

**MONOGRAPHS
CANDIDATE COUNTRIES
VOCATIONAL EDUCATION AND
TRAINING AND EMPLOYMENT
SERVICES IN ROMANIA**



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VOCATIONAL EDUCATION AND TRAINING AND EMPLOYMENT SERVICES IN ROMANIA

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PREFACE

The country monograph on vocational education and training and employment services provides a baseline for assessing the progress of implementing the priorities identified in the Joint Assessment Paper on Employment Policy (JAP) agreed between the government of Romania and the European Commission. Current EU policies based on the Lisbon conclusions, such as the lifelong learning initiative, and the European Employment Policy, set the framework for the analysis.

Similar studies have been prepared for the other acceding and candidate countries. The Romanian monograph was prepared in 2003 using, where possible, internationally verifiable data (from Eurostat, OECD). The latest available administrative data have been used when there were no internationally verifiable data available. Two field visits took place in November and December 2002 to institutions in Bucharest and the counties of Argeş, Vâlcea, Braşov, Prahova, Dâmbovita, and Călăraşi to discuss and observe practices.

The analysis not only focuses on recent developments in Romania but also uses a framework comparable to other acceding countries, candidate countries and EU Member States. Although considerable progress has been made in the area of vocational education and training and employment services, much remains to be done to achieve the Lisbon objectives.

Therefore, the analysis focuses mainly on the challenges that need to be addressed rather than recent achievements. During the process of preparation an active exchange of information and discussions on the findings took place with contributions from Romanian institutions, in particular the Ministry of Education and Research (MoER), the National Centre for the Development of Vocational Education and Training, the Ministry of Labour, Social Solidarity and Family (MoLSSF), and the National Agency for Employment (NAE). The authors are very grateful for their contributions.

EXECUTIVE SUMMARY

1. THE CONTEXT

1.1 ECONOMIC DEVELOPMENT

Romania is a late starter, with key reforms only beginning as late as 1997. Since then most of the legal framework for a market economy has been established, and Romania has continued to make progress towards a functioning market economy. This is a condition for accession necessary to deal with the competitive pressures of European Union membership. Restructuring is still incomplete, despite considerable progress in some sectors¹.

Romania experienced negative growth between 1997 and 2000 (the sharpest decrease was in 1997 with a GDP annual percentage change of -6.1%). However, in the last two years the economy has been expanding at rates faster than the EU average and even faster than many of the

better-performing EU Member States and future Member States (FMS). In 2001 economic performance improved with 5.7% GDP growth, and inflation showing a declining trend. The GDP growth figures are encouraging, but in order to achieve sustainable growth, investment is necessary to raise productivity – including maintaining and upgrading the country's human capital. In 2002, GDP per capita was estimated at almost 5,900 PPS Euro, which represents only 25% of the EU-15 average and 33% of the FMS average. Regional income disparities are sizeable and are increasing (in Bucharest the per capita income was more than double the national average and nearly three times above that of the poorest regions).

The economy of Romania is still to a large extent unbalanced in terms of the contributions of different sectors to GDP. The proportion changed between 1996 and 2001 in favour of services, at the expense of industry and agriculture.

Table 1: Gross domestic product for the period 1996 to 2004

	1996	1997	1998	1999	2000	2001	2002	2003 [f]	2004 [f]
GDP at constant prices (annual % change)	4.0	-6.1	-4.8	-1.2	2.2	5.7	4.9	4.7	4.7
GDP per capita (PPS Euro)	6,110	5,980	6,030	5,050	5,290	5,620	5,890 [f]	6,210	6,660
GDP per capita as % of EU-15 (PPS Euro)	33.0	31.0	30.0	24.0	23.0	24.0	25.0 [f]	26.0	26.0
Gross value added by sector									
Services (NACE g to p)	37.0	41.2	49.3	51.8	51.7	48.7	49.4	m	m
Industry (NACE c,d,e)	35.5	33.5	29.1	27.7	30.5	31.2	32.1	m	m
Agriculture (NACE a,b)	20.6	19.6	16.0	14.9	12.4	14.7	13.0	m	m
Construction (NACE f)	6.9	5.7	5.6	5.6	5.5	5.4	5.5	m	m

Source: Eurostat, New Cronos database (October 2003)

[f]: Forecast; [m]: Missing data

¹ European Commission, *Regular report on Romania's progress toward accession*, 2002.

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Agriculture's share in total employment has increased in the past few years, accounting for almost 35.2% in 2002 – the highest proportion among the FMS and well above the average levels of both the EU (4.0%) and the average of the 10 FMS (13.0%). By contrast, its share in GDP decreased substantially to only 13% in 2002.

1.2 KEY EMPLOYMENT AND LABOUR MARKET DEVELOPMENTS

Labour market developments in Romania have been quite different than in other FMS. In 2002 the labour force participation rate of the population aged 15-64 was 58.6% overall, but with sizeable differences in gender: women – 52.8%, men – 64.5%. This latter figure was close to the average of the 10 FMS (61.9%). The employment rate has been falling by about 1% every year since 1997. The decline in urban employment has been reflected in the job growth in agriculture. Unemployment has not risen sharply. However, in 2002 more

than 35% of employed people worked in agriculture² (with 31% in industry and construction, and 34% in services).

The slightly higher employment rate in Romania compared to the average in the FMS is linked with the high employment rate in agriculture, much of it based on subsistence agriculture. The employed in this sector include many unpaid family members and almost 40% of those employed are females. The unemployment rate was estimated at 8.1% in 2002, one of the lowest rates among the FMS. This is slightly higher than the EU average (7.6%) and far below the average for the 10 future Member States (14.8%). However, despite the industrial restructuring, hidden unemployment in less productive activities continues to be significant. The long-term unemployment rate in 2002 (3.8%) was close to the EU average (3.0%). The youth unemployment rate was 22.2%, above the EU average³. The figure is a matter of concern, especially if it is viewed in the context of the low participation rate in education for the same age group (41.9%).

