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EUROPEAN UNION REFORM AND THE NEED FOR THE REFORMS OF THE NATIONAL SOCIO-ECONOMIC SYSTEMS

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Abstract
This article seeks to analyze the time-being by means of the possibilities to reform public policies (at national and European level) which concern the economic and social area.
The national and European social and economic well-being depends on the sustainability of the economic and social policies and on the determination to reform the system.
We are considering the analysis of the evolution of the governmental policies regarding the status and evolution of labor force, the pension system and the assumption of the key structural reforms for economy and public administration. The economic resources required for the reform are affected by the new challenges emerged internationally: a potential new economic crisis, the management of the developments emerged on the energy markets, the management of the withdrawal of the United Kingdom from the European Union, etc.

Keywords: economic sustainability, structural reform, pension system, social security, public policies.

Introduction

This paperwork seeks to find answers regarding the sustainability of the long-term social policy system. Social policies are measures and actions undertaken by the state (strategies, programs, projects, institutions, legislation, etc.) which address the needs of social protection, education, health, habitation etc. In other words, social policies aim at promoting and, as far as possible, supporting social welfare. Social policies aim to change the characteristics of the social life of the community in a direction considered acceptable. The central element is the welfare of the individual, family, collectivity and generally of the society.

We do not have a well-known name of the era we are entering in, but we start to unravel its contours: instability, uncertainty, frustration, deepening of system cleavage vs. anti-system (see the election of Donald Trump at the White House and Brexit), the intensification of contesting movements, especially among young people, increased violence, very rapid changes in the political and economic context, disintegration trends at European and national level, the recrudescence of nationalist currents and racial, ethnic and religious identities, competition which leads to aggressiveness and potential conflict, weakening of the hegemonic power of the United States, the fragmentation of the international system and frequent disagreements within the Western world organization system.

Therefore, states and public institutions fail to cope with various and repeated tensions and crisis, which raises the number of problems apparently lacking in political and economic solutions. Economic and social uncertainty, life insecurity, aging of the population and imbalances in pension systems generate confusion and strong economic and social tensions. To all these we can add less visible elements directly in the public space, but with dramatic effects on the individual and society, such as pollution, increased price of access to certain resources and democratic institution discrediting.

Russia "tests" the European Union and NATO by opening conflicts and creating tensions in Eastern Europe (Hungary, Greece, and especially Ukraine and Republic of Moldova), and the West cannot fight back appropriately (politically and militarily). Furthermore, France and Germany and even the European Union, underlines the importance of normalizing the relations of cooperation with Russia. "the new Eastern Europe will remain captive for yet another generation in a gray neutrality area that suits Moscow". "Grey area Europe", namely an Eastern Europe which is more under the influence of Russia than of the European Union, re-draws the political map of the continent and deepens the gap between the West and the East. Therefore, the Eastern Partnership countries and the limits of the West advance towards Russia are now the stake of the re-establishment of the new European order. While the gray area will be reconfirmed for another generation. This is the price of peace with Russia.

It would be interesting to see where a "re-founding speech" would come from nowadays, in the sense of a new European Union argumentative platform. Here are some variants proposed on the continent, none of them perfect, each with its specific interests and limits:

Cameron version, namely the speech for staying in the EU based on the stimulation of the fears about increasing costs and economic loss in case of Brexit, but at the same time on the political integration stopping. It will be tested soon after March 29th, 2019.

Merkel version, based on the reiteration of the political and financial solidarity obligations of the Member States in relation to the compliance with the decisions of the European Union, the most recent example being the acknowledgment of refugee quotas;

Baltic version, based on the fear of Russia aggression and on maintaining European and Euro-Atlantic unity as a guarantee for limiting Moscow expansionist inclinations;

Van der Bellen version (after the name of the new president of Austria, Alexander Van der Bellen), based on an intense pro-European federalist speech and on an ecological component, on exploiting fear of extreme-right ascension, but also on the opposition to the TTIP, namely to the USA-EU transatlantic agreement on creating a huge trade and investment free trade area, which, according to the Austrian leader, is against Europe’s economic, social and environmental interests;

Two-speed Europe version (respectively the select club and the periphery), generally supported by the competitive countries in the North-West of the European Union, based on accepting the functioning of groups with different parameters within the European Union and on the maintenance or even consolidation and establishment of these differences between Member States, a vision based essentially on the economic, political, social, cultural and administrative realities on the ground;

The assistant version, which the poor (southern) Europe believes in, based on the idea that the European Union is a bag of money that should be shared generously from Brussels to indebted, non-performant or corrupt economies such as Greece, Romania, Bulgaria etc.;

Corporate version or generically, “Volkswagen” version, based exclusively on the commercial interest of large companies, of exports on a unified market (without distinctions and political criteria), on the support of the connections with the United States (including TTIP), but also on the resumption of business with Russia, namely on a minimalist, economic liberal and capitalist vision on Europe.

