, or, as appropriate, for 9 months.</p> <p>In 2007 the national gross minimum salary was of 390 Lei.</p>	<p>The benefit for refugees is set at a national gross minimum salary for six months, or, as appropriate, for 9 months.</p> <p>In 2008 the national gross minimum salary was of 500 Lei.</p>	<p>For 2009, the amount is at the level of December 2008 (GEO no. 118/1.10.2008), that is 500 Lei monthly.</p>	<p>The aid is indexed by the decision of the Government, according to the consumer price index evolution.</p>

**The aid for the purchase of automated burning (Ajutorul bănesc pentru achiziționarea de central termice individuale sau arzătoare automatizate)** is created to support the modernisation of the heating system for poor families. The beneficiaries are families or single persons with low incomes that use natural gas for the heating of their homes. The beneficiaries must have the status of individual consumers, assessed by a contract with a supplier of natural gas.

This benefit is means tested as the income on family member must be less than the statutory gross minimum wage. The aid is given only once, by voucher, provided by the Ministry of Labour, Family and Social Protection.

The amount was set in 2007 to 1500 Lei, for the acquisition, installation and operation of a heating central or 300 Lei for the acquisition and installation of an automated burning. The quantum did not change throughout 2007 – 2010.



**Monthly allowance for the adult with severe visual disability, designated for the payment of the attendant (Indemnizația lunară pentru adultul cu handicap vizual grav, destinată plății însoțitorului)** is granted to Romanian citizens, stateless persons and foreign citizens with residence in Romania, monthly, in a quantum that is equivalent to the net salary of the junior social worker with secondary education from the budgetary sector.

The beneficiaries are the adults with severe visual disabilities that own medical certificates assessing their state, no matter of their incomes. The benefit is not means tested.

**Monthly allowance for adults with severe and marked disabilities (Indemnizația lunară pentru adulții cu handicap grav sau accentuat)**

Beneficiaries are adults with marked or severe disabilities that own medical certificates assessing their state, no matter of their incomes. It is granted to Romanian citizens, stateless persons and foreign citizens with residence in Romania. The quantum was set for 2007 to 179 Lei for people with severe disability and to 147 Lei for people with marked disability.

Table 21: Monthly allowance for adults with severe and marked disabilities - monthly benefit amounts (LEI)

	2007	2008	2009	2010
Severe disabilities	179 Lei	187 Lei	202 Lei	or the first quarter of 2010: the same as in 2009
Emphasized disabilities	147 Lei	154 Lei	166 Lei.	

**Complementary personal budget for adults with disabilities (Bugetul personal complementar pentru adulții cu dizabilități)**

The beneficiaries are adults or children with disabilities established by medical certificates, regardless of their income. It is granted to Romanian citizens, stateless persons and foreign citizens with residence in Romania, monthly. Quantum (the following values are for 2007): 80 Lei for severe disability; 60 Lei for marked disability; 30 Lei for medium degree of disability.

Table 22: Complementary personal budget for adults with disabilities - monthly benefit amounts (LEI)

	2007	2008	2009	2010
Severe disability	80 Lei	84 Lei	91 Lei	For the first quarter 2010: the same as in 2009
Emphasized disability	60 Lei	63 Lei	68 Lei	
Medium disability	30 Lei	31 Lei	33,5 Lei	

**The guaranteed minimum income (Venitul minim garantat)**

Poor families are granted social assistance in an amount determined as the difference between the levels established by law as guaranteed minimum income and the net monthly income of the family or single person.

The levels established for the guaranteed minimum income were:

	2007	2008	Jan – July 2009	Since July 2009	2010



single person	96 Lei	100 Lei	108 Lei	125 Lei	125 Lei
families with 2 persons	173 Lei	181 Lei	196 Lei	225 Lei	225 Lei
families with 3 persons	241 Lei	252 Lei	272 Lei	313 Lei	313 Lei
families with 4 persons	300 Lei	314 Lei	339 Lei	390 Lei	390 Lei
families with 5 persons	356 Lei	372 Lei	402 Lei	462 Lei	462 Lei
for each person over the number of five persons belonging to the family	24 Lei	25 Lei	27 Lei	31 Lei	31 Lei

The income of the family is taken to consideration in assessing the right to this benefit. The means are tested through social inquiry. In determining the net monthly income of the family all the incomes earned by all members are taken into account, including those from the state social insurance rights, unemployment insurance, legal liabilities for dependant persons, indemnities, allowances and benefits with permanent character, with the exception of income from scholarships and aid received in the program Money for school.

In this case the term family refers to the husband and wife living together or the husband, wife and their children living together or the single parent living with his/her children or brothers without children living together in the same household, different from that of their parents or unmarried couples living together with their children. In this respect the term child designates the person before the age of 18 or before the age of 26 (if in education, day classes), not married and with no children.

The law establishes a list of goods of basic necessity that are taken into account in assessing the right to receiving this benefit. In case the family or single person owns only goods considered of basic necessity they are entitled to receive the social assistance. In case the family or single person owns goods that are not enlisted as basic necessity goods, they are not considered entitled to receiving social assistance.

If the family or single person owns basic necessity goods in an amount that exceeds the limit established by law, the potential income obtained through their exploitation is considered in assessing the net monthly income.

The lists of basic necessity goods and the limits are updated annually by Government decision. The local councils may approve additional criteria for assessing the potential income. The list of basic necessity goods includes immobile goods (the family house and housing annexes) and mobile goods (gas cooker, refrigerator, washing machine, home heating system, computer, TV, furniture, and so on), land (differentiated according to the number of household members and to the type of crops that can be obtained), poultry and animals (in certain numbers) and other goods (clothing, personal hygiene and so on).

Families and single persons with net monthly incomes up to the level of the guaranteed minimum income receive 15% increase in the amount of social assistance per family, if at least one family members works under an individual labour contract, has the status of civil servant or obtains salary income.

The guaranteed minimum income (without taking into account the draft in May 2010) was subject to essential changes during 2007-2010:

1. Modifications of the amounts of the guaranteed minimum income
2. Adjustments of the difference between family revenues and the minimum income thresholds (before July 2009, if the difference between the threshold and the family revenue was less than 5 Lei, then the social aid granted is 5 Lei; after July 2009 the difference between the threshold and the family revenue was less than 10 Lei, then the social aid granted is 10 Lei).
3. From 2008, some scholarships, grants and social support for students in the program “money for school” are excluded from the net monthly income of the family that determines the access to this benefit.



**Aid for partial covering of funeral expenses (Ajutorul de înmormântare)** is given to families and single persons that benefit of social aid according to the provisions of the law regarding the guaranteed minimum income (Law no. 416/2001). The funeral expenses of persons in this category are paid from the funds allocated for the payment of social aid.

**Monthly allowance of food for children and adults infected with HIV or AIDS (Indemnizația lunară pentru copiii și adulții infectați cu HIV sau bolnavi de SIDA)**

It is a benefit granted to children or adults of Romanian nationality, with Romanian residence, infected with HIV or AIDS, regardless of their income.

In 2007 the quantum was: 11.5 Lei / day for adults and 9 Lei / day for children.

Table 23: Monthly allowance of food for children and adults infected with HIV or AIDS - amounts (LEI)

	2007	Since May 2008	2009
children	9 Lei / day	11 Lei / day	11 Lei / day
adults	11.5 Lei / day	13 Lei / day	13 Lei / day

**Contribution for health insurance for the beneficiaries of the indemnity for child rising (Contribuții pentru asigurările de sănătate aferente indemnizației pentru creșterea copilului)**

It is targeted towards the persons that receive the indemnity for child rising.

The territorial directions of labour and social protection are required to send monthly, to the Territorial Health Insurance Houses the individual health contributions and the names of the beneficiaries. It is not a means tested benefit. The contribution for health insurance is calculated by applying a rate of 6.5% on the value of two statutory gross minimum wages. In 2007 the statutory gross minimum wage was of 390 Lei.

Table 24: Contribution for health insurance for the beneficiaries of the indemnity for child rising - amounts (LEI)

2007	2008	2009	2010
6.5% of the amount representing the value of twice the gross minimum wage in the country.  In 2007 the statutory gross minimum wage was of 390 Lei.	January-June 2008: 6.5% x 2 gross minimum wages.  Starting with July 2008: 5.5% x 2 gross minimum wages.  GEO no. 118/01.10.2008 eliminates the relationship with the gross minimum wage guaranteed.	5.5% rate on the value of child rising allowance	5.5% rate on the value of child rising allowance

**The nursery voucher (Tichet de creșă)** is designed to help families with children to cover child care expenses. It is given to employees from state and private companies who are not eligible for child raising leave and allowance. The nursery vouchers can only be used to pay for nursery services. Nursery vouchers are given upon request to a parent or to a tutor that has the child entrusted. The nominal value of the nursery vouchers in 2007 was of 300 lei monthly for each child in nursery. The nursery voucher is paid by the employer and it falls into the category of deductible social expenses.

Table 25: **The nursery voucher** – monthly amounts (LEI)

	2007	2008	2009	2010
From January	300 Lei per child;	320 Lei per child;	340 Lei by child;	360 Lei per child;



From February	310 Lei per child	330 Lei per child;	350 Lei per child	370 Lei per child
From August	320 Lei per child	340 Lei per child.	360 Lei per child.	

**Financial aid to purchase computers (Euro 200 Program) (Ajutor financiar în vederea achiziționării de calculatoare)** is a benefit targeted towards increasing the access of children from poor families to information and communication technologies. Beneficiaries are families with children (below the age of 26) that study in accredited public or private educational institutions, if the gross monthly income per family member is below a certain threshold established by law. The threshold is indexed annually, by Government decision, based on consumer prices index.

The family receives financial assistance to purchase only one new personal computer, irrespective on the number of children in education.

The financial aid provided represents the equivalent in Lei of 200 Euro for a computer, without exceeding the price of the purchased computer. The amount did not change throughout 2007 – 2010.

Documents on family income and school attendance are required in order to apply for the benefit.

All income of each family member obtained during the previous month to application is taken into account, except for: state allowance for children, complementary family allowance, support allowance for mono-parental family, complementary personal budget for adults with disabilities, scholarships and social grants.

If the family owns movable and immovable property that could be exploited, the potential income obtainable from their exploitation is also considered in assessing the family gross monthly income (Art. 8, item (2) - (4) of Law no. 416/2001 on the guaranteed minimum income).

The benefit is financed from the budget of the Ministry of Education and Research.

**The financial support for students in the national social protection program “Money for school” (Sprijin financiar acordat elevilor din cadrul programului național de protecție socială “bani de liceu”)** is designed to improve the access to education for children from poor families.

Beneficiaries are children who are enrolled in day classes’ education, in high school or vocational school and are dependent on families whose gross monthly income per family member in the last three months preceding the application is below a certain threshold (150 Lei, according to GD no. 1488/2004). All income received by each family member during the three months prior to application is taken into account, except for: state allowance for children, complementary family allowance, support allowance for mono-parental family, scholarships and social grants, and other social aids provided for students. Local authorities carry out social inquiries to test the truthfulness of the statements on income and family property (in accordance with the procedure established by Law no. 416/2001 regarding the guaranteed minimum income and its norms of application). As the budget for this benefit is limited, additional criteria may be taken into account for families with the same levels of income.

The financial support is received monthly during the academic year and may be terminated in case of unjustifiable absenteeism or disciplinary issues.

The amount was established at 180 Lei and may be amended by Government decision. The amount did not change throughout 2007 – 2010.

The beneficiaries of the national programme of social protection “money for school” cannot receive at the same time the social grant for students.

### **Scholarships (Burse)**

**Social grants (Bursele de ajutor social)** are given to children attending day classes in pre-university and university education, depending on the financial situation of the family or in other cases established by law.

Social grants are given to the following categories of students in public pre-university education:

- orphans or children suffering from certain diseases,
- children studying in secondary schools in rural areas in a different locality than the one where they have residence and for whom a meal cannot be ensured;
- children from families with an average monthly net income per family member, for the past 12 months, of less than 50% of the national statutory net minimum wage that do not own agricultural land or the surface of the land is below some thresholds;



- occasionally social grants may be given to children that come from families with the net monthly income per family member below 75% of the national statutory minimum wage;
- children attesting for themselves or for one of their parents the title of “martyr hero” or “fighter for the victory of the Romanian Revolution of December 1989”, with one of the mentions: injured, detained, injured and detained, remarked during special events.

The social grants are paid to university students from poor families, if they do not receive a scholarship or a merit scholarship. Social grants are awarded to the following categories of university students:

- students attesting for themselves or for one of their parents the title of “martyr hero” or “fighter for the victory of the Romanian Revolution of December 1989”, with the one of the mentions: injured, detained, injured and detained, remarked during special events;
- students that are orphans, from orphanages or foster care;
- students suffering from certain diseases;
- students whose families did not earn in the last three months prior to application an average monthly net income per family member above the national statutory minimum wage.

The amount of social assistance grant is established by the boards of the county school inspectorates or by the university senates. University senates may establish differentiated specific criteria for awarding of social grant.

In assessing the family income all regular incomes earned by each family member are taken into account, except for the complementary family allowance.

### **Scholarships for tuition, scholarships for further education, adult literacy grants, according to Law 116/2002**

**Scholarships for tuition (Bursa de școlarizare)** can be received by people of school age who attend compulsory education and belong to families with two or more dependent children that are entitled to social aid under the Law no 416/2001 regarding the guaranteed minimum income.

**Scholarships for further education (Bursa pentru continuarea studiilor)** are granted to compulsory education graduates who continue their studies in pre-university schools and in higher education institutions and who belong to families with two or more dependent children that are entitled to social aid under the Law no 416/2001 regarding the guaranteed minimum income.

**Literacy grants (Bursa de alfabetizare)** are given to adults who participate in regional literacy programs. The beneficiaries must persons older than 14 in one of the following situations: they have never attended compulsory education courses; they haven't completed primary education or have attended primary education, but have not acquired basic knowledge.

The granting of these scholarships is conditioned on classes' attendance and school results. The levels of the tuition scholarships and scholarship for further education are set annually by the Government and the amounts are paid from the budget of the Ministry of Education or local budgets.

The level of the literacy scholarship is set by decisions of local authorities.

### **Guaranteed minimum social pension**

This social benefit has entered into force starting with April 1, 2009.

Beneficiaries: public pension system retirees with residence in Romania, if the pension amount, due or in payment is less than the guaranteed minimum social pension.

In case of persons who benefit from one or more of public pension rights, as well as rights established and paid by the public pension system under special laws or by the private pension systems, the granting of the guaranteed minimum social pension takes into account all these amounts.

The guaranteed minimum social pension is assessed as the difference between the guaranteed minimum social pension level and the pension amount due or in payment, according to the Law no. 19/2000 on public pension system and other social insurance rights, combined with any other duties paid under special laws.

In 2009, the guaranteed minimum social pension was 300 Lei from the 1st of April 2009, and 350 Lei from October 1st, 2009.



Starting with 2010, the guaranteed minimum social pension is set annually by the state budget law and can only be increased by correcting the state budget in relation to the evolution of macroeconomic indicators and financial resources.

From July 3, 2010, Law no. 118/2010 established that *the term "guaranteed minimum social pension" is replaced by "social allowance for pensioners", the social benefits for retirees will be no less than 350 Lei, the social benefits for pensioners are set annually by the budgetary laws, and may be modified in relation to the evolution of macroeconomic indicators and financial resources).*

Table 26: Guaranteed minimum social pension – quantum (LEI)

2007	2008	2009	2010
-	-	From April, 1, 2009 – 300 Lei From October, 1, 2009 – 350 Lei	From 3 July 2010, the level of the social indemnity for pensioners (till 2010, the guaranteed minimum social pension) will not be less than 350 Lei.

- *Scope and scale*

Table 5. Social benefits: recipients (as % of population)

	2007	2008	2009	2010
Old-age pension (end of July 2007)	14,10			
Early retirement pension (end of July 2007)	0,052			
Early partial retirement pension (end of July 2007)	0,539			
Survivors' pension (end of July 2007)	2,784			
Invalidity pension (end of July 2007)	4,073			
Unemployment benefit	0,596			
State allowance for children <i>% of the monthly average number of beneficiaries in the total population</i>	19,534	17,558	18,581	18,618
Complementary family allowance <i>% of the monthly average number of beneficiaries in the total population</i>	2,678	2,353	2,441	2,872
Support allowance for mono-parental family <i>% of the monthly average number of beneficiaries in the total population</i>	1,027	0,882	0,885	0,951
Allowance for family placement <i>% of the monthly average number of beneficiaries in the total population</i>	0,223	0,233	0,217	0,205
Indemnity for child rising <i>% of the monthly average number of beneficiaries in the total population</i>	0,882	0,883	0,837	0,930
Incentive for child rising <i>% of the monthly average number of beneficiaries in the total population</i>	0,077	0,083	0,076	0,045
Financial aid for family set up <i>% of the number of beneficiaries in the total population</i>	0,622	0,495	0,122	0,001
Allowance for new born children <i>% of the monthly average number of beneficiaries in the total population</i>	0,870	0,091	0,450	0,077



The outfit for newborn children <i>% of the number of beneficiaries in the total population</i>	0,661	0,929	0,495	0,001
Emergency benefits <i>% of the number of granted benefits in the total population</i>	0,371	0,476	0,082	0
Financial benefits <i>% of the number of granted benefits in the total population</i>	0,022	0,0348	0	0
Home heating aid <i>recipients as % of total population</i>	18,67			
Benefits for refugees <i>% of the monthly average number of beneficiaries in the total population</i>	00,,0002	0,0002	0,0002	0,0001
The aid for the purchase of automated burning <i>recipients as % of total population</i>	0,008			
Monthly allowance for the adult with severe visual disability, designated for the payment of the attendant <i>% of the monthly average number of beneficiaries in the total population</i>	0,196	0,207	0,207	-
Monthly allowance for adults with severe and marked disabilities <i>% of the monthly average number of beneficiaries in the total population</i>	1,983	2,294	2,405	-
Complementary personal budget for adults with disabilities <i>% of the monthly average number of beneficiaries in the total population</i>	2,355	2,745	2,893	-
The guaranteed minimum income <i>% of the annual total number of beneficiaries in the total population</i>	13,385	12,487	-	-
Aid for partial covering of funeral expenses <i>% of the number of granted benefits in the total population</i>	0,021	0,024	0,013	-
Monthly allowance of food for children and adults infected with HIV or AIDS <i>% of the monthly average number of beneficiaries in the total population</i>	0,036	0,029	0,029	-
Contribution for health insurance for the beneficiaries of the indemnity for child rising <i>% of the monthly average number of beneficiaries in the total population</i>	0,887	0,833	0,840	-

Source: Quarterly Statistical Bulletins on Labour and Social Protection, 2007-2008 (Ministry of Labour, Family and Social Protection, [www.mmuncii.ro](http://www.mmuncii.ro))  
Annual Statistical Yearbook, 2009 (National Institute of Statistics, [www.insse.ro](http://www.insse.ro))

Table 6. Social benefit: expenditure

	2007	2008	2009	2010
<b>Annual expenditure (Lei)</b>				
	Expenditure (lei)	as % of GDP	as % of GDP	as % of GDP
Old-age pension	16.891.456.707	4,060		
Early retirement pension	76.820.099	0,018		
Early partial retirement pension	531.996.569	0,127		
Survivors' pension	1.410.851.318	0.339		



Invalidity pension	3.325.542.495	0,799			
IOVR pension	44.726.723	0,01			
Unemployment benefit	754.240.300	0,18			
State allowance for children	2.082.807.807	0,501	0,503	0,298	0,216
Complementary family allowance	297.426.778	0,071	0,056	0,040	0,033
Support allowance for mono-parental family	155.733.316	0,037	0,028	0,018	0,014
Allowance for family placement	54.907.823	0,013	0,01	0,006	0,004
Indemnity for child rising	1.436.236.286	0,345	0,257	0,160	0,170
Incentive for child rising	23.877.393	0,005	0,004	0,002	0,0009
Financial aid for family set up	87.812.168	0,021	0,014	0,004	0,00008
Allowance for new born children	37.877.906	0,009	0,007	0,004	0,003
The outfit for newborn children	21.359.069	0,005	0,00577	0,00325	0,00004
Emergency benefits	30.946.461	0,007	0,0072	0,0015	-
Financial benefits	6.629.116	0,001	0,0018	-	-
Home heating aid	1.280.659.725	0,307			-
Benefits for refugees	163.430	0,000039	0,000073	0,000039	0,000016
The aid for the purchase of automated burning	2.455.900	0,00059			
Monthly allowance for the adult with severe visual disability, designated for the payment of the attendant	154.890.512	0,037	0,041	0,025	-
Monthly allowance for adults with severe and marked disabilities	720.369.786	0,173	0,183	0,110	-
Complementary personal budget for adults with disabilities	347.497.584	0,084	0,089	0,053	-
The guaranteed minimum income	396.615.888	0,095	0,071	0,039	-
Aid for partial covering of funeral expenses	1.561.659	0,00038	0,00040	0,00021	-
Monthly allowance of food for children and adults infected with HIV or AIDS	27.087.366	0,006	0,0054	0,0031	0,0023
Contribution for health insurance for the beneficiaries of the indemnity for child rising	104.262.784	0,025	0,025	0,008	0,006

Source: Quarterly Statistical Bulletins on Labour and Social Protection, 2007-2008 (Ministry of Labour, Family and Social Protection, [www.mmuncii.ro](http://www.mmuncii.ro))

Annual Statistical Yearbook, 2009 (National Institute of Statistics, [www.insse.ro](http://www.insse.ro))

#### 1.4 Social contributions

The Romanian social contribution system consists of six types of social contributions, levied on employers and/or employees, self-employed or on voluntary insurance contracts. These are the following: social insurance contribution, unemployment insurance contribution, health insurance contribution, medical leave and indemnities health insurance



contribution, insurance contribution for work accidents and professional disease, contribution for the salary payment guarantee fund.