Table 2: Labour market indicators for 2002

	Romania*	EU-15	AC [1]
Employment rate (population aged 15-64)	58.6	64.2	56.1
Employment rate (population aged 55-64)	38.5	39.8	30.6
Employment rate, female	52.8	55.5	50.3
Unemployment rate, total (population aged 15+)	8.1	7.6	14.8
Unemployment rate, female	7.6	8.6	15.3
Unemployment rate by educational attainment [2]	6.7	6.7	m
● Lower secondary or below (ISCED 0-2)	5.0	9.5	m
● Upper secondary (ISCED 3 or 4)	6.8	6.4	m
● Tertiary (ISCED 5-6)	3.4	4.2	m
Long-term unemployment (% of labour force)	3.8	3.0	8.1
Youth unemployment rate	22.2	14.6	31.6
Youth unemployment ratio	8.3	6.9	11.9

Source: Eurostat, *Statistics in Focus Theme 3 16/2003*

* Data lacks comparability with previous years due to changes in definitions

[1] AC: Cyprus, Czech Rep., Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovak Rep.

[2]: Population aged 25-64

[m]: Missing data

² Based on Labour Force Survey data. Note that the definition used in AMIGO (the Romanian LFS) for employment in agriculture is based on at least 15 hours of employment in the four weeks before the survey, whereas the EU LFS definition uses one hour of employment as a basis. Thus employment in agriculture would be even higher using the common EU definition.

³ The figures of LFS 2002 and the national census 2002 (which both point at a level of unemployment of over 8%), as well as national registered data for 2002, are not fully comparable with previous years due to changing definitions on employment in 2002 and the lack of comparability between census, LFS and registered data (see also Regular Report 2003, p. 36). During 2002 registered data show a substantial decrease of registered unemployed, while LFS data show a moderate increase.

As a large country, Romania also experienced regional disparities in terms of labour market performance. Regional variations in the unemployment rates are sizeable in Romania: 10.6% in the North-East region as opposed to 4.7% in Ilfov-Bucharest region (2002 data). The regions are highly heterogeneous in composition. Therefore, regional data are only an approximate indicator. National Agency for Employment's (NAE) figures for unemployment show larger disparities across the counties in 2002 (varying from 15.9% in Vaslui to 3.9% in Bucharest)⁴. Administrative data from 2003 seem to indicate that the disparities are getting smaller.

1.3 DEMOGRAPHIC DEVELOPMENT

The population of Romania is decreasing. The results of the 2002 census show a decrease of more than 1.13 million people over the last 10 years. Of the population of 21.68 million people, about 20% are over 60 years old. Based on the same data the active population represents almost nine million people (40.7% of the total population, as opposed to 45.9% in 1992)⁵.

Romania's child population is decreasing sharply, a common feature in many other FMS. In 1992 there were almost 5.2 million children aged 0-14; in 10 years the number has dropped by over 0.7 million. And the trend continues as can be seen from the population data. As a consequence, the demographic pressure on schools is reducing rapidly. This creates opportunities to reallocate resources and make changes in terms of quality, optimisation of the network and other adjustments to the system.

2. FOUNDATIONS FOR LIFELONG LEARNING

The National Strategy for the Development of Pre-university Education⁶ in the period 2001 to 2004 has strengthened policies directed towards networking schools with stakeholders from the wider world in order to serve the needs of their communities. It is also creating some preconditions for improving assessment, transparency and quality assurance. With Law No 268/2003, from the school year 2003/04 compulsory education has been extended from eight to 10 years, and from the age of six (with parental consent) rather than seven.

Table 3: Main population statistics and indicators, 1992 and 2002

	1992	2002
Total population	22,810,000	21,680,000
Female population (%)	50.8	51.2
Population aged 0-14	5,181,000	4,481,000
Population aged 6-24 (% of total population)	31.4	27.1
Population aged 65 and over (% of total population)	11.0	14.0
Population living in rural areas (%)	45.6	47.2
Population density (inhabitants/sqkm)	95.7	90.9
Active population (% of total population)	45.9	40.7
Persons in education (% of inactive population)	31.8	29.3
Persons on retirement (% of inactive population)	32.1	39.5
Population having attained tertiary education (% of total pop.)	4.2	6.3

Source: National Institute of Statistics, 2003

⁴ County data are based on the registered unemployed data (National Agency for Employment, *Activity Report 2002*).

⁵ The National Institute for Statistics' final results of the 2002 census.

⁶ The strategy is an official document of the MoER and was updated in 2002. It contains prospective planning towards the year 2010.

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School preparatory classes in kindergartens are generalised. Learning standards common to all pupils will be introduced. Core competencies recommended by the Memorandum on Lifelong Learning and the Detailed Work Programme (computer literacy, technology, communication in widely used modern languages, active citizenship, critical thinking, adaptability, teamwork, and personal development) will be incorporated into the national curriculum. The law also introduces a personal portfolio for all students. All changes should be implemented before 2007.

The National Action Plan for Employment (NAPE) provides a set of policies to sustain lifelong learning. The NAPE emphasises short and medium-term measures to increase employment, decrease unemployment, to assist lifelong learning, and to increase labour market effectiveness. The goal is to adapt more rapidly to economic changes and to ensure better access to the labour market, while avoiding discrimination and social exclusion. These measures have been translated into legislation with the new Employment Law No 76/2002, which was approved shortly before the NAPE⁷. The law gives more importance to active labour market measures and strengthens the ability of the Public Employment Service (PES) to use them effectively.

Although lifelong learning issues are mentioned frequently, and there is even a special law on lifelong learning (Law No 133/2000)⁸, policies mainly address current problems and needs. A broad national concept of lifelong and life-wide learning and a joint vision of Romanian workforce development over the next five to 10 years are still lacking. The sphere of initial education is the domain of the Ministry of Education and Research (MoER). Within the MoER, the National Centre for the Development of Vocational and Technical Education (NCDVTE) deals with initial vocational training, and more precisely with

the follow-up of initial vocational training reform that was started with EU support through the Phare VET Programme RO 9405.

The Ministry of Labour, Social Solidarity and Family (MoLSSF) is responsible for policy issues concerning continuing vocational training (CVT). Training of the unemployed is funded from the Unemployment Fund⁹ and organised by the National Agency for Employment (NAE), and is partially delivered through its own training centres. Although there has not been any formal system of accreditation, the NAE has assisted continuing training providers with methodological assistance in organising their programmes in line with legal requirements. Thus it has performed a quality assurance function for this segment of the training market. From 2004 onwards this role is to be taken over by the National Adult Training Board (NATB). So far the NATB has been functioning as a tripartite policy advisory body on issues of adult learning, but is now designated to be the quality assurance body for all adult learning. The NATB has recently absorbed the Council for Occupational Standards and Assessment (COSA). COSA was set up in the mid 1990s to supervise the development of occupational standards and has also set up assessment centres that can provide accreditation of prior learning. The tasks of COSA have been integrated into the NATB.