We believe that in the absence of a political outgrowth of the European Union, accepted by a reasonable majority of citizens and European societies, it is unlikely that the next generation still have enough arguments to explain why the 28 Member States should remain together, to pool resources and to obey a single command center (even if they have a share of representation within the decision-making progress), and the entry into the age of sovereign referendums to end the most beautiful and idealistic project of modern Europe.

Developments in social assistance

Social assistance services are addressed only to those individuals or groups in difficulty. Social assistance service includes both social services provided by state institutions, and non-governmental organizations. Protecting those naturally disadvantaged categories such as disabled persons, orphans, widows, the elderly, children, poor persons, appears as the central objective of social insurance and social assistance services, by focusing the state's activity at central and local level by specially set up institutions, vested with authority in this direction.

The legal framework in the field of social assistance has been developed since 1990, starting with the legislation in the field of child protection. Subsequently, the general framework of the national social assistance system was defined and legislation was drafted for the various disadvantaged social categories: children, individuals with disabilities, low-income individuals and families, victims of violence and human trafficking etc. The elderly people benefit from Law no. 17/2000 which regulates their access to social and medical assistance services. The national social assistance service was initially described by Law no. 705/2001 and redefined according to Law no. 47/2006, which established the organization, operation and financing based on the European principles of granting social assistance in order to promote social inclusion process. Currently, the national social assistance service, regulated by Law no. 292/2011 – Social Assistance Law, is defined as a set of institutions, measures and actions whereby the state, represented by the authorities of the local and central government authorities, as well as civil society interfere in order to prevent, limit or remove temporary or permanent effects of the situations that can generate marginalization or social exclusion of the individual, family, groups or communities.

The effects of these evolutions can be summarized as follows:

the increase of the total number of retirees from 3.58 million in 1990 to 5.223 million in March 2018 (+45.89%) under the decrease of the number of employees from 8.156 million in 1990 to 6.303 million of employees in September 2018 (- 22.71%);

the total number of contracts registered with the Ministry of Labor, namely the employees, reaches 6,303,522 contracts, of which 5,821,822 are for indefinite term, and 481,700 are for definite term.

the demographic dependency ratio increased from 50.1 (as of January 1st, 2017) to 50.9 young persons and elderly per 100 adults (January 1st, 2018). The experts expect a deepening of the demographic decline of Romania over the coming decades. Therefore, the population of Romania will reach 14.5 million inhabitants in 2050, according to a report of the United Nations (UN), published in July 2015.

in the second quarter of 2018, the average state social insurance pension was of RON 1073, and the ratio between the average nominal net social security pension for old age with full retirement contribution (free of tax and social health insurance contribution) and the net average earning was of 48.2% (compared to 51.3% in the first quarter of 2018);

According to the data published by Eurostat, in 2016 Romania ranked fifth among EU countries as regards the rate of replacement of salary with pension (by excluding other social benefits) with a rate of 0.66 – i.e. the pension represents two-thirds of the salary. Obviously, the situation is a little better for retirees if we took into account a series of facilities they benefit from everywhere in Europe. Luxembourg (0,88) was ranked above us, a particular case in that there are very many people from neighboring countries working there; it was followed at a short distance by Italy (0.69), France (0.68) and Hungary (0.67).

The indicator of the pension replacement rate is defined by Eurostat as being the report between median value (most frequent) of pensions of persons between 65 and 74 years old and the median salary earning of those between 50 and 59 years old. The indicator is based on the EU –SILC standard, on European statistics on income, social inclusion and living conditions.

Notwithstanding, we can consider that the real reform of state social insurance starts with law no. 19 of 2000, which enables the access to the social insurance system of all income-producing persons, without being limited only to the holders of labor agreements.

Labor relations and occupational health

Many of the jobs created in the current global economy are ecologic jobs, the so-called green jobs, as well as jobs of the industries created to mitigate negative impact on the environment, by developing and implementing alternative technologies and practice. While green jobs are welcome because they provide new employment opportunities, it is important that they are set up and monitored, so that the new dangers and risks that may arise are known and removed or mitigated.