**Social insurance contribution (Contribuții în cadrul bugetului asigurărilor sociale de stat)** is paid on mandatory basis by employers, employees and self-employed and also by the National Employment Agency on behalf of the unemployed. The categories of individuals who are mandatorily insured in the public social insurance system are: employees, self-employed and unemployed. Social insurance contribution is not due by self-employed (except for income from author's rights in 2010) who are also employees. On a voluntary basis, other categories of individuals than employees or self-employed, individuals who are not benefiting from social insurance rights or are not insured in other non- public social insurance systems, have the right to become insured. Also the mandatorily insured persons have the right to supplementary social insurance to increase their insured income.

The individuals who pay the social insurance contribution are entitled to social insurance benefits in case of the following insured risks: old-age, invalidity or death.

The *total social insurance contribution rate* is differentiated by working conditions, which can be *normal, unusual and special* and is approved by the *Law on Social Insurance Budget* on annually basis.

Unusual working conditions are those that can permanently affect in certain periods the working capacity of the insured person because of the high risk exposure (physical, chemical and biological occupational hazards such as noise, radiation, vibration, electromagnetic waves, etc. which produce effects on health and the workplaces are associated to certain morbidity rates). Special working conditions are considered: mining; exploring, exploitation and manufacturing nuclear raw materials for the 1<sup>st</sup> and 2<sup>nd</sup> degree exposure to radiations, civil aviation, and certain artistic activities.

The *individual employee contribution* is also set annually by the *Law on Social Insurance Budget*, while the employer pays the difference between the total and the individual contribution rate. Beginning from May, 2008, 2% of the individual social insurance contribution for employees is directed to the mandatory private pension system (2<sup>nd</sup> pillar). The self-employed and the voluntarily insured pay the total social insurance contribution rate. From July 1, 2010 there is one exception regarding the contribution rate for self-employed: for income from author's right the self-employed pay the individual social insurance contribution rate.

The base for the calculation of social insurance contribution is the total gross wages at company level for employers, the gross wage for employees, the insured income for self-employed (except for income from author's rights; in this case the gross income is the tax base) and the statutory minimum wage for beneficiaries of health insurance benefits , (indemnity for work incapacity, except for work accidents and professional disease to which social insurance contribution is not due, maternity allowance, indemnity for maternal risk) and the total fund of unemployment benefits for the National Employment Agency. In the case of the above-mentioned health insurance benefits, the total contribution rate is due, divided between the beneficiary and the employer; while for the unemployment benefit recipients the National Employment Agency pays the individual contribution rate. For self-employed, the decision regarding the amount of the insured income belongs to the insured person (inside the thresholds) and is declared through an insurance statement ("declaratie de asigurare") which the self-employed has to fill in at the territorial Pension House.

The income base for social insurance contributions was limited to 5 national average wages (provisional figure used for building the social insurance budget) until 2007, June 30. For policy years 2008, 2009 there is no upper threshold for the social insurance contribution base. After July 1, 2010 for professional income from independent activities (self-employed), the social contribution base is limited again to five national average gross wages.

In 2007, the social insurance contribution base for self-employed had a lower threshold: one quarter of the forecasted (by the National Institute of Statistics) gross average wage (threshold: 318 Lei). The social insurance contributions is payable regardless of whether the self-employed person declares profit or losses (as long as revenues from self-employment are realized)

The social insurance contribution is not levied on social insurance benefits, employees' participation to company profit, daily allowances and author's rights for policy years 2007, 2008 and 2009. From 2010, the individual (employee) contribution rate is due for author's rights.

The contribution is collected in the social insurance budget.

### **Unemployment insurance contribution (Contribuția în cadrul bugetului asigurărilor pentru șomaj)**

In the unemployment insurance system are mandatorily insured employees, persons who hold elective positions or other persons who earn income on the basis of a labour agreement (no insurance is due for persons working under a



civil agreement, although they may insure voluntarily), according to the *Law no. 76/2002 on unemployment*. On a voluntary basis, self-employed can become insured in the unemployment insurance system. From July 1, 2010 the unemployment insurance contribution is compulsory for self-employed for income received as a result of author's rights.

The insured are entitled to unemployment benefit if the risk occurs.

The level of the unemployment contribution rate is set by the *Law on Social Insurance Budget* on annually basis. The unemployment insurance contribution rate has different levels for employers, employees and voluntarily insured. The base for the calculation of the unemployment insurance contribution is the total gross wages for employers, the gross wage for employees and the insured sum for the voluntary insurance contracts (also self-employed), but not less than the statutory minimum wage in Romania and income from author's rights for self-employed who earn this type of income (no minimum or maximum thresholds apply for income from author rights).

The contribution is collected in the unemployment insurance budget.

### **Health insurance contribution (Contribuția de asigurări sociale de sănătate)**

All Romanian citizens who live in Romania or foreign citizens in certain conditions are insured in the sense of the *Law no. 95/2006 on the reform in the health system* if they pay the health insurance contribution. The health insurance contract is individually signed either directly or through an employer, for employees. Are insured without paying contribution the following categories: children up to the age of 18, people aged between 18 ad 26 years if they are pupils, students or apprentices and do not earn any income; young people up to the age of 26 if they come from the child protection system and do not earn any income and are not beneficiaries of the minimum guaranteed income; no income earner spouse or parent of an insured person; people with disabilities who do not earn income from working arrangements, pensions or other sources, except for the disability benefit; people with illness who are included in national health programs, pregnant and child bedding women if they do not earn any income; and politically persecuted persons. The categories that are insured but their contribution is paid from other sources than personal income are those in the following situations: (a) military service; (b) temporary work incapacity leave as a result of work accident or professional disease; (c) childcare leave; (d) arrested persons; (e) unemployment benefit recipients; (f) victims of trafficking in human beings; (g) expelled; (h) family members of guaranteed minimum income recipients. The contribution rates and contribution base for the above categories are as follows: 6.5% from the double of the statutory minimum guaranteed wage in 2007 and 2008 (5.5% in 2009 and 2010) for (a), (c), (d), (f), (g); 6.5% from the unemployment benefit for (e); 6.5% from the indemnity for work incapacity (b); 6.5% from the social benefit received for (h). These contributions are paid from the state budget ((a), (c), (d), (f), (g)), the unemployment insurance budget ((e)), the local budgets ((h)) or the employer and the Insurance Fund for work accidents and professional disease ((b)).

Pensioners with a pension level less than the personal deduction from the personal income tax (900 Lei) do not pay health insurance contribution in 2007, but beginning from 2008, health insurance contribution is levied on all pensions.

The health insurance contribution rate (6.5% in 2007) is levied on the total gross wages paid for employers, on the gross wage for employees, on taxable income (or non-taxable income if there is no taxable income) and on gross income from author's rights for self-employed (from July 1, 2010), on the unemployment benefit for unemployed, on pension income (on the amount that exceeds the non-taxable pension level for 2007 and 2008, and on the total gross pension for 2009 and 2010). Income from real estate rental, dividend and interest, intellectual property is subject to health insurance contribution only if it represents the only income source of the insured person.

The contribution is collected in the health insurance budget.

**Health insurance contribution for medical leave and indemnities (Contribuția pentru concedii și indemnizații de asigurări sociale de sănătate)** is paid by employers and self-employed. The contribution base is the total gross wages for employer and the taxable income for self-employed. The contribution is collected in the health insurance budget and its destination is towards the payment of medical leaves and indemnities. The contribution is collected in the health insurance budget.

**Work accidents and professional disease insurance contribution (Contribuția de asigurări pentru accidente de muncă și boli profesionale)** is paid by all employers and self-employed. The rate is differentiated according to the classification of economic activities (NACE). The contribution base is the total gross wages at employer level (the sum



of all employees' gross wages) and the taxable income for self-employed. The contribution is collected in the social insurance budget.

**Contribution for the salary payment guarantee fund (Contribuția la fondul de garantare pentru plata creanțelor salariale)** is paid by all employers, except for public institutions. Its purpose is to guarantee the right to salary to employees in the case the company is legally declared in insolvency procedure. The contributory base is the total gross wages at employer level (the sum of all employees' gross wages). The contribution is collected in the salary payment guarantee fund.

*Social contribution rates, 2007 – 2010*

Type of contribution	% of contribution base*			
	2007	2008	2009	2010
social insurance	employer: 19.5%, 24.5%, 29.5%	employer: 19.5%, 24.5%, 29.5% and 18%, 23%, 28%**	employer: 18.5%, 23.5%, 28.5% and 20.8%, 25.8%, 30.8%****	employer: 20.8%, 25.8%, 30.8%
	self-employed: 29%, 34%, 39%	self-employed: 29%, 34%, 39% and 27.5%, 32.5%, 37.5%**	self-employed: 28%, 33%, 38% and 31.3%, 36.3%, 41.3%	self-employed: 31.3%, 36.3%, 41.3% (for author's rights: 10.5%)
	employee: 9.5%	employee: 9.5%	employee: 9.5%	employee: 10.5%
unemployment insurance	employer: 2%	employer: 1%, 0.5%**	employer: 0.5%	employer: 0.5%
	employee: 1%	employee: 0.5%	employee: 0.5%	employee: 0.5%
	self-employed: 3.25%	self-employed: 1.5%, 1%**	self-employed: 1%	self-employed: 1% (for author's rights: 0.5%)
health insurance	employer: 6%	employer: 5.5%, 5.2%**	employer: 5.2%	employer: 5.2%
	employee: 6.5%	employee: 6.5%, 5.5%***	employee: 5.5%	employee: 5.5%
	self-employed: 6.5%	self-employed: 6.5%, 5.5%***	self-employed: 5.5%	self-employed: 5.5%
medical leave and indemnities health insurance contribution	employer: 0.85%	employer: 0.85%	employer: 0.85%	employer: 0.85%
	self-employed: 0.85%	self-employed: 0.85%	self-employed: 0.85%	self-employed: 0.85%



<b>insurance for work accidents and professional disease</b>	employer: 0.4 - 3.6%	employer: 0.4 - 2%	employer: 0.15 – 0.85 %	employer: 0.15 – 0.85 %
	self-employed:1%	self-employed:1%	self-employed:1%	self-employed:1%
<b>contribution for the Salary Payment Guarantee Fund</b>	employer: 0.25%	employer: 0.25%	employer: 0.25%	employer: 0.25%

\*\* the rates changed on December 1, 2008.

\*\*\*the rates changed on July 1, 2008.

\*\*\*\*the rates changed on February 1, 2009.

- *Scope and scale*

Table 7. Social contributions: % of annual revenue

	2007	2008	2009
Annual revenue (lei)	39070516345	47612196386	46803370093
<b>Health insurance contributions</b>	<b>31,2893</b>	<b>29,9158</b>	<b>29,3466</b>
<i>Employers contributions</i>	<i>15,6694</i>	<i>14,7487</i>	<i>14,5980</i>
Contributions from employers or self employed with employees	13,6778	12,9242	12,6811
Health insurance contributions due by unemployed	0,0823	0,0638	0,1744
Contributions for leaves and indemnities from employers or self-employed	1,6230	1,6490	1,7275
Contributions for leaves and indemnities due by unemployed	0,0068	0,0039	0,0096
<i>Insured persons contributions</i>	<i>15,6199</i>	<i>15,1671</i>	<i>14,7486</i>
Employees contributions	15,5779	15,0415	14,5742
Other insured persons' contributions	109,1520	14,3625	13,5383
Insured persons' contributions for leaves and indemnities	0,5513	0,5003	0,5127
Pensioners' contribution	0,2607	0,0048	0,0057
Optional contributions	0,0928	0,1739	0,5175
Other contributions due by insured persons	0,0032	0,0043	0,0044
<b>Social Insurance Contributions</b>	<b>62,4443</b>	<b>66,0503</b>	<b>70,6500</b>
Employers contributions	42,5551	45,7872	48,8965



Employers social insurance contributions	40,7978	44,3708	48,2042
Employers insurance contributions for labour accidents and professional diseases	1,7573	1,4164	0,6923
Insured persons' social insurance contributions	19,8892	20,2631	21,7536
Other insured persons' contributions	19,2350	21,2969	23,7421
Facultative contributions	0,6291	0,6771	0,8194
<b>Unemployment Insurance Contribution</b>	<b>6,2665</b>	<b>4,0339</b>	<b>0,0034</b>
Employers contributions	4,2933	2,4589	0,0014
Employers contributions to the salary payment guarantee fund	0,4284	0,4209	0,0005
Individuals contributions	1,5438	1,1535	0,0014
Contributions due by insurance contract	0,0009	0,0006	0,0001

Source: Activity reports from the National Health Insurance House for 2007, 2008, 2009 (for the Health Insurance Contribution) Social Insurance Budget execution, Statistical Yearbook 2009 and 2010 (for Social Insurance Contribution) Unemployment Budget execution for 2007 and 2008, [www.anofm.ro](http://www.anofm.ro) (for Unemployment Contributions)

## 1.5 Taxes

The Romanian tax system has undergone some major changes beginning from 2000, when the tax reform that started made the Romanian fiscal regime more simple and uniform. In 2004, the new Fiscal Code entered into force and brought important exemptions and facilities, but in the upcoming years the changes that took place in the Fiscal Code, except for the introduction of the flat income tax of 16% for individuals and companies, were mainly in favour of higher taxation. The most important direct taxes that are levied through the Romanian tax system are: income tax, real estate taxes, while the indirect taxes are: value added tax (VAT) and excise taxes.

### 1.5.1 Direct taxes

#### Personal Income Tax (Impozitul pe venit)

The personal income tax is paid by individuals as a flat rate of 16% levied on the income tax base.

The personal income tax is paid by the Romanian residents, but also non-residents who are involved either in a dependent activity in Romania or in an independent activity through a permanent headquarters on the Romanian territory. The taxable income for individuals who have residence and live in Romania includes all income earned in Romania or abroad. For the individuals who have residence, but not live in Romania, the taxable income includes only the income earned on the Romanian territory, with two exceptions: (1) the center of person's vital interests is placed in Romania and (2) the person lives in Romania for at least 183 days per year, if one of these two conditions is fulfilled for at least 3 consecutive years, in which case the taxable income includes also income earned in Romania and abroad, starting with the 4<sup>th</sup> fiscal year.

The income categories that are subject to personal income tax are:

- income from independent activities,
- income from dependent activities (salary or wage),
- income gains from real estate rental,



- income gains from investments,
- pensions and temporary work incapacity benefit,
- income gains from property transfers,
- income from agricultural activities,
- income from gambling and prizes,
- other income.

Personal income tax free income categories are:

- Social benefits (allowances, indemnities, social insurance benefits, scholarships), other than pensions and temporary work incapacity benefit. Are excepted from personal income tax: invalidity pensions for the 1<sup>st</sup> degree of invalidity, benefits for war invalids.
- Income for damages suffered, either received from insurances of any type or from other sources, including moral prejudice.
- The income equivalent of coupons which are freely allotted to individuals, according to the legislation in force.
- Income or goods from inheritance or donation
- Income gains from real estate property transfers in the following three situations: the property is regained under special laws; donation between relatives of the 3<sup>rd</sup> degree at most and between spouses; inheritance, if the succession is finalized in maximum 2 years from the moment of decease.
- Income earned by the members of diplomatic missions in Romania, under the condition of reciprocity and income earned by members of Romanian diplomatic missions, councillor offices and cultural institutes placed abroad.
- Income earned by officials of international organizations for their activity in Romania.
- Income earned by foreign citizens for consultancy activities, under non-reimbursable financing agreements.
- The difference of subsidized interest for credits, under the legislation in force.
- Income from prizes gained by sportsmen medalled at European, World and Olympic championships.

The taxable period is equivalent to the fiscal year which corresponds to the calendar year. The flat rate of 16% is applied on the income tax base by income source.

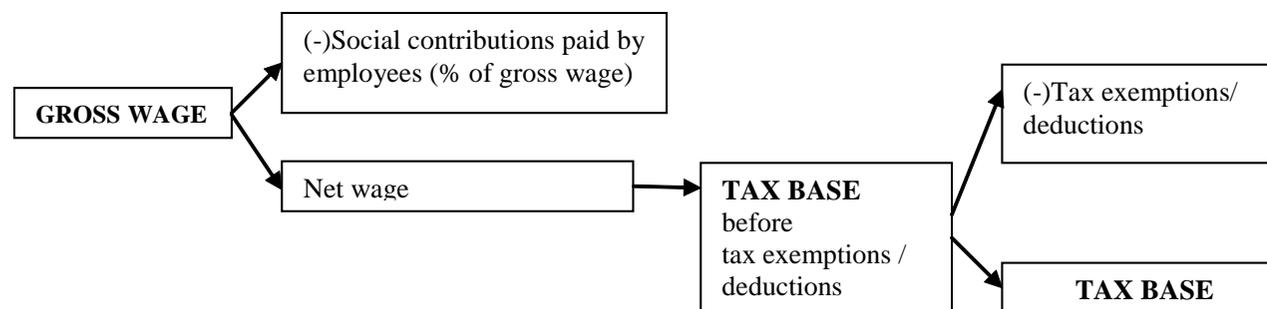
The revenues are collected to the state budget, with the exception of 50% from the tax on real estate property transfer which goes to the local budgets.