Cooperation between public bodies as well as between public bodies and social partners is slowly advancing at national, regional and local levels. In 2002 the MoER, MoLSSF and the NAE signed a protocol to improve cooperation. Similar agreements have been signed between the MoER and the Ministry of Transport, and the Ministry of Agriculture, in order to enhance the quality and relevance of initial training provision in these sectors. However, public bodies are driving the process rather than social partners.

⁷ The law came into force on 1 March 2002, while the NAPE was adopted in July 2002 through GD 759.

⁸ The law modifies the GD 102/1998, which refers to the organisation of a system of lifelong learning through the educational institutions.

⁹ The Romanian term used translates as "Unemployment Insurance Budget". To ensure consistency with the JAP, "Unemployment Fund" is used throughout this Monograph.

The Phare Programme has helped to establish local and regional structures, involving social partners and assisting in the development of employment related training and education. At the county (local) level, Local Development Committees (LDC) have been established with social partner involvement to advise on the development of initial training. The LDCs also include representatives from local employment services, and was expected to play a role in the implementation of the Adult Training Law. However, separate tripartite evaluation bodies have been established for this purpose. Regional Consortia have been set up with representatives from County School Inspectorates, County Employment Agencies, Regional Development Agencies and social partners. The Regional Consortia are responsible for developing Regional Education Action Plans and have a role in all human resource development activities financed through the Phare programmes. The LDCs were set up before the Regional Consortia. The presidents of the LDCs are members of the Regional Consortia and the link will be further enhanced once the Regional Education Action Plans become the basis for planning.

The NATB is tripartite, ensuring a voice for social partners in the development of adult learning policies. But the NATB is not always consulted in the early stages of new policy development, making a true tripartite dialogue difficult. Apart from the NATB, the NAE and the Social and Economic Council are the most important tripartite bodies. In addition, there is a National Committee for Employment, and both the Ministries of Education and Labour have tripartite advisory boards. Social partnership is initiated more by government than by social partners themselves. Therefore, the agenda for dialogue tends to be driven by government, and input from social partners is often limited to providing a response to policy proposals put forward by the government. Bipartite dialogue is very weak. As a rule, social partners try to lobby with government in order to promote their interests.

The current ideas to establish a single system of national vocational qualifications

being elaborated with the assistance of the Phare TVET Reform project RO 0108 and the Phare CVT Twinning project, may draw the Ministries of Education and Labour closer together, and focus cooperation more on future skill needs and a more flexible and adaptable provision of training and education. Improved cooperation is complicated by different views on the breadth of qualifications. The proposed system also foresees the establishment of sectoral committees for the development of qualifications. The involvement of social partners from an early stage in the development of such a system of national vocational qualifications is extremely important and should be ensured through a more proactive approach by social partners themselves.

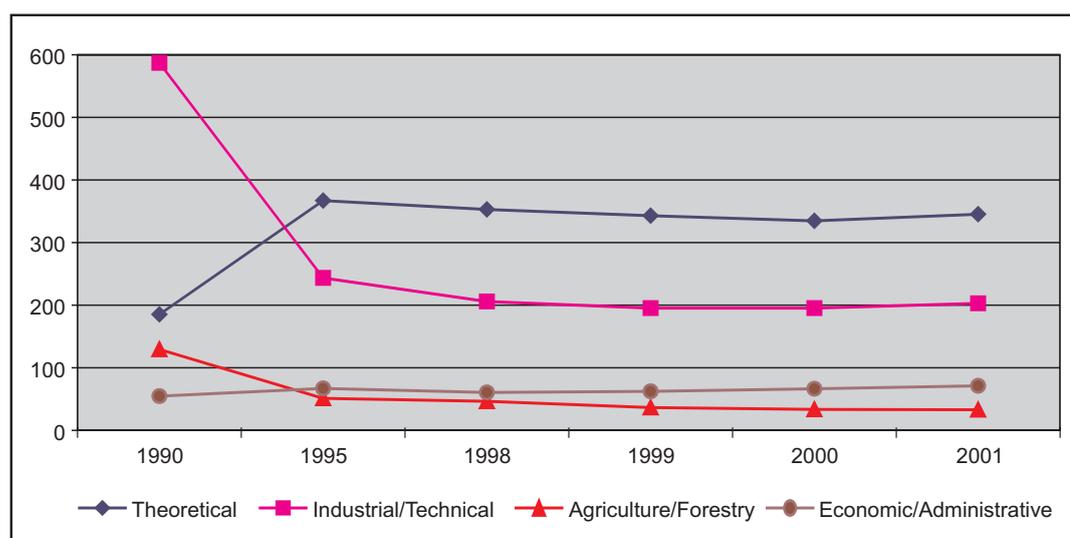
2.1 PARTICIPATION IN EDUCATION AND EDUCATIONAL ATTAINMENT

The number of people in education dropped in the last 10 years mainly due to demographic changes. The number of students enrolled at upper secondary level (ISCED 3) dropped by more than 12% between 1996 and 2001, but provisional data for school years 2001/02 and 2002/03 show a recovery of enrolment figures, mainly due to an increase in VET. At the tertiary level of education (ISCED 5-6) there has been a constant rise in the number of students.

The increased number of students in higher education (ISCED levels 5-6) was especially strong in the early 1990s. When the demographic peak was reached, student numbers stabilised in the period 1995 to 1998, but recently student numbers have been growing despite a demographic downturn. The increased participation in higher education has been facilitated by the increased number of institutions, including private universities; currently one third of Romanian students are enrolled in private universities. The growth of the institutions has come to a halt by strict accreditation procedures, and as a result a number some private universities have been closed down. It is not clear to what extent this will affect the capacity to raise participation in higher education.

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Figure 1: Number of students by profile (thousands)



Source: National Institute for Statistics, various years

The distribution between general and vocational programmes has been rather stable in the past few years. In the school year 2000/01 almost 64% of students were enrolled in vocational programmes (at ISCED level 3) and the participation rate of students aged 18 (at ISCED levels 1 to 6) was 57.5%, far below the EU-15 average (71.4%)¹⁰. The changes in enrolment by profile are small.

Romanian students are leaving the education system rather earlier than in other FMS and EU Member States, as can be seen in the Table 4. The participation rate of students aged 15-24 is less than

42%, which means that almost 60% of students are not in education – one of the highest levels in Europe.