Furthermore, education plays an important role in developing knowledge/skills in the field of hygiene and body integrity, for those integrated in the Romanian education system.

The occupational health and safety is perhaps the most important chapter of the EU policy on employment and social business. The main purpose of this chapter is the prevention of potential shortages within the labor system, so that human resource activity can work with maximum efficiency. Human resource is at the forefront, the most important goal being the protection of life, integrity and health, as well as the prevention of accident risks and occupational illnesses.

It is well known that the scope of the "Community strategy 2007-2012 on health and safety at work" was permanent, sustainable and homogeneous decrease of the accidents at work and occupational illnesses. Notwithstanding, within the European Union:

Every year, over 3 million employees suffer a work accident involving absence of more than 3 days from work and around 4000 employees die in the same type of accidents;

24.2% of the employees believe that work can affect their health and safety;

A quarter of the employees consider that their work affects their health;

Over 3% of the gross domestic product of EU represents the level of direct and indirect costs generated by medical leave;

Last but not least, social insurance costs that can be related to occupational diseases or work accidents are very high.

By taking into account all these aspects, National strategy on health and safety at work for 2018-2020" is correlated with EU strategic directions and with the "European Pillar of Social Rights", a document that takes into account the dynamics of recent changes at EU level, as well as the changes in the labor market. Therefore, according to the pillar, workers are entitled to a high level of protection of their health and safety at work.

In this context, general goals of National strategy on health and safety at work for 2018-2020 are:

a better implementation of the legislation on health and safety at work, especially in microenterprises and SMEs;

the improvement of the safety and of the protection of workers' health, especially of those from economic activities of risk, in the priority areas of action, with emphasis on the prevention of occupational illnesses;

the simulation of joint actions with social partners, by the awareness and involvement in the management of health and safety issues at work and the materialization of an efficient social dialogue;

the appropriate management of the issue of older workers in the context of the general phenomenon of population aging, respectively of active labor force.

The specific goals of the National strategy on health and safety at work for 2018-2020 are:

the improvement of the legal background of the health and safety at work;

the support of the microenterprises and of the small and medium sized enterprises in terms of the compliance with the legislation on health and safety at work;

the improvement of the process of observing the legislation in the field of health and safety at work by actions of the authorities with duties in the field;

the approaching of the phenomenon of labor force aging and the improvement of occupational disease prevention;

the improvement of the collection of statistic data

the consolidation of the coordination with national partners to reduce accidents at work and occupational diseases.

These specific goals shall be achieved according to the National actions plan for the implementation of the national strategy on health and safety at work for 2018-2020 which is an integral part of this document.

Evolution of the labor force

In the short term, it is expected that the labor force reaches 1.1 mil. employees if the economy increases at the forecasted rate and no measures are taken to increase the employment rate. At the same time, it can be noted that there are large differences between the counties in what concerns the labor supply and demand. Therefore, the counties with high demand and low labor supply are the following: Brașov, Bucharest, Cluj, Constanța, Ilfov, Prahova, Timiș, Arad, Maramureș and Sibiu. While at the opposite pole, the counties with low demand and generous supply of human resources are Harghita, Ialomița, Mehedinți, Sălaj, Teleorman, Vaslui, Vrancea, Bacău, Buzău, Dâmbovița, Galați, Gorj, Mureș, Olt and Suceava.

Therefore, Romania's gross domestic product by business area is as follows:

Table 1: Romania's GDP on business areas

	BUSINESS AREA	% in GDP
	Industry (no constructions)	27
	Constructions	6
	Wholesale and retail trade, transport, accommodation and food services	20
	Information and communication	6
	Financial and insurance activity	3
	Real estate activities	8
	Professional, scientific and technical activities, administrative and support activities	8
	Arts, entertainment, leisure, other service activities	4

Source: PwC, Coalition for the Development of Romania, Labor Force Barometer, 2018

In what concerns labor productivity, our country is at the bottom of the list among European countries, but, however, it has the highest growth rate. According to a study performed by PwC, Coalition for the development of Romania, the following aspects are noted between 2008-2016: If labor productivity in Great Britain fell by 8.4%, in Spain also declined by 1.1% and in Italy by 4.7%, then in Germany there was a growth rate of 0.6%, in Poland increases by 17,7%, in Bulgaria by 15.9%, and in Romania the growth rate is of 23.3%. However, productivity rate adjusted by salary level (the value added divided by the personnel costs) decreased in Romania in most of the business area due to disproportionate salary increases.

