



European Minimum Income Network country report Romania

Analysis and Road Map for Adequate and Accessible
Minimum Income Schemes in EU Member States

*"AUR" – National Association of The Human Resources Specialists
RENASIS – Romanian Anti-poverty and Social Inclusion Network
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Lists of acronyms

Agenția Județeană de Ocupare a Forței de Muncă	AJOFM	CEA	County Employment Agency
Agenția Națională pentru Plăți și Inspecție Socială	AJPIS	ANPIS	National Agency for Payments and Social Inspection
Alocația pentru Susținerea Familiei	ASF	FSA	Family Support Allowance
Domeniul Major de Intervenție	DMI	MAI	Major Area of Intervention
Economie Socială	ES	SE	Social Economy
Fundația pentru Dezvoltarea Societății Civile	FDSC	CSDF	Civil Society Development Foundation
Fondul Social European	FSE	ESF	European Social Fund
Institutul Național de Statistică	INS	NIS	National Institute of Statistics
Indicele Social de Inserție	ISI	ISI	Index of Social Insertion
Indicatorul Social de Referință	ISR	SRI	Social Reference Indicator
Schema de venit minim	SVM	MIS	Minimum Income Scheme
Ministerul Muncii, Familiei și Egalității de Șanse	MMFES	MMFEO	Ministry of Labour, Family and Equal Opportunity
Ministerul Muncii, Familiei, Protecției Sociale și Persoanelor Vârstnice	MMFSPV	MLFSPE	Ministry of Labour, Family, Social Protection and Elderly
Produsul Intern Brut	PIB	GDP	Gross Domestic Product
Salariul Lunar Brut	SLB	GMW	Gross Monthly Wage
Venit minim	VI	MI	Minimum income
Organizație neguvernamentală	ONG	NGO	Nongovernmental organization
Programul Operațional Structural Dezvoltarea Resurselor Umane	POSDRU		Operational Programme for the Human Resources Development
Uniunea Europeană	UE	EU	European Union
Venitul minim de inserție	VMI	IMI	Insertion Minimum Income
Venitul minim garantat	VMG	GMI	Guaranteed minimum income

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1. Panorama: short description of minimum income scheme(s)

1.1. General description of MIS in Romania

In the EU context, Minimum Income Schemes (MIS) are defined as essentially income support schemes which provide a safety net for those who cannot work or access a decent job and are not eligible for social insurance payments or those whose entitlements to these have expired. They are last resort schemes that are intended to ensure a minimum standard of living for individuals and their dependents when they have no other means of financial support.

In Romania, MIS contains a set of complementary social benefits that aim to promote social inclusion and combat poverty which involves the granting of rights in the form of cash, goods or services to individuals or families who cannot cover basic needs with their own resources and efforts. For them to demonstrate that they do not have the necessary resources or have special needs, their means of subsistence must be evaluated by specialized persons or committees.

The most important non-contributory (not awarded on the basis of a beneficiary's previous contributions to a fund) social benefits, and based on testing of the means of subsistence, are Guaranteed Minimum Income (GMI/**VMG**-Venitul Minim Garatat) – targeting the lowest income families, Family Support Allowance (FSA/**ASF** – Alocația pentru Sprijinirea Familiilor) targeting low income families with dependent children and the heating aid (HA/**AI** = Ajutorul de Încălzire) granted during the cold season.

All these benefits have as main eligibility criteria the low level of family/ single person income, that must be below a poverty threshold established by law (VMG levels are lower than ASF levels, which are lower than AI levels); while VMG is conditional to the willingness to work of the able-to-work members of the family, ASF is conditional on school attendance by dependent children, having no other conditionality on the integration on the labour market.

All these benefits are not mutual exclusive, only a very small proportion of social assistance recipients benefits of both VMG and ASF. The vast majority of either VMG or ASF receive the heating aid during the cold season.

The VMG, which is the last resort measure of Romanian MIS is regulated by the Law 416/2001 regarding guaranteed minimum income, with subsequent amendments and completions. According to this law, VMG is ensured by granting a monthly social aid to families and single persons whose means of subsistence are below a specified poverty income threshold stipulated by law and set up according to family size (the size of the family conditions, different levels of VMG); The law covers all aspects of VMG, from eligibility to conditionality and governance arrangements.

As in other EU countries, the eligibility conditions relate to residence, lack of financial resources and willingness to work.

The VMG, also known as Social Aid is granted to all families and single persons, Romanian or foreign citizens and homeless people in a situation of need, whose monthly income is below the VMG levels; the last ones are calculated by multiplying a Social Reference Indicator (ISR) –a monetary unit linked with the value of Unemployment benefit, upon which are calculated most of the social benefits -with a value that varies according to the number of family members, i.e. the Index of Social Insertion (ISI).

The current levels of VMG (since January 2014) is ISR (500lei) *0,283=141,5 lei (~31,5 Euro) for a family comprising of a single person, ISR*0,51=255 lei (~57 Euro) for a family of two persons, ISR*0,714=357lei (~79 Euro) for a family of three persons, ISR*0,884=442 lei (~98 Euro) for a family of 4 people and ISR*1,054=527 lei (~117 Euro) for a family of 5 persons, etc.

The amount of VMG/Social Aid is determined as the difference between the above-mentioned VMG levels and the equivalent current net monthly income of the family as stated by the applicant and confirmed by a social investigation (means testing). The testing of means of subsistence takes into account both the current monetary income and the assigned income from non-monetary assets (livestock, land, and other properties) that are quantitatively over the limits set for each category of assets considered as strictly necessary for living.

The entitlement to VMG is established at the local administration level, being approved through the local council/mayor's decision, and based on the application and supporting documents submitted by the applicant and taking into consideration the outcomes of the social inquiry (performed by specialized persons in charge with social assistance activities within the municipality). After the decision is made at the local level, the actual payment of VMG benefits is processed by the Territorial Agency for Payments and Social Inspection (AJPIS).

VMG scheme stipulates that unemployed and able to work recipients are obliged to participate in active employment programs, which is conditionality for receiving the cash benefit, and are required to accept generally acceptable labour.

The recipients are also required to provide a specified number of hours of community work. The number of working hours is determined taking into account the level of benefit received and the number of hours that should be worked to receive that income if the person would be paid at the minimum wage. Failure to comply with these requirements leads to suspension or cease of VMG entitlement.

To encourage employment, families with at least one member in employment get a top up benefit of 15% increase in the amount of social aid received.

VMG scheme also provides an entitlement to other social benefits (cash, in kind or services) including: health insurance (without contribution from the beneficiaries) for all members of the recipient family, compulsory home insurance covered through state budget, emergency aid and funeral aid granted by local authority. As mentioned above, the MIS beneficiaries are also eligible for heating aid, granted within pre-set thresholds and differentiated by fuel type, and the current social and employment services.

VMG is not limited in time as long as the entitlement conditions are met. Payment could be suspended if the recipient families or individuals no longer meet their obligation to provide once at three months the affidavit on the family composition and their income, evidence from the territorial agency for employment or to provide work for the local community. If the conditions of the applicant have changed, he or she has to inform the local administration responsible for MIS payment. In the case of fulfilling conditionality rules, MIS may be paid indefinitely.

1.2. Trends within a historical perspective/ Current Reforms

In the first years of economic crisis, the VMG has been subject of several reforms having as main purposes the elimination of over-inclusion errors – by tightening the eligibility criteria and granting conditions, the optimization of the related budgetary costs and the

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criteria and granting conditions, the optimization of the related budgetary costs and the reduction of the dependence on aid received.

The eligibility for the allocation of VMG was reconfigured and it was stressed the importance of beneficiaries willingness for their inclusion in the formal labour market, by actively engaging them in programs run by Counties Employment Agencies (AJOFM) or through participation in community work.