Another indicator that depicts the trend is the early school leaving rate. In Romania 23.2 % of 18-24 year-olds with lower secondary education or less were not in education or training in 2003 – the highest rate among FMS with the exception of Malta. The rate has increased progressively since 1997. Although more students are going to university today, more young people than before break off their education prematurely.

Table 4: Early school leaving rate*

	1997	1998	1999	2000	2001	2002	2003
Bulgaria	m	m	m	m	20.3	21.0	22.4
Romania	19.7	19.1	21.5	22.3	21.3	23.2	23.2
EU-15	20.8	m	20.7	19.6	19.3	18.8	18.1[b]

Source: Europa Website (Structural Indicators)

* Aged 18-24 with less than upper secondary education and not in education/training

[b]: Break in series

[m]: Missing data

¹⁰ Eurostat, *Statistics in Focus*, Theme 3 – 13/2003.

Table 5: Participation rates in education

(15-24 years)	2001
EU-15	57.4
Spain	56.7
Hungary	51.6
Poland	63.4
Romania	41.9

Source: Eurostat, New Cronos database

Participation in continuing training is very low. Based on the CVTS2 data¹¹ the participation rate is only 8% for employed people, and the latest report from the NAE shows that only 2.5% of the unemployed graduated from its training courses in 2002. Access to CVT is very limited for people living in rural areas, which is problematic given that the employment figures show that over 35% of the employed are in agriculture. It is therefore important to develop measures to raise participation in, and improve access to, CVT in order to prepare for shifts to other sectors and meet the changing needs of the labour market.

The educational attainment rates of the population aged 25-64 are similar to the FMS average in upper secondary education, but are lagging behind at tertiary level. Based on the 2002 (spring quarter) LFS results, 61% of the population attained at least upper secondary education (the average of 10 FMS is 66% and EU average is 43%), and only 10% attained the tertiary education (the average of 10 FMS was 14% while EU average was 22%)¹².

2.2 FINANCIAL RESOURCES

There is an **inadequacy of public and private contributions for vocational education and training**.

The education system remains under-financed. The Education Law sets a target of a minimum 4% GDP for

education. According to national administrative data from the MoER this target has been realised during the past two years. At the time of completion of this document, internationally comparable data were not yet available to confirm this¹³. Investment in education remains very low in relative and real terms. In 2000 only 2.9% of GDP went to education (the lowest level among the FMS), down from 3.4% in 1999. Provisional data for 2001 and 2002 show that the policy target (4% of GDP) set out in the Education Law in 1995 was still not achieved. As a result, Romania will face difficult choices as how to match the expected temporary increase in participation due to the extension of compulsory education with the limited resources allocated to education. The MoER has, in the meantime, announced that the government plans to raise the target from 4 to 4.5% in 2004.

In the school year 2001/02 the system of financing public pre-university education was further decentralised and some responsibilities were passed to local councils, such as: school budgeting, and organising and controlling budgetary execution, as well as the administration of all schools. The local councils now cover the running costs and capital expenditure (including equipment) of education units. Most funds were allocated for maintenance, repairs and electricity and heating expenses. However, the MoER is still responsible for the largest part of the budget (that is, salaries, scholarships, teaching materials and books).

¹¹ Eurostat, *Statistics in Focus*, Theme 3 – 2/2002.

¹² Eurostat, *Statistics in Focus*, Theme 3 – 16/2003.

¹³ Data used in this document are based on internationally comparable indicators.

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Table 6: Public expenditure on education, 1996 to 2001

	1996	1997	1998	1999	2000	2001
% of GDP	3.6	3.2	4.4[b]	3.4	2.9	3.3
% of total public expenditure [1]	13.5	13.0	13.2	14.3	14.0	15.6

Source: Europa Website (Structural Indicators)

[1]: Source: Eurostat (data for 1996-99), ETF Key Indicators database (data for 2000-01)

[b]: Break in series

More than 80% of the budget goes on salaries. In 2003, the MoER announced plans to further accelerate decentralisation of the management of the education system to give school directors and boards more autonomy over the budget. The critical success factors for the decentralisation process are related to: the budget available at the local levels; the mechanisms for (electronic) data collection and reporting to ensure transparency and facilitate monitoring; the ability to reallocate transfers to the school level; and an improved management capacity at local and national levels.

The new Employment Law No 76/2002 has led to a variety of labour market measures. At the same time, the PES has started an extensive process of modernisation. More resources are available ensuring the regular payment of unemployment benefits, and a shift took place, at least in the planning process, towards active labour market measures. However, a gap remains between policy document preparation and implementation. Although measures to improve the labour supply are highlighted in policy documents, at the moment measures to increase labour demand through subsidies and credits are preferred over other active labour market measures. From the budget allocated for active measures in 2002, 46.4% of the funds were allocated for job subsidies and credits, while actual expenses amounted to 81.2% of the total expenses for active labour market measures¹⁴. In spite of the fact that Employment Law No 76/2002

widens the access to beneficiaries other than those registered as unemployed, rigid requirements regarding the reintegration upon completion of training courses have resulted in a reduced provision of vocational training services to unemployed people¹⁵. Further, as a result of these policies, the total number of unemployed people that graduated¹⁶ decreased from 23,909 in 1999 to 19,250 in 2002, in spite of the fact that the unemployed people who successfully completed the courses in 2002 also included 5,831 not receiving benefits. In 2002 the funds allocated for vocational training amounted to 4.0% of the budget for active labour market measures while actual expenses amounted to 2.6%¹⁷. At the time of the completion of this monograph the 2003 NAE activity report had not been published, but NAE provided a figure of 23,961 unemployed people who graduated in 2003 showing a return to the 1999 level of training. There are plans for a more substantial increase in 2004 and an adaptation of the employment law, which would widen free access to vocational training for new target groups (rural low-earners, women after maternity leave, men after military service and people after the termination of disability pensions returning to the labour market) as well as the introduction of less rigid placement conditions for certain types of course.

The EU is the most important donor in the field of active labour market measures. A number of major Phare programmes have been launched and financed over the past few years: RICOP and Human Resource

¹⁴ The allocated budget in the unemployment fund for active labour market measures in 2002 was ROL 3,109 billion (24% of the total unemployment budget allocated), of which ROL 1,556 billion was actually spent (14% of the total spent). According to updated figures provided by the NAE, the total amount spent on active labour market measures in 2003 was ROL 1,563 billion, of which 85% was spent on job subsidies and credits.

¹⁵ See also Regular Report 2003, European Commission, p. 78.

