



## BLOCUL NAȚIONAL SINDICAL

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**NO TO SOCIAL EXPERIMENTS ON ROMANIANS**

**Romanian citizens are forced to be experimental subjects for never-before tested measures and policies**

Starting January 1, 2018 the social contributions will be paid exclusively by the employees and not shared by employees and their employers like they are now. The employers will continue to withhold the social contributions related to their employees' salaries and pay them to the state budget each month.

*The intention of the Romanian Government to transfer social contributions exclusively to the employee proves that Romanian governors chose to ignore not only the European legislation but also the needs and rights of Romanian citizens, who are forced to become experimental subjects for measures and policies never-before tested anywhere in the world. Therefore, we believe this decision of the government - to fully transfer to the employees the responsibility to finance the pension and health insurance system - is an incoherent, dangerous and totally unfavourable measure to the Romanian people, those in whose service the governors should be.*

As a result of this declared intention, the National Trade Union Bloc (BNS) initiated the Social Campaign "NO TO SOCIAL EXPERIMENTS ON ROMANIANS!" ([https://www.petitiononline.com/nu\\_\\_experimentelor\\_sociale\\_pe\\_romani](https://www.petitiononline.com/nu__experimentelor_sociale_pe_romani)) which draws attention to the way in which Romanians are subjected to this illogical experiment, with very serious consequences - and aims to stop Romania from becoming the only country in the world where social contributions are placed only on the shoulders of employees. The campaign addresses all Romanians, current or future beneficiaries of the social insurance system, whether or not they are union members, whether employed, unemployed, students, and jobseekers. The campaign "NO to Social Experiments on Romanians", is intended as an alarm signal that could hinder the implementation of this initiative, as it also comprises an initiative to change the legislation that defines tax evasion.

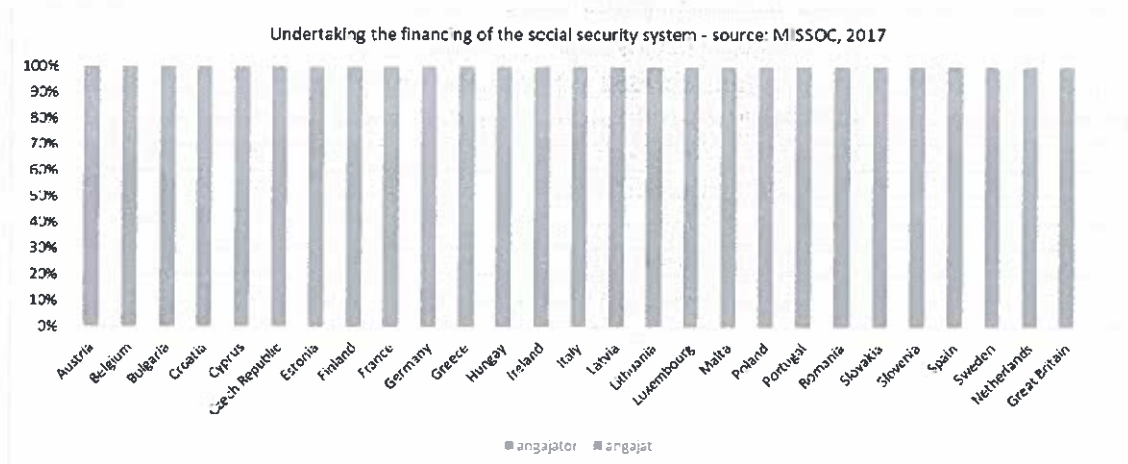
Solidarity, social responsibility, equity, and balance – these are basic principles enshrined in the Conventions and Recommendations of the International Labour Organization, and in the

European Treaties and Regulations. Unfortunately, like many other characteristics of a mature and developed democratic society, they are disregarded by the political class in Romania.

The Government of Romania publicly expressed the intention to implement a profound reform of the social security scheme, both in terms of financing and in terms of benefits provided by this scheme. The proposed reform is based on two major lines:

- of the entire social security scheme, the government intends to keep only two components: the public pension system and the national health insurance fund. Starting 1 January 2018, four (4) components will remain without funding: the unemployment fund, the risk fund for occupational accidents and diseases, the guarantee fund for wage claims, and the fund for leaves and social security allowances.
- the participation of employers in the funding of the components of the scheme will be abolished; from 1 January 2018 the funding of the pension scheme and of the health insurance fund will be fully taken over by the employees.