It is well known that net salaries increased significantly between 2017-2018, partially due to the increases in the public administration.

Table 2 Evolution of average salary 2015-2018 EUR net / month

Year	Average salary Euro	Increase %
2015	476	-
2016	530	11.3
2017	585	10.5
2018	596	1.7

Source: INSSE – Online Tempo

In terms of the average salary in 2018, the administrative sector is ranked third after information, communication and finance. Despite all the increases, in 2017, there was the highest number of vacancies according to the economic activity which was carried out.

Table 3: Net salaries on business areas

No.	Business areas	€ net per month
1	Information and communication	1,195
2	Finance	1,047
3	Public administration	921
4	Mining	797
5	Health	770
6	Education	614
7	Trade	519
8	Arts	502
9	Agriculture	463
10	Constructions	435

Source: INSSE – Online Tempo

Table 4: The percentage of vacancies per business areas (2017)

No.	Business area	Vacancies %
1.	Information and communication	4
2.	Constructions	3
3.	Industry	31
4.	Health and social assistance	18
5.	Public administration and defense	17
6.	Wholesale or retail trade	10
7.	Transport and storage	6
8.	Education	5

Source: INSSE- Online TEMPO

More than half of private sector employers express an acute need for additional jobs to support business growth. This demand may be solved by importing labor force outside the country because the costs are lower than in case of domestic labor resources.

On the other hand, the domestic labor supply is in a continuous decline due to the decrease of the total population of the country. It is estimated that the total population of Romania is falling at a 10-12% rate in the next 20 years. Therefore, if we currently have 19.8 million citizens, it is estimated that in 2040 we will remain below 17.5 million.

Table 5: Evolution of the Romanian population and forecasts (thousands of inhabitants)

YEAR	POPULATION (thousands)
2015	19,877
2020	19,388
2025	18,927
2030	18,464
2035	17,974
2040	17,463

Source: UN - the population forecast based on the prospects of the World Population revised in 2017

It is noted that only in the last 10 years the total population of Romania has decreased by 4.8 %, while labor resources decreased by 9%, representing one of the highest rates within the European Union, according to the data provided by Eurostat.

According to the same data, a population increase is noted, as follows: In Great Britain, Germany and Italy total population, but also labor force (between 15-64 years old) increases, while total population and especially labor force decreases in Poland, Bulgaria and Romania.

The decrease of the population and of the labor force have a common cause, namely migration. In this context, it is estimated that 3.5 million Romanians live abroad. According to the data provided by OECD, 3,547,996 Romanians emigrated to other countries, Spain, Italy and the United Kingdom of Great Britain being among preferences.

The share of public sector employees has grown very much in recent years, so that, in 2016 the average number of employees in the public sector represented 26% of the total number of employees. By regions and geographical areas, there are 37% in the South-West of Oltenia and at the opposite pole 24% in the North-West and Center area. In the same context, for 3.5 million employees in private sector, there are 1.5 million employees in public sector.

The inactive population aged 15 and more registered the following evolution in Romania.

Table 6: Inactive population in Romania

No.	Year	Total
1.	2008	7,443,681
2.	2012	7,672,581
3.	2017	7,480,138

Source: INSSE

Due to this situation, we are ranked third within the European Union as number of persons outside labor work, after Italy with a share of 35.10% and Croatia with a share of 34.40%. In our country, we have a percentage of 34.04% persons outside the labor market. At the opposite pole, we find the Netherlands with 20.3% of the population outside the labor market, Denmark with 20% and Sweden with 17.9% persons not registered in any economic activity (according to Eurostat July 2017).

Pension system – parallel between Romania and the Nordic countries

The population of Romania is an aging population, thus being outside the European trend. The percentage of retirees of Romania, in the total of the population is of 27%, slightly beyond the margin of the European Union countries. According to the data provided by the European Commission in 2017, if in the United Kingdom, at a population of 65 million inhabitants, there are 15.64 million retirees, in Germany, at a population of 81.2 million inhabitants, there are 23.26 million inhabitants, then in Romania, at a total population of 19.9 million, there are 5.3 million retirees, and in Bulgaria, at a total population of 7.2 million inhabitants, there are 2.18 million retirees. This aspect dramatically influences the rate of dependency to the pension system. According to this trend, it is estimated that the rate of dependency to the pension system in Romania in 2050 will be of 96.9 %.