¹⁶ The numbers of graduates are given annually because enrolment data are complicated by courses overlapping subsequent calendar years.

¹⁷ National Agency for Employment, *Activity Report 2002*, 2003.

Components of Phare 2000 and 2002 sub-programmes for Social and Economic Cohesion. The RICOP programme was launched in 1999 with the aim of supporting the restructuring of state owned loss-making companies. It has a budget of €9 million for employment promotion measures as part of a bigger package of €100 million including support for outplacement, severance payments, public works, small business financing and social response measures. The Phare HRD 2000 programme (€18 million), which started in 2002, and the Phare HRD 2002 programme (€12 million) starting in 2004, provide grants to stimulate the training of the unemployed and employees in the regions¹⁸. Within the 'Labour Redeployment Programme' launched in 1998, the World Bank financed various active employment measures as part of a loan of US\$8.5 million. About US\$7.7 million from the loan has been disbursed for this activity. A large part of the available funds (50%) were used for creating temporary jobs through financing public works, while only 7% have been allocated to training. In 2001 the Romanian government agreed (by the GO 111/2001) on a new Social Sector Development financed by the World Bank. This new loan project (US\$30 million) will specifically focus on the needs of poor rural communities and disadvantaged groups, and use community development approaches, including education and training (investment in social capital), as an integrated measure.

According to CVTS2 results, in 1999 Romanian enterprises invested on average only 0.5% of their labour costs in continuing training courses, which is the lowest rate of all participating countries (the Czech Republic 1.9%, Hungary 1.2%; the average of participating countries being 1.15%), as well as in EU participating countries (ranging from 1.2% in Portugal to 3.0% in Denmark)¹⁹. Romania ranked at the bottom of the scale regarding the total expenditure per employee on continuing

training courses in 1999, which amounted only to 109 PPS Euro, compared to Bulgaria (294 PPS Euro), Hungary (305 PPS Euro), Germany (577 PPS Euro) and Denmark (1,169 PPS Euro)²⁰.

There are no real financial incentives for employers to increase their training efforts, apart from the financial support that can be obtained from the NAE for the training of new labour market entrants, and the Phare HRD scheme. Although the recently published methodological norms of the new Adult Training Law²¹ mention that training expenses are deductible in the calculation of taxable profit, and respectively of the taxable revenue, in reality these norms do not seem to offer any additional benefits to employers.

3. INITIAL VOCATIONAL EDUCATION AND TRAINING

3.1 POLICY AND LEGAL FRAMEWORK

Compulsory education has been extended from eight to 10 years, as was already the case before 1990. This is motivated by two arguments: raising the attainment and participation levels and balancing the rapid reduction of student numbers, and aligning the end of compulsory education with the minimum working age. The decision was taken in spring 2003 and the extension took effect in September 2003. The starting age of compulsory education has changed from seven to six.

In 2001, the MoER adopted the Strategy for Initial and Continuing Training of Educators and Education Managers. Covering the period 2001 to 2004, the aim of the strategy is to give the teaching career a more professional status by establishing a system of occupational standards based on teaching skills, and to modernise the teacher training provision.

¹⁸ The contribution of the Romanian government to the Phare HRD programmes is €10.7 million.

¹⁹ The costs in the CVTS2 survey refer only to 'courses' as one type of continuing training, and only to enterprises providing some kind of training (11% of enterprises in Romania).

²⁰ Eurostat, *Statistics in Focus*, Theme 2 – 8/2002.

²¹ Government Decision 522, 8 May 2003, art. 38.

For the first time the job of education manager is recognised as a profession, requiring appropriate training. Modular periodical in-service training programmes have been developed. By GD 604/June 2002 a National Training Centre for Teaching Staff in Pre-Tertiary Education was established as a development and quality assurance agency for teacher training, merging two existing teacher training centres. Since universities carry out teacher training, the training of teachers will be affected further by changes introduced through the Bologna process. The strategy does not address personnel management issues (such as career perspectives, motivation and remuneration) that could make the teaching profession more attractive.

3.2 RESOURCES

3.2.1 TEACHERS

Teaching is not considered a very appealing profession given that the gross salary level of experienced teachers is about 20% below the national average. Nevertheless, the decline of the Romanian industrial sector has led many engineers and foremen to opt for a teaching career. In the past 10 years the number of teaching staff (teachers and foremen instructors) has grown at all levels of education (by 30% in high school education and by almost three times in post-high school education). The proportion of vocational teachers holding a teaching qualification is high (90%). In technical high schools it is 92% and in vocational and apprenticeship schools it is 80%.

During the last 10 years the education sector offered stable prospects in terms of employment despite the decreasing number of students. Although the situation differs from school to school, in the school year 2001/02 the student-teacher ratio

(based on full-time equivalents) for upper and post-secondary education was 14.9 (students per teacher) for general programmes and 15.2 for vocational programmes²². These figures could indicate staff surpluses in a number of schools. Different class sizes exist between schools in rural and urban areas, and between schools with different profiles. School clustering has been a first step to a more effective use of teaching resources, but a further clustering of schools on regional rather than sectoral principles could lead to more efficiency. The recent trend has been to cluster schools that offer a similar or identical profile. If vocational schools that cover different relevant sectors were clustered, they would be able to offer a wider portfolio that allows them to adapt more easily to changing labour market needs, as well as offering students a wider range of choices. This is particularly important given the need for a much more diversified labour force at the local level, following sectoral adjustment.

There is a clear divide in Romania between urban and rural schools. The quality of the provision is poorer in rural schools. There are considerably fewer teachers with a teaching qualification in rural areas as compared to urban areas. More than half Romania's young population is located in rural areas, and the total share of the rural population (currently 47%) is growing. However, far less than half of young people from rural areas enter upper secondary education, and only 1% of students in higher education come from secondary schools in rural areas²³. In order to address these problems the government has adopted special measures to support rural education with the aid of a World Bank loan that will be used over the next six years²⁴. The programme aims at improving teaching in rural areas, the career perspectives of rural teachers, and improving basic education conditions. The 2003 Phare VET programme will also include 50 rural schools.

²² ETF Key Indicators 2002. However, it is difficult to obtain an exact figure as some teachers are registered as working in both vocational and apprenticeship schools and in high schools and/or post high school units.

²³ World Bank Project Appraisal Document (Rural Education Project 2003). According to MoER this figure concerns only graduates from rural high schools (8% of all high schools).