In 2011, the Strategy for Reform (followed by a new law L 292/2011 on social assistance) have initiated a deeply reform of the social assistance system that aimed to reduce social spending with 0.78% of GDP by 2013 (from 2,86% of GDP in 2010 and 1,5% of GDP in 2005) and to better target the benefits to the poorest 10% of the population.

The Strategy also aimed at the reduction of fragmentation of social protection measures and at capping the benefits accumulated by a family / single person at a certain level in relation to the Social Reference Indicator (ISR).

Another element of reform aimed to reduce fraud and errors of over-inclusion by tightening the granting conditions and simplifying the alleged excessive and sometimes discretionary bureaucracy at the local level.

In this regard, it has been introduced a single application form for the means tested social assistance benefits, based on this form which the social welfare needs of the applicant are established; also, it was stipulated that means testing will take into account not only the cash income of the family, but also the potential income that can be generated from movable or immovable property/ assets owned by the applicant.

Not least, the reform strategy has also aimed to reduce the dependence on aid received by stimulating the transition to employment and by increasing the role of the individual, family and the local community in the social assistance system. In this regard it was provided that the refusal of employment or participation in training programs can lead to the gradual decrease or to the termination of social benefit received. At the same time VMG recipients (at least one member of the recipient family) who get into formal employment can receive increases of the social benefit or can get an extension of the granted period with three months from the month of entering formal employment.

Another important change concerning the general administration of VMG aimed to simplify excessive and sometimes discretionary bureaucracy at the local level, mitigating delays in the payment of monthly social aid amount and the supposable mismanagement of the local government authorities.

Thus, starting with January 2011, the VMG payment was made in a centralized manner by the National Agency for Payments and Social Inspection (ANPIS), through its territorial agencies (AJPIS), the funding of VMG being returned partially and eventually entirely to the central administration from the local one, by separating the two functions, eligibility and means testing versus effective payment. The necessary funds are currently secured from the national budget through the Ministry of Labour, Family, Social Protection and Elderly budget (MMFSPV).

This change was mainly due to the great amount of over-inclusion errors occurred before 2011 when decision making in setting the eligibility for VMG was left to local authorities and to the lack of financial resources in the regions with the highest poverty rates and consequently with the greatest needs of social assistance.

Also from January 1st , 2011, the list of additional benefits VMG recipients are entitled has been increased, in the sense that all members of the recipient family can benefit of free health insurance, without any contribution from the family recipients to the health insurance budget.

In the context of aiming for social spending efficiency and increased transparency, it was proposed that VMG, along with other social benefits based on means testing and having the same target group (ASF and AI) to be unified within a single social benefit named Minimum Insertion Income (MII or **VMI** – Venit Minim de Insertie) aimed to strengthen and simplify the social assistance of the lowest income families and for better tackling poverty (MMFPS, Strategy for Social Assistance Reform, 2011).

The introduction of VMI is supposed to consolidate all means-tested programs, to expand the set of active employment measures for the vulnerable persons and tailoring them to each sub-group, to expand the benefits from the poorest 5% to the poorest 20-30% of the population and to move from the pure Guaranteed Minimum Income formula, to 50% Marginal Tax Rate on Earnings (Lacrimioara Corches, 2014); the MII proposed in 2011, is planned to be fully implemented during 2015 and 2016.

With the coming to power of a government of social democrats, at the end of 2012, the governmental policy regarding social assistance, including VMG, underwent several changes concerning the eligibility criteria and the income levels of VMG, which had a significant impact especially for potential recipients residing in rural areas.

In this regard, starting with November 2013, the list of assets that influences access to the Social Aid was shortened and a new scaling system for the evaluation of livestock/land and other assets, (when estimating the net monthly income of the family recipients) have been introduced with the support of Ministry of Agriculture.

Thus, according to the government decision that amends enforcements on VMG law, the estimation of household net monthly income is currently taking into account potential annual earnings generated by land/livestock and other assets owned by recipients ("the net production value of non-monetary assets"); on the other hand, several other social benefits that VMG recipients can receive such as the Family Support Allowance (ASF), the State Aid granted under the Government Ordinance no. 14/2010 (on financial measures to regulate the State aid granted to farmers), the scholarships, the social grants and financial support granted to students are no longer tacking into account when estimating the net monthly income of the family recipients, as the basis of the right to social assistance entitlement.

Recent years has also marked a gradual increase in the VMG levels and in the average amount of minimum income allowance effectively received by beneficiaries. Thus, starting with July, 2013, a new legislative amendment was made in order to increase the value of VMG threshold by 13% (in two instalments, July 2013 and January 2014) and to increase the Family Support Allowance by 30%, both measures being thought as for the compensation of the energy price increase.

In average, the VMG levels has increased by 8,5% in July 2013 and by 4,5% in January 2014, so as to January 1st , 2014, the VMG levels (reported to the RSI) has reached the value of 0,283*RSI for single persons = 142 lei, 42% higher than the value registered in 2008.

In line with the increase in VMG levels, it has been registered increases in both the number of VMG recipients and in the average VMG amount received by the them; thus, in 2013, the average VMG requests and the average monthly VMG amount received by beneficiaries were 12% and 15,6 %, respectively, higher than the average values registered in 2012.

1.3. Assessment of the Romanian MIS

The most important non-contributory (not awarded on the basis of a beneficiary's previous contributions to a fund) social benefits, and based on testing of the means of subsistence, are Guaranteed Minimum Income (GMI/**VMG**-Venitul Minim Garantat) –

targeting the lowest income families, Family Support Allowance (FSA/**ASF** – Alocația pentru Sprijinirea Familiilor) targeting low income families with dependent children and the heating aid (HA/**AI** = Ajutorul de Încălzire) granted during the cold season.

All these benefits have as main eligibility criteria the low level of family/ single person income, that must be below a poverty threshold established by law (VMG levels are lower than ASF levels, which are lower than AI levels); while VMG is conditional to the willingness to work of the able-to-work members of the family, ASF is conditional on school attendance by dependent children, having no other conditionality on the integration on the labour market.

In 2012, 260,000 families benefited from ASF, on average, 225,000 families benefiting from VMG and approximately 1,000,000 families benefiting of seasonal heating aid. As we stated above, all these benefits are not mutual exclusive, a very small proportion of social assistance recipients benefits of both GMI and ASF, while the vast majority of either GMI or ASF received the heating aid during the cold season.

Data from interviews, especially from the area of public authorities with responsibilities in VMG implementation, show that certain misunderstandings regarding the eligibility conditions of the two complementary benefits, VMG and ASF still persists. Both from beneficiaries and the decision makers within city halls.

Therefore, there is the view that sometimes the benefits are allocated arbitrarily still exists, so it is needed more clarity regarding the persons entitled to benefit from these two measures of social assistance. Furthermore, interviews revealed that both current and potential beneficiaries do not know very clearly the differences between the two social benefits.

1.4 Coverage and Take-Up

In Romania, the VMG legislation ensures a comprehensive coverage of the lowest income population, (according with its income levels, stipulated by law) and does not exclude any potentially severe poor group from entitlements; The VMG/Social Aid is granted to all families and single persons, Romanian or foreign citizens and homeless people in a situation of need whose monthly income is below the VMG levels, according to family size.

As long as the VMG level is currently set below the relative or absolute poverty thresholds (530 lei and respectively 302,6 lei for an equivalent adult per month in 2012)¹, the VMG scheme is considered to barely covered the poorest families/single persons living under the absolute poverty threshold, leaving aside a significant proportion of families living under the relative poverty (AROP) or relative poverty and social exclusion line (AROPE). In this context, it's worth mentioning that in 2007 about 10% of individuals belonging to the first income quintile and 11% of individuals belonging to the first income decile were not covered by any social benefit (either contributory or non- contributory)².

