

STAGES OF DEVELOPMENT WITHIN THE ROMANIAN FINANCIAL ACCOUNTING SYSTEM IN TERMS OF LABOUR PROTECTION FOR THE EMPLOYED WORKERS IN ROMANIA AND IN OTHER EUROPEAN COUNTRIES

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This paper aims to highlight the main stages of development within the financial accounting system for the protection of the personnel engaged in Romania and at the same time, to compare it with the one of other European countries. The importance of the work consists in identifying forms of social protection through the legislative framework *in order* to achieve a diagnosis of *Romanian* social welfare. As a research model used in a particular study, the methodology includes information accompanying theoretical basis and methods for it. This paper contains a positivist tinge *and it's constructive, going with the research's mainstream*. Of course, *one aspect is not left out: the critical approaches to the accounting referential standard concerning the protection of the staff in Romania as well as in Europe*.

The foundation of the research is represented by the last decades' economic reality. *The work* tries to find answers to the question: "How did the Romanian social protection develop and which was its legal framework?" *The research type is a deductive one which means that there's a way crossed from the general to the particular, starting from a theory which has as purpose applying the prediction itself and, at the same time, assuring a wider range of knowledge and being more operative*. Information gathering was done through various methods such as quantitative and qualitative research and *the pieces of information* presented in this paper were collected from various sources such as published articles, books, legal documents, all from the economical field. Afterwards, the collection of the pieces of information was followed by data analysis. Having this as purpose, the following research methods and techniques have been applied: cross-section (*analysis protection staff at a time*) and longitudinal (*protection of staff development in Romania*), survey (*protection of staff is described, compared and explained in Romania and the European context*), non-participating observation (*as statistical data*) and analysis (*collection, sorting and interpreting the information in the protection of staff in Romania*). Research results and general conclusions concerning the information system for the protection of staff are listed at the end of the paper.

Keywords: *social protection, stages of development, insured, labor code, social security accounts*

JEL Code: *M41, G01, K31*

1. Introduction:

The social protection manifests itself by a series of measures more or less material, which follow practical, compelling and action-oriented ways and which vary according to the covered population segment which they refer to. Also, it has to do with different branches and the intensity and diversity of the measures vary according to these branches.

The social protection systems can be divided into two categories: (Buzducea, 2009:17):

- the universal system type which provides fixed indemnities for the permanent citizens or for the ones who have been a number of years without reliable income. Usually, this system is funded

annually from the state budget and it includes pensions, pensions for workers with disability, widows and orphans, and family allowances. Some of these systems are partially funded from contributions given by employees and employers.

- the mandatory or voluntary system type: social insurances guarantee for the protection of people who were named insured against certain situations that may arise and are related to the worker's income before the loss of working capacity. It is funded in whole or in part by special contributions - a percentage of revenue – by the one who respects the conditions. In some countries, social protection is ensured either by choosing one or another of these types of systems or by using both types. At the same time it should be noted that in most countries, some categories of employed (military, civil servants, miners, teachers, lawyers, artists) fit special types of insurance systems.

2. Social Protection Reform in Romania compared to other European countries

Along with the transition to market economy was implemented the policy of social insurance, the most important role was played by the Minister of Labor and Social Welfare, which, since 1968, took over the management of the state social insurances from the General Union of Trade Unions being in accordance with the 783/1969 Decree on the organization and functioning of the Ministry of Labor. As a consequence of the transition to a market economy, after 1990, the existing social security system was updated and modified its permanent adaptation to new economic conditions being a must. Thus, new demands for expansion and improvement of the social insurance system arise, expanding social insurances inevitably and perfecting the existing ones. (Calu, 2005:21). Thus, the State Social Insurance Law 49/1992 shall be drawn amending and supplementing certain provisions of social security legislation. This law amended the 389/1972 Decree on social insurance contribution, so that the contribution of the legal and natural persons having paid employee can be determined differently. Since 1990, the legislative staff protection system has undergone many changes. A comparative study on the evolution of social protection in Romania is presented in the following table:

Table number 1.A comparative study on the evolution of social protection in Romania

Before 1990	After 1990
- the social-insurance contributions - differentiated rates on branches and sub-branches of the economy within the payroll (14%, 25%, 15%)	- social security contributions - undifferentiated rates on the payroll (the social insurance budget law)
-the amount of aid materials for temporary disability is calculated in accordance with the length of uninterrupted work, the tariff wage in the month of calculation(monthly average number of working days = 25.5%) * the percentage commensurate with the seniority.	-the calculus basis consists in the salary average for the last six months, the condition to receive indemnities being provided by the existence of a minimum contribution period.
-the percentages for calculating the material aid are 90% for an over 8 years seniority or 12 months in case of maternity	- the percentages used to calculate indemnities for temporary disability are lower, which means 85% for over 8 years seniority or 12 months in case of maternity.
-the pensions calculated as the average of basic pay and permanent bonuses over the past five years of continuous work, taken by choice from the last 10 years of activity	- the pension system reformed and becomes a public system of modern pensions, expanding the categories of participants required to insure (including those who work under an exclusive contract for civil convention); terms specific for the insurance system are released (insured risks, contribution internship, assimilated internship, pension point value, the insured, employer, etc.)