²⁴ The loan is US\$60 million supported by an additional US\$31 million from the Romanian government.

There is a need to reinforce the practical training provided in enterprises in terms of content, duration and the number of placements. Work and learning are not well integrated in the Romanian VET system²⁵. Unlike most countries, practical training is usually performed in groups. Much, if not most practical training is concentrated in schools. Instructors in technological laboratories, school workshops or companies supervise the practical training of students. Although they must have completed a post-high school education, in terms of remuneration their status in schools is low and career prospects are limited.

3.2.2 FACILITIES

Romania seems to be lagging seriously behind in information and communication technology (ICT) equipment and Internet connections in comparison with other countries. This is indicative of the general state of equipment in schools, especially since ICT equipment is the first priority. Moreover, based on the MoER data, only 21% of teaching staff had basic ICT skills in 2002, only 10% of all teachers could prove these competencies with certificates, and only 5% had in-depth ICT skills. Whereas 66.7% of existing schools in urban areas had at least one computer and 30.5% were connected to Internet, the figures for rural areas were 15.3% and only 1.1% respectively.

Vocational schools are generally lacking in up-to-date equipment for practical training. Much of the equipment is out of date. The situation varies considerably between schools but has been aggravated due to the general deterioration of links with enterprises, thus limiting the possibilities for practical training outside schools.

In order to bridge the digital divide, the government initiated an ambitious programme for an ICT Aided Education System in 2001, which promotes the use of

ICT on a large scale in the education and training system. After a pilot phase in 2001/02, a project was launched in November 2002 to provide 1,100 upper secondary schools with computer networks and to provide in-service training to teachers and administrative personnel. The development of educational software is also encouraged to promote the use of ICT in education, and existing materials are being centralised. A third phase is in preparation that should provide the rest of the schools with IT solutions. Through the Phare TVET programmes (2001, 2002, 2003) 172 schools will be provided with new equipment.

3.3 STRUCTURE AND ORGANISATION

The Romanian initial training system is school-based with two main pathways. The 'technological route' offers general secondary education (and Matura) with a large vocational component at technical high schools providing a level 3 qualification. More than half the students in upper secondary education study at technical high schools – more than at theoretical high schools. Many high school graduates pursue their studies in post-high school and higher education. The 'vocational route' prepares students for the labour market or further study in Art and Trade Schools. The Art and Trade Schools are a product of a merger of the two existing school types: apprenticeship schools (offering two-year VET programmes) and vocational schools (offering three-year vocational education). These have just been introduced with the extension of compulsory education. At the end of compulsory education (grade IX-X) graduates of Art and Trade Schools can obtain a level 1 qualification. This qualification enables the holder to perform relatively simple work. The level 2 and 3 qualifications which are more in demand on the labour market will still need one to three years further study after compulsory

²⁵ Work and learning are perceived as different entities cf. Romanian National Observatory, *Integration of Work and Learning*, 2001.

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education²⁶. A level 2 qualification is awarded after grade XI, which represents at the same time the 'classe de passage' towards level 3 for both routes (high school and vocational). Grades XII-XIII provide a level 3 qualification. The post high schools are a specialised two-year technological route leading to qualifications at level 3. The foreman school is a 'post high' type of school aimed at preparing foremen for industry and also leading to a level 3 qualification. Foreman school courses are organised at the request of companies and do not have a steady intake every year.

The most common type of VET institutions are cluster schools covering several school types. Clustering school types with a common sectoral focus has been a way of optimising the VET network. It is difficult to assess the exact extent of the clustering process, given that statistics are influenced by a redefinition of independent units from 1999, showing more integrated units than in reality. The number of school units grew during the 1990s to achieve a better geographical coverage. Based on data from the National Institute for Statistics, in the school year 2002/03 the public vocational school network consisted of 85 independent vocational school units (*Grup Scolar*), 814 sections (*Sectii*) and 665 technical high-schools. In the school year 2003/04 there were 79 independent vocational schools, 1,346 sections and 659 technical high schools. The data sourced by the MoER are different due to the application of a different definition. According to these data, in the school year 2002/03 there were 844 vocational schools and the number has increased to 1,264 school units in the school year 2003/04. In 2003/04 the total number of vocational schools has increased due to the fact that a number of gymnasias (lower secondary education schools) decided to provide an additional two-year programme following the extension of compulsory education.

In late autumn 2002 the planning for the initial training system was based on systematic extensive consultation with social partners, employers, representatives from local authorities, and the national employment agency in order to respond better to local and regional development needs. The consultation took place based on an analysis of the socio-economic context in the Local Development Committee that was set up in each county. It is not clear how this has affected enrolment in 2003/04. It seemed that stakeholders still had major difficulties distinguishing between short-term and medium-term needs. Although planning is receiving more attention, the impact on enrolment has been limited. Analysis of student numbers and school units in the main profiles over the past five years (see Figure 1) shows that planning adapts only very slowly to changing labour market requirements, in spite of the changes in the importance of different sectors. Therefore, so far planning appears to have served mainly the interests of the existing school network. The impact of current changes in planning cannot yet be evaluated.

In the near future planning should be based on Regional Education Action Plans, which are developed by the Regional Consortia. The first Regional Education Action Plans were being developed and finalised in 2003 and should cover the medium-term needs until 2010. The Regional Education Action Plans will be revised on an annual basis and should feed into the work of the LDC and the planning at school level. It could also become a basis for planning continuing training.

With the definition of competence based occupational standards in the late 1990s, Romania has made an important step in linking employment and learning specifications. The occupational standards

²⁶ Romanian vocational qualifications are based on the European five-level framework as defined in Council Decision of 85/368/EEC. A level 1 qualification enables the holder to perform relatively simple work. A level 2 qualification enables the holder to perform work which may be independent within limits of the relevant techniques. A level 3 qualification enables the holder to perform mainly technical work which can be performed independently and/or entail executive and coordination duties. A level 4 qualification covers a higher level of knowledge and of capabilities (it does not generally require mastery of the scientific bases of the various areas concerned). Such capabilities and knowledge make it possible, in a generally autonomous or in an independent way, to assume design and/or management and/or administrative responsibilities.

have been used to define learning outcomes (training standards) and curricula. Assessment outcomes are integrated in the training standards. Currently, quality assurance and assessment practices are under review in the framework of the Phare TVET 2001 programme.