If in 2016, at a population of 8.4 million employees enrolled in an economic activity, there were 5.15 million retirees, thus resulting a rate of dependency to the pension system of 61.3%. It is estimated that in 2020, for an employed population of 8.2 million, there will be 5.18 million retirees, therefore the rate of dependency to the pension system will increase to 63%, and subsequently, in 2050, the number of employees will be almost equal to the number of retirees, thus, for 5.8 million employees, there will be 5.6 million of retirees, which means that all the people working in an economic activity will support financially the retirees.

Table 7: Romanian private pension system

ROMANIA	Retirement age: 65 men / 60 women (in 2015)
THE ORGANIZATION OF PRIVATE PENSION SYSTEM	Pillar I - Compulsory: PAYG type –the system of pension points; Pillar II – Compulsory/optional (2007): Defined contributions, individual accounts, Contributions of 2.5 % (of 10.5% of gross salary) – 5.1% as of 2015. In December 2017, it was reduced to 3.75%. There is separation between the administrator and the fund. Compulsory for those under 35; Optional for the other employees (35-45 years old). Private pension systems – Pillar II - accumulated, throughout 2007-2017, total funds of RON 38 billion in the accounts of over 7 million participants, thus achieving an average annual yield of 9.1%, Pillar III – Optional: Optional pensions, contributions of no more than 15% of income, individual accounts. In December 2017, the number of participants in Pillar III reached 446 thousand.
SYSTEM GUARANTEES	Relative performance guarantee Minimum level of rate of return, calculated on risk levels. Absolute guarantee: The total amount due for private pension cannot be lower than the value of the contributions paid, reduced by transfer penalties and legal fees. Other security elements: Romania has available the widest range of risk control tools: assets separation, actuarial reserves, depository verification, guarantee fund, audit, minimum rate of return. The guarantee fund is intended to cover unpredictable risks and which are not covered by technical provisions.
DEVELOPMENT OF THE MARKET AT PILLAR II LEVEL	4.57 mio. participants – Pillar II. 12 administrators. RON 25.94 billion (about EUR 6 billion), representing 3.70% of the GDP in 2015. In December 2017 the number of participants in Pillar II had reached 7.043 mio. participants. Maximum limits for investments: 20% in money market instruments, 70% government bonds, 30% securities issued by local public administrations, 50% shares, 5% corporate bonds, 5% mutual funds. Maximum fees allowed: Max. 2.5% of contributions. Max. 0.05% / month of net assets. Pillar II was seriously affected by GEO 114 of 28.12.2018. This emergency ordinance affects both private pension system and the entire Romanian economy. “The costs determined by the increase to 10% of the share capital for the administrators of Pillar II are very difficult to incur, if we take into account that the new legislative provisions dramatically diminishes the maximum rate of commission within these pension systems of up to 70%.” According to the new demand of the share capital of 10%, the administrators of pension

	funds should save about EUR 800 million, 11 times more than the current share capital and almost twice more than all the administration fees charged within these pension systems in the past 11 years”. At the end of 2018, the total of contributions to Pillar II was of about EUR 8.76 billion.

Source: Adaptation after Dan Zăvoianu – Comparison between pillar II private pension systems and the world markets - Communication Department – CSSPP, Bucharest, July 2010

Compared to Romania, Denmark, together with Finland, Norway and Sweden, belong to the so-called northern social model, the distinctive features of which are related to the promotion of equality and full employment, public responsibilities for welfare and profitable redistribution of income by transfers and progressive taxation. Social services in these countries are provided on an universal basis.

After the deregulation of the labor market in the 1990s, Denmark has one of the freest labor markets in European countries. According to the ranking of the labor markets drawn up by the World Bank, the flexibility of the labor market is at the same level with that of the United States of America. About 80% of the employees belong to trade unions and employment funds are attached to them.

Denmark is a country with a mixed market economy and a highly developed social state, with the highest level of income equality and the lowest level of corruption in the world. Denmark is also one of the few countries in the world that manages to provide its citizens with both a flexible labor market and an old-age pension system fiscally sustainable.