As it follows, we shall detail the calculation of the **tax base** for each category of income which is subject to personal income taxation.

***Income from dependent activities (employees)***

*For the main activity:* The tax base is the difference between the net wage and personal deductions and exemptions (Fig 1).

Fig. 1



The following exemptions may be deducted from the tax base:

- *Personal deduction.* Beneficiaries of *personal deduction* are the taxpayers who have a monthly gross wage under or equal to 3000 Lei. The personal deduction is applied only on wages and only at the main job or activity. The amount



of the deduction is function of the number of taxpayer’s dependent persons, as seen in the table below (for a monthly gross wage not higher than 1000 Lei).

Number of dependents	Personal deduction (Lei)
0	250
1	350
2	450
3	550
4 or more	650

If the gross wage is between 1001 and 3000 Lei, the personal deduction is decreasing with income and its amount is established by applying the following formula (Order of the Finance Minister No. 1016/2005):

$$\text{Personal deduction} = \text{Personal deduction (gross wage} \leq 1000 \text{ Lei)} * [1 - (\text{Gross wage} - 1000) / 2000]$$

The *dependent person* can be the spouse, children or other family members, relatives up to the 2<sup>nd</sup> degree (children, parents, brothers and sisters, grandparents and grandchildren) of the taxpayer or his/her spouse’s with a gross taxable and non-taxable income (all income, whatever its source is included) which does not exceed 250 Lei. Children under 18 years are considered dependent persons, except for children aged between 16 and 18 who are legally employed, in which case the child is treated as a tax payer and he could be a dependent person only if his income is below the 250 Lei threshold. If one person is dependent to more than one taxpayer, the personal exemption is allotted to only one of the taxpayers, according to the parties’ wish.

- *Trade union fee.*

- *Contributions to private voluntary pension schemes,* if the annual contribution does not exceed the equivalent in Lei of 200 Euro (equivalent to 668 Lei<sup>1</sup> for policy years 2007 and 2008) and 400 Euro (equivalent to policy years 2009 and 2010).

- *Savings in collective systems for dwelling expenses.* The exemption limit is 300 Lei per year.

*For secondary activities:* The tax base is calculated as the difference between the gross wage and compulsory social contributions.

The personal income tax is paid monthly by the employer.

***Income from independent activities (self-employed)***

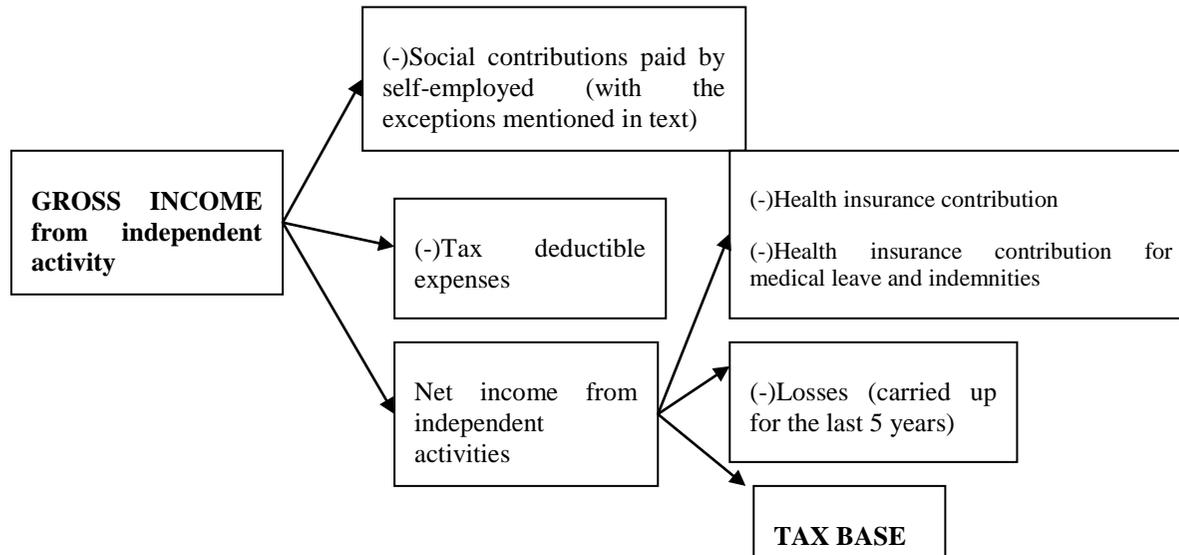
Income from independent activities includes: commercial income, income from liberal professions, income from intellectual property, earned individually or in association.

The net income from independent activities (net gain) is the difference between the gross income from independent activity, tax deductible expenses and social contributions (except for the health insurance contribution, medical and leave indemnities health insurance contribution and work accidents and professional disease insurance contribution) paid by self-employed.

The tax base (taxable income) from independent activities is the difference between the net income from independent activities (net gain) and health insurance contribution, health insurance contribution for medical leave and indemnities, work accidents and professional disease insurance contribution and also the carried up losses for the last five fiscal years, if the case, as well (see Fig. 2).

Fig.2

<sup>1</sup> 1 Euro= 3.34 Lei in 2007 and 1 Euro=4.27 Lei in September 2010 (annual average exchange rates).



If the self-employed has no employees, the rule is to be taxed based on net income established by income norms, issued by the Ministry of Finance on yearly basis depending on region (county), type of economic activity and seasonality, but self-employed without employees may choose to be taxed based on their real income.

Also as a rule, net income from intellectual property rights can be calculated, if the taxpayer wishes, as the difference between the gross income and a 40% (or 50% if the income is payment for creation of monumental art works) of gross income as deductible expenses and social contributions (policy years 2007, 2008 and 2009). Beginning from July 2010, the share of the above mentioned deductible expenses decrease to 20%, respectively 25%. Net income from intellectual property rights may be calculated based on registered expenses as well.

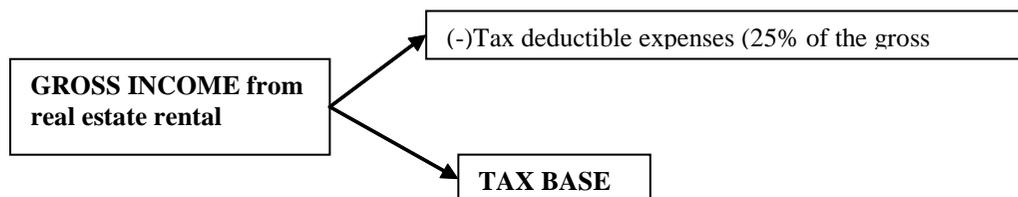
The personal income tax for independent activities is paid on yearly basis.

Some income categories from independent activities, such as income from intellectual property rights, income from activities regulated by civil conventions (under the Civil Code), income from technical, accounting and legal expertise are taxed at source as a share of 10% of the gross income paid. This is considered anticipated tax payment. At the end of the year the anticipated payment is compared to the real duty (16% of net income) and compensations are made in favour of the taxpayer or the state budget.

**Income from real estate rental**

The net taxable income (tax base) is calculated as the difference between the gross income from real estate rental and a 25% of the gross income which represents deductible expenses. Taxpayers can choose to deduct the real expenses in which case they have to do their bookkeeping (see Fig. 3).

Fig. 3



The personal income tax for real estate rental is paid on yearly basis.



**Income from investments**

Income from investments includes dividends, gains from capital investments, interests, foreign exchange operations and income from company liquidation. Until July 2010, gains from interests at current accounts and deposits constituted for savings in collective system for dwelling expenses were exempted from taxation.

From 2009, if the dividends are reinvested for employment they are not subject to taxation.

The tax base is represented by the net gain from investments.

With the exception of dividends and gains from interests which are due monthly, income from investments is taxed quarterly.

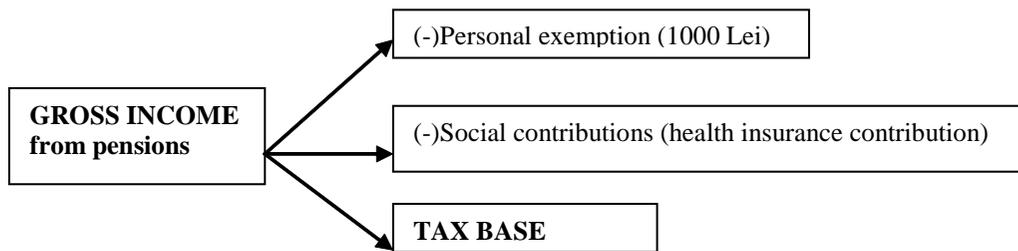
**Income from pensions**

All income from pensions, earned either in public or private, mandatory or voluntary system is subject to personal income tax. Beginning from May 2010, pensions of severe and accented disabled individuals are not taxed by exception.

The tax base is the difference between the gross income and mandatory social contributions and the personal deduction of 900 Lei (for policy year 2007) or 1000 Lei (for policy years 2008, 2009 and 2010) (see Fig. 4).

The tax on pensions is paid on a monthly basis.

Fig. 4



**Income from temporary work incapacity benefit**

The temporary work incapacity benefit is subject to personal income tax. The net benefit is calculated by subtracting the 16% tax rate from the gross benefit amount. No social contributions are levied on temporary work incapacity benefit.

**Income from agricultural activities**

The income from agricultural activities is calculated based on income norms on area unit, issued yearly by the territorial branches of the Ministry of Agriculture and approved by the Ministry of Finance or else, the taxpayer has the option of bookkeeping and register real income.

The tax base is the net income calculated on the basis of income norms or else, the difference between income and expenses.

The tax on income from agricultural activities is paid on yearly basis.

**Income from gambling and prizes**

The tax base is the difference between the gain from prizes and gambling and an exemption of 600 Lei per prize and gain at gambling at the same organizer or payer during one day.

We have an exception from the tax rate of 16% in the case of income from gambling which was taxed with a 20% rate for the policy year 2007. Then, between 2008 and half 2010, the tax was 20% for amounts up to 10000 Lei and 25% else. From July 2010, the rate was set to 25%, irrespective of income amount.



### ***Income from real estate property transfer***

The tax rate is differentiated according to the number of years passed from the moment the property was originally acquired. So, if the building or land is transferred in three years from the original accrual the tax is 3% on the transfer value if this does not exceed 200,000 Lei; and 6,000 Lei plus 2% for the difference between the transfer value and 200,000 Lei for transfer values higher than 200,000 Lei. If the real estate is transferred after more than three years from the original accrual the tax is as follows: 2% up to 200,000 Lei and 4000 Lei plus 1% from the difference between the transfer value and the threshold of 200,000 Lei.

### **Real Estate Taxes (Impozite și taxe pe proprietate)**

The real estate taxes consist of tax on buildings and tax on land. These taxes are collected by municipalities.

**Building tax** is levied on all buildings in Romania, except for state-owned buildings, buildings owned by municipalities and by public institutions, churches, historical monuments, schools, public hospitals. Other buildings that are exempted from building tax are buildings used as hothouses, hotbeds, silos or buildings owned by foundations or associations and which are used for social or humanitarian activities.

For individuals, the building tax is calculated as a 0.1% of the taxable value of the building, per year. The calculation of the taxable value takes into account three elements: the construction material used for the building, building facilities (water installation, sewerage, electrical and heating installation), geographical elements (the rank of the municipality and the location within the municipality). The taxable value thus calculated is then reduced by a percent corresponding to the age of the building: 20% for a more than 50 years old buildings, 10% for a building which was built between 30 and 50 years ago.

If the building is used for dwelling and has more than 150m<sup>2</sup>, the taxable value is multiplied by 5% to every 50m<sup>2</sup> or fraction which exceeds the above mentioned threshold.

From July 2010, individuals who own more than one building are supplementary taxed. The increment is applied to the taxable value of the second (65%), third (150%) or fourth (300%) building.

The building tax is paid yearly in two stages and if paid in advance, the tax is reduced by 10%.

**Land tax** is levied on all land in Romania, except for land owned by churches, cemeteries, schools, universities, hospitals or other public institutions, state or municipalities if not used for commercial purpose. Are also exempted from tax land roads, lands which are not suited for agricultural or forestry activities, land used for fighting against floods, used for water sources or underground exploitation purposes, land connected to hydro technical systems, navigation roads, and harbour infrastructure.

The land tax is paid by the owner and calculated on the basis of area, municipality rank and location within the municipality and usage of the land.

The land tax is paid yearly in two stages and if paid in advance, the tax is reduced by 10%.

**Vehicle tax** is paid for all vehicles registered in Romania, except for cars and motorcycles owned by disabled persons and adapted to their disability, cars owned by public institutions and conveyances used for public transportation.

The vehicle tax is paid by the owner and differs by vehicle type and cylindrical capacity. The tax is paid yearly to the local budgets in two stages and if paid in advance, the tax is reduced by 10%.

## **1.5.2 Indirect taxes**

### **Value Added Tax(VAT) (Taxa pe valoare adăugată)**

The VAT is levied on the supply of goods and services provided on the Romanian territory by a VAT taxpayer as a result of an economic activity and the imported goods from non-EU countries. VAT is also levied on the import of new vehicles and goods which are subject to excise tax from EU countries.

The taxpayer is a person who carries out, independently and irrespective of location, economic activities, no matter of the purpose and result of these activities.

The tax base is the price of the operation for the supply of goods and services and the custom value for imported goods.



For policy year 2007, the standard VAT rate is 19% and is applied on the tax base. The reduced 9% VAT rate is applied on medicines, medical prosthesis, orthopaedic products, books, newspapers, magazines, and accommodation in hotels or similar, access to cultural and historical events and institutions.

Beginning from July 2010, the standard VAT rate was increased to 24%. The reduced 9% VAT rate is maintained and a reduced 5% VAT rate is supplementary introduced for the supply of houses as part of government's social policy.

#### Excise tax (Accize)

In Romania the excise taxes are applied on the following products: alcohol and alcoholic beverages, processed tobacco, energy products and electricity.

- *Scope and scale*

Notes:

Source:

Table 8. Taxes: % of revenue

	2007	2008	2009
Fiscal revenue (Lei)	<b>44.824.200.000</b>	<b>55.133.600.000</b>	<b>48.152.900.000</b>
<b>Direct taxes</b>	<b>32,51</b>	<b>33,86</b>	<b>32,40</b>
Tax on profit, income and gains from capital from firms	26,31	26,13	24,9
Tax on profit, income and gains from capital from individuals	6,09	7,54	7,38
Tax on salaries	0,11	0,03	0,01
Tax on property	0,0008	0,17	0,11
<b>Indirect taxes - Tax on goods and services</b>	<b>65,43</b>	<b>64,14</b>	<b>66</b>
VAT	37,24	40,34	35,46
Excise tax	25	22,46	29,64
Tax on the use of goods or on activities	2,78	1,31	0,92
Other taxes on goods and services	0,42	0,04	0,0002

Source: Romanian Statistical Yearbook, 2009 and 2010

## 2. SIMULATION OF TAXES AND BENEFITS IN EUROMOD

### 2.1 Scope of simulation

Table 9 presents the Romanian benefits system, underlining the manner in which they were treated in EUROMOD, while Table 10 presents the tax and contribution system in Romania explaining their simulation in EUROMOD.

Table 9. Simulation of benefits in EUROMOD

	Variable name(s)	Treatment in EUROMOD				Why not fully simulated?
		2007	2008	2009	2010	
Old age benefits (Old age pension, Early retirement pension)	poa	I	I	I	I	No data on contribution record
Survivors' pension	psu	I	I	I	I	No data on contribution record
Invalidity pension	pdi00	I	I	I	I	No data on contribution record
Unemployment benefit	bun_s	PS	PS	PS	PS	No data on the contribution history needed to estimate the bonus benefit, no simulation of the benefit for graduates (non-contributory)
Sickness benefit (Indemnity for temporary work incapacity caused, Indemnity for maternal risk)	bhl	I	I	I	I	No data on contribution history and sickness occurrence
Maternity benefit (Maternity allowance)	bma	I	I	I	I	No data on contribution history and sickness occurrence
Universal child benefit	bchnm_s	S	S	S	S	
Means tested family benefits	bchmt_s	S	S	S	S	
Child raising allowance	bccnw_s	S	S	S	S	No data on contribution record for the previous year to child birth, in 2009 and 2010 the simulation of the amount is based on the imputed wage
Child raising incentive	bccrw_s	S	S	S	S	
Marriage grant (Financial aids for family set up)	-	E	E	E	E	No detailed information in micro-data, no information on the family set up event occurrence
Allowance for newborn children and the outfit for newborn children	bchba_s	S	S	S	S	
The leave and indemnity for the caring of the ill child	-	E	E	E	E	No information in micro-data, no information on child disability or illness
Heating aid (Means tested heating benefit)	bhoen_s	PS	PS	PS	PS	Asset test not fully implemented
Financial benefits	-	E	E	E	E	Discretionary benefit; No information in micro-data



Emergency benefits	-	E	E	E	E	Discretionary benefit; No information in micro-data
Benefits for refugees	-	E	E	E	E	No information in micro-data
The aid for the purchase of automated burning	-	E	E	E	E	No information in micro-data on purchases
Disability benefit (Monthly allowance for adults with severe and marked disabilities, Complementary personal budget for adults with disabilities)	bdi	I	I	I	I	No information on the degree of disability
Monthly allowance for the adult with severe visual disability, designated for the payment of the attendant	-	E	E	E	E	No information on the type and degree of disability
Social assistance (Guaranteed minimum income)	bsa_s	PS	PS	PS	PS	Asset test not fully implemented; work test not implemented
Aid for partial covering of funeral expenses	-	E	E	E	E	No information in micro-data, no information on event occurrence
Monthly allowance of food for children and adults infected with HIV or AIDS	-	E	E	E	E	No information in micro-data
The nursery voucher	-	E	E	E	E	No information in micro-data
Financial aid to purchase computers (Euro 200 Program)	-	E	E	E	E	No information in micro-data
Money for High -School (Means tested educational allowance)	bched_s	PS	PS	PS	PS	Asset test not fully implemented, sanctions due to absenteeism from school not simulated
Scholarships	-	E	E	E	E	No information in micro-data
Minimum social pension	bsaoa_s	-	-	S	S	Introduced in policy year 2009
Severance payments	yunsv	I	I	I	I	No detailed information in the dataset, no information on the occurrence of the firing event

Notes: “-”: policy did not exist in that year; “E”: *excluded* from the model as it is neither included in the micro-data nor simulated; “I”: *included* in the micro-data but not simulated; “PS” *partially simulated* as some of its relevant rules are not simulated; “S” *simulated* although some minor or very specific rules may not be simulated.