Although it is accepted that VMG ensures a relatively comprehensive coverage of the lowest income population and does not exclude any potentially severe poor group from entitlements, it is considered that VMG levels should be set in accordance with Romania

¹M.M.F.P.S.P.V: Social inclusion indicators calculated for the period 2003-2012, 2013.

²World Bank, M.M.F.E.S, INS: România: Poverty Assessment Report, 2007

main poverty indicators (absolute and relative poverty rates), in order to include as eligible a larger proportion of low income families, living under absolute poverty or the relative poverty (AROP) lines.

On the other hand, VMG seems to be the best targeted social assistance benefit, slightly more than 80% of beneficiaries being among the poorest / first income quintile and 95% of them being in the top two cumulated quintiles³.

Although the VMG benefit is relatively effective in terms of coverage of the most in need groups, the benefit take-up is rather low; thus, in 2010 only 3.7% of the population and 14.2% of individuals in the poorest quintile and only 27% of individuals in the poorest decile has received (take-up) the MIS benefit (Lacramioara Corches, 2014).

The other complementary social assistance benefits based on means testing follow the same pattern, in 2012, ASF was taking up by 6,1% of total population and 18,6% of the population from the first income quintile), while heating benefit (AI) was taking up by 25% of the population and 8,3% from the first income quintile.

Although the VMG is relatively effective in terms of coverage of the most in need groups and despite that fact it has registered an increase in the last two years in the number of benefit recipients, the benefit take-up is still considered as being rather low. Thus, in 2013, only 3.7% of the population, 14.2% of individuals in the poorest income quintile and only 27% of individuals in the poorest decile has received the social aid.

Interview data show that especially NGOs consider that adequate implementation of anti-poverty measures, including VMG, is hampered by the issue of persistent under-inclusion of a vast of those entitled to access this benefit. In their view, many potential beneficiaries do not know their social rights or considers that the amount of cash benefit worth much less than the costs of accessing it.

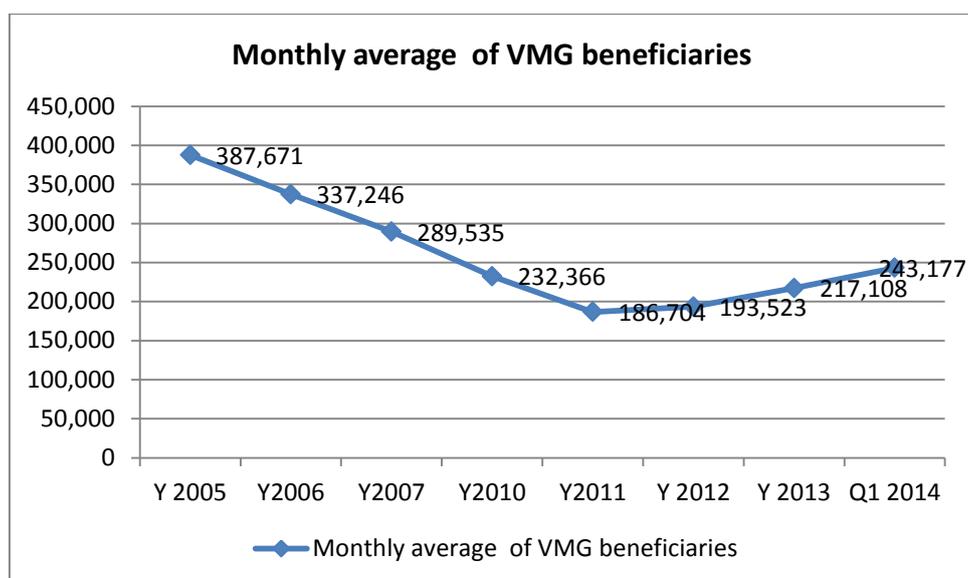
As we could see below, although it has been registered an increase in the last two years (2013-2014), the number of benefit recipients is still rather low as compared with the proportion of poor persons out of total population, whether we are referring to the rate of relative poverty (AROP) or to the rate of poverty and social exclusion (AROPE).

Indeed, while VMG recipients have registered a constant decrease between 2005 and 2011, this was followed by an upward trend starting with the second half of 2012; by the end of 2011, there were 34% less VMG requests under payment (applications approved for payment) than the average number of requests registered in 2007 and 51% less than in 2005.

In 2012, the number of VMG requests increased to 193,523 (average monthly requests approved to be paid), +1,6% more as compared with 2011; in 2013 there were 217, 108 paid VMG requests⁴, +12 % more compared to 2012 and In the first quarter of 2014, the average number of VMG requests were 243,177, +25,6% more than in 2012 and 12% more than in 2013.

³ Quintiles based on income net of all social assistance per adult equivalent.

⁴VMG request should equivalent families with caution, (families may leave and re-enter the system several times each year)



Source: MLFSPE, 2014

As per 2011, VMG beneficiaries are mainly single persons (46%), families with 2 persons (20%), families with 3 persons (15%), families with 4 persons (7%) and families with 5 persons (7%) and families with more than 5 persons (5%).

VMG scheme has also as main beneficiaries, families residing in rural areas (almost three quarters out of total recipients), 46,5% consisting of farming families, 18,4% families of retired persons, 15,3% families that include unemployed persons, 10,4% families that include self-employed and the rest of families recipients belonging to another occupational status; by the end of 2013, there were approximately 225,000 families that benefit from MIS which represents approximately 3,7 % of total population.

VMG beneficiaries mainly consist of single persons (almost half out of total recipients), residing in rural areas (almost three quarters of total recipients), 46,5% consisting of farming families. Even though there is a lack of systematic data, it is known that a high majority of able-to-work recipients are unskilled or low skill workers, long-term unemployed or have never worked in a formal way and have not completed the compulsory education.

1.5 Reasons for non take-up

Although is the primary mechanism to support families and single persons from lowest income groups, VMG is accessed by a relatively small number of beneficiaries.

On one hand, there are some potential category of beneficiaries that have a very restricted eligibility such as homeless or roofless people; data is not available on how many of them apply or benefit from VMG, though it is assumed that few of them receive the benefits to which they are entitled.

For other groups, conditionality and means testing are perceived as complicated and restrictive. Thus, the poorest, single and elderly living in rural remote areas may be particularly disadvantaged.

Complexity of the VMG scheme and/or the lacking of information and skills on how to apply for, combining with the costs in terms of money or time spent for completing the application (including the initial and updated personal statements supported by the required documentation proving the family configuration and the income earned by family members) is often perceived as discouraging entitled people to make the

necessary efforts to apply on VMG; this is particularly more difficult when state institutions through the territorial administrative units within the area of residence that issue some of the required documents, proving the claimant status, have no offices in the claimants' community.

NGOs stressed that the main non-take up reasons are mainly due to the lack of information on social rights from individuals who otherwise are entitled to access these benefits. On the other hand, there are very few public campaigns, both from local authorities or NGOs, especially in the poorest areas of the country that could inform and guide potential beneficiaries to access this measure of social assistance. In the same context, representatives of local authorities have stressed that sometimes, potential beneficiaries are not interested in VMG due to its small amount, given that they are helped by the relatives-emigrants or because of the opportunities offered by the informal economy.

Other reason why potential beneficiaries might have not enforcing their VMG claims refers to informal market and to other illegal ways of self-support or to the support provided by emigration of relatives, especially in the rural areas.

It is worth noticing that eligible non-applicants are sometimes considered able to earn more or least equivalent money working informally, as long as often per day payment when working in the local formal economy is less compared to the amount of money gained from occasional informal work and other illegal ways of self-support.

The often-mentioned pattern of temporary giving up the benefit or keeping the benefit while doing occasionally informal work is confirmed by the higher frequency of voluntary leaves from VMG at the beginning of the agricultural season and in the summer.