**There is no country in Europe where the funding for the social security system is done exclusively by employees. Solidarity and social responsibility must be assumed in a balanced way and shared between employees and employers.**



The European practice shows a joint commitment - employee and employer - to the funding of the social security system.

**From January 1, 2018 Romania will be the only country in the European Union where the social security contributions will be paid entirely by the employee.**

*Globally, out of the 119 countries with a social protection system in place and whose taxation is monitored <sup>[1]</sup>, not even one has assigned entirely this burden exclusively to the employees.*

<sup>1</sup> <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/social-security-employer-tax-rates-table.html>

This transfer of responsibility for the funding of social security systems to the employee means, in fact that:

- **All the demographic and sustainability risks of the pension and health system will be transferred to the employee.** This will generate war between the fiscal pressure exerted on the employee and the adequacy of income for the beneficiaries. The two systems - the public pension system and the health insurance system - are hardly sustainable at all. At present the ratio between employees and retirees is about 1:1. The health insurance system covered 17,130,940 insured persons at the end of 2016 – but only about 11.4 million persons pay social security contributions. For nearly 6 million taxpayers (other than employees), the contribution to the health fund is extremely low. Therefore, about 5 million employees provide funding for over 80% of the health insurance system.

Even if the recognition of the fragility of the Romanian social security system is a delicate topic, most of the monitoring reports, whether we refer to the European Committee for Social Rights (Council of Europe) or the Committee of Experts on the Application of Conventions and Recommendations (ILO), have drawn the attention of the Romanian Government with regard to the extremely low level of allowances granted as benefits of the social security system. Every year, with some fluctuations generated by the evolution of the minimum wage, the public budget had to intervene with subsidies to cover the deficit of the public pension system or the deficit of the health insurance fund. Under these circumstances, the decision to cut the funding of these systems is inexplicable.

- **This measure is a striking violation of the international conventions ratified by Romania regarding social security systems, ILO recommendations or European directives.** It would entail giving up the principles of solidarity, and a fair and balanced undertaking of the funding burden.

a.1 **Council Directive no. 80/987 / EEC** on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer, transposed by Law 200/2006.

a.2 **Convention no. 102/1952 of the International Labour Organization (ILO)** - Article 71 paragraph 2 - "The total insurance contributions paid by the protected employees must not exceed 50% of the total financial resources allocated for the protection of the employees, their wives and children".

a.3 **ILO Recommendation 202/2012 on Social Protection** - "Solidarity in financing social security systems and at the same time striking an optimal balance between the responsibilities and interests of those who finance and / or benefit from social security schemes".

a.4 **ILO Recommendation 67/1944** - "The cost of benefits, including the cost of administration, should be distributed between insured persons, employers and taxpayers in such a way as to be fair to the insured persons and at the same time to avoid worsening the situation of insured persons which have low incomes, as well as any disruption of activity. "

- **Remaining without funding: unemployment insurance, insurance of occupational accidents and occupational disease, guaranteeing wage claims in the event of employer's insolvency, insurance for medical leave and allowances.** Off record information claim that all these will be undertaken by the public budget. However, official statements claim it is not decided what will happen to these benefits.

**This decision contributes to the acutization of the situation of Romanian workers in the European area and it is discriminatory in terms of rights,** by the disappearance of the principle of contributoryness for the four components mentioned above.

The free movement of workers is one of the fundamental rights of European citizens. Without the coordination of social security systems in the Member States this freedom would be impossible to apply.

At European Union level, social security systems are not harmonized, as they are the exclusive responsibility of the Member States. However, the Union has established rules on the interaction of social security systems.

In order to make sure that the citizens of each Member State are continuously covered by one of the Member States' systems, when a EU citizen is mobile at European level, links between national social security systems have been created so as to avoid that a worker would be left without protection or dual protection.

Given that there is no contribution to at least 3 of the list of coordinated components, Romanian workers who decide to work abroad, if at some point would need and would be entitled to benefit from the social security system, will not be able to use the period when they worked in the country because they did not pay contributions and cannot prove their contribution.

This complete rewriting of the social security scheme takes us far away from the social security models applied in Europe, making it even more difficult to coordinate with the other security systems in the Member States.

- **Burdening the employee through this measure will reduce his / her income.** Currently, the employee pays social contributions of 16.5% and salary tax of 16%. From 1 January the employee will pay social contributions of 35% and 10% salary tax. The employer pays now social contributions of 22.75%, and from 1 January 2018 the employer will pay 0%.