Table 10. Simulation of taxes and social contributions in EUROMOD

	Variable name(s)	Treatment in EUROMOD				Why not fully simulated?
		2007	2008	2009	2010	
Personal income tax	tin_s	S	S	S	S	
Real Estate Tax	-	E	E	E	E	No information in micro-data on real estate
Indirect taxes	-	E	E	E	E	No information on consumption in the micro-data
Employee Social Insurance Contributions	tscee_s	S	S	S	S	
Employer Social Insurance Contributions	tscer_s					
Benefit Recipients Social Insurance Contributions	tscbr_s	S	S	S	S	
Self Employed Social Insurance Contributions	tscse_s	S	S	S	S	
Health insurance contribution (active population and pensioners)	tschl_s	S	S	S	S	
Credited Health insurance contribution	tscchl_s	S	S	S	S	

Notes: “-” policy did not exist in that year; “E” policy is *excluded* from the model’s scope as it is neither included in the microdata nor simulated by EUROMOD; “PS” policy is *partially simulated* as some of its relevant rules are not simulated; “S” policy is *simulated* although some minor or very specific rules may not be simulated.

There are no significant structural changes regarding policy simulations during 2007- 2010. In 2009 the Minimum social pension benefit was introduced.



## 2.2 Order of simulation and interdependencies

- *Order of simulation in 2007 - 2010*

The following table shows the order in which the main elements of the Romanian tax and benefit system in 2007-2010 are simulated. As the Romanian system did not face significant structural changes within this period, we use one table to display policy simulations over the four years' span. Policies, which are included into the model, but not used in the EUROMOD baseline, are marked as “switched off in the baseline”. Policies, which have been applicable in a specific year only are marked as “switched off in year (-s) X”. In general, the spine structure is identical for all four analysed years.

The defined order shows the start of Romanian policy simulations with the minimum wage. This choice is made in order to check minimum wage policy implementation for observed salaries first, as employment income is used in many following policies either explicitly or implicitly.

Then we simulate the contributions prior to simulating the personal income tax, as most of them are on the list of deductibles for the personal income taxation, In order to maintain consistency we simulate the contributions together as a block, The Benefit Recipients Social Insurance Contributions (Credited social insurance contributions) are simulated after the Unemployment Benefit as there are also credited to unemployment benefit recipients.

After the personal income tax we simulate the non taxable benefits. The means tested social benefits that are granted considering a list of preceding incomes, are simulated as the last parameters in the spine.

Table 11. EUROMOD Spine: order of simulation, [2007 - 2010]

Policy	Description	Main output
yem_ro	Minimum Wage (Salariul minim brut) <i>(switched off in the baseline for all years)</i>	yem
tscee_ro	Employee Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj)	tscee_s
tscer_ro	Employer Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj)	tscer_s
bun_ro	Unemployment benefit (Ajutorul de somaj)	bun_s
tscbr_ro	Benefit Recipients Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj)	tscctpi_s
tsce_s	Self-Employed Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj)	tsce_s
tschl_ro	Health insurance contributions (active population & pensioners) (Contributia de asigurari sociale de sanatate)	tschl_s
tin_ro	Personal Income Tax (Impozitul pe venit)	tintb_s
bchba_ro	Allowance for new born children and the outfit for the new born children (Alocatia pentru copiii nou-nascuti si trusoul pentru nou-nascuti)	bchba_s
bchnm_ro	Universal Child Benefit (Alocatia de stat pentru copii)	bchnm_s
bccnw_ro	Child raising allowance (Indemnizatia pentru cresterea copilului)	bccnw_s
bccrw_ro	Child raising incentive (Stimulentul lunar)	bccrw_s



bsaoa_ro	Minimum social pension/ social allowance for pensioners (Pensia minima garantata) <i>Switched off for policy years 2007 and 2008</i>	bsaoa_s
bched_ro	Means-tested educational allowance (Money for High-School) (Sprijin financiar acordat elevilor din cadrul programului national de protectie sociala 'Bani de liceu')	bched_s
bsa_ro	Guaranteed min income (Venitul minim garantat)	bsa_s
calibrate_bsa_ro	Adjust take up of the minimum guaranteed income to exclude households where the head is younger than 26 <i>(switched off in the baseline for all years)</i>	bsa_s
tscchl_ro	Credited health insurance contributions + contributions of the inactive	tscchl_s
bchmt_ro	Means-tested family benefits (Alocatia familiala complementara si Alocatia de sustinere pentru familia monoparentala)	bchmt_s
bhoen_ro	Means-tested heating benefit (Ajutorul pentru incalzirea locuintei) <i>Switched off for policy years 2008, 2009 and 2010.</i>	bhoen_s

Source: EUROMOD 6.0

## 2.3 Social benefits

### 2.3.1 Unemployment benefit (Ajutorul de șomaj) (bun\_ro)

- **Definitions**

The unit of analysis is the individual (tu\_individual\_ro).

- **Eligibility conditions**

**The unemployed** are eligible for receiving the unemployment benefit if they have a minimum contribution period of 12 months in the last 24 months preceding the date of benefit claiming and they have no employment/self-employment income or the income they obtain is below a threshold. This threshold was established at the level of the minimum wage for policy years 2007 and 2008 and at the level of 500 lei per month for policy years 2009 and 2010.

- **Income test**

There is no income test. However, the unemployed person should have no employment/self-employment income or the income she obtains from such activities should be below the minimum guaranteed wage.

- **Benefit amount**

The **amount** paid to the **unemployed** depends on the contributory record, as follows:

- 75% of statutory gross minimum guaranteed wage, for people with a contribution period of at least one year;
- the amount stipulated in point a) plus an amount calculated by applying a differentiated rate (according to the contribution period) on the gross average monthly salary for the last 12 months of contribution period.

Differentiated rates according to the eligibility period have the following values:

- 3% for those with a contribution period of at least 3 years;
- 5% for people with a contribution period of at least 5 years;
- 7% for people with a contribution period of at least 10 years;
- 10% for those with a contribution period of at least 20 years.



- **Duration**

Unemployment benefit is awarded to the *unemployed (I)*, for a period with a length depending on the contributory period, as follows:

- 6 months, for people with a contribution period of at least one year;
- 9 months, for people with a contribution period of at least 5 years;
- 12 months, for people with a contribution period of more than 10 years.

**EUROMOD Notes:** No account is taken of part-time employment, all employment months are considered as full-time employment. Benefits for persons assimilated to the unemployed (i.e. graduates) are not simulated. Contribution history is imputed by considering that unemployed person worked the same amount of months during each year of the qualifying period, i.e. the number of months worked during the income reference period. Eligibility closely matches observed receipt in the micro data. To determine the amount of benefit and its duration, the contributory period taken into account is based on the individual's entire work history.

### 2.3.2. Allowance for new born children and the outfit for the new born children (Alocatia pentru copiii nou-nascuti si trusoul pentru nou-nascuti) (bchba\_ro)

- **Definitions**

The unit of analysis consists in head, partner, own dependent children and loose dependent children ( tu\_bcc\_ro). A dependent child is defined as aged under 2.

- **Eligibility conditions**

The allowance is awarded to parents of newborn children (aged 0), if the newborn child is one of the first four born to the couple.

- **Income test**

The benefit is not income tested.

- **Benefit amount**

The allowance for newborn children amount is a lump sum equal to 204 Lei per child in 2007, 213 per child in 2008, and 230 per child in 2009 & 2010. The outfit for the new born children was a lump sum of 150 for every child under the age of one, in the tax unit, during 2007 – 2010.

**EUROMOD Notes:** In checking the order of birth of the newborn child, only the children present in the household may be counted. The benefit is allocated to the mother, if she is present in the household.

### 2.3.3. Universal child benefit (Alocatia de stat pentru copii) (bchnm\_ro)

- **Definitions**

The unit of analysis is the family (tu\_family\_ro). It is defined as consisting in head, partner, own dependent children and loose dependent children. Are considered dependent children individuals under the age of 18, or under the age of 26 if in education, not themselves parents and not married.



- **Eligibility conditions**

Entitled are children below the age of 18.

The benefit is also given to children older than 18, if the recipient is attending secondary education.

- **Income test**

The benefit is not income tested.

- **Benefit amount**

The benefit amount depends on the age and disability status of the child as follows:

	2007	2008	2009	2010
Aged under 2 (or below 3 if disabled)	200	200	200	200
Aged 2 and above, not disabled	25	32	42	42
Aged 2 and above, disabled	50	64	84	84

**EUROMOD Notes:** No benefit is simulated for children who turn 18 during the income reference year. Increases in the amount of benefits awarded for disabled children are not simulated. The benefit is allocated to the mother, if she is present in the household.

### 2.3.4. Child raising allowance (Indemnizatia pentru cresterea copilului) (bccnw\_ro)

- **Definitions**

The unit of analysis consists in head, partner, own dependent children and loose dependent children – (tu\_bcc\_ro). The dependent child is defined as a child aged under 2.

- **Eligibility conditions**

The benefit is awarded to a parent of a child under 2 (or under 3 if disabled) who does not work in order to care for the child. This benefit is granted for the first three children, either natural or adopted, entrusted in the process of adoption, in foster care or emergency foster care (except when the child is entrusted to a professional maternal assistant) or in guardianship.

The recipient must have been working the 12 months preceding the birth of the child.

The parent must be not working while in receipt of the benefit.

- **Income test**

The benefit is not income tested.

- **Benefit amount**

The amount is of 600 Lei per month during 2007 – 2008.

In 2009 and 2010 the amount is 600 Lei or optionally 85% of the average monthly income for the last 12 months, but no more than 4,000 Lei.



**EUROMOD Notes:** The birth order of children is established taking into account only siblings present in the household. The benefit awarded for children aged between 2 and 3 and disabled is not simulated due to lack of information about the children's disability status. The benefit is simulated for all 12 months of the income reference period in the case of children aged 0 and it is not simulated for children turning 2 during the income reference period. There is no information in the micro data relating to the activity status of the mother during the 12 months preceding birth. Instead, the condition relating to the contribution history of the parent is approximated by taking into account the duration of the entire work history, i.e. parents (mothers) who have worked for at least 12 months during their life are considered eligible.

The increase in the amount of benefit for twins, triplets, etc. not simulated.

In 2009 & 2010, the benefit is simulated to be 85% of the previous gross average monthly income. As this income is not observed in the data, it is imputed based on a wage equation.

The benefit is allocated to the mother, if she is present in the household (i.e. the mother is considered by default to be the claiming parent).

### 2.3.5. Child raising incentive (Stimulentul lunar) (bccrw\_ro)

- **Definitions**

The unit of analysis consists in head, partner, own dependent children and loose dependent children – (tu\_bcc\_ro). The dependent child is defined as a child aged under 2.

- **Eligibility conditions**

The benefit is awarded to a parent of a child under 2 (or under 3 if disabled) who does not work in order to care for the child. This benefit is granted for the first three children, either natural or adopted, entrusted in the process of adoption, in foster care or emergency foster care (except when the child is entrusted to a professional maternal assistant) or in guardianship.

The recipient must have been working the 12 months preceding the birth of the child.

The recipient must be obtaining employment income in order to receive this benefit.

- **Income test**

The benefit is not income tested.

- **Benefit amount**

Benefit is 100 lei per month for all working months.

**EUROMOD Notes:** The birth order of children is established taking into account only siblings present in the household. The benefit awarded for children aged between 2 and 3 and disabled is not simulated due to lack of information about the children's disability status. The benefit is simulated for all 12 months of the income reference period in the case of children aged 0 and it is not simulated for children turning 2 during the income reference period. There is no information in the micro data relating to the activity status of the mother during the 12 months preceding birth. Instead, the condition relating to the contribution history of the parent is approximated by taking into account the duration of the entire work history, i.e. parents (mothers) who have worked for at least 12 months during their life are considered eligible.

The benefit is allocated to the mother if she is present in the household (i.e. the mother is considered by default to be the claiming parent).



### 2.3.6. Minimum social pension/ social allowance for pensioners (Pensia minima garantata) (bsaoa\_ro)

- *Definitions*

The unit of analysis is the individual (tu\_individual\_ro).

- *Eligibility conditions*

To receive a minimum social pension, a person must be in receipt of a public pension, whatever its kind (old age, invalidity, survivor etc.).

- *Income test*

The pension amount due or in payment on public pension system, combined with any other duties paid under special laws (any public pensions plus private pensions) must be below guaranteed minimum social pension threshold – 300 Lei in 2009 and 350 Lei in 2010.

- *Benefit amount*

The amount is assessed as the difference between the guaranteed minimum social pension level and the pension amount due or in payment on public pension system, combined with any other duties paid under special laws.

**EUROMOD notes:** The minimum guaranteed pension is simulated for every month in receipt of a public pension. If two or more pensions have been received during the income reference period, the periods of receipt are assumed to be consecutive.

### 2.3.7. Means-tested educational allowance (Money for High-School) (Sprijin financiar acordat elevilor din cadrul programului national de protectie sociala 'Bani de liceu') (bched\_ro)

- *Definitions*

The unit of analysis is the family (tu\_family\_ro). It is defined as consisting in head, partner, own dependent children and loose dependent children. Are considered dependent children individuals under the age of 18, or under the age of 26 if in education, not themselves parents and not married.

- *Eligibility conditions*

The benefit is given to families with children below the age of 18 who are attending upper secondary education – high school. The family income per member must be lower than a threshold.

There is also an asset test enforced through social worker inquiries. The law establishes a list of goods of basic necessity that are taken into account in assessing the right to receiving this benefit. In case the family or single person owns only goods considered of basic necessity they are entitled to receive the social assistance. In case the family or single person owns goods that are not enlisted as basic necessity goods, they are not considered entitled to receiving social assistance.

If the family or single person owns basic necessity goods in an amount that exceeds the limit established by law, the potential income obtained through their exploitation is considered in assessing the net monthly income.

The list of basic necessity goods includes immobile goods (the family house and housing annexes) and mobile goods (gas cooker, refrigerator, washing machine, home heating system, computer, TV, furniture, and so on), land (differentiated according to the number of household members and to the type of crops that can be obtained), poultry and animals (in certain numbers) and other goods (clothing, personal hygiene and so on).

The benefit may be terminated in cases of unjustifiable absenteeism from school.



- **Income test**

The family income per member must be less than 150 Lei per month. The threshold has not changed between 2007 and 2010. All income received by each family member during the three months prior to application is taken into account, except for: state allowance for children, complementary family allowance, support allowance for mono-parental family, scholarships and social grants, and other social aids provided for students.

- **Benefit amount**

The amount of the benefit is 180 lei per month. The amount has not changed between 2007 and 2010.

**EUROMOD notes:** Sanctions due to absenteeism from school are not simulated. The asset test is only partially simulated (i.e. only financial capital and possession of a care are taken into account).

### 2.3.8. Guaranteed min income (Venitul minim garantat) (bsa\_ro)

- **Definitions**

The unit of assessment is constructed for social assistance purposes; it consists of the head of the tax unit, the partner, their own dependent children and loose dependent children (tu\_bsa\_ro). To be considered a dependent child, an individual must be younger than 18 or younger than 26 and in education, not married and not a parent.

- **Eligibility conditions**

The benefit is given to the assessment unit if the monthly net income in the assessment unit is below a threshold, differentiated according to the number of persons in the assessment unit. The thresholds are presented below:

	2007	2008	2009	2010
single person	96 Lei	100 Lei	108 Lei	125 Lei
families with 2 persons	173 Lei	181 Lei	196 Lei	225 Lei
families with 3 persons	241 Lei	252 Lei	272 Lei	313 Lei
families with 4 persons	300 Lei	314 Lei	339 Lei	390 Lei
families with 5 persons	356 Lei	372 Lei	402 Lei	462 Lei
for each person over the number of five persons belonging to the family	24 Lei	25 Lei	27 Lei	31 Lei

There is also an asset test and a work test.

The law establishes a list of goods of basic necessity that are taken into account in assessing the right to receiving this benefit. In case the family or single person owns only goods considered of basic necessity they are entitled to receive the social assistance. In case the family or single person owns goods that are not enlisted as basic necessity goods, they are not considered entitled to receiving social assistance.

If the family or single person owns basic necessity goods in an amount that exceeds the limit established by law, the potential income obtained through their exploitation is considered in assessing the net monthly income.

The list of basic necessity goods includes immobile goods (the family house and housing annexes) and mobile goods (gas cooker, refrigerator, washing machine, home heating system, computer, TV, furniture, and so on), land (differentiated according to the number of household members and to the type of crops that can be obtained), poultry and animals (in certain numbers) and other goods (clothing, personal hygiene and so on).



Unemployed able bodied working age adults must register as unemployed at the local Employment Office and not refuse to take up any job offers. The local authorities may require working age able bodied adults who are unemployed to do community work in return for receiving the benefit.

- ***Income test***

The benefit is means-tested. There is an income test and an asset test.

Income subject to the SA means test is: all gross market income ( *ils\_origy*) less employee SIC ( *tscee\_s*), less self-employed SIC ( *tscse\_s*), less personal Income Tax (*tin\_s*), plus old age pension (*poa*), plus disability pension (*pdi*), plus survivor's pension (*psu*), plus child raising allowance (*bccnw\_s*), plus child raising incentive (*bccrw\_s*), plus non means-tested child benefit (*bchnm\_s*), plus unemployment benefit (*bun*), plus alimony/ maintenance payments (*yptmp*), plus temporary sickness benefit (*bhl*), plus maternity benefit (*bma*), plus means-tested educational allowances (*bched\_s*) (in 2007 only), and plus guaranteed minimum pension (*bsaoa\_s*) (in 2009 & 2010).

- ***Benefit amount***

The amount is the difference between minimum guaranteed income level and the family's income. If the difference is less than 5 Lei (in 2007 & 2008)/10 Lei (in 2009 & 2010) per month, the benefit is 5 Lei (in 2007 & 2008)/ 10Lei (in 2009 & 2010). If there is at least one working adult in the unit, the benefit is increased by 15%.

**EUROMOD notes:** The income test is simulated using annual incomes and assuming that the monthly income has been constant throughout the income reference period. Thus, fluctuations in the family's monthly income throughout the reference year are not captured. The asset test is only partially simulated. Only financial capital and possession of a car are taken into account. The work test is not simulated.

EUROMOD offers the possibility to calibrate the receipt of social assistance receipt by excluding units where the head is aged under 26 (these are likely to be students or young people still financially dependent of their parents).

### **2.3.9. Means-tested family benefits (Alocatia familiala complementara si Alocatia de sustinere pentru familia monoparentala) (*bchmt\_ro*)**

- ***Definitions***

The assessment unit is constructed for purposes of means-tested child benefits. It consists of the head of the tax unit, the partner, their own dependent children and loose dependent children (*tu\_bchmt\_ro*). For the monoparental allowance the head is the lone parent of the dependent children.

Dependent child condition: children under 16 or children under 18, who are not themselves parents and have an income below 250 lei per month.

A person is considered to be a lone parent if she is a parent of dependent children, is not married and is not cohabiting.

- ***Eligibility conditions***

Net monthly income per family member must be below a set threshold. There is also an asset test. The law establishes a list of goods of basic necessity that are taken into account in assessing the right to receiving this benefit. In case the family or single person owns only goods considered of basic necessity they are entitled to receive the social assistance. In case the family or single person owns goods that are not enlisted as basic necessity goods, they are not considered entitled to receiving social assistance.

If the family or single person owns basic necessity goods in an amount that exceeds the limit established by law, the potential income obtained through their exploitation is considered in assessing the net monthly income.



The list of basic necessity goods includes immobile goods (the family house and housing annexes) and mobile goods (gas cooker, refrigerator, washing machine, home heating system, computer, TV, furniture, and so on), land (differentiated according to the number of household members and to the type of crops that can be obtained), poultry and animals (in certain numbers) and other goods (clothing, personal hygiene and so on).

- **Income test**

Income subject to the means test - Income subject to the means-test in the guaranteed minimum income, plus guaranteed minimum income, plus means-tested "Money for high-school".