The interviewed current and potential beneficiaries mentioned that generally, the cash benefit is worth less than the costs of accessing it (time and transport to different public authorities in the area of social protection); moreover, the complexity of applications that has to be done before and after the granting of the benefit, can sometimes lead to renunciation in accessing the benefit, given that the actual amount is perceived as rather small. On the other hand, sometimes the decision to grant or not the benefit and as well as the way in which the means-tested social enquiry is carried out, are based on the personal relationship between the potential beneficiary and the decision makers within the local administration.

Another potential source of exclusion refers to the discretionary behaviours of mayors (that generates both over or under inclusion errors), especially given the lack of information, skills on how to apply, low self-esteem of potential recipients and to the fact that social workers / people in charge with social inquiry of the eligibility of potential recipient are low skilled and under paid, and consequently, highly dependent on local authorities resources.

1.6 Adequacy

It is generally recognized that the issue of what constitutes the lowest poverty threshold (the subsistence level – VMG threshold), its height and its amount is highly controversial in the public or academic discussion.

In Romania, as we have mentioned above, VMG threshold is calculated by multiplying the Social Reference Indicator (ISR) - the reference upon which are calculated the most important social benefits - with a coefficient that varies according to the number of family members i.e. the Index of Social Insertion (ISI); while ISR value kept unchanged since its introduction in 2008 (500 lei €113), ISI varied from 0,216 (single persons) to

0,804 (family with 5 persons) in 2009 to 0,283 (single persons) to 1, 054 (family with 5 persons) starting with January 2014.

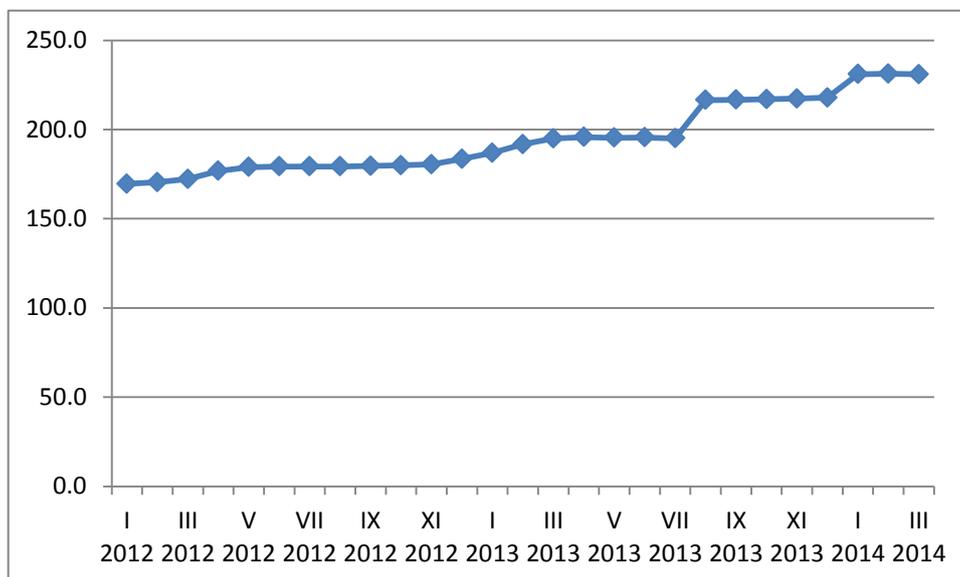
Although its values have increased by 31% in 2014 compared with 2009, the VMG levels are still not in accordance with both the absolute or relative poverty threshold, leaving aside a significant proportion of families living under relative and even absolute poverty line. (In 2012, VMG level for a single person was 125 lei, 57% less than the absolute poverty threshold of 288,4 lei/month/adult equivalent).

In line with the increasing in GMI levels, it has been registered a positive trend regarding the average VMG amount, effectively received by beneficiaries; the average monthly VMG amount has increased from 114,1 lei (~29 €) in 2007 to 177,4 lei (~39,8 €) in 2012 to 203,4 lei (~46 €) in 2013 and 231 lei (~51,3 €) in Q1 2014.

The low levels of VMG usually lead to a low amount of the cash benefit/ social aid received by beneficiaries; in 2013, the average monthly VMG amount received by the beneficiaries was of 203,4 lei, approximately 46 €, which represented 26,4% from minimum wage and 10% of the average Gross Monthly Wage.

Therefore, the average monthly VMG amount in 2013 is 58,6% higher than the corresponding average registered in 2007 and 15,6 % higher than in 2012. This positive trend has been accentuated with the new legislative initiative from July 2013, mentioned above, according to which, the VMG levels has been increased by 13% (in two instalments, 8,5% in July 2013 and by 4,5% in January 2014), reaching the values of 141,5 lei (~31,5 Euro) for a family comprising of a single person, 255 lei (~57 Euro) for a family of two persons, 357lei (~79 Euro) for a family of three persons, 442 lei (~98 Euro) for a family of 4 people and 527 lei (~117 Euro) for a family of 5 persons.

The evolution of the average VMG amount during 2012-2014 (lei)



On the other hand, as compared with the evolution of the national minimum wage, the average VMG amount (calculated as a percentage from monthly minimum wage) it has deteriorated from 29.2% in 2007 to 25,3% by the end of 2012;

In accordance with the increases in both the VMG levels and the average monthly benefit described above, the average VMG amount has improved its value as percentage from minimum wage to 26,4% by the end of 2013 and 27,2% considering the QI 2014. At the same time, the average unemployment benefit as a percentage from monthly minimum wage has decreased from 82,3% in 2007 to 60,1% in 2012 and 55,3% in 2013. As can be seen in the table below, the average VMG has also registered improvements as

compared with the evolution of the average gross monthly wage or with the one regarding the average monthly pension.

	2012	2013	Q1 2014
Average VMG (Lei)	177,4	203,4	231
Average VMG(Euro)	39,81	46,03	51,33
Unemployment benefit (Euro)	94,5	96,4	
Average Minimum gross monthly wage (Euro)	157,1	174,2	188,9
Average Gross Monthly Wage (Euro)	475	503	510,1
Average Monthly Pension (Euro)	173,7	182,4	179,1
Average VMG In percentage as against:			
Average Minimum Gross Monthly Wage	25,3%	26,4%	27,2%
Average Gross Monthly Wage	8,4%	9,2%	10,1%
Average Monthly Pension	22,9%	25,2%	28,7%
Annual Rate of Inflation (%)	3,33	1,6	1
Increase of MIS amount (%)		14,7%	13,6%

In 2007, there were approx. 1 million beneficiaries of social assistance (means-tested based programs) that covered expenses amounted to 0.21% of GDP while in 2013, there were 1,485 recipients with expenses amounted to 2,3% of GDP; although it addresses a relatively high number of beneficiaries, the social assistance benefits are still the least represented in the total expenditure for social protection (as compared with pensions which account to more than three quarters of social protection budget), which questions the extent to which the transfers contribute to the objective of mitigating poverty level of vulnerable groups.

NGO's are questioning VMG levels and corresponding levels of poverty, considering that its low level make ineligible many potential VMG beneficiaries for accessing it. They also believe that the decision on VMG levels and amounts, based on which social aid is effectively granted should not be based on political reasons but rather on the basis of a systematic analysis done by independent bodies;

On the other hand, union representatives stress that the value of VMG levels must take into account the variation of the minimum wage value in order to ensure an increased motivation of able-to-work VMG beneficiaries to re-enter the labour market. Both NGOs and Trade unions criticize strongly the low level of the national budget for social protection and the way it is managed; "very little to many people" instead of a decent distribution to those who really are in need.

As we stated above, even though the VMG is relatively effective in terms of coverage of the most in need groups, the benefit take-up is rather low; thus, in 2012, 14.2% of individuals in the poorest quintile and only 27% of individuals in the poorest decile has received (taking-up) the VMG.