Before 1990	After 1990
- existence of the 3% pension contribution for the extra pension on the basic salary plus permanent bonuses	- the employee's individual contribution
- the total payroll tax paid by the economic entity	- individual wage tax paid by the employee

Source: made by the author

Before 1990, safety at work was provided by pensions and other rights for social assistance and health. The weaknesses of the social protection system during communism can be summarized as it follows:

- the unemployment was poorly addressed;
- there was a low migration of the international labor;
- the salaries were not correlated with labor productivity.

Best parts of the communist welfare system are considered to be the following:

- establishing the first legislative measures;
- the system was improved and reformed commensurately with the developed European countries (the french and the german models).

In Romania, after 1990, the changes in the system of social protection generated changes in the accounting system and the appearance of different accounts. After 1990, social welfare developed and modernized in harmony with the EU. Specialized institutions have emerged as well: The public system of pensions and other social security rights, the health insurance system, the social protection of maternity in the workplace, the insurance system for work accidents and occupational diseases, the unemployment insurance and the boosting work system.

This social system has been enriched with new forms of protection:

- The Maternity Protection at work by measures capable of preventing the women's exposure to risk:

the right to leave for maternal risk (the 423 account "Other social benefits granted to employees");

- the right to child allowance until the age of 2 years.
- The contributions paid by employers responsible for health and safety measures at work;
- prevention of occupational accidents and occupational diseases (2002);
- rehabilitation and compensation.
- Social protection done through social health insurances in order to implement national health programs through: preventive medical assistance services, medical services and hospital outpatient services, dental care, emergency medical services, medical services for rehabilitation, medical care, pre, intra and postnatal care, nursing home, medicines, medical supplies, prosthesis and other special services.

- The social protection of the unemployed through the unemployment insurance system and stimulation of employment:

1. Active measures:

- regarding the employers: information and counseling, work mediation, professional training programs, consulting and support in order to start a new business, supplementing the earnings of employees, encouraging labor mobility;
- regarding the insured: subsidized employment, loans on favorable terms to create new jobs, other benefits.

2. Passive measures: offering the unemployment aid. From an accounting perspective, the 437 account "Unemployment fund" hasn't changed over the years.

Social Protection in Romania was placed on a new basis once with the transition to the market sector. It evolved and changed constantly, adapting to the needs of the Romanian economy, to the requirements of practice as well as those imposed by the political manifestation. Health insurance

is the main health care system. It is mandatory and offers a free choice entitlement regarding the doctor of the insured, as well as of the health unit and of the Health Insurance Company. The main source of income for the state social insurance budget is represented by the contribution to the social security fund and it is calculated by applying percentage rates on the salary payroll, rates which are differentiated by branches and sub-branches of national economy.

A new report released by the World Bank Group and PricewaterhouseCoopers show that 45 countries around the world have simplified procedures for the payment of fees, with 25% more than in 2009. Despite this, our country hasn't taken a step forward and the payment of taxes and contributions in the local economy hasn't been eased. Romania ranks as the 149th country out of 183 countries, in terms of ease of payment of taxes and contributions and as the 182nd economy out of the 183 analyzed economies concerning the number of required payments (4 times more payments of taxes and contributions in comparison with the global average number of payments). Since January 1990, once with the transition to the market economy, in Romania, the possibility to stop activity has been obvious, the reasons being beyond the work of staff. This fact was not acknowledged, even though it appeared in the socialist economy. Thus, from 1st of May 1990, all business units and the state budget, private establishments, cooperatives, and individuals who use salary work will contribute to the establishment of a fund which will be managed centrally by the Ministry of Labor.

Today, in crisis, an evolution of the unemployment rate rose to 8.1% in January 2010, the maximum unemployment rate not being reached yet.