The Phare RO 9405 VET reform programme has laid the basis for major reforms in vocational education. This has resulted in new curricula, fewer and broader occupational profiles, postponement of specialisation, core skills and new training methods. The curriculum reform process started before the standard development process, but curricula have been adapted to the new occupational standards, when these have become available. In 1999 the process of rolling out these reforms to the initial training system as a whole began, but given the huge differences between schools in terms of resources and infrastructure, this process is far from complete. The Phare TVET 2001, 2002, 2003 programmes aim to deepen the structural reforms and make them more systemic.

Consultations on the establishment of a single system of national vocational qualifications to cover the provision of formal initial and continuing (vocational) education and training, and the recognition of non-formal and informal learning, are gradually advancing. It is important that the discussions involve a wide enough platform of stakeholders beyond the MoER and MoLSSF in order to build ownership, promote consistency, and avoid rivalry and duplication. The new system will imply far-reaching changes in terms of quality assurance and assessment practices, and will affect the role of existing bodies. The role of social partners needs to be enhanced with a stronger sectoral focus. In order to improve the links with general and tertiary education, that are not part of the framework, appropriate bridging and patching arrangements should be developed.

3.4 DELIVERY

As a result of the organic links between enterprises and schools having been broken, there is currently a lack of systematic/structured contact between these entities (in terms of exchange of information on skill needs, advice on adaptation of curricula, and so on). Practical placements in enterprises are normally performed in groups under the supervision of a teacher, and there is therefore no question of a real insertion into the world of work. The growth of small companies makes it more difficult to find placements for students. Evidence from the field suggests that the number of students following practical training in enterprises has decreased substantially, with large discrepancies between profiles. As an alternative to practical placements some schools have developed training firms that simulate the experience of real enterprises. It is one of the main objectives of the current VET reform process to make schools more responsive to labour market needs and establish better links with local enterprises. Already 25% of the curriculum can be determined by the schools (school-based curriculum) after consultation with local enterprises, students and other stakeholders. At county level the links with the employment agencies have recently been improved for planning and guidance and counselling purposes.

3.5 RESPONSIVENESS OF INITIAL TRAINING TO THE NEEDS OF THE LABOUR MARKET AND THE INDIVIDUAL

In the past, too many young people have ended up in institutions for special needs education for physically and mentally disadvantaged people, among whom many were Roma who have ended up in these places for social reasons. The Romanian government has developed education programmes for special needs and disadvantaged groups, with particular attention to Roma. Romanian policy now aims at integrating special needs and disadvantaged groups in regular education rather than separating them from the rest

of society. Policies and special programmes for this purpose started in 2002. The policy principles are elaborated and implemented with the assistance of two Phare programmes (RO-0104-02 and RO2002/000-586.03.01). The Phare TVET programme (RO-0108-01), as well as the 2002 and 2003 programmes, support regular schools in providing individualised training to students from special needs groups. The government is closing down obsolete institutions for disabled children or special needs that are in disrepair.

Disparities in the demand for learning are strong. Roma youth are over-represented among school dropouts from compulsory education and underrepresented in tertiary education. The government has developed several measures in dialogue with Roma organisations to ensure a better integration and participation of Roma children in education, as part of an integrated National Strategy for Improving the Conditions of Roma. Minority coordinators in each County Inspectorate monitor the participation of minorities in education. Poorly performing schools with many Roma students receive additional support. Special quota for Roma students have been reserved in universities.

Parallel systems for guidance and counselling have developed in the education system (centres for pedagogic assistance, inter-school pedagogical assistance offices, information and guidance centres in universities) and employment services (career information and counselling centres), based on a common set of 450 occupational profiles. The MoER tends to focus mostly on education information and the MoLSSF on career information, so the two spheres are rather separated. Coordination between the existing bodies is unsatisfactory in spite of joint development work in the framework of the World Bank financed Information and Career Counselling programme. Provision is growing fast and existing services are still underused. The public is insufficiently aware of existing counselling services, and the initiative for using counselling services must primarily come from the client. Therefore, policies currently aim at stimulating demand, keeping

trainer-counsellors up to date with lifelong learning developments, integrating guidance and counselling with initial and continuing education and training, as well as including an inventory or appraisal of competences in guidance and counselling provision.

4. CONTINUING VOCATIONAL EDUCATION AND TRAINING

The Road Map for Romania (November 2002) indicates that Romania should develop a structured vocational training system in the medium-term, in particular for continuing training. The issue of CVT is important to facilitate the transformation of the labour force and adapt to new and changing needs. Economic restructuring is still far from complete, and important changes in the labour market are expected to occur during the next five to 10 years. Participation in CVT in Romania is currently very low. Access to CVT is particularly restricted for people living in the rural areas. More than 35% of the workforce is employed in agriculture and it is therefore important to develop measures to raise participation in, and improve access to, CVT. Through CVT the workforce will be able to adapt to the changing needs of the labour market. Therefore, shifts to other sectors will be easier. There are already a range of regulations and institutions existing in Romania that deal with CVT, but they have not had much impact yet on participation in CVT. There is a need for: a general policy framework that could integrate the different measures to promote better access; incentives for increased participation; and quality and prioritisation for the development of the CVT system. A common lifelong learning framework would link the education system and informal and non-formal learning.

4.1 POLICY AND LEGAL FRAMEWORK

The Adult Training Law No 375/2002 confirms the GD 129/2000 on the vocational training of adults. Although the opening articles refer to lifelong learning issues, all the issues that would make

lifelong learning forward-looking are either postponed or avoided. The law refers to lifelong learning measures specific to CVT, such as guarantees of access to CVT for all employees by including a right to CVT in collective labour agreements. This would encourage employers to invest in human resources, and to evaluate and recognise the competencies acquired by non-formal and informal learning. But the statements in the law are of a general nature. The Adult Training Law focuses primarily on the quality of adult learning provision. The law is only specific about the requirements for the accreditation of adult learning providers, this being the operational and longest part of the law. Learning providers are to be accredited for each course mainly based on input criteria, although reference is made to occupational standards. The development of a forward-looking lifelong learning approach would require measures to develop and stimulate an adult learning culture and adult learning opportunities in Romania, and would need to provide a framework for work-based learning approaches, including apprenticeships and other forms of learning outside the institutional context, as well as clear principles for progression and links with the initial education and training system. These issues are partially addressed in other documents (for example, the Labour Code) or are in preparation, but have not yet reached an operational stage. They could be strengthened by bringing them into a more comprehensive framework and by ensuring synergies between the different regulations, institutions and measures.