As shown in a study conducted by World Bank, M.M.F.E.S, INS: Romania: Raport de evaluare a sărăciei, in 2007, social benefits (including the minimum income scheme) had a small contribution to the recipients household income of the first two deciles of income (4% and 6% respectively, in the first income decile).

Moreover, the study revealed that the social benefits were reducing the poverty rate by only one percentage point, from 11% poor without the benefit to 10% after the benefit transfer.

If considering only individuals who receive the VMG, data showed a rather strong reduction in the rate of poverty - whether the poverty rate of aid recipients before

transfer is 69%, after receiving the transfer rate drops to only 45%.The study concluded that even if VMG was unable to remove individuals from poverty, there was a reduction in the poverty gap from 2.6 to 2.1 in the absence of benefit.

Similarly, means-tested based Family Support Allowance (ASF), albeit high coverage and strongly targeted to the poor families, had a rather modest contribution to raising the income of beneficiaries(the benefit represented only 4% of total recipient revenues) and hence to poverty reduction (it contributed with only 0.7 percentage points to reducing poverty in households with dependent children).

Overall, we assumed that since VMG thresholds are set rather at a low level, it has only a marginal role in the average income of households' recipients, especially given that the purchasing power of VMG has gradually been deteriorated by the high increase in prices for various utilities and hence it falls short of an adequate supporting income.

Consequently, it could be considered that VMG offers only on a short term a minimal safety net (immediate improvement) for the lowest income families, especially for families consisting of elderly persons living in rural areas while on a long-term VMG could not lift household's means above the absolute or relative at-risk-of poverty line.

1.7 Recent changes with regard to coverage, take-up and adequacy

Recent years has marked a gradual increase in the VMG levels (and consequently in the average amount of minimum income allowance received by beneficiaries) and a relaxation of eligibility criteria with a significant impact especially for potential recipients residing in rural areas.

Thus, starting with July, 2013, a new legislative change concerning VMG was made in order to increase the value of its income thresholds by 13% (in two instalments), a measure that led to the enlargement of VMG coverage to higher proportion of low income families.

Although its values have increased by 31% in 2014 compared with 2009 and 42 % compared with 2008, it is still considered, especially by NGO's and current beneficiaries, that the VMG levels are still not in accordance with both the absolute or relative poverty thresholds, leaving aside a significant proportion of families living under poverty lines.

In line with the increase in VMG levels, it has been registered increases, in both the number of VMG recipients and in the average VMG amount received by the them; thus, in 2013 there were 217, 108 paid VMG requests, +12 % more compared to 2012 and in the first quarter of 2014, the average number of VMG requests were 243,177, +25,6% more than in 2012 and +12% more than in 2013.

The relaxation of eligibility criteria i.e. the introduction of a **new scaling system for the evaluation of livestock/land and other assets when estimating the net monthly income of the potential family recipients, introduced in late 2013, has improved the take-up rate of VMG in rural areas;** yet, despite this improvement and despite that VMG is considered as relatively effective in terms of coverage of the most in-need groups, the benefit take-up remains rather low, even in rural areas, as compared with the proportion of poor persons out of total population, whether we are referring to the rate of absolute, relative poverty or to the rate of poverty and social exclusion.

Thus, in 2012, only 3.7% of the population and 14.2% of individuals in the poorest quintile has received (taken-up) the benefit; the other social assistance benefits based on means testing follow the same pattern: ASF was taking up by 6,1% of total population (18,6% of population from the first income quintile) while heating benefit (AI) was taking up by 25% of the population (8,3% from the first income quintile).

During 2005 – 2011 it has registered a constant decrease of VMG requests, due mainly to the effects of relatively high level of economic growth in the years immediately before and after the entry of Romania into the EU, to conditionality to avoid over-inclusion, the new stricter income assessment criteria imposed after 2011 or to the massive support provided by emigration to families, left in the country.

The low rate of VMG take-up was due also to several reasons of self-exclusion; on one hand, for some potential category of beneficiaries, conditionality and means testing are perceived as complicated and restrictive. Thus, the poorest, single and elderly living in rural remote areas was particularly disadvantaged.

Complexity of the VMG scheme and/or the lacking of information and skills on how to apply for is often perceived as discouraging entitled people to make the necessary efforts to apply on the benefit.

Other reason why people might have not enforcing their VMG claims refers to Informal market and to other illegal ways of self-support or to the support provided by emigration of relatives, especially in the rural areas, that was mentioned above; in this respect it was reported that eligible non-applicants could sometimes earn more or least equivalent money working informally, as long as often per day payment when working in the local formal economy is less compared to the amount of money gained from occasional informal work.

In line with the increasing in VMG income levels, it has been registered a positive trend regarding the average amount received by the beneficiaries; thus the average monthly VMG benefit in 2013 was 58,6% higher than the average benefit registered in 2007 and 15,6 % higher than in 2012.

As per 2013, the average VMG amount represents 26,4% of the national minimum wage (as a percentage from monthly minimum wage), 28,7% of average monthly pension and 9,2 % of average gross monthly wage.

Even though the average VMG payment has been improved in the recent years, it is still considered that it offers, only on a short term, a minimal safety net (immediate improvement) for families belonging to the lowest income groups (especially for families consisting of elderly persons living in rural areas) while on a long-term it could not lift household's means above the at-risk-of poverty line.

In 2012, there were 1,485 recipients (almost 50% more than in 2007) with related expenses amounted to 2,3% of GDP (social assistance expenses were 0.21% of GDP in 2007) ; although it addresses a relatively high number of beneficiaries, the social assistance benefits are still the least represented in the total expenditure for social protection (as compared with pensions which account to more than three quarters of social protection budget), which questions the extent to which the transfers contribute to the objective of mitigating poverty level of vulnerable groups.

Interviewed NGO's believe that recent improvements regarding the relaxation of eligibility criteria and increasing levels of VMG will results in a strengthening of the VMG adequacy, at least for the people residing in rural areas (45% out of total Romanian population). In their view, VMG cash benefit offers a real safety net only for families belonging to the lowest income families comprising elderly persons living in rural areas.

2. The link between minimum income and the other two pillars of active inclusion

The relation between MIS/ VMG and active employment and inclusion measures refers to the extent to which minimum income recipients receive support in terms of employment and training programmes and the extent to which attention is given to their access to quality services.

In Romania, as well as in other EU countries, VMG includes both obligations and rights in relation with employment activation programs that are intended to promote an active attitude toward formal job opportunities, a type of liaison similar with the one regarding the unemployment benefit.

In this regard, VMG legislation contains provisions for unemployed and able-to-work beneficiaries to undertake community work and is required to accept generally acceptable labour. The number of community working hours is determined by taking into account the level of benefit received and the number of hours that should be worked to receive that income if the person would be paid at the minimum wage. Failure to comply with these requirements leads to suspension or cease of benefit entitlement.

Also, the scheme imposed a permanent contact between beneficiaries and the Local Employment Agencies (AJOFM), meaning that VMG beneficiaries have to provide regularly evidence from the employment agency that they are registered as searching for a job and they have never refused an acceptable job offer; moreover, under the circumstances when one family member gets into formal employment, the family recipient get a top up benefit of 15% increase in the amount of social aid received.

VMG includes a comprehensive set of provisions that are intended to promote an active attitude toward formal job opportunities of able-to-work recipients, but generally, the set of activation measures included in the scheme has a limited effect in recipients transition to formal work, as long as very few beneficiaries get out of the system because they have found a job.

Data from previous reports (2009), as well as from the interviews conducted for this report shows that the set of activation measures included in the VMG has a limited effect in recipients' transition to formal work.

Community work or the incentive of top up benefit of 15%, granted when at least one member of family recipients gets into employment – both measures being conceived as means to encourage work activity, so far, it offers a rather little perspective towards formal employment.