Table 8: Danish pension system

DENMARK	retirement age: 67 men/65 women
GENERAL PENSION SYSTEM	Denmark is one of the first countries adopting a multi-pillar pension system, consisting in both Beveridge elements (unique national pension based on residence criterion) and Bismarckian elements, occupational private pensions based on collective arrangements having the highest share. The universal nature of providing a basic old-age income, coupled with saving under a quasi-mandatory additional pension system is a guarantee that most elderly will not face the risk of social exclusion. The main issue of the occupational pensions is directly connected with their substantiation on collective agreements. Contributions are not paid by individuals who are temporarily out of the labor market or who receive unemployment assistance (child raising, unemployment or illness). This aspect is fined by increased contributions to the fund components of the first pillar, but do not compensate entirely the loss of income. Therefore, there are potential improvements of the system, but, at the same time, we can consider that the shortages of the Danish social protection system are negligible in compared perspective.

Pension pillar I	Pillar I belongs to the state and is mandatory, has universal coverage and consists of two tiers. The first tier is a national pension based on residence criterion (folkepension) and consists of two different elements: a) the basic amount, which is unique and depends on the term of the residence and b) pension supplement, dependent on the income. The second tier consists of a number of additional funding pension schemes (and a smaller PAYG type one), with different operational structures and scopes.
Pension pillar II	This consists in quasi-mandatory funding occupational schemes. The schemes are based on collective agreements provided by social partners. Their coverage increased exponentially in the 1990s, when the private sector was formally included. The collective agreements provide additional pensions to a percentage of 93% of the Danish employees aged between 30-60 (80% of the total. The rest of 20% does not pose a particularly pressing problem for the future social adequacy of the Danish pension system. In case of occupational pensions, contributions are between 9-17% of gross salaries and are largely exempt from taxes. The benefits are calculated by using actuarial principles, based on paid contributions, interest rate, average life expectancy and the risk profile of the individual fund. The main problem of the occupational pensions is that they do not cover other risks of labor market. The unemployment terms do not entitle the payment of any contribution, the compensation being delegated to other schemes of the pension system.
Pension pillar III	The pillar is represented by additional voluntary pension schemes, administered by banks or insurance companies. The investment is regulated and indexing is not mandatory. The contributions are exempt from taxes and benefits are taxed. The enrollment in this pillar is very high, accounting for about one million persons.

Source: Adaptation after Valentina VASILE (coord), Ileana TACHE, Cristiana TUDOR, Clara VOLINTIRU – The European Institute of Romania, SPOS 2011 – Study no. 4.

The complex combination of typical Danish flexicurity concept and old-age protection (which characterized the last two decades) led to the so-called Danish employment miracle. From more than 12% at the beginning of the 1990s, the unemployment rate reached only 1.7% in 2008, on the background of a reasonable replacement rate for the vast majority of the population.

With GDP/inhabitant of USD 36130 and a total population of 5.5 million inhabitants, Denmark has a total demographic dependency rate of 52.6% for 2010,40 an economic dependency rate of 28% in 2007, estimated at 40% for 2020,41 as well as an old-age dependency rate of 25.0% in 2010.

Finland has one of the most extended social insurance system of the world, which guarantee decent living conditions for all Finnish and foreign inhabitants who are legally resident. Since 1980, the system has been reduced, but remains one of the largest in the world. Created almost entirely in the first three decades after the Second World War, the social insurance system was a manifestation of the traditional Nordic belief according to which the state is not inherently hostile to the wellbeing of the citizens, but it can interfere in their benefit.

Although the inequality of the income available in Finland remains among the lowest in the EU, it has increased in recent years, despite the substantial decline in the unemployment rates after 1990 recession. As in many countries of the EU, this is a consequence of the increasing globalization and of the modification of the demographic structure.

Table 9: Finnish pension system

FINLAND	retirement age: variable between 62 and 68
GENERAL PENSION SYSTEM	The pension system of Finland consists of two types of pension plans: a first plan of pensions coming from the performance of an activity (in connection with the earning), the scope of which is the maintenance of a reasonable income level; a second basic national pension plan which aims to guarantee a minimum income for retirees with low salary or very short length of service. These schemes are closely connected because the level of the national pension depends on the size of the earnings-related benefits. The management of the pensions in private sector is delegated to private pension companies, pension trusts and pension funds. The national scheme provides a minimum pension based on the residence term. The retirement age for the national basic pension is 65 years old, but under certain conditions, early retirement is possible at 62 years. The percentage of retirees receiving only national basic pension is in decline. As of January 1st, 2010, national pensions are financed only from general taxes. Before this date, the employer's contributions financed only a part of the costs.
Pensions according to salaries	The earnings-related pension scheme includes all the employees (no income threshold), as well as those employed in their own company. The retirement age is flexible (between 62 and 68 years old), accompanied by higher increase rates for the last years of service: 1.9% every year between 53 and 62 years old and 4.5% between 63 and 68 years old instead of the standard growth rate of 1.5%. The pension is calculated based on the salaries received throughout the professional career (as of the beginning of 2005). The benefit formula includes a life expectancy coefficient that reduces the monthly pension value according to longevity increase. The individuals in groups with a higher life expectancy need to work harder to offset the impact of life expectancy coefficient.