- **Benefit amount**

The amount is differentiated according to the number of dependent children in the tax unit. The amounts are presented below:

Complementary allowance amounts and threshold

	2007	2008	2009	2010
Per capita income threshold	176	184	470	470
1 child	36	38	50	50
2 children	42	44	60	60
3 children	47	49	65	65
4+ children	52	54	70	70

Monoparental allowance amounts and threshold

	2007	2008	2009	2010
Per capita income threshold	176	184	470	470
one child	52 Lei	54 Lei	70 Lei	70 Lei
2 children	62 Lei	65 Lei	80 Lei	80 Lei
3 children	70 Lei	73 Lei	85 Lei	85 Lei
4 or more children	79 Lei	83 Lei	90 Lei	90 Lei

**EUROMOD notes:** The income test is conducted using the annual income and not the monthly income-i.e. it is assumed that monthly income is constant throughout the year. The asset test is only partially simulated- only possession of a car and possession of financial capital are used in the simulation.

### 2.3.10. Means-tested heating benefit (Ajutorul pentru incalzirea locuintei) (bhoen\_ro)

- **Definitions**

The assessment unit is the household (tu\_household\_ro).

- **Eligibility conditions**

Net monthly income per family member should be less than a threshold. The monthly income per family member threshold is differentiated according to the type of heating used by the household (see below for exact figures).

There is also an asset test. . The law establishes a list of goods of basic necessity that are taken into account in assessing the right to receiving this benefit. In case the family or single person owns only goods considered of basic necessity they are entitled to receive the social assistance. In case the family or single person owns goods that are not enlisted as basic necessity goods, they are not considered entitled to receiving social assistance.



If the family or single person owns basic necessity goods in an amount that exceeds the limit established by law, the potential income obtained through their exploitation is considered in assessing the net monthly income.

The list of basic necessity goods includes immobile goods (the family house and housing annexes) and mobile goods (gas cooker, refrigerator, washing machine, home heating system, computer, TV, furniture, and so on), land (differentiated according to the number of household members and to the type of crops that can be obtained), poultry and animals (in certain numbers) and other goods (clothing, personal hygiene and so on).

- **Income test**

Means tested benefit, both income and asset test.

Income subject to the means test is: all gross market income ( ils\_origy), Employee SIC ( tscee\_s), Self-employed SIC ( tsce\_s), Personal Income Tax (tin\_s), Old age pension (poa), Disability pension (pdi), Survivor's pension (psu), Child raising allowance (bccnw\_s), Child raising incentive (bccrw\_s), Non means-tested child benefit (bchm\_s), unemployment benefit (bun), alimony/ maintenance payments (yptmp), temporary sickness benefit (bhl), maternity benefit (bma), means-tested educational allowances (in 2007 only), guaranteed minimum pension (bsaoa\_s), guaranteed minimum income, "Money for high-school" benefit.

The income thresholds depend on the type of heating used:

**I. Thermal energy provided by the centralized system**

1 January 2007 -31 March 2008		1 November 2008 -31 December 2010		
Average monthly net income per family member, and per a single person (LEI)	Percentage compensation of the actual amount of heat energy bill (%)	Average monthly net income per family member, and per a single person (LEI)	Percentage compensation of the actual amount of heat energy bill (%)	
Up to 125 Lei	90%	Up to 155	90%	
125 – 170	80	155,1 - 210	80	
170 – 210	70	210,1 - 260	70	
210 – 250	60	260,1 - 310	60	
250 – 290	50	310,1 - 355	50	
290 – 345	40	355,1 - 425	40	
345 – 390	30	425,1 - 480	30	
390 – 440	20	480,1 - 540	20	
440 – 500	10	540,1 - 615	10	

**II. Natural gas**

1 Jan 2007 -31 March 2007		1 November 2007 -31 March 2008		1 November 2008- 31 December 2010	
Average monthly net income per family member, and per a single person (LEI)	Monthly amount (Lei)	Average monthly net income per family member, and per a single person (LEI)	Monthly amount (Lei)	Average monthly net income per family member, and per a single person (LEI)	Monthly amount (Lei)



Up to 125 Lei	210	Up to 125 Lei	233	Up to 155 Lei	262
125 – 170	130	125 – 170	144	155,1 - 210	162
170 – 210	110	170 – 210	122	210,1 - 260	137
210 – 250	90	210 – 250	100	260,1 - 310	112
250 – 290	70	250 – 290	78	310,1 - 355	87
290 – 345	50	290 – 345	56	355,1 - 425	62
345 – 390	35	345 – 390	39	425,1 - 480	44
390 – 440	25	390 – 440	28	480,1 - 540	31
440 – 500	15	440 – 500	17	540,1 - 615	19

### III. Wood, coal and oil fuel

1 Jan 2007 -31 March 2007		1 November 2007 -31 March 2008		1 November 2008- 31 December 2010	
Average monthly net income per family member, and per a single person (LEI)	Monthly amount (Lei)	Average monthly net income per family member, and per a single person (LEI)	Monthly amount (Lei)	Average monthly net income per family member, and per a single person (LEI)	Monthly amount (Lei)
Up to 125 Lei	46	Up to 125 Lei	50	Up to 155 Lei	54
125 – 170	42	125 – 170	45	155,1 - 210	48
170 – 210	38	170 – 210	41	210,1 - 260	44
210 – 250	34	210 – 250	36	260,1 - 310	39
250 – 290	30	250 – 290	32	310,1 - 355	34
290 – 345	26	290 – 345	28	355,1 - 425	30
345 – 390	22	345 – 390	24	425,1 - 480	26
390 – 440	18	390 – 440	19	480,1 - 540	20
440 – 500	14	440 – 500	15	540,1 - 615	16

In the year 2008, there was an additional aid for home heating to support the families and single persons with low incomes, who use gas for heating (see below).

Average monthly net income per family member, and single person (LEI)	Monthly amount (Additional monthly amount) (LEI)
<b>During February – March 2008 and November – December 2008:</b>	
<b>Natural gas</b>	
Up to 155 Lei	100
155,1 – 210	70
210,1 – 260	60
260,1 – 310	45
310,1 – 355	30
355,1 – 425	25
425,1 – 480	20



480,1 – 540	15
540,1 – 615	10

- **Benefit amount**

The benefit amount is differentiated according to the type of heating used by the household, the heating costs incurred by the household, and also according to the monthly net income per household member (see above for further information). For the households using heating in centralised system, the benefit compensates a certain percentage of heating bill. For households using natural gas, wood, coal or oil fuels, the benefit is flat-rate. The benefit is given monthly during the cold season, since November 1<sup>st</sup> till March 31<sup>st</sup> next year.

**EUROMOD notes:** The benefit is calculated as the sum payable during the year: i.e. Jan-Mar + Nov-Dec of the income reference year. The type of heating used by the family is imputed based on urbanization. Households living in urban areas are assumed to be using the centralized system whereas households living in rural areas are assumed to use fossil fuels. For households using the centralized heating system, the average monthly heating bill is imputed based on the 2007 Household Budget Survey. The heating cost for the winter months (Nov-March) is imputed to be approximately 23% of total yearly utilities cost.

The income test is carried out using annual rather than monthly income. The asset test is only partially simulated- only possession of a car and of financial capital is used in the asset test.

## 2.4 Social contributions

### 2.4.1 Employee Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj) (tscee\_ro)

The unit of analysis is the individual (tu\_individual\_ro).

The base for the calculation of social insurance contribution is the gross employment income - *yem*. The social insurance contribution is not levied on employees' participation to company profit - *yemcs*.

As eligibility condition the contribution base must be positive.

The contribution base for social insurance contributions was limited to 5 national average wages in 2007. For policy years 2008, 2009 there is no upper threshold for the social insurance contribution base.

#### **Employee Social insurance contribution**

Employee Social insurance contribution rates were 9.5% for 2007 – 2009 and 10.5% in 2010.

#### **Employee Unemployment contribution**

Employee Unemployment contribution rates, were 1% for 2007 and 0.5% in 2008 - 2010.

**EUROMOD notes:** Employee social insurance contributions (including contribution ceilings) are simulated based on the number of months in employment during the income reference period. The exemption of employee's participation in company profit from the contribution base is not simulated.



### 2.4.2 Employer Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj) (tscer\_ro)

The unit of analysis is the individual (tu\_individual\_ro).

The base for the calculation of social insurance contribution (il\_tscer\_base) is the gross employment income – yem

The Salary Guarantee Contribution is due only by private employers.

The contribution rates are detailed below:

Type of contribution	% of contribution base			
	2007	2008	2009	2010
<b>Social Insurance Contributions</b>	employer: 19.5%, 24.5%, 29.5%	employer: 19.5%, 24.5%, 29.5%	employer: 20.8%, 25.8%, 30.8%	employer: 20.8%, 25.8%, 30.8%
<b>unemployment insurance</b>	employer: 2%	employer: 1%	employer: 0.5%	employer: 0.5%
<b>Sickness Insurance Contribution</b>	employer: 0.85%	employer: 0.85%	employer: 0.85%	employer: 0.85%
<b>Work Accidents/Disease Contribution</b>	employer: 0.4%	employer: 0.4 %	employer: 0.15%	employer: 0.15 %
<b>Salary Guarantee Contribution</b>	employer: 0.25%	employer: 0.25%	employer: 0.25%	employer: 0.25%

The contribution base for social insurance contributions was limited to 5 national average wages in 2007. For policy years 2008, 2009 there is no upper threshold for the social insurance contribution base.

**EUROMOD notes:** Employee social insurance contributions (including contribution ceilings) are simulated based on the number of months in employment during the income reference period. Only the lowest SIC rate is simulated for all individuals (i.e. increased contribution rates for employees working in special and unusual conditions is not simulated due to absence of information about work conditions). Only the entire contribution is simulated, not its division into the first and second pillars. For purposes of the salary guarantee contribution, private sector employment is imputed based on occupation.

### 2.4.3 Self-employed Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj) (tcse\_ro)

The unit of analysis is the individual (tu\_individual\_ro).

**SIC for the self-employed** Individuals are not liable to pay SIC as self-employed if also employed. The contribution base is the insured income declared by the self-employed, which may not be higher than 5 average gross wages and not lower than a quarter of the average gross wage.

The contribution rates were 29% in 2007 and 2008 and 31,3% in 2009 and 2010.

#### **Self-employed sickness insurance contributions**

The base for the calculation of Self-employed sickness insurance contributions is the difference between the self-employment income (without taking into consideration the income from intellectual property rights - yse –yseil) and the Social Insurance Contribution for the Self Employed – taxable income ysetx\_s.

During 2007 – 2010 the contribution rates were 0.85%.



### ***Self-employed work accidents insurance contribution***

The base for the calculation of self employed work accidents insurance contribution is the self-employed taxable income. During 2007 – 2010 the contribution rate was of 1%.

**EUROMOD notes:** If a person has both employment and self-employment income but the period spent in employment is less than 12 months, it is assumed that employment and self-employment income were generated in different periods. The contributory base for social insurance contributions is assumed to be the minimum insurable income-i.e. a quarter of the average gross wage for all self-employed paying this contribution. The same applies for sickness and accident insurance contributions. The exemption of income from intellectual property rights from sickness and work accident insurance is not simulated.

### **2.4.4. Health Insurance Contribution (active population and pensioners) (Contributia de asigurari sociale de sanatate) (tschl\_ro)**

The health insurance contribution is simulated separately from the other social contributions (social insurance and unemployment) and it is paid by employees, self-employed, employers and pensioners.

#### ***Employee Health insurance contributions***

The unit of analysis is the individual (tu\_individual\_ro).

The health insurance contribution rate was 6.5% in 2007 and 2008, but 5.5% in 2009 and 2010 and is due on the gross wage, less the employees' participation in company profits.

#### ***Self-employed Health insurance contributions***

The unit of analysis is the individual (tu\_individual\_ro).

The base for the calculation of self-employed health insurance contributions is the taxable income *ysetx\_s*. During 2007 – 2008 the contribution rates were 6.5%, while during 2009 – 2010 the rate was 5.5%.

The health insurance contribution is due on self-employment income even when the individual has employee income as well, except the situation when the self-employment income comes from intellectual property rights. Health insurance contribution is not due on intellectual property income unless it is the sole source of income.

#### ***Employer Health insurance contributions***

The unit of analysis is the individual (tu\_individual\_ro).

The base for the calculation of employer health insurance contribution is gross employment income. The health insurance rate paid by employers was 5.5% in 2007 and 2008, 5.2% in 2009 and 2010.

#### ***Pensioners' Health insurance contribution***

The unit of analysis is the individual (tu\_individual\_ro).

The base for the calculation of health insurance contribution for pensioners is *ils\_pen*, which includes all income from pensions.

The health insurance contribution is paid only on pension income exceeding 900 lei per month in 2007, respectively 1000 per month in 2008. In 2009 and 2010, health insurance contributions paid on total gross pension income.



**EUROMOD notes:** Health insurance contributions are simulated based on annual incomes. In the case of employee contributions, the exemption of employees' participation in company profits is not simulated. In the case of self-employed, the exemption of intellectual property income is not simulated.

#### 2.4.5. Other social contributions

##### **Benefit Recipients Social Insurance Contributions (Contributii in cadrul bugetului asigurarilor sociale de stat, contributii in cadrul asigurarilor pentru somaj) (tscbr\_ro)**

This is a credited social insurance contribution for unemployed and recipients of sickness and maternity benefits.

The unit of analysis is the individual (tu\_individual\_ro).

For the recipients of unemployment benefits (thus  $bun > 0$ ), the contribution rate is 9.5% of the unemployment benefit amount for 2007 – 2009 and 10.5% in 2010.

For the recipients of sickness benefits or maternity benefits - ( $bhl + bma > 0$ ), the contribution rate is 9.5% of minimum wage for 2007 – 2009 and 10.5% of minimum wage in 2010.

**EUROMOD notes:** The contribution is simulated only for months in receipt of sickness and maternity benefits.

##### **Credited Health Insurance Contributions (Contributia de asigurari sociale de sanatate paltatita din alte surse decat venitul persoanei asigurate) (tscchl\_ro)**

The unit of analysis is the individual (tu\_individual\_ro).

A number of categories are entitled to credited health insurance contributions. The categories that are insured but their contribution is paid from other sources than personal income are those in the following situations: (a) military service; (b) temporary work incapacity leave as a result of work accident or professional disease; (c) childcare leave; (d) arrested persons; (e) unemployment benefit recipients; (f) victims of trafficking in human beings; (g) expelled; (h) family members of guaranteed minimum income recipients.

The contribution rates and contribution base for the above categories are as follows: 6.5% from the double of the statutory minimum guaranteed wage in 2007 and 2008 (5.5% in 2009 and 2010) for (a), (c), (d), (f), (g); 6.5% from the unemployment benefit for (e); 6.5% from the indemnity for work incapacity (b); 6.5% from the social benefit received for (h). These contributions are paid from the state budget ((a), (c), (d), (f), (g)), the unemployment insurance budget ((e)), the local budgets ((h)) or the employer and the Insurance Fund for work accidents and professional disease ((b)).

The categories that benefit from credited health insurance contribution and are simulated in EUROMOD are the recipients of a sickness benefit; those in childcare leave (dependent child aged under two), unemployment benefit recipients and beneficiaries of social assistance minimum guaranteed income. These contributions are paid from the state budget, unemployment budget or local budgets.

Are insured without paying contribution the following categories: children up to the age of 18, people aged between 18 and 26 years if they are pupils, students or apprentices and do not earn any income; young people up to the age of 26 if they come from the child protection system and do not earn any income and are not beneficiaries of the minimum guaranteed income; no income earner spouse or parent of an insured person; people with disabilities who do not earn income from working arrangements, pensions or other sources, except for the disability benefit; people with illness who are included in national health programs, pregnant and child bedding women if they do not earn any income; and politically persecuted persons.



Only the following categories are simulated to be entitled to health insurance contributions without payment- a) children under 18 or under 26 if in education and without earnings b) persons in receipt of a disability pension without any additional income sources, c) married partners of an insured person who have no income of their own, d) members of families receiving the minimum guaranteed income, e) parents of an insured person with no income of their own.

**EUROMOD notes:** Not all categories of beneficiaries can be simulated (see above for which categories are simulated). For parents on childcare leave, no credited contribution is simulated for children turning 2 during the income reference period; for children born in the income reference period-12 months of contribution are simulated. For social assistance recipients, the contribution is credited only for the head; the children and the spouse are normally insured without paying. It is assumed that the contribution is made from a local budget only if no other contribution is made from other sources.

## 2.5 Personal income tax (tin\_ro)

### 2.5.1 Tax unit

For the personal income tax, the tax unit is the individual who has received income - tu\_individual\_ro.

During the process of identifying and allocating the dependent persons in the household to an individual tax unit, another tax unit is used, tu\_household\_ro, which comprises all household members.

### 2.5.2 Exemptions

In Romania, the following income categories are exempted from personal income tax:

- Social benefits (allowances, indemnities, social insurance benefits, scholarships), other than pensions and temporary work incapacity benefit. Are exempted from personal income tax: invalidity pensions for the 1<sup>st</sup> degree of invalidity, benefits for war invalids.
- Income for damages suffered, either received from insurances of any type or from other sources, including moral prejudice.
- The income equivalent of coupons which are freely allotted to individuals, according to the legislation in force.
- Income or goods from inheritance or donation
- Income gains from real estate property transfers in the following three situations: the property is regained under special laws; donation between relatives of the 3<sup>rd</sup> degree at most and between spouses; inheritance, if the succession is finalized in maximum 2 years from the moment of decease.
- Income earned by the members of diplomatic missions in Romania, under the condition of reciprocity and income earned by members of Romanian diplomatic missions, councillor offices and cultural institutes placed abroad.
- Income earned by officials of international organizations for their activity in Romania.
- Income earned by foreign citizens for consultancy activities, under non-reimbursable financing agreements.
- The difference of subsidized interest for credits, under the legislation in force.
- Income from prizes gained by sportsmen medalled at European, World and Olympic championships.

In EUROMOD simulations, the following sources of income are exemptions from personal income tax:

- Allowance for new born children and the outfit for the new born children
- Universal child benefit
- Child raising allowance
- Child raising incentive
- Minimum social pension/ social allowance for pensioners
- Means-tested educational allowance (Money for High-School)



- Social assistance Guaranteed minimum income
- Means-tested heating benefit

### 2.5.3 Tax allowances

There is a **Tax allowance for pensioners** of maximum 900 per month (2007) or 1000 Lei (for policy years 2008, 2009 and 2010). The tax base is the difference between the gross income less any mandatory social contributions and the tax allowance amount.

**For employees** there is the **Tax allowance for oneself and allocated dependents – Personal deduction** which is given to taxpayers who have a monthly gross wage under or equal to 3000 Lei. The amount of the deduction is a function of the number of taxpayer's dependent persons, as seen in the table below (for a monthly gross wage not higher than 1000 Lei).

Number of dependents	Personal deduction (Lei)
0	250
1	350
2	450
3	550
4 or more	650

This tax deduction is applied only on wages and only at the main job or activity.