NGO representatives stated that few users effectively carry out community work, and according to them, community work should be organized within the social economy associative structures in partnership with municipalities. Such companies are able to identify the real needs of the community and to allocate adequate time and labour resources of welfare recipients.

Generally, getting one member of the family recipients into formal employment often leads to the loss of the social aid as long as the extra wage in the family budget would most probably cancel the eligibility of the social benefit.

On the other hand, having the opportunity to get extra money working informally (and often informal pay is higher or at least similar than the average wage a low skilled recipient would get in the formal employment market), it is supposed that average

recipient will rationally decide to keep the social aid, while working occasionally on the informal market when considering entering formal employment.

In addition, due to other associated benefits which automatically accompany VMG (health insurance, heating aid, and sometimes the Family Support Allowance), the incentive for VMG beneficiaries, especially those with no or low qualification, to enter the formal labour market is almost negative.

Usually, getting one member of the family recipients into formal employment often leads to the loss of the social aid and associated benefits such as health insurance, heating aid, etc. as long as the extra wage in the family budget often led to the cancelation of the eligibility.

On the other hand, having the opportunity to get extra money working informally (and often informal pay is higher or at least similar than the average wage, a low skilled recipient would get in the formal employment market), it is supposed that the average beneficiary would rationally decide to keep the social aid while working occasionally on the informal market.

The reluctance to enter into formal work could also be understood by investigating the occupational status of VMG recipients, which to a great extent includes a high proportion of people that were and are furthest from the labour market.

Although there are no systematic data in this regard, data from interviews with representatives of AJPIS reveals that a significant proportion of able-to-work beneficiaries are unskilled or low skill workers, have not completed the compulsory education (which is often a prerequisite for most training programs in order to get a formal qualification), long-term unemployed or have never worked in a formal way.

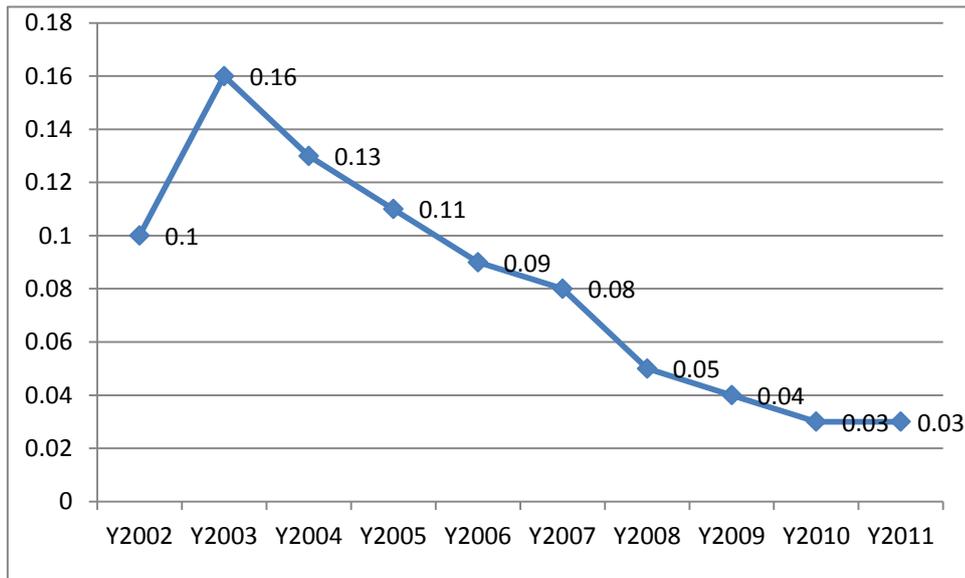
Thus, it is supposed that only few of those who enter the VMG system are really intended to actively searching for a formal job, most of them do not leave the system and those who do, become temporarily or permanently ineligible due to uneven indexations of various social transfers or by not fulfilling in time the periodical update of family information (therefore, they may leave and enter the system several times); this is confirmed also by the fact that counties that benefited from the highest number of social benefits appear to remain the same each year.

Transition into work is hampered by the fact that County Employment Agencies (AJOFM) do not actively target the specific needs of VMG recipients, even though they are running special employment programs for other groups of vulnerable people (Roma or disabled); on the other hand, the beneficiaries of VMG may equally benefit from existing general employment policies and free services such as information, counselling, training opportunities, job mediation and job fairs.

Professional training that could meaningfully increase self-activation capabilities of VMG recipients and, at the same time, temporarily compensate for the lack of employment alternatives, is also restricted due to the fact that many of recipients have not completed compulsory education stage (which is often a prerequisite for enrolling in vocational training).

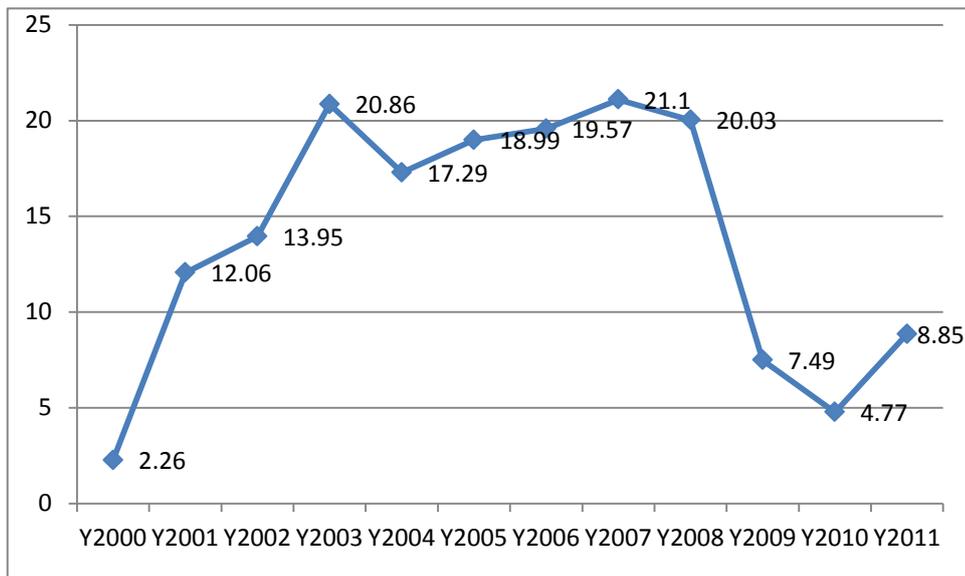
Active employment policy measures which are implemented by the public employment agency (ANOFM) are mainly funded through the unemployment insurance fund; graphs below shows the evolution of the shares of active employment measures as % of GDP and shares of active employment measures as % of total unemployment insurance fund during 2002 and 2011.

Share of active employment measures as % of GDP



Source: ANOFM, 2011

Share of active employment measures as % of total unemployment insurance fund



Source: ANOFM, 2011

Romania allocated the equivalent of € 35 million on active employment programs in 2011, at approximately on par with Bulgaria, smaller budgets in absolute values being recorded in countries such as Estonia and Malta; the active employment expenses represented 0.03% of total GDP, 80% less than since its peak of 0.16% recorded in 2003.

The relatively small share of total expenses on active labour market measures – that accounted for 4.7% of the unemployment insurance budget – is due to the fact that most of active employment policy measures have been transferred to the European Social Fund / POSDRU 2007-2013, as we will mention below. Overall, spending on active

employment measures registered a downward trend, from 200 million lei in 2009 to approximately 160 million in 2011, down by 19.5% as compared to 2009.

VMG beneficiaries are entitled to get free employment services and most of the types of social services provided by local authorities and non-governmental organizations; it's worth mentioning that the concentration of these services in the urban areas often denies access to this type of assistance for quite a large number of people living in rural or remote and isolated communities.

Therefore, it is generally recognized the need to develop the convergence of social services at community/ local level and to strengthen the contracting out of social services to NGOs, especially of those acting in rural areas, alongside with the allocation of adequate financial resources to the needs identified.