The private health insurance is an operation whereby an insurer is, on the principle of mutuality, an insurance fund, by the contribution of a number of policyholders exposed to production risks and compensate the people who call them to use extra care package on the account of the fund established the earned bonuses and other income due to the resulting activity. In Romania, the private health insurance for payment of medical services is an additional voluntary system of compulsory health insurance (which covers a basic package of services) and it covers an additional package of services. Given that in 2009, the budget for social health insurance system for laboratory investigations has been halved compared to 2008, more and more patients will use private services, if their "pocket" allows it. The budget crisis affected the whole market of private medical services, the negative effects being felt especially among the insured patients who could not benefit from security deductions from the Health Insurance Company because of the lack of state funds. Thus, private health care services gained more ground, fact which made the players in the industry to predict for 2011 an increased turnover, by 10-20%. In Europe, the social protection principles are roughly the same, social insurance system having as purpose the protection of workers against risks of loss of income during unemployment, illness or disability, and to carry out parental duties until a certain age. The employers calculate and retain the contributions from employees. The Labor Code is the one governing the rights and obligations of employees and employers and the management of the human resources implies the compliance with social norms, such as the principle of discrimination, gender equality and health and safety at work. Within the EU, the citizens of our country and the one of the Union have the same access to employment. There are, however, some countries such as Austria, where foreign workers can access the labor market only under certain circumstances. Most European states have established a minimum monthly salary (somewhere between 120 Euro and 1400 Euro), but there are countries where it is not established by law, but by collective agreements (Denmark, Finland, Italy, Sweden). In 2009, 350.000 romanian people went to work abroad, most preferring to engage in agriculture, hotels, restaurants or medical field, according to NEA. Although the living standards and the foreign earnings of the Romanian employees have been changed under the imprint of the global economic crisis, few have opted to return to the country and the exodus of the Romanian will continue in 2011, mainly due to lack of job offers on the local market and job

insecurity or low remuneration in comparison with European employers offer. We present below a comparative study of the social protection system between Romania and another European countries:

Table number 2 . Comparative study of the social protection system between Romania and another European countries:

Criteria/ Country	1	2	3	4	5	The national minimum salary in 2010
The United Kingdom	X	X	X	X		5,8 pounds/month
Austria	X	X	X	X	The foreign workers can access the labor market under limited circumstances	1014 Euros/month
Bulgaria	In 2010 the report of the social insurance payments done the employee and the employer was: 50:50	X	X	X		123 euros/month (240 leva /month)
Danmark	X	X	X	X	X	Established by collective agreements
Switzerland	X	X	X	X	X	There's no minimum salary guaranteed by the Swiss legislation
Finland	X	X	X	X	X	Established through collective agreements
France	X	X	X	X	X	1343,77 Euros/month
Germany		X	X	X	X	4 Euros/hour(it is established through law just in branches)
Greece	X	X	X	X	X	740 Euros/month
Italy						Established through collective agreements
Hollanda						1407 Euros/month
Poland						300 Euros/month (1317 zloti /month)
România	X	X	X	X	X	Aproximately 145 Euro/month (600 de lei)
Russia						120 Euros/month (4330 Russian rubles/month)
Spain						633,3 Euros/month
Sweden						Established by collective agreements
Turkey	He made			He made little		390 Euros/month (729

Criteria/Country	1	2	3	4	5	The national minimum salary in 2010
	little progress in bringing its legislation in line with the Community acquis			progress in bringing its legislation in line with the Community acquis		turkish pound /month)
Hungary						280 Euros/month (73.500 HUF/month)

1 - Social Security System aims to protect workers against risks of loss of income during unemployment, disability and carrying parental duties until a certain age

2 – Employers calculate and withhold the employee contributions

3 – The Labor Code regulates the rights and obligations of employees and employers

4 - The existence of discrimination, equality among sexes and health and safety at work

5 - Equality between nationals and EU citizens

Source: www.ec.europa.eu

From the perspective of the accounting, in all these countries, the mentioned forms of social protection are recorded through the duty accounts (Class number 4) and expense accounts (class number 6).

Conclusions:

Whether or not EU member states, the goal of all countries is to protect workers against risks of loss of income during unemployment, illness or disability, as well as to help them to perform parental duties until a certain age. Regulation, rights and obligations of employers and employees are made by the Labor Code. Romania stands in the last place among the countries of Europe, as more and more studies show it nowadays. This situation is obvious from the stage of development of the country until the national minimum wage / salary.

Therefore, it is no surprise that many Romanian people prefer to go to work abroad, even working in the field in which they have expertise, earning a 15 times higher payment than in the country. If many of the developed countries, focused globally and increasingly on private pension funds (70% of GDP in 2010), releasing pressure on the state budget in Romania, they represented only 0.5% of GDP 2010 burdening the state budget.

The World Bank has already announced that the public spending on pensions (state) will increase on average across the EU, from 10,2% of GDP (in 2010) to 12,5% (2060) because of the reduction of the birth rate, aging and reduction amid population, while in Romania, by 2060, this would double. A unanimous opinion is that the Romanian public pension system has to be reformed quickly and efficiently by the acceleration of private pensions.

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