Pension system financing	The financing of the earnings-related pensions represents a combination of PAYG system and of advance funding scheme system based on pension contributions, both from the employers and from the employees. Approximately three quarters of the earnings-related pensions are financed by PAYG, and the advance funding scheme covers the rest. The market value of the pension fund assets reached 73% of the GDP in 2009. National pensions are indexed with the consumer price index, while earnings-related pensions are indexed by a weighted index which includes 20% of the salaries and 80% of price evolutions. Pensions expenditures represent 10.8% of the GDP in Finland, which places it slightly below the EU 27 average. Due to the relatively recent implementation of the earnings-based system, low basic pension and the low participation of older women in the labor market, the poverty risk of people over 65 years old is higher than the EU average (23% compared to 19%) and of the persons under 65 years old (23% compared to 12%). In 2008, net and gross replacement rates for a worker retired theoretically at 65 years old, after a career of contribution of 40 years, were respectively 69.5% and 61.5%.

Source: Adaptation after Valentina VASILE (coord), Ileana TACHE, Cristiana TUDOR, Clara VOLINTIRU – The European Institute of Romania, SPOS 2011 – Study no. 4.

The challenge faced by Finland to ensure long-term sustainability of public finances (on the background of the population aging) was assessed by the European Commission as having medium risk. The long-term projected increase of pension expenditures (3.3%) is higher than the EU average (2.4%). The implementation of pension reform has moderated expenditures growth.

Sweden belongs to the Northern social model, the scope of which in terms of welfare policy is to reduce the gaps between different social groups, thus ensuring citizens protection, the opportunity to evolve and an acceptable economic standard. The eradication of social exclusion is an important target of the Swedish government, mainly delegated to the Ministry of Health and Social Affairs. The old Swedish pension systems combined both Beveridge features (as unique basic pensions financed by taxes - folkpension and pensions supplements) and Bismarck (financed by earnings-related contributions and defined benefits) – ATP. This system guaranteed a very comprehensive and generous protection in old age. In 1980s, the system started to face serious difficulties, requiring the draw up of a ten-year reform that has radically affected the OECD pension system. The new system is substantiated on various pillars, the first combining a unique minimum guaranteed pension (garantipension), an earnings-related pension with notional defined contribution (NDC), income-related pension (inkomstpension) and a private funding pension (premiereservsystem). The occupational quasi-mandatory pensions are above all the aforementioned schemes.

Table 10: Swedish pension system

SWEDEN	retirement age: flexible – between 61 and 67
GENERAL PENSION SYSTEM	The reform was possible only due to the existence of the National Pension Fund (AP-Fonden), which invested ATP surpluses during the years, thus reaching the coverage capacity of 5 consecutive years of benefits. Three important goals were achieved by means of the reform: a) Stabilization of long-term financial perspectives of public pension system; b) Introduction of salary-related indexation, thus stopping the erosion of ATP benefits threshold; c) The removal of random redistribution of the formula of the best year by means of the calculation of the assessment base over the lifetime of an individual.
Pension pillar I	Pillar I (state and mandatory) It includes three tiers. *Tier zero* – guaranteed pension replaced in 2003 the old basic pension and related supplements. It is an universal pension, financed by taxes, unique and indexed at price level. It is designed to ensure an income source, both for individuals who are not qualified for public pension and a supplement for low income retirees. *Tier one* is represented by the income-related pension (ATP) – a very sophisticated NDC system introduced in 1998 for those born after 1954 (a mixed system which applies for those born between 1938 and 1953) and which considers lifetime income. The state covers the contributions for inactive periods – child raising, military service, university studies, illness and unemployment. Retirement age is flexible, a person retires any time after 61, but collective agreements and employers' attitude prevent employment after 67. *Tier two* is represented by the full funding pension premiums, financed by the rest of 2.5% of the total contributions. The contributions are collected by the National Council of Taxes and administered by the Pension Premium Administration (PPM – *Premiepensiinsmyndigheten*). The new members can choose between about 800 funds. The annuities are both fixed with a minimum profit rate of 3% and variable. After the death of the individual, the assets are not inherited, but transferred to the newborns.
Pension pillar II	This pillar consists in quasi-mandatory occupational funding schemes which supplements pillar I. They are based on collective agreements and cover 90% of the employees. The level of the contributions usually consists between 2 and 5% of the salaries. The pension plans are based either on defined contributions or defined benefits. They address private sector workers with and without training, central government and local administrations. The schemes of all the four categories were transformed from defined benefits (DB) in defined contributions (DC) for the new entrants. The schemes of the private sector are DC plans in full, but many "white collar" workers of the private sector who are already employed will receive a pension according to a previous DB plan. The occupational pension schemes for the employees of public sector are DC plans up to the income threshold of the social insurance pension system, and for what exceeds the respective threshold – a combination of DB and DC plans. The contributions are exempt from taxes as long as certain conditions are met.