NGO representatives and beneficiaries of VMG believe that occupational or vocational training services provided by the public authorities are unsatisfactory; on the other hand, the services provided by NGOs are less known among beneficiaries; all stakeholders interviewed stressed the need for these social and employment services to be provided in an integrated form and at the local level, wherever possible.

Since Romania's EU entry in 2007 and effectively from 2009, vulnerable groups, including VMG beneficiaries, had access to dedicated active employment programs through the support of Social European Fund (ESF). ESF, implemented in Romania by the Operational Programme Human Resources Development (POSDRU) contains two major areas of intervention with clear reference to VMG recipients, namely major areas of intervention DMI 6.1 – Promoting Social Economy and DMI 6.2 - Improving access and participation of vulnerable groups in the labour market, both programs included in the axis 6 - Social Inclusion.

Nowadays, the social economy (SE) initiatives could be considered the main active employment and social inclusion programs, exclusively dedicated to vulnerable groups experiencing severe difficulties in accessing the labour market; through SE initiatives, VMG beneficiaries, along with other vulnerable categories such as youth, disabled, long-term unemployed, roma, etc. could participate in the formal local labour market and generally in social life.

In Romania, the social economy sector includes over 31.000 organizations, holding assets amounting to about 10 billion lei (equivalent to 2.5 billion Euros), achieving annual incomes of 7.7 billion lei (approximately 2 billion euro) and employing of over 100,000 people, equivalent to 1.7% of wage-earning population and 1.1% of total employed population.

Associations are the most popular forms of social economy in Romania, representing more than two thirds of the total social economy organizations; the evolution of economic indices showed that, in general, social economy organizations had responded well to the first difficult economic years, namely 2009 and 2010, both incomes and non-current assets continuing their trend of growth or stabilization.

Activity fields with high incidence of organizations are social / charitable and sporting, followed in approximately equal weights by educational field and cultural organizations. Organizations in the social / charitable field and those in education field are the biggest employers while the highest incomes were achieved by social/charitable organizations, sports and religious organizations; organizations possessing the most significant assets belong to the social / charity education and religion fields.

DMI 6.1 2007-2013 – Social Economy is a financing program, with a total allocated budget of over 400 million Euros, approximately 9% out of total Romania' ESF budget for the period 2007-2013, having as main objective to support the establishment of new SE structures (social enterprises) with employees coming from vulnerable groups.

By the end of 2012, it were submitted 2112 projects within 5 calls for projects and were contracted 59 projects with a total value of 630 mil Lei ~ 150 mil Euro, 35% out of total allocated budget for social economy initiatives; within this program it were created 261 social economy structures, most of them through NGO's – local authorities partnership and 4684 jobs, 129% of the program target; until the end of the program (end2015), it is expected that it will be established approximately 830 social economy structures, 5,000 jobs, alongside with more than 10,000 people included in training programs in the field of social inclusion.

A new call for projects was launched recently (July 2014) with a total allocated budget of 200 million euro; its purpose was to support the launching of new services and employment opportunities for people with difficulties in the integration or reintegration into the labour market of vulnerable people at risk of social exclusion such as Roma, disabled people, MIS beneficiaries, etc.

The newly established social enterprises will be able to receive a minimis aid up to 200,000 Euros while having the obligation to create a minimum of 6 jobs/ per newly established social enterprise which has to be maintained at least 6 months after the completion of the financing; it is expected that the newly launched program will lead to the establishment of approximately 700 new social enterprises which will include more than 4000 jobs.

Lack of dedicated active employment measures targeting MIS beneficiaries is compensating with the rapid development of active employment programs through the support of Social European Fund (ESF); of these programs, a very important role is played by social economy initiatives, that have as main objective to support the establishment of new social economy structures (social enterprises) with employees coming from vulnerable groups, including able-to work VMG beneficiaries.

A second relevant program for VMG beneficiaries refers to DMI 6.2 - Improving access and participation of vulnerable groups in the labour market – which is aimed at developing and implementing active employment measures for vulnerable groups through training, counselling, consulting, entrepreneurial skills development and accompanying measures in the form of integrated social services or other related services that enable individuals to participate in the labour market.

DMI 6.2 – had an allocation budget of approximately 175.6 million Euros and a main target of 150,000 vulnerable people participating in training programs and/or benefiting from information, counselling or other related support for employment services.

A recent research run by Civil Society Development Foundation (CSDF) revealed that in 2011, training and employment services providers had a total of approximately 882,000 beneficiaries enrolled in training programs and 715,000 beneficiaries that received information and professional counselling services, out of which a significant proportion was consisting of disadvantaged persons, such as unskilled or low-skilled youths (about 380,000 recipients of such services in 2011), long-term unemployed (247,000 beneficiaries), the elderly (over 50 years) (244,000 beneficiaries) and unpaid or unemployed agricultural workers from rural areas (227,000 beneficiaries), among the latter being the most beneficiaries of VMG.

The main actors in active employment policy and social inclusion of vulnerable groups are non- governmental organizations - associations and foundations - both accessing more than half of the projects funded by DMI 6.1 and 6.2.

3. Identification of obstacles to the implementation of an adequate minimum income schemes and suggestions on how to overcome these obstacles

In order to identify obstacles and possible improvement to an adequate minimum income scheme, it have been conducted a series of interviews with representatives of public authorities AJPIS, Ministry of Work, as well as with trade unions, NGO's, social researchers and MIS beneficiaries.

All respondents have remarked the very small proportion of social assistance expenses within the total social protection budget; although it addresses a relatively high number of beneficiaries, the social assistance benefits are still the least represented in the total expenditure for social protection, which questions the extent to which the social transfers contribute to the objective of mitigating poverty level of vulnerable groups.

As concerning the coverage of VMG, representatives of NGO's and trade unions have emphasized that its income thresholds should be in accordance with main poverty indicators (absolute and severe poverty rates) in order to include as eligible a larger proportion of low-income families. It has been also mentioned that there are still families and individuals belonging to the first poorest income decile that are not covered by any social benefit.

There are also some potential categories of beneficiaries that have a very restricted eligibility such as undocumented homeless or roofless people; as we have mention inside the report, although systematic data is not available on how many of them apply or benefit from the MIS, it is assumed that few of them receive the benefits to which they are entitled.

The low levels of VMG usually lead to a low amount of the cash benefit; in 2012, the average monthly VMG amount received by the beneficiaries was of 203,4 lei, approximately 46 € which represented 26,4% of national Minimum Wage and 10% of the average Gross Monthly Wage.

NGO's and beneficiaries have stressed that the cash benefit has a rather modest contribution to raising the income of beneficiaries, especially in urban areas where the purchasing power of MIS has been deteriorated by the high increase in prices for various utilities.

Therefore, they consider that VMG offers only on a short term a minimal safety net for the lowest income families, especially for those consisting of elderly persons living in rural areas while on a long-term it could not lift their household's means above the at-risk-of poverty level.

Even though the MIS is relatively effective in terms of coverage of the most in need groups, the benefit take-up is rather low; as it was mention, in 2012, the benefit was taken up by only 14.2% of individuals in the poorest income quintile and by only 27% of individuals in the poorest decile while the complementary benefit, ASF, was taking up by barely 18,6% of population from the first income quintile.

As concerns the low level of take-up, generally, the key obstacles refers to the complexity of the MI scheme and/or the lacking of information and skills on how to apply for, combining with the costs in terms of money or time spent for completing the application; this is particularly more difficult when state institutions through the territorial administrative units within the area of residence that issue some of the required documents proving the claimant status have no offices in the claimants' community.

Even though VMG is relatively effective in terms of coverage of the most in-need groups, it is still considered that the benefit take-up remains rather low as compared with the proportion of poor persons out of total population, whether we are referring to either the rate of absolute or relative poverty.