If the gross wage is between 1001 and 3000 Lei, the personal deduction is decreasing with income and its amount is established by applying the following formula:

$$\text{Personal deduction} = \text{Personal deduction (gross wage} \leq 1000 \text{ Lei)} * [1 - (\text{Gross wage} - 1000) / 2000]$$

The *dependent person* can be the spouse, children or other family members, relatives up to the 2<sup>nd</sup> degree (children, parents, brothers and sisters, grandparents and grandchildren) of the taxpayer or his/her spouse's with a gross taxable and non-taxable income (all income, whatever its source is included) which does not exceed 250 Lei.

Children under 18 years are considered dependent persons, except for children aged between 16 and 18 who are legally employed, in which case the child is treated as a tax payer and he could be a dependent person only if his income is below the 250 Lei threshold.

### 2.5.4 Tax schedule

The personal income tax is paid by individuals as a flat rate of 16% levied on the income tax base.

### 2.5.5 Tax credits

In EUROMOD, we simulate **Deductions of private voluntary pension contributions** were applicable only to employees – the maximum deductibility ranged from 668 Lei per year in 2007 and 2008 to 1695 Lei per year in 2009 and 1673.5 in 2010 (400 E in Lei).

In the Romanian tax system, there are also tax credits for: **Trade union fee** and **Savings in collective systems for dwelling expenses**, which are not simulated in EUROMOD, as they could not be identified.

**EUROMOD notes:** For purposes of calculating the employee allowance for oneself and dependents, the family relationships are not checked. Any person residing in the same household with an employee may be considered a dependent if he/she satisfies the income threshold criterion or is aged below 16. Annual incomes are used in



determining whether an adult may be considered dependent or not. Income used in the test of dependency include earnings, pension income, unemployment benefits, sickness benefit, child care allowance /incentive, investment income, property income, private pensions, severance payments, educational allowances, the universal child benefit and income received by children under 16.

If there is more than 1 employee eligible to claim the tax allowance for dependents, the allocation of dependents in the household is optimized so that the maximum tax allowance may be claimed. The optimization is done by first allocating dependents to the employee with the lower income until income available to claim the tax allowance is exhausted, moving on to the employee with the next lowest income and so on.

None of the tax credits have been simulated.

### 3. DATA

#### 3.1 General description

The Romanian database used in EUROMOD is the Romanian Survey on Income and Living Conditions, named Quality of Life Survey, which actually represents the implementation of the European Union Statistics on Income and Living Conditions (EU-SILC) survey in Romania. In 2008, the survey was carried out by the National Institute of Statistics and it is the second wave of the survey. An integrated design with a rotational sample was applied, in which the sample is divided in four sub-samples, each of them similar in size and design and representative for the whole population. From one year to another three sub-samples are retained, one is dropped and one new sub-sample is included in the survey. In this way, the cross-sectional and longitudinal statistics are produced from the same set of sample observations.

The data is collected during the second and third month of the year following the income reference year (the calendar year: January – December 2007).

The unit of assessment is the household, defined as a person living alone or a group of persons who live together in the same dwelling and share expenditures including the joint provision of the essentials of living (the household membership definition used is according to Eurostat recommendations EU-SILC 065). The response rate of households calculated as the share of complete household interviews accepted for the database out of the number of eligible households found at contact addresses is equal to 95.44%, while the overall individual response rate is 94.81%.

The sampling plan is a two-stage probability sampling of housing units (dwellings). In the first stage, a stratified random sample of 780 areas, called Primary Sampling Units (PSUs), was designed after the 2002 Census. The PSUs were sampled with a probability proportional to size (number of permanent dwellings) and thus was constructed the Multifunctional Sample of Territorial Areas, called the master sample EMZOT. The EMZOT sample has 427 PSUs selected from urban area and 353 PSUs selected from rural area. In the second stage, dwellings are systematically selected from EMZOT. All households within each dwelling are included. There are 88 strata; the criteria used being the area where a certain PSU is located (urban or rural area) and county (NUTS 3 level).

The new dwellings built after the 2002 Census have not been taken into account in the sampling, but further on the sample was updated with data from a micro-census survey on new dwellings. Under-coverage rate was estimated as the ratio between number of new dwellings, built in the period end of 2002 year (the year of the census)- end of 2007 year and number of dwellings at the end of 2007 year (Source: Romanian Statistical Yearbook, 2008) and it was equal to 2.5%.

The EUROMOD database is built on the UDB (User Data Base) version provided by Eurostat.



Table 12. EUROMOD database description

EUROMOD database	RO_2008_a1
Original name	UDB_c08_ver_2008_2_from_01-08-10_RO
Provider	Eurostat
Year of collection	2008
Period of collection	Feb – March 2008
Income reference period	Year 2007
Sampling	two-stage probability sampling
Unit of assessment	Household[1]
Coverage	all citizens officially living in Romania [2]
Sample size	7805 households, 19131 individuals (16527 aged over 16 years)
Response rate	95.44%[3]

## Notes:

[1] a person living alone or a group of persons who live together in the same dwelling and share expenditures including the joint provision of the essentials of living. All households within each dwelling are included.

[2] persons living in collective households and in institutions and households with members being diplomatic missioners are excluded from the target population.

[3] the household response rate is 95.44%, the overall individual response rate is 94.81%.

### 3.2 Sample quality and weights

#### 3.2.1 Non-response

A number of 8217 dwellings were successfully contacted from the 8244 valid addresses selected, thus the address contact rate being of 99.67%. The number of eligible households at contact address was 8178, out of which 7805 households have completed the interviews which were accepted for the database, thus the household response rate was 95.44% and the non-response rate was 4.56%. 99.67% of the eligible individuals from the households whose interviews were completed and accepted for the database were interviewed successfully; the individual non-response rate was 0.33%, while the overall individual non-response rate was 5.19%.

In order to deal with the non-respondent households, the sample is re-weighted, by adjusting the weights of the respondent households with the inverse of the response rate at the level of household groups by the variable considered as explicative for the non responses: region (NUTS II level) and area of residence (urban/ rural) (response-homogenous groups method) and also by the calibration of weights.

The non-response rate of households was mostly due to the refusal to cooperate (41% of the interviews not completed) or the households were unable to respond (38%), while in 26% of cases the entire household was temporary away during the survey collection period.

No substitution of non-respondent units has been done.

#### 3.2.2 Weights

The cross-sectional weights that were calculated in the dataset are:

- 1) Household cross-sectional weight (DB090)
- 2) Personal cross-sectional weight for all household members (RB050)
- 3) Personal cross-sectional weight for all household members aged 16 and over (PB040)

The weights' design differs with the survey wave. For the 1<sup>st</sup> wave, the design factor of the household is the inverse of its inclusion probability and the designed weight for individuals are the same as for the household, because in each selected dwelling, all persons are selected for the survey. In case of the new households (the 2<sup>nd</sup> wave), an indirect sampling of households is done through the panel (of persons aged 14+ at the time of the panel selection). In this case, the inclusion probabilities cannot be calculated. Then, the solution consists of applying the Weight Share Method.



Within a household, each member has been assigned a weight coming from the final cross-sectional weight of the precedent year of survey, except for co-residents for whom the weight is =0. Average of these weights over all the household members (including co-residents) is assigned to each member (including co-residents).

The first step assigns the inverse of the selection probabilities to each sampled dwelling unit. The second step adjusts for non-response. The third and final step consists of calibrating the secondary weights, for each wave, by region, to the best latest available population totals. It was applied an integrative calibration that means that we used both households and personal variables in the procedure. The calibration is performed at the household level using the household variables and individual variables in their aggregate form as calibration variables. This technique ensures that all members in the same household receive the same weight. Adjustments were made using the SAS macro CALMAR. Calibration variables were: “distribution of the population by age group, area of residence (urban \ rural) and gender” (except for groups “0 to 15 years old” and “75 years old and more”, groups were defined by intervals of ten years using Romanian Population Estimates at the end of the income reference period and “households totals by region”).

Table 13. Descriptive Statistics of the Grossing-up weight (rb050)

Number	19131
Mean	1114.792
Median	809.5225
Maximum	5736.917
Minimum	132.4899
Max/Min	43.301
Decile 1	509.1765
Decile 9	1852.206
Dec 9 / Dec1	3.638

### 3.2.3 Item non-response and under-reporting

The National Institute of Statistics from Romania reports that there are no item non-responses in the EU-SILC 2008 due to the checking programs used at the county level which show the missing items and consequently the supervisors of data collection do all the necessary checking and identify whether it is a loading error or the information has not been collected, in which case the household is interviewed once again.

As concerning the income reporting, it seems that, for respondents, the most difficult information to declare was the value of incomes received in the previous calendar year, the social insurance contributions, the taxes on wealth, the housing costs, and also some households found difficult to estimate the rent they would receive if they had rent the dwelling. The National Institute of Statistics carries out on monthly basis the Household Budget Survey (HBS), which is a nationally representative survey which covers 3200 households every month. But, a full comparison between HBS and EU-SILC data is not possible due to some methodological differences, especially regarding the differences at the level of income elements collected and included in the EU-SILC, the HBS collecting the income elements only at household level and having the income reference period the previous month

Comparing some income aggregates, calculated as averages per household, between the two surveys we notice some differences especially for the gross profit or losses from self-employment (1138.7 Ron in HBS 2007 and 1477.6 Ron from EU-SILC 2008), the gross income from cash transfers received (3981.1 Ron in HBS 2007 and 4444.3 Ron from EU-SILC 2008) and the cash transfers received (2775.4 Ron in HBS 2007 and 3349.7 Ron from EU-SILC 2008). For the total gross household income, the differences between data from the two above-mentioned sources are not major: 16380.0 Ron in HBS 2007 and 17779.8 Ron in EU-SILC 2008. The differences between these two surveys are due to the greater values for the income taxes and social insurance contributions in EU-SILC, where these elements are automatically calculated (if the person declared that they were paid). In the HBS the person should declare the value of these components in the diary.



### 3.3 Data adjustment

In order to prepare the datasets to meet the EUROMOD requirements, some adjustments are made. It is checked whether the relationships within a household are valid and consistent (e.g. the parents of the same children are the partners of one another) and some adjustments are made. Also, income from non-respondents is allocated by splitting the adjustment income among non-respondent individuals according to the main source of income by age. For consistency between demographic and income variables, all children born after the income reference period have been dropped from the database. Missing values for socio-demographic and labour market variables are checked and imputed and the consistency between labour market information and related income as well.

### 3.4 Imputations and assumptions

#### 3.4.1 Time period

The reference period for the socio-demographic variables is the time of data collection, February-March 2008, except for age, in which case two variables are included in the database, the current age (at data collection, variables rx010) and the age at the end of income reference year (variable rx020). For the labour market and economic information the situation is similar, some of the variables are collected also for the income reference period and for the current time frame. For example, the main activity status is collected for the current period (variable rb210), but also for the income reference period (variable rb170), the information being completed with the number of month spent in work, unemployment, retirement, studying (variables pl070 –pl090) and with the main activity monthly (pl210A – pl210L).

The income reference period is the calendar year previous to the data collection period, Jan-Dec 2007, and no reconciliation of variables with different reference periods is done by using labour market information from previous wave.

In EUROMOD it is assumed that the yearly income collected is received equally throughout the months of the year.

#### 3.4.2 Gross incomes

The EU-SILC for Romania included in the household and individual questionnaires a long list of income components, currently existing in Romania (45 income components in the individual questionnaire and 19 income components in the household questionnaire). The aggregated personal and household income categories which are reported in the UDB version of the EU-SILC are calculated from these elementary components, and finally they are aggregated all in the gross (hy010) and disposable income (hy020) for each household who accepted the interview. It should be mentioned that EUROMOD has not gained access to the collected national SILC income components.

No additional income information is used in order to clean or improve the original/ collected data. No administrative records were used and the use of the justifying documents regarding the incomes was the respondents' decision.

The majority of income components were recorded net and the gross variables were obtained by adding to the net values, the value of income taxes retained at source and social contributions paid (in the case of wages, all sums retained at source were added). For self-employment incomes (variables py050g, py050n) the anticipated income tax and social contributions (unemployment, health and pension) were collected as well and the sums are collected in the form of profit or loss.

The only income components calculated in the process of data editing were:

- the value of income tax retained at source for salaries (flat rate of 16% for income tax), the respondents being asked only if they paid or not the income tax for wages;
- the exact value of the social insurance contribution retained at source for salaries, if this was declared in the form of an interval.
- the value of income tax retained at source and social insurance contributions for;
- the interest for dividends and money withdrawn from bank.



### 3.4.3 Other imputed variables

An important number of income components had to be imputed from the aggregate amounts, as they were not available in the EU-SILC UDB version of the survey. These are the following:

- Disability benefit – based on the disaggregation of py130 which includes the disability benefit and the invalidity pension. It is assumed that the maximum disability benefit (259Ron) is received by the seriously disabled persons (with a positive disability status), the remaining amount is considered invalidity pension. As the invalidity pension cannot be received at the same time with old age pension person, if is the case, we assume that they are received in different periods over the year.
- Invalidity pension – based on the residual of py130, after the disability benefit has been subtracted, under the condition that a person is not eligible for old-age pension (py100) and invalidity pension.
- Marriage grant –isolated from family and children allowances (hy050) for couples with no children if the amount of the benefit equals the marriage grant.
- Universal child benefit –disaggregated from family and children allowances (hy050) based on the benefit rules (number of children and their ages).
- Allowance and the outfit for new born children —disaggregated from family and children allowances (hy050) based on benefit rules: the existence of a child born in the income reference year.
- Child raising benefit – disaggregated from family and children allowances (hy050) based on benefit rules: the existence of a child aged less than two in the income reference year, the number of months the mother is entitled to receive the benefit during the income reference period, mother’s eligibility (based on work history).
- Maternity benefit – disaggregated from family and children allowances (hy050) based on benefit rules: the existence of a child born in income reference period, number of months the mother is eligible to receive the benefit.
- Means-tested family benefits – disaggregated from family and children allowances (hy050 based on the residual family benefits by subtracting the marriage grant, the universal child benefit, the allowance and the outfit for new born children, the child raising benefit and the maternity benefit.
- Unemployment benefit –recomputed based on benefit rules: the benefit entitlement period in months, work history for those with an unemployment spell and the bonus percent depending on work history.
- Severance payments – based on the observed differences between the collected unemployment benefit (py090) and the recomputed unemployment benefit.
- Financial capital asset - based on the UDB variable on investment income and external information on the average interest rate for financial market during the year 2007.

### 3.5 Updating

The updating factors are used in order to update the monetary variables from 2007 to 2008, 2009 and 2010. The socio-demographic characteristics, labour market variables and not simulated income variables are not updated, remaining at their initial values.

Table 14. Updating factors

Index	Income Source/index type	2007-2008	2007-2009	2007-2010
<i>default</i>	consumer price index increase	1.06	1.1109	1.1909



<i>yem</i>	INCOME :employment income	1.3608	1.4258	1.4699
<i>yse</i>	INCOME : self-employment income	1.3246	1.3718	1.34
<i>ypr</i>	INCOME : property income	2.0767	1.3926	1.1411
<i>poa</i>	BENEFIT/PENSION :old-age pensions	1.4544	1.7341	1.8348
<i>pdi00</i>	BENEFIT/PENSION :disability pensions	1.3917	1.6317	1.5628
<i>psu</i>	BENEFIT/PENSION :survivor pensions	1.3623	1.6921	1.7926
<i>bma</i>	BENEFIT/PENSION :maternity benefit	1.2615	1.3216	1.3875
<i>bhl</i>	BENEFIT/PENSION :sickness benefit	1.2615	1.3216	1.3875
<i>bun</i>	BENEFIT/PENSION :unemployment benefit	1.2615	1.3216	1.3875
<i>yempv</i>	INCOME :previous wage	1.2182	1.5366	1.6099
<i>bhoen</i>	BENEFIT/PENSION :heating benefit	0.8107	0.4331	0.8057
<i>bccnw</i>	BENEFIT/PENSION :child raising allowance	0.9753	1.2672	1.4896
<i>bchnm</i>	BENEFIT/PENSION :universal child allowance	1.3837	1.5038	1.5138
<i>bchba</i>	BENEFIT/PENSION :allowance for new-born children	0.9923	1.0439	1.0433
<i>bchmt</i>	BENEFIT/PENSION :means-tested family allowances	1.0987	1.3892	1.3804
<i>bdi</i>	BENEFIT/PENSION :disability benefit	1.1321	1.2361	1.2536

Notes: *default* – National Institute of Statistics, annual average inflation; *yem*, *yempv* – National Institute of Statistics, Labour Cost Survey, monthly average gross wage; *ypr* - National Institute of Statistics, Household Budget Survey, monthly average income per household; *yse* - National Institute of Statistics, Household Budget Survey, calculations based on the monthly average self-employment income per household and the average number of self-employed per household; *poa*, *pdi00*, *psu* - National Institute of Statistics, National Pensions House, annual averages of monthly pensions; *bun*, *bma*, *bhl* - National Institute of Statistics, Labour Cost Survey, updated with the annual monthly average of gross wage; *bhoen*, *bccnw*, *bchnm*, *bchba*, *bchmt*, *bdi* - Ministry of Labour, Family and Social Protection, calculated as the annual expenditures per benefit divided by the annual number of recipients, divided by 12 months.

## 4. VALIDATION

### 4.1 Aggregate Validation

It should be noted that the macro-validation is based on external statistics from official survey data (HBS, LFS) and from administrative records (budgets, number of social benefits' recipients) as well. Differences between input data and external statistics may result also from the different accounting, i.e. external statistics is often based on monthly average or situation at the end of the year, while EUROMOD gives annual results, which could be relevant especially for the number of recipients/ taxpayers.

The components of disposable income, as they are defined in EU-SILC vs. EUROMOD can be found in the table below. There are no major differences between the two definitions for disposable income, except for the *Repayments/receipts for tax adjustment*, which are not taken into account in EUROMOD simulations for the disposable income. Also, in EUROMOD we use a module for the *optimization of tax allowances* which could lower taxes and increase the disposable income.

Table 4.1 Components of disposable income



	EUROMOD [2007, 2008, 2009, 2010]	EU-SILC [2007]
	ils_dispy	HY020
Employee cash or near cash income	yem	PY010G
Employer's social insurance contribution	ils_sicer	PY030G
Contributions to individual private pension plans	xpp	PY035G
Cash benefits or losses from self-employment	yse	PY050G
Pension from individual private plans	ypp	PY080G
<i>Unemployment benefits</i>	bun_s	PY090G
<i>Old-age benefits</i>	poa	PY100G
<i>Survivor' benefits</i>	psu	PY110G
Sickness benefits	bhl	PY120G
Disability benefits	pdi00, bdi	PY130G
Education-related allowances	bched_s	PY140G
Income from rental of a property or land	yprrt	HY040G
<i>Family/children related allowances</i>	bma, bccnw_s, bchnm_s, bccrw_s, bchba_s, bchmt_s	HY050G
Social exclusion not elsewhere classified	bhoen_s, bsa_s, bsaoa_s*	HY060G
Housing allowances	-	HY070G
Regular inter-household cash transfer received	ypt	HY080G
Interests, dividends, etc.	yyi	HY090G
Income received by people aged under 16	yot	HY110G
Regular taxes on wealth	tpr	HY120G
<i>Regular inter-household cash transfer paid</i>	xmp	HY130G
<i>Tax on income and social contributions</i>	ils_taxsim, ils_sicee, ils_sicse, tschl_s	HY140G
<i>Repayments/receipts for tax adjustment</i>	tad	HY145N

Notes: \* The *minimum social pension/ social allowance for pensioners*, simulated in EUROMOD as *bsaoa\_s*, was introduced in 2009, so the policy rule is active in EUROMOD starting with year 2009.