Pension pillar III	This consists in voluntary additional pension schemes. They accumulate to old-age pension funds or insurance companies. The development of pillar three is favored by tax incentives.

Source: Adaptation after Valentina VASILE (coord), Ileana TACHE, Cristiana TUDOR, Clara VOLINTIRU –European Institute of Romania, SPOS 2011 – Study no. 4.

Before launching the new system based on individual accounts, Swedish government launched a three-year information campaign addressed to potential participants. In this respect, mass media means and Internet were extensively used. Initially, the members received the annual situation of the account for the pension scheme – "orange envelope", together with a brochure containing explanations on the new system. Such a campaign was crucial for the increase of the financial culture and individual responsibilities.

The public pension system is under the responsibility of the Ministry of Labor and Social Protection. The National Insurance Council (Försäkringskassan) administers guaranteed pension and income-related pension. Swedish system is often considered as one of the most stable and consolidated systems of the world.

Conclusions

The best practices emphasizing success examples in programs for activating labor force, consider that there are few key interventions for the increase of the participation on labor market. Here are few of them:

early interventions for the prevention of long-term unemployment among young people;

profiling of vacancies and counseling and/or assistance in finding a job;

requalification of labor force over 50 years old, especially in what concerns digital skills;

subsidies for employers;

direct employment schemes;

flexibility of time and labor conditions, gradual retirement;

actual correlation of national minimum wage with actual labor productivity;

"brain import" from abroad;

partnerships between state authorities, business environment and community, especially at local level.

2018 began with the enforcement of certain legislative amendments which affect most of the population, but also the business environment. The most important amendments are: the transfer of social contributions (pensions, health) from the employer to the employee, but the amounts will still be retained and delivered by the employer; the increase of the national minimum wage from RON 1450 to RON 1900; the decrease of the income tax from 16% to 10% and the decrease of the share of contribution to pension Pillar II from 5.1% to 3.75%. The increase of the national minimum wage, without consulting business environment and studies of impact on the evolution of labor productivity, generates inflation and unemployment. Furthermore, at the end of the year, Government Emergency Ordinance 114 endangered the Romanian business environment, long-term sustainability of domestic and foreign investment of Romanian economy.

Various multinational companies which have activated in Romania until 2018 want to withdraw. In this background, successful private companies of the West side of the country announced their withdrawal and therefore, people working there need to look for a new job. The representatives of the companies blame labor fluctuation, in the first place. However, other serious causes are legislative amendments, but also the costs of utilities and salaries which, according to them, have grown alarmingly. For example, Rieker Swiss company, which owns a shoes factory in Lugoj, is the last on the list of those announcing they are leaving Romania. Almost 700 people were employed there, most of them of the neighboring villages. The representatives of the company motivated the leaving from Lugoj by means of the lack of labor force, but also by means of high cost of the transport of the employees from neighboring localities. Furthermore, in the last three months, they recorded an increase by 35% of the utility costs. The representatives of the factory said that the fluctuation of the labor force and salary costs caused a rebound of the business. Unfortunately, the company of Lugoj is not single. All alarming information (and maybe substantiated) on the impact on the business environment are not isolated, the entire business environment (from banking system to energy system companies and to the millions of private individual investors who contribute to pension pillar II) showed dissatisfaction on the frequent legislative changes regarding both the economic and tax environment and the defining elements of the rule of law.

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