On the other hand, the recently introduced relaxation of eligibility criteria i.e. a new scaling system for the evaluation of livestock/land and other assets when estimating the net monthly income of the family recipients has improved the take-up rate of the VMG benefit in rural areas.

Another potential source of exclusion refers to the potential discretionary behaviours of mayors, especially from small rural communities, where the lack of information, skills on how to apply, low self-esteem of potential recipients may discourage entitled people to make the necessary efforts to apply on VMG; this was particularly highlighted by representative of public administration unit AJPIS and by the beneficiaries themselves.

Interview data show that especially NGOs consider that adequate implementation of anti-poverty measures, including VMG, is hampered by the issue of persistent under-inclusion of a vast of those entitled to access this benefit. In their view, many potential beneficiaries do not know their social rights or considers that the amount of cash benefit worth much less than the costs of accessing it.

Another obstacle that influence the take-up rate is represented by the small number of social workers available within Local Councils which are responsible for carrying out the social investigations; due to the lack of personnel and low level of pay, these jobs are often combined with other functions in the local government. In addition, according to the decision of the ministry, starting with 2014, social workers are required to hold a university degree, given that it is estimated that only half hold such a degree;

A different set of barriers refers to the set of provisions included in the VMG scheme that are intended to promote an active attitude toward formal job opportunities but generally fail to achieve this goal.

As we have mentioned above, VMG legislation imposed a permanent contact between able-to-work beneficiaries and the Local Employment Agencies and also contains provisions for unemployed and able-to-work beneficiaries to undertake community work or to accept generally acceptable labour; also, under the circumstances when one family member gets formal employment, the VMG recipient will get a top up benefit of 15% increase in the amount of social aid received.

Data from previous reports as well as from interviews conducted for this report showed that the set of activation measures included in the VMG scheme has a limited effect in recipients' transition to formal work; indeed very few beneficiaries get out of the VMG system because they have found a job.

Community work or the top up benefit of 15% granted when at least one member of family recipients gets into employment – both measures being conceived as means to encourage activity – , so far it offers little perspective towards formal employment; generally, getting one member of the family recipients into formal employment often leads to the loss of the social aid and associated benefit such as health insurance, heating aid, etc. as long as the extra wage in the family budget could most probably cancel the eligibility to the VMG benefit.

On the other hand, having the opportunity to get extra money working informally (and often informal pay is higher or at least similar than the average wage a low skilled VMG recipient would get in the formal employment market), it is supposed that the average recipient will rationally decide to keep the social aid while working occasionally on the informal market, when considering entering formal employment.

In addition, due to other associated benefits which automatically accompany the VMG scheme, as described above, the incentive for benefit recipients, especially those with no or low qualification to enter the formal labour market is almost negative.

Professional training that could meaningfully increase self-activation capabilities of VMG recipients and, at the same time, temporarily compensate for the lack of employment alternatives, is also restricted due to the fact that many of recipients have not completed compulsory education stage.

Even though there is a lack of systematic data, it is known that a high majority of able to work recipients are unskilled or low skill workers, long-term unemployed or have never worked in a formal way and have not completed the compulsory education which is often a prerequisite for most training programs in order to get a formal qualification.

Transition into work is also hampered by the fact that County Employment Agencies (AJOFM) do not actively target the specific needs of VMG beneficiaries, even though they run special employment programs for other groups of vulnerable people (Roma or disabled).

VMG beneficiaries are entitled to get free employment services and most of the types of social services provided by local authorities and non-governmental organizations but in the absence of systematic data in this respect, it is very difficult to evaluate the extent to which VMG beneficiaries access these services.

NGOs have stressed that the concentration of these services in the urban areas often denies access to this type of assistance for quite a large number of people living in rural or remote and isolated communities.

4. Suggested next steps to improve adequacy, coverage and/or take-up of MIS

The low level the benefit take-up as compared with the proportion of poor persons out of total population is one of the most important obstacles in implementing an adequate MIS.

To encourage the tacking up of the benefit, it has been stressed that local authorities and NGOs should organize local information campaigns regarding social assistance rights and obligations, **especially in the poorest areas of the country**. Better efforts in providing advice to the applicants within the Local Councils which are responsible for delivery and coordination of VMG at the local level were also mentioned as necessary.

The lack of social workers available within Local Councils which are responsible for carrying out the social investigations regarding VMG eligibility could be overcome by privatizing/outsourcing the social inspection/ social workers to NGOs that have developed expertise in the field.

To overcome the high propensity of VMG beneficiaries to keep the social aid while, working occasionally on the informal market, trade unions suggested that minimum wage should be at least equal with average earnings on the informal market in order to stimulate able-to-work beneficiaries to get into formal employment.

In this report, it was often mentioned that community work so far has offer little perspective towards formal employment of VMG beneficiaries.

As a next step in improving the MIS implementation, NGO's have suggested that the community work should be linked with the real community needs (through the development of community centres or social enterprises) and with the local job offer, where applicable, and not left at the discretion of the mayor's decision as usually happens.

In the same context, it is necessary to adapt the professional training offer to the needs and aspirations of VMG beneficiaries, generally low educated persons, in order to increase their employability and their self-activation capabilities.

As regards the access of social aid beneficiaries to quality services, besides that there is a pronounced need for a better understanding of this issue, NGOs recognized the need to develop new services in rural areas (such as after-school type of services), to build convergence of social services at community level (community centres) and/or to strengthen the contracting out of social services to innovative NGOs, alongside with the allocation of adequate financial resources to the needs identified.

Lack of dedicated active employment measures targeting VMG beneficiaries is indeed compensating with the rapid development of active employment programs through the support of Social European Fund (ESF).

Of these programs, a very important role is played by social economy initiatives that have as main objective to support the establishment of new social economy structures (social enterprises) with employees coming from vulnerable groups, including able-to-work VMG beneficiaries.

Nowadays, the social economy enterprises are largely considered the main active employment and social inclusion program, exclusively dedicated to vulnerable groups experiencing severe difficulties in accessing the labour market; interviews revealed that SE initiatives are probably the only chance to get MIS beneficiaries, along with other

vulnerable categories such as youth, disabled, long-term unemployed, roma, into formal local labour market while receiving a decent pay.

As another important way to improve MIS, it was proposed that VMG, along with other social benefits based on means testing and having the same target group (Family Support Allowance and Heating Aid) to be unified within a single social benefit - Minimum Insertion Income (MII) - aimed to strengthen and simplify the social assistance programs and to better tackling poverty within the low income families.

The introduction of MII is supposed to consolidate all means-tested programs, to expand the set of ALMPs for the vulnerable persons and tailor them to each sub-group, to expand the benefits from the poorest 5% to the poorest 20-30% of the population and to move from the pure Guaranteed Minimum Income formula, to 50% Marginal Tax Rate on Earnings (Lacrimioara Corches, 2014); The MII, proposed in 2011, is planned to be fully implemented during 2015-2016.

In the context of aiming for social spending efficiency and increased transparency, it was proposed that VMG and the other family social benefits based on means testing and having the same target group (VMG, Family Support Allowance (ASF), and heating aid) to be unified within a single social benefit, Minimum Insertion Income (MII) aimed to strengthen and simplify the social assistance of the lowest income families and for better tackling poverty within the poorest social groups.

Even though there are only few public debates on this issue, interviews with both public authorities and NGOs revealed a relatively general agreement on the scheme, both sides having the same expectation that the new unified scheme will better tackle both the issues of under and over-inclusion of beneficiaries; however more public debates on the adequacy of the new scheme are needed.

Further reforms of social assistance system proposed by the public authorities aimed at further mitigate with over and under inclusion errors of MIS, introduction of integrated passive and active employment measures, especially those concerning social economy initiatives, simplifying the administration of social assistance system (single point of submission and single application form) and the modernization of the social assistance information management system.

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