The total disposable income in EU-SILC is computed as follows:

$$\begin{aligned}
 \text{HY020} = & \sum \text{PY010G} + \sum \text{PY021G} + \sum \text{PY050G} + \sum \text{PY090G} + \sum \text{PY100G} + \sum \text{PY110G} + \sum \text{PY120G} + \\
 & \sum \text{PY130G} + \sum \text{PY140G} + \text{HY040G} + \text{HY050G} + \text{HY060G} + \text{HY070G} + \text{HY080G} + \text{HY090G} + \\
 & \text{HY110G} - \text{HY120G} - \text{HY130G} - \text{HY140G}
 \end{aligned}$$

The sum for all household members of gross personal income components [gross employee cash or near cash income (PY010G); company car (PY021G); gross cash benefits or losses from self-employment (including royalties) (PY050G); unemployment benefits (PY090G); old-age benefits (PY100G); survivor' benefits (PY110G), sickness benefits (PY120G); disability benefits (PY130G) and education-related allowances (PY140G); income from rental of a property or land (HY040G); family/children related allowances (HY050G); social exclusion not elsewhere classified (HY060G); housing allowances (HY070G); regular inter-household cash transfers received (HY080G); interests, dividends, profit from capital investments in unincorporated business (HY090G); income received by people aged under 16 (HY110G)] **minus** [regular taxes on wealth (HY120G); regular inter-household cash transfer paid (HY130G); tax on income and social insurance contributions (HY140G)]. The variable HY140G includes tax adjustments-repayment/receipt on income, income tax at source and social insurance contributions (if applicable).



The standard disposable income in EUROMOD (ils\_dispy) is computed as follows = **Original income (ils\_origy) + benefits (ils\_ben) – taxes (ils\_tax) - employee social insurance contributions (ils\_sicee) - self-employed social insurance contributions (ils\_sicse) – health insurance contributions (tschl\_s)**

**Original income (ils\_origy)** = income : employment (yem) + income : self employment (yse) + income : investment (yiy) + income : property : rent (yprrt) + income : private pension (ypp) + income : other (yot) + income : private transfers (ypt) - expenditure : maintenance payment (xmp) + income : unemployment : severance pay (yunsv)

**Benefits (ils\_ben)** = Pension income (from the public pillar) (ils\_pen) + Non-means tested benefits (Excluding pensions) (ils\_bennt) + Means-tested benefits (ils\_benmt)

**Non-means tested benefits (Excluding pensions) (ils\_bennt)** = Maternity benefit (bma) + Child raising allowance (bccnw\_s) + Sickness benefit (bhl) + Contributory unemployment benefit (bun\_s) + Universal child allowance (bchnm\_s) + Child raising incentive (bccrw\_s) + (Allowance for newborn children and the outfit for newborn children (bchba\_s) + Disability benefit (bdi)

**Means-tested benefits (ils\_benmt)** = Social assistance (guaranteed minimum income) (bsa\_s) + Means tested educational allowance (Money for High School) (bched\_s) + Means tested family benefits (bchmt\_s) + Means tested heating benefit (bhoen\_s) + Social allowance for pensioners (bsaoa\_s)

**Taxes (ils\_tax)** = simulated taxes (ils\_taxsim) + property tax (tax on wealth included) (tpr)



#### 4.1.1 Validation of incomes inputted into the simulation

While the simulation results on the number of employed are consistent with the information offered by the external statistics, it is obvious that there are quite significant differences between simulation results and the external statistics regarding the number of unemployed, especially for 2009 and 2010, when the number of registered unemployment has grown significantly as a result of the economic crises. It should be also noted that the unemployed are under-represented in the original dataset. We compared the number of unemployed with two different external data sources, survey data (LFS) and administrative data (from the National Agency for Employment) and it seems that the comparison with the administrative data (registered unemployment) performs better. The differences between EUROMOD and external statistics can be explained also by the different accounting for unemployed and employed, which are computed from external sources as monthly and quarterly averages over the year.

Table 4.2 Number of employed & unemployed

	Input dataset (I)		External Source (II)				Ratio (I/II)			
	2007	2007	2008	2009	2010	2007	2008	2009	2010	
Number of employed	8962.844	9353.326	9369.121	9243.457	9239.390	0.96	0.96	0.97	0.97	
Number of registered unemployed	400.5515	367.838	403.441	709.383	626.960	1.09	0.99	0.56	0.64	
Number of ILO unemployed	400.5515	640.942	575.547	680.683	725.150	0.62	0.70	0.59	0.55	

**Notes:** Number of employed and unemployed from external statistics are computed as averages of quarterly/ monthly data over the year.

#### Sources:

1. For registered unemployed, 2007-2009, Romanian Statistical Yearbook, 2010, National Institute of Statistics, p. 112.
2. For registered unemployed, 2010, data of National Agency for Employment, <http://www.anofm.ro/situatia-operativa-a-somajului-inregistrat-la-data-de-31-12-2010>
3. For ILO unemployed, Labour Force in Romania. Employment and unemployment, National Institute of Statistics, Annual Publications
4. For employed, Labour Force in Romania. Employment and unemployment, National Institute of Statistics, Annual Publications
5. For ILO unemployed, data of National Institute of Statistics, [http://www.insse.ro/cms/files/statistici/comunicate/com\\_anuale/ocup-somaj/somaj\\_2009.pdf](http://www.insse.ro/cms/files/statistici/comunicate/com_anuale/ocup-somaj/somaj_2009.pdf)

#### Definitions:

**Registered unemployed** are persons who fulfill the cumulative conditions stipulated by the Law no.76/2002 regarding the system of unemployment insurance and employment incentives and who register to the employment agency in the territorial zone they have domicile or, by case, residence, or another provider of employment services, functioning according to the law, in order to get a job. According to the legislation in force, unemployed quality is held by person who fulfills the following cumulative conditions:

- a) he is looking for a job from 16 years old at least to pension age;
- b) his health, his physical and psychical capacities make him able to work;
- c) he has no job, he gets no income or, from legal activities, he gets an income lower than the value of reference social indicator according to the Law no.76/2002;
- d) he is available to start work in the next period if he finds a job;

There are **assimilated unemployed** those who are:



- graduates of educational institutions and graduates of special schools for disabled persons aged 16 years at least, who, during a 60 days period since graduation, did not succeed in being employed according to their vocational training;
- persons who, before carrying out their military service, were not employed and who, during a 30 days period since the end of military service, could not be employed.

**ILO unemployed**, according to International Labour Office (ILO) criteria, are persons aged 15-74 years who, during the reference period, simultaneously meet the following conditions:

- have no job and are not carrying out any activity in order to get income;
- are looking for a job, undertaking certain actions during the last four weeks (registering at employment agencies, or private agencies for placement, attempts for starting an activity on own account, publishing notices, asking for a job among friends, relatives, mates, trade unions a.s.o.);
- are available to start work within the next two weeks, if they immediately find a job.

Table 4.3 Market Income-Number of recipients

	Input database (I)		External Source (III)			Ratio (I/III)			
	2007	2007	2008	2009	2010	2007	2008	2009	2010
<b>Original income</b>									
Employment income	6679.4	6197.236	6316.873	6213.037	6061.467	1.1	1.1	1.1	1.1
Self-employment income	2102.1	1976.675	1942.859	1917.714	1996.822	1.1	1.1	1.1	1.1

**Notes:** external statistics computed as quarterly averages over the year.

**Sources:** for employment and self-employment number of recipients, National Institute of Statistics, Labour Force Survey.

The simulation results on the number of employed and self-employed are highly consistent with the information offered by the external statistics.

Table 4.4 Market Income-Aggregate amounts

	Input (I)	External source (III)	Ratio (I/III)	Updated input (I)		External source (III)			Ratio(I/III)			
				2007	2007	2008	2009	2010	2008	2009	2010	
<b>Original income</b>												
Av. monthly earnings	1071.6	1294	0.82	1373	1459	1406	1458	1527	1575	0.9	0.9	0.89
Employment	85891	96230	0.89	110121	116976	112758	116881	122464	126252	0.9	0.9	0.89



	Input	External source	Ratio	Updated input (I)			External source (III)			Ratio(I/III)			
	(I)	(III)	(I/III)	2007	2008	2009	2010	2008	2009	2010	2008	2009	2010
income -total													
Self-employment income	10914	7428	1.46	14457	14972	14625	8872	9233	10029	1.6	1.6	1.4	
Investment income	425	N/A	N/A	451.36	473.03	507.1	N/A	N/A	N/A	N/A	N/A	N/A	
Property Income	130	285	0.45	271	181	149	593	397	325	0.4	0.4	0.4	
Severance payments	106.77	N/A	N/A	130.07	164.06	171.89	N/A	N/A	N/A	N/A	N/A	N/A	

**Notes:** the monthly average of self-employment income per household extracted from the Household Budget Survey is multiplied by the average number of households.

**Sources:** for employment income, National Institute of Statistics, Labour Cost Survey; for self-employment and property income, National Institute of Statistics, Household Budget Survey.

As it is obvious from the Table 4.4, the average employment income and the total employment income are below external benchmarks. Possible explanations are connected to the fact that the declared income might be underestimated by respondents compared to the real one. It is also possible that the EU-SILC survey does not manage to reach appropriately the high income groups, while the external statistics for employment income is an enterprise survey (Labour Cost Survey) which covers all ranges of employment income.

The self-employment income is over-estimated in EUROMOD, while the property income is only about half the one recorded in the external data. Data regarding self-employment and property income are obtained from the Household Budget Survey, which is a survey based on a sample of more than 33000 households every year, compared to the EUROMOD database, consisting of a sample of 7805 households. The difference in the two sample sizes, could partly explain the gap between the input and external statistics. It should be also borne in mind that property income is usually poorly measured through surveys.

Table 4.5 Non-simulated taxes and benefits-Number of recipients/payers

	Input database (I)		External Source (III)			Ratio (I/III)			
	2007	2007	2008	2009	2010	2007	2008	2009	2010
<b>Pensions</b>									
Old-age pension	4255.19	4233.0	4191	4172	3970	1.005	1.01	1.01	1.07



	Input database (I)		External Source (III)			Ratio (I/III)			
	2007	2007	2008	2009	2010	2007	2008	2009	2010
Disability (invalidity) pension	669.25	882.0	892	909	896	0.75	0.8	0.73	0.74
Survivor pension	462	630.0	618	608	639	0.73	0.74	0.75	0.72
<b>Benefits</b>									
Disability benefit	145.7	934	1083	1161	1210	0.15	0.134	0.1	0.12

**Notes:**

**Sources:** for pensions, National Institute of Statistics, National Pensions House; for disability benefits, the Ministry of Labour, Family and Social Protection.

While the simulation results regarding the old-age pension are consistent with the information offered by the external statistics, there are discrepancies between the two sources of information in the case of disability (invalidity) pension, but also in the case of survivors' pension, both in number of recipients and amounts. These can be explained by the SILC aggregation of benefits for persons over 65, namely the disability and survivors benefits/pensions for people aged over the standard retirement age are counted as old age benefits.

Table 4.6 Non-simulated taxes and benefits-Aggregate amounts

	Input (I)	External source (III)	Ratio (I/III)	Uprated input (I)			External source (III)			Ratio(I/III)		
	2007	2007	2007	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Pensions</b>												
Old-age & early old-age pension	23311.4	21770.6	1.07	33904.1	40424.3	42771.8	31903.1	38071.7	36949.6	1.06	1.06	1.15
Disability (invalidity) pension	2734.0	3376.29	0.81	3804.9	4461.0	4272.6	4923.8	5912.1	5664.1	0.77	0.75	0.75
Survivor pension	1324.0	1670.8	0.79	1803.6	2240.3	2373.3	2373.1	2779.8	2600.4	0.76	0.8	
<b>Benefits</b>												
Disability benefits	364.2	1067.86	0.341	386.1	404.6	433.8	1401.8	1641.0	1734.3	0.27	0.24	0.25



**Sources:** for pensions, National Institute of Statistics, National Pensions House; for disability benefits, the Ministry of Labour, Family and Social Protection

While the simulation results regarding the old-age pension are consistent with the information offered by the external statistics, there are discrepancies between the two sources of information in the case of disability (invalidity) pension, but also in the case of survivors' pension. The discrepancies are substantial in the case of the disability benefits, which is severely underestimated as the dataset underestimates as well the number of disabled persons.

#### **4.1.2 Validation of outputted (simulated) incomes**

In the case of the *allowance for newborn children* and of the *outfit for newborn children*, the discrepancies between the input database and the external source are quite important. One possible explanation is that there are not enough children aged 0 in the data (compared to EUROSTAT figures- the number in the EM dataset is significantly smaller - 57%). These two benefits are granted by application, the amounts are very small and we believe that these facts favour non-take-up of benefits, alongside with the lack of information regarding the benefit in many cases.

The number of recipients of *child raising allowance* is a third smaller than official statistics. This could be explained by the small number of children aged 0 in the dataset, but also by the fact that we do not simulate children that turn 2 years during income reference period. The child raising allowance is differentiated for disabled children up to the age of 3, which we do not simulate, so this could also influence our results compared to the external statistics.



The number of recipients of the *child raising incentive* is overestimated approximately 8 times. The main explanation for this gap is the non-take-up of the benefit, as the amount is fairly small and the effort involved in applying is significant. The benefit is assigned for all working months, based on the variable number of months in employment in the dataset, which could be problematic. On the other hand, it could be an over-estimation for children born during income reference period, as the number of months in work could be referring to the period before birth.

In the case of the *support allowance for the mono parental family* the number of recipients in the case of the allowance for lone parents is too small. This can be explained through the fact that the mono parental families are under-represented in the dataset. (According to the 2002 census, in Romania the single parent families counted for approximately 13% of the families, while the EU-SILC dataset comprises about 2% single parent families).

The number of recipients of the *guaranteed minimum income* is overestimated 5 times. This can be explained due to the fact that not all the conditions for receiving social assistance can be simulated in the model – the list of basic necessity goods that are eligibility conditions for benefiting of social assistance is not implemented in the model, and neither is the eligibility condition regarding community services that must be done by the recipient (a household member). A calibration implemented in the model to improve the simulation eliminates receipt for families that area headed by persons aged 18-26. After the calibration the number of recipients is overestimated approximately 3 times.

The *unemployment benefit* recipients are severely under simulated. At least part of the under-simulation is explained by the too low number of unemployed in the dataset, and for the years 2009 and 2010 additionally by the sharp increase in the number of unemployed who receive unemployment benefit.

The number of recipients of the *minimum pension* is underestimated compared to external statistics. This can be explained through the fact that the recipients of minimum pension are under-represented in the dataset of the model.

*Money for high-school* number of recipients is over estimated in the model. This can be explained by the non-take up phenomenon and the fact that certain conditions cannot be simulated in the model (such as educational performances, absenteeism etc.).

The *salary guarantee contribution* is overestimated compared to external data. A possible explanation is that the guarantee contribution is paid only by private employers, while the type of the employer is not observed in the data and it was roughly imputed based on occupation. The results underestimate the number of public employers.

The number of recipients of *health insurance contributions* is slightly underestimated. The external statistic is the sum of employee contributors and pensioner contributor, so persons who are both employees and pensioners are counted twice.

Other taxes & benefits are in-line with the external information provided.

Table 4.7 Simulated taxes and benefits-Number of recipients

Input database (I)	Original data (II)	Ratio (I/II)	External source (III)	Ratio (I/III)
--------------------	--------------------	--------------	-----------------------	---------------



	2007	2008	2009	2010	2007	2007	2007	2008	2009	2010	2007	2008	2009	2010
<b>Benefits</b>														
Universal child benefit (state allowance for children)	4359.32	4359.32	4359.32	4359.32	2606.17	1.67	4207.224	3775.707	3888.014	3892.407	1.03	1.15	1.12	1.11
Allowance for new born children	114.72	114.72	114.72	114.72	N/A	N/A	187.457	190.640	196.567	128.802	0.61	0.60	0.58	0.89
Outfit for new born children	121.31	121.31	121.31	121.31	N/A	N/A	142.360	199.856	202.166	149.455	0.85	0.60	0.60	0.81
Child raising allowance	139.63	139.63	139.63	139.63	42.62	3.27	189.990	179.070	181.405	196.495	0.73	0.77	0.76	0.71
Child raising incentive	132.08	132.08	132.08	132.08	N/A	N/A	16.608	17.928	14.575	9.769	7.95	7.36	9.06	13.52
Complementary family allowance	712.55	570.12	1382.44	1416.66	N/A	N/A	576.844	506.096	548.579	604.609	1.24	1.13	2.52	2.34
Support allowance for the lone parent	96.53	83.52	205.31	205.31	N/A	N/A	221.194	189.768	193.958	200.656	0.44	0.44	1.06	1.02
Social Assistance (guaranteed min. income)- Before calibration	1178.84	1160.41	1150.76	1213.97	N/A	N/A	240.236	223.777	221.603	232.366	4.91	5.19	5.19	5.22
Social Assistance (guaranteed min. income)After calibration	790.97	760.94	771.27	815.32	N/A	N/A	240.236	223.777	221.603	232.366	3.29	3.40	3.48	3.51
Unemployment benefit	84.71	84.71	84.71	84.71	88.36	0.95	121.389	143.549	435.497	329.639	0.69	0.59	0.19	0.25
Minimum pension	N/A	N/A	485.6	669.99	N/A	N/A	N/A	N/A	652.571	646.598	N/A	N/A	0.744	1.03
Money for high-school)	221.85	184.95	158.81	170.23	N/A	N/A	140.328	155.684	124.935	124.569	1.58	1.19	1.27	1.37



	Input database (I)				Original	Ratio	External source (III)				Ratio (I/III)				
	2007	2008	2009	2010	data (II)	(I/II)	2007	2008	2009	2010	2007	2008	2009	2010	
Heating aid	3935.87	3659.84	3347.11	3302.61	N/A	N/A	4086.672	3995.206	3612.261	3359.508	0.96	0.92	0.93	0.98	
<b>Social insurance contributions</b>															
<i>Employee contributions</i>															
Social insurance contributions	6679.4	6679.4	6679.4	6679.4	N/A	N/A	6197.236	6316.873	6213.037	6061.467	1.07	1.05	1.07	1.1	
Unemployment	6679.4	6679.4	6679.4	6679.4	N/A	N/A	6197.236	6316.873	6213.037	6061.467	1.07	1.05	1.07	1.101	
<i>Self-employed contributions</i>															
Social insurance contributions	2045.53	2045.53	2045.53	2045.53	N/A	N/A	1976.675	1942.859	1917.714	1996.822	1.03	1.05	1.06	1.02	
<i>Employer contributions</i>															
Social insurance contributions	6679.4	6679.4	6679.4	6679.4	N/A	N/A	6197.236	6316.873	6213.037	6061.467	1.07	1.05	1.07	1.101	
Unemployment	6679.4	6679.4	6679.4	6679.4	N/A	N/A	6197.236	6316.873	6213.037	6061.467	1.07	1.05	1.07	1.101	
Sickness	6679.4	6679.4	6679.4	6679.4	N/A	N/A	6197.236	6316.873	6213.037	6061.467	1.07	1.05	1.07	1.101	
Accident	6679.4	6679.4	6679.4	6679.4	N/A	N/A	6197.236	6316.873	6213.037	6061.467	1.07	1.05	1.07	1.101	
Salary guarantee contribution	5431.21	5431.21	5431.21	5431.21	N/A	N/A	4446.126	4593.473	4504.178	4414.023	1.22	1.18	1.2	1.23	
<i>Health insurance contributions (all)</i>															
Health insurance contributions paid by employee. self-employed. pensioners etc. (contributed health insurance not included)	8511.1	8959.81	13236.67	13189.54	N/A	N/A	9536.954	13944.73	13806.75	13733.289	0.89	0.64	0.96	0.96	

**Notes:** for unemployment benefit and minimum pension recipients the data in the table is computed as monthly averages over the year.



**Sources:** for benefits, except for the program regarding "money for high-school" - data of Ministry of Labour, Family and Social Protection, [www.mmuncii.ro](http://www.mmuncii.ro), Statistical Bulletin on Labour and Social Protection, <http://www.mmuncii.ro/ro/684-view.html>; for the benefit "money for high-school" data of Ministry of Education, Research, Youth and Sport, <http://www.edu.ro/index.php/articles/c341/> and specific information on <http://banidliceu.edu.ro/>; for A - registered unemployed, Romanian Statistical Yearbook, National Institute of Statistics. For more details, see Table 4.2; for guaranteed minimum social pension, National House of Pensions and Other Social Insurance Rights, <http://www.cnpas.org>; for (x), money for high-school, see for beneficiaries <http://banidliceu.edu.ro/> for employee and self-employed contributions, National Institute of Statistics, Labour Force Survey.

The difference between the number of beneficiaries from simulation and external statistics leads to discrepancies between the simulated amounts and the external statistics for the benefits under discussion. This is the case of the *allowance for new born children* and the *outfit for new born children*, the *child raising allowance*, the *support allowance for lone parent families*, which are below external benchmark, but also for the *child raising incentive* which is approximately 6 times higher than external statistics.

The *guaranteed minimum income* amounts are over-simulated. The explanation could be in the discrepancy may be explained by the too large number of beneficiaries; but, as the over-simulation is less severe in the case of amounts compared to number of beneficiaries indicates that, at least partly, results may be explained by the non-take up of small benefits.

The total *unemployment benefit* amounts are severely under simulated. At least part of the under-simulation is explained by the too low number of unemployed, but also by the small number of months in unemployment in the dataset compared to external data.

The *heating aid* amounts are under simulated. This is because information on several elements that enter the policy does not exist in the dataset and, as a result, is fully imputed based on averages per type of heating and area of residence. For the moment, the simulation will not be changed.

Total revenues from *the personal income tax* are under simulated. It is not clear yet what explains the observed difference. One possibility is that the optimization of the employee tax allowance leads to its overestimation and subsequent to too small tax base, but still the difference remains. It could be also a poor coverage of high income households in the survey.

*Employee unemployment insurance contributions* are over-estimated.

*Self-employed social insurance contributions* - It was agreed that given that no clear external statistics related to self-employed have been found, no figures will be entered (rather than using figures which may not be appropriate).

Simulated amounts for *employer accident insurance* are only half of external data. One possible explanation that could be brought forward is that only the lowest contribution rate is simulated, while the rate actually depends on occupation and economic sector.

Simulated amounts of *credited social contributions on behalf of recipients of unemployment, maternity & sickness benefits* are too low. A possible explanation stands in the number of unemployed and simulated unemployment benefits in the data that are too low. It is not known whether receipt of maternity and sickness benefits is accurately captured in the data.



Table 4.8 Simulated taxes and benefits- Aggregate amounts

	Input (I)				Original (II)	Ratio (I/II)	External source (III)				Ratio(I/III)			
	2007	2008	2009	2010	2007	2007	2007	2008	2009	2010	2007	2008	2009	2010
<b>Benefits</b>														
State allowance for children)	1973.7	2313.3	2798.3	2798.3	1714.4	1.15	2082.8	2586.4	2894.5	2916.9	0.94	0.89	0.96	0.95
Allowance for new born children	23.402	24.434	26.389	26.389	N/A	N/A	37.877	39.886	44.448	29.633	0.61	0.61	0.59	0.89
Outfit for new born children	18.196	18.196	18.196	18.196			21.359	29.709	30.311	22.508	0.85	0.61	0.6	0.808
Child raising allowance	969.5	969.5	1600.3	1714.8	148.6	6.52	1436.2	1320.1	1737.8	2212.7	0.67	0.73	0.92	0.77
Child raising incentive	146.3	146.3	146.3	146.3			23.877	22.211	18.716	12.256	6.12	6.58	7.81	11.94
Complementary family allowance	379.51	325.89	976.15	1001.67	N/A	N/A	297.426	288.685	405.027	442.171	1.28	1.13	2.41	2.27
Support allowance for the lone parent family	65.67	58.59	180.97	180.97	N/A	N/A	155.733	145.442	180.735	189.034	0.42	0.40	1.00	0.96
Social Assistance (guaranteed min income) –before calibration	1796.0	1966.7	2116.3	2590.9	N/A	N/A	396.6	366.5	414.5	479.1	4.53	5.37	5.10	5.41
Social Assistance (guaranteed min income) - after calibration	1152.79	1232.63	1377.91	1757.50			396.6	366.5	414.5	479.1	2.91	3.36	3.32	3.67
Unemployment benefit	254.711	324.273	391.795	394.411	227.239	1.12	754.24	664.06	1734.41	2433.82	0.33	0.48	0.22	0.16
Minimum pension	N/A	N/A	442.308	713.469	N/A	N/A	N/A	N/A	698.177	687.804	N/A	N/A	0.63	1.03
Heating aid	956.26	928.55	841.59	878.9	N/A	N/A	1280.65	1014.97	490.231	848.24	0.75	0.91	1.72	1.04
<b>Taxes</b>														
Personal income tax	9526.54	13941.2	15441.5	14867.8	N/A	N/A	13828.8	18398.3	18546.3	19043.1	0.68	0.76	0.83	0.78
<b>Social insurance contributions</b>														
<i>Employee contributions</i>														
Social insurance contributions (pension. invalidity. death)	8149.19	10461.5	11112.7	10712.1	N/A	N/A	7515.2	10139.8	11112.0	10657.5	1.08	1.03	1	1
Unemployment	858.918	550.609	584.88	563.793	N/A	N/A	661.033	486.655	644.349	586.715	1.29	1.13	0.907	0.96
<i>Employer contributions</i>														
Social insurance contributions	16727.29	21473.7	24331.0	23453.8	N/A	N/A	15939.9	21125.9	22113.5	21229.8	1.05	1.01	1.1	1.1
Unemployment	1717.85	1101.21	584.865	563.796	N/A	N/A	1610.37	1085.62	677.552	590.521	1.06	1.01	0.86	0.95
Sickness	727.271	932.434	991.775	956.311	N/A	N/A	634.129	674.436	808.524	796.888	1.15	1.38	1.22	1.20
Accident	343.567	440.487	175.464	169.138	N/A	N/A	686.487	674.4	323.915	249.354	0.5	0.65	0.54	0.67



	Input (I)				Original (II)	Ratio (I/II)	External source (III)					Ratio(I/III)		
	2007	2008	2009	2010	2007	2007	2007	2008	2009	2010	2007	2008	2009	2010
Salary guarantee contribution	171.765	220.220	233.927	225.494	N/A	N/A		207.712	221.92	221.969		1.06	1.05	1.01
<b>Health insurance contributions (all)</b>														
Health insurance contributions paid by employee. self-employed. pensioners etc. (contributed health insurance not included)	16548.50	20245.791	22001.383	21424.14	N/A	N/A	11428.7	13312.7	12753.7	12110.4	1.45	1.52	1.72	1.77
<b>Credited social &amp; health insurance contributions</b>														
All categories	28.102	35.585	38.553	44.183	N/A	N/A	143.503		447.695	765.914	0.19		0.08	0.05
	147.584	179.429	154.588	170.342	N/A	N/A	145.674	159.521	171.252	261.004	1.01		0.9	0.65

**Notes:** employer sickness contribution is the aggregated employer and self-employed with employees sickness contribution; self-employed sickness contribution is for self-employed without employees.

**Sources:** for benefits, Ministry of Labour, Family and Social Protection, [www.mmuncii.ro](http://www.mmuncii.ro), Statistical Bulletin on Labour and Social Protection; for personal income tax, the State Budgets, Ministry of Finance (for 2010 it is provisional data); for social insurance and accident contributions, the Social Insurance Budgets, National Pensions House; for health insurance and sickness contributions, the Health Insurance Budget, the National Health Insurance House; for unemployment insurance and salary guarantee fund contributions, the Unemployment Insurance Budget, the National Employment Agency.

## 4.2 Income distribution

All income distribution results presented here are computed for individuals according to their household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. The weights in the OECD equivalence are: first adult=1; additional people aged 14+ = 0.5; additional people aged under 14 = 0.3.

### 4.2.1 Income inequality

As it is shown in the table below (Table 4.9), the income distribution slightly differs between the two sources, EUROMOD and SILC. The mean and median income is higher in EUROMOD, while the income inequality indexes are under-simulated. These differences and their sign are more obvious in the detailed income distribution by decile shares, which is more divergent between the two sources at the tails of the distribution. The over-simulation of benefits may result in over simulation of the median income, as well as income in the bottom deciles, and combined with the under-simulation in the 10<sup>th</sup> decile leads to the under simulation of the S80/ S20 measure.

The possible explanations that could be mentioned concerning the differences in the income distribution is the *optimization of tax allowances* which is done in EUROMOD, thus the disposable income of especially low income households is lifted up by this procedure. Secondly, Table 4.8 shows that the aggregated amount of income taxes simulated in EUROMOD is below the external figures, this is what could lead to too high disposable income in EUROMOD, thus a possible explanation for the distributional differences that could be brought forward.



Table 4.9 Income distribution

Indicator	EUROMOD (I)				External Source (II)				Ratio (I/II)			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Decile shares												
1	2,377	2,233	2,227	2,35	1,9	2,1	2,1	2,4	1,25	1,06	1,06	0,98
2	4,002	3,913	3,952	4,071	3,7	3,9	4,0	4,2	1,08	1,00	0,99	0,97
3	5,3	5,292	5,367	5,434	5,0	5,2	5,5	5,7	1,06	1,02	0,98	0,95
4	6,611	6,593	6,703	6,767	6,2	6,6	6,7	6,8	1,07	1,00	1,00	1,00
5	7,835	7,852	7,964	7,992	7,6	7,7	7,9	8,0	1,03	1,02	1,01	1,00
6	9,189	9,32	9,391	9,389	9,0	9,1	9,2	9,3	1,02	1,02	1,02	1,01
7	10,837	10,899	10,952	10,961	10,4	10,7	10,8	10,8	1,04	1,02	1,01	1,01
8	12,86	12,911	12,957	12,872	12,8	12,6	12,6	12,9	1,00	1,02	1,03	1,00
9	15,767	15,733	15,598	15,621	15,8	15,6	15,6	15,5	1,00	1,01	1,00	1,01
10	25,221	25,255	24,888	24,542	27,9	26,5	25,6	24,4	0,90	0,95	0,97	1,01
Median	533,727	702,863	779,652	773,217	487,04	542,75	663,42	719,67	1,10	1,30	1,18	1,07
Mean	627,836	815,293	895,902	888,612	583,68	645,75	772,25	838,83	1,08	1,26	1,16	1,06
Gini	0,347	0,349	0,345	0,339	0,378	0,36	0,349	0,333	0,92	0,97	0,99	1,02
S80/S20	6,426	6,67	6,552	6,255	7,8	7	6,7	6	0,82	0,95	0,98	1,04

**Notes:** Based on household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions; computed at the individual level.

**Sources:** Eurostat

#### 4.2.2 Poverty rates

The calculations based on EUROMOD are generally consistent with the information from SILC regarding the poverty rates. Still, the differences between the two sources come as results for the higher median income in EUROMOD, as compared to SILC values, especially for the years 2008 and 2009. A higher median income leads to higher poverty lines in EUROMOD and possibly to increased poverty rates in 2008, 2009 and 2010.

The lower EUROMOD poverty rate in 2007 is the outcome of a significantly higher disposable income for the first deciles, which offsets the effect of higher poverty lines. The differences in poverty rates are fairly distributed by gender, maybe with a slight increase for males for the 60% and 70% of median HDI poverty lines. By age category, we notice that elderly (65+ years) display lower poverty rates in EUROMOD than in SILC and that only for them and for the years 2007 and 2008, the figures from EUROMOD simulation seem to be not so in line with the SILC poverty rates.

Table 4.10 At risk of poverty rates by gender and age

Indicator	EUROMOD (I)				External Source (II)				Ratio (I/II)			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
<b>40% median HDI</b>												
Total	11,148	11,62	11,607	10,773	12,9	11,2	10,800	9,700	0,864	1,038	1,075	1,111
Males	10,834	11,572	11,693	11,035	12,7	10,9	10,400	9,800	0,853	1,062	1,124	1,126
Females	11,446	11,666	11,526	10,525	13,1	11,4	11,100	9,600	0,874	1,023	1,038	1,096
<b>50% median HDI</b>												



Indicator	EUROMOD (I)				External Source (II)				Ratio (I/II)			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Total	16,698	17,828	17,509	17,112	18,7	16,6	16,5	15	0,893	1,074	1,061	1,141
Males	16,403	17,586	17,347	17,192	18,5	16	15,8	14,8	0,887	1,099	1,098	1,162
Females	16,978	18,058	17,662	17,037	19	17,2	17,2	15,2	0,894	1,050	1,027	1,121
<b>60% median HDI</b>												
Total	23,28	23,502	23,459	22,989	24,8	23,4	22,4	21,1	0,939	1,004	1,047	1,090
Males	22,573	22,835	23,093	22,806	24,3	22,4	21,4	20,7	0,929	1,019	1,079	1,102
Females	23,95	24,134	23,806	23,162	25,3	24,3	23,4	21,4	0,947	0,993	1,017	1,082
<b>70% median HDI</b>												
Total	30,291	31,205	30,705	30,045	32,1	30,1	29,1	27,6	0,944	1,037	1,055	1,089
Males	29,314	30,552	30,085	29,547	31,5	28,9	28,3	27,1	0,931	1,057	1,063	1,090
Females	31,217	31,824	31,292	30,516	32,7	31,1	29,8	28	0,955	1,023	1,050	1,090
<b>60% median HDI</b>												
0-15 years	31,69	34,493	33,628	33,956	33,5	32,40	32,80	31,30	0,946	1,065	1,025	1,085
16-24 years	24,865	26,532	27,7	27,901	24,8	25,70	25,20	25,30	1,003	1,032	1,099	1,103
25-49 years	20,732	21,898	22,154	22,349	21,0	20,60	20,70	20,30	0,987	1,063	1,070	1,101
50-64 years	17,619	16,599	16,791	16,35	19,9	17,00	16,00	14,30	0,885	0,976	1,049	1,143
65+ years	25,947	21,187	19,916	16,258	30,6	26,00	21,00	16,70	0,848	0,815	0,948	0,974

**Notes:** Computed for individuals according to their household disposable income (HDI) equivalised by the “modified OECD” equivalence scale. HDI are calculated as the sum of all income sources of all household members net of income tax and social insurance contributions.

**Sources:** Eurostat

### 4.2.3 Validation of minimum wage

The simulations in the baseline scenario and the scenario with the minimum wage included which corrects the employment income with the minimum wage based on hours worked and on the number of months worked are consistent in comparison to each other. The differences between the two scenarios are small and in the expected direction.

Table 4.11 Impact of minimum wage

	Baseline (I)				Minimum wage included (II)				Ratio (I/II)			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Disposable income (total)	98303.85	128192.9	140562.3	139854.2	98418.52	128352.5	140831.7	140162.7	0.999	0.999	0.998	0.998
Gross employee earnings (total)	85891.82	110121.9	116976.1	112758.8	86086.15	110371	117389.2	113233.9	0.998	0.998	0.996	0.996
Income tax	9535.98	13948.46	15473.55	14904.95	9547.82	13970.55	15517.04	14955.06	0.999	0.998	0.997	0.997



	Baseline (I)				Minimum wage included (II)				Ratio (I/II)			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
(total)												
Employee SICs												
(total)	9013.75	11012.19	11697.61	11275.88	9034.16	11037.1	11738.91	11323.39	0.998	0.998	0.996	0.996
Social assistance												
(total)	1797.22	1968	2117.67	2592.36	1793.53	1966.29	2115.24	2587.02	1.002	1.001	1.001	1.002
Gini (Eq HDI)	0.34	0.35	0.34	0.34	0.34	0.35	0.34	0.34	1.000	1.000	1.000	1.000
At poverty risk (60% median HDI)	0.23	0.24	0.24	0.23	0.23	0.24	0.24	0.23	1.000	1.000	1.000	1.000



### 4.3 Summary of “health warnings”

This final section summarizes the main findings in terms of particular aspects of the part of EUROMOD or its database that should be borne in mind when planning appropriate uses of the model and in interpreting results.

- The sample is relatively small and is calibrated by age group (except for the groups 0-15 years and 75+years), residence (rural/ urban) and gender. Therefore, care should be taken in analyzing and interpreting the results for small groups.
- The data base used in the simulations is the 2008 SILC with 2007 income data, for the consequent years the monetary variables are uprated with income specific uprating factors. The socio-demographic characteristics, labour market variables and not simulated income variables are not updated, remaining at their initial values.
- Many of the benefit income variables had to be disaggregated for taxation and social insurance contribution purposes; this inevitably introduces an amount of error.
- The macro-validation is based on external statistics from official survey data (HBS, LFS) and from administrative records (budgets, number of social benefits’ recipients) as well.
- Differences between input data and external statistics may result also from the different accounting, i.e. external statistics is often based on monthly average or situation at the end of the year, while EUROMOD gives annual results, which could be relevant especially for the number of recipients/ taxpayers.
- While the simulation results on the number of employed are consistent with the information offered by the external statistics, it is obvious that there are quite significant differences between simulation results and the external statistics regarding the number of unemployed, especially for 2009 and 2010, when the number of registered unemployment has grown significantly (by 90% compared to 2007).
- Average employment income and total employment income are below external benchmarks, as well property income, while self-employment income is over estimated in the dataset.
- The number of recipients of the guaranteed minimum income is severely overestimated in EUROMOD. This can be explained due to the fact that not all the conditions for receiving social assistance can be simulated in the model – the list of basic necessity goods that are eligibility conditions for benefiting of social assistance is not implemented in the model, and neither is the eligibility condition regarding community services that must be done by the recipient (or a household member).
- Total revenues from personal income tax are under simulated. It is not clear yet what explains the observed difference. One possibility is that the optimization of the employee tax allowance leads to its overestimation and subsequent to too small tax base, but still the difference remains. It could be also a poor coverage of high income households in the survey.
- The family allowances related to children under 2 years (*allowance for new born children, outfit for new born children, child raising allowance*) are under-simulated both in numbers and amount mainly because there are not enough children aged 0 in the dataset.
- The number of single parent families is harshly underestimated in the dataset; as a result the *support allowance for lone parent families* is under estimated both in recipients and amounts.
- The income distribution slightly differs between the two sources, EUROMOD and SILC. The possible explanations that could be mentioned concerning the differences in the income distribution is the *optimization of tax allowances* which is done in EUROMOD, thus the disposable income of especially low income households is lifted up by this procedure.
- It is assumed 100% benefit take-up and compliance rates.

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