Following the Adult Training Law, the NATB – originally set up as a tripartite advisory body for adult learning policies – will now focus more on regulating the provision of CVT. The methodological norms for the law were adopted in May 2003 (GD 522/2003) and currently county authorisation committees are being set up, with representatives from MoLSSF, MoER and social partners. The NATB is developing operational guidelines for the accreditation of training providers for each

type of training course, based on nationally recognised occupational standards. COSA has been integrated into the NATB (Law 253/2003), bringing the standard development and assessment tasks under a common umbrella. Currently, discussions are taking place to extend NATB responsibilities further and give the organisation a central role as the quality assurance agency for all vocational education and training.

The new Labour Code (Law No 53/2003) also pays special attention to training in enterprises. The new Labour Code includes an article stating that employers are obliged to provide employees with regular access to vocational training²⁷. Employers need to agree on training plans with employee representatives and/or trade unions. The sanctions that employers undergo if they fail to implement these obligations are not clear.

An HRD strategy has been included in the National Development Plan (NDP) for 2004 to 2006²⁸. It is the outcome of an unclear process of consultation that did not provide sufficient opportunities for a dialogue with the private sector, social partners and the regions. However, the strategy provides a clear set of medium-term priorities for initial and continuing training. The strategy is focusing mainly on improving access to initial education, especially in rural areas. It addresses the provision of adult learning, with special attention to public provision. It argues that raising participation in adult learning is not opportune in a situation where the direction of sectoral adjustment is still unclear. The need for stronger sectoral diversification and labour productivity gains are not addressed. The links between initial education and adult learning are limited, but the initiatives for a common vocational qualification framework and register are mentioned. The Phare programming document for 2004 to 2006 does not reflect the priorities set out in the strategy, but demonstrates that MoER and MoLSSF still pursue their own agendas.

²⁷ New Labour Code Article 190. Note that this obligation was already mentioned in Law No 2/1971, 30 years ago.

²⁸ Second draft NDP 2004-06, January 2004. Approved by the Romanian government through Memorandum 1704/18-12-2003.

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The Phare 2002 Twinning project on CVT with the MoLSSF is expected to start early in 2004 and will review current adult learning policies. Policy recommendations should be available during the summer of 2004.

Continuing training in enterprises is underdeveloped. According to Eurostat's second Continuing Vocational Training Survey (CVTS2)²⁹ in which Romania participated in 1999, 11% of all companies provided CVT for their employees, lagging behind all other participating countries³⁰. The Romanian participation rate is substantially less than the Czech Republic (69%), Slovenia (48%) or Hungary (37%). The Member States reported 70% or more enterprises offering CVT, except Spain (36%) and Portugal (22%). The participation rate in enterprises providing courses³¹ was only 20% (for both males and females); below the average of participating countries (30%) let alone the average of the Member States. The situation is worrying, since it means that the skills gap between the workforce in Romania and the rest of Europe is widening. Another indicator for participation in CVT is the Labour Force Survey, which indicates the share of the working age

population who have been trained or were in education during the three-month survey period. Again the figures for Romania are very low. The latest report from the NAE showed that only 2.5% of the unemployed graduated from training in 2002.

According to several surveys analysing the system of continuing vocational training, supported by GTZ in 1998, and in 2001 by the NATB and GOPA consultants³², the training market is not very developed. Individuals are the main customers, and most CVT providers are not specialised in a certain domain and only the immediate needs of the labour market appear to be served by the subjects on offer. Concerns about the quality of the service providers was one of the main reasons for a new law on adult training, but there has been insufficient analysis as to why (private) providers are acting this way. The answers are probably linked to the demand structure for CVT. The NATB studies show that the main customers are individuals and the demand from companies is still very modest, with the exception of foreign-owned companies and joint ventures. A very recent National Observatory survey³³ shows that Romanian enterprises are experiencing

Table 7: Participation rates in education or training (population aged 25-64)

	1997	1998	1999	2000	2001	2002	2003
UK	m	m	19.2	21.1	21.7	22.3	21.3
EU-15	5.8	m	8.2	8.5	8.4	8.5	9.6[b]
Spain	4.5	4.3	5.1	5.1	4.9	5	5.8
Poland	m	m	m	m	4.8	4.3	5.0[p]
Hungary	2.9	3.3	2.9	3.1	3.0	3.3	6.0[b]
Romania	0.9	1.0	0.8	0.9	1.1	1.1	1.3

Source: Europa Website (Structural Indicators)

[m]: Missing data

[b]: Break in series

[p]: Provisional data

²⁹ Eurostat, *Statistics in Focus, Theme 3 – 2/2002*.

³⁰ CVTS2 results: CZ 69%, EE 63%, LV 53%, SI 48%, LT 43%, PL 39%, HU 37%, BG 28%, RO 11% and DK 96%, SE 91%, NL 88%, FI 82%, IE 79%, DE 75%, AT 72%, LU 71%, BE 70%, EL 36%, PT 22%.

³¹ Training courses are defined as events designed solely for providing (vocational) training, which take place away from the place of work (that is, a training centre or classroom) during which the trainees receive instruction from trainers/tutors/lecturers. The main providers of CVT in Romania are enterprises (classified by size). Note that the average number of hours per participant (42 hours) was the highest of all surveyed countries.

³² National Adult Training Board, *Adult Vocational Training in Romania – Explorative Study*, 2001.

³³ Romanian National Observatory, *Skills Audit Survey Romania*, 2003. The survey took the form of in-depth interviews with 100 companies (75 in North-East Region and 25 in Bucharest).

new skill needs and pressure for productivity gains, but they tend to resort to passive strategies (laying off surplus labour, solving skill gaps with existing internal resources) rather than promoting the active development of existing and recruitment of new staff. This suggests that companies and enterprises may have limited confidence in the education and training system to supply the skills they require in their workforce. This seems to be confirmed by the high youth unemployment rate. Accordingly, skill development decisions may be playing no role in the business decisions of Romanian enterprises. If this is the case, this could lead to low skill equilibrium in the labour force with serious long-term consequences for the competitiveness of the Romanian economy and structural adjustment.

There are currently few incentives for continuing training in Romania. The Adult Training Law mentions a VAT exemption for authorised providers of vocational training, but it cannot be implemented in reality, and only confirms the status quo. However, the government is ready to explore other means of stimulation, such as fiscal facilities. The NAE provides job subsidies for school graduates and training opportunities for new job entrants, as well as training to the unemployed. The EU funds are probably the most important incentive. The