**Currently, the Government cannot guarantee the inclusion of the employers' contributions to gross earnings except for minimum wages and public sector salaries.** At present, over 25% of Romanian employees are employed with a minimum wage so the wage hierarchy will be excessively flattened.

**As a result of this transfer, on 1 January 2018, the real increase of the minimum wage will be 0,** and in nominal terms the net minimum wage will increase by 1 ROL (the new minimum wage announced for 1 January 2018 amounts to 1 750 ROL). The increase in the minimum wage from 1 450 to 1 550, as was announced in the government program (and

keeping the current system of contributions), would have meant a minimum net increase of the wage by 68 lei.

In fact, the Government can guarantee the maintenance of the minimum wage only for those who were paid with the minimum wage on 31 December 2017. Employees whose salaries are between 1450 ROL and 1750 ROL will be equally exposed to the risk of net wage decrease. Regarding the employees in the economic sector, other than those with minimum wages, the government relies – as far as this process is concerned – on a single mechanism: the good faith of employers or, in other words, on the mercy of God. Most likely, employees in the private sector will bear this transfer from their net salary, with some adjustments due to the minimum wage developments.

Even if all employers in Romania are acting in good faith, both for themselves and for their employees, this transfer process will be a nightmare. The calculation of social contributions comprises wage components such as bonuses or benefits - in cash or in kind – of permanent or non-permanent nature. Therefore, if the employer would agree to include in earnings the contributions previously paid by the employer, this process would be extremely cumbersome and bureaucratic. Most likely, in the case of non-permanent components, the increase in the share of contributions will be entirely borne by the employee. For example, at a gross salary of 2500 ROL, the employee will lose up to 297 lei, i.e. a nominal reduction of about 17% of the net salary.

- **Contributions for special or particular working conditions (paid additionally by the employer) will disappear**, as well as the benefits of those working under these working conditions (reduction of the retirement age and the contribution period without affecting the level of entitlements). Currently, employers where there are jobs with particular working conditions have to pay an additional 5%, and those where there are special jobs have to pay an additional 10%.

**While the real reasons why the current Romanian ruling coalition decided to take this decision remain hidden from the public opinion, the arguments put forward in support of this initiative cannot be considered real. We explain below why:**

- Government argument: "It will reduce the deficit of the social insurance budget and the health insurance fund"

*In fact: Transferring contributions from employer to employee is nothing more than a spin between two types of contributions - the social security budget and health insurance fund, an accounting transfer between two budget chapters. Depending on how this transfer will be applied, it is possible to see, at most, some sort of rebalancing in terms of social contribution increases and wage tax reduction. The public budget subsidizes both schemes at the moment, and therefore, there will be, at most, rebalancing these types of income.*

- Government argument: "Pensions will increase by taking into account the contributions that are currently paid by the employer"



*In fact, even the pensions of those who pay taxes today will not be higher in the future due to this measure. With the increase of the individual gross earnings there will be at least a similar increase of the gross average wage, knowing that the pension is calculated starting from the ratio between the gross individual earnings as calculation base, and the gross average earnings across the country for each month of contribution.*

- Government argument: "Reducing bureaucracy and increasing the collection rate"

*Currently, the employer draws up a single payment order for all social contributions, and submits a single monthly statement for all contributions, regardless of the budget / fund to which they belong and regardless of whether they are due by the employer or the employee. Collection and payment will continue to be done by employers, but withholding at source and absence of the transfer to the budget/fund is no longer considered a criminal offense, following the Constitutional Court's decision.*

By joining the European Union, most Romanians have hoped for social justice, social protection and decent working and living conditions. Social protection provides workers with the safety of income during the transition period between two jobs, during periods of illness, disability, maternity or retirement. The disappearance of funding sources means the disappearance of benefits or their undertaking by the public budget. In the event of disappearance of the abovementioned benefits, Romania is violating its commitments assumed at European and international level.

In the case of undertaking over these benefits by the public budget, another question arises inevitably: why decisions such as dismissals, lack of investment in health and safety at the work place or bankruptcy of an employer should be assumed by all those who are supporting the public budget?

Social security is both a cost and an investment for employers. Globalization and adjustment policies impose more than ever the existence of sustainable social security schemes.

Social protection must be an integral part of the economic and social model. The right to work is guaranteed by every state's Constitution, and the workers should have the unhindered right to choose their workplace and work schedule. Social security should facilitate the mobility and professional development of workers. This is why it is high time for those who can defend democracy and justice to act promptly and united against the attacks to social justice and genuine social protection and decent work.

Bucharest, 18 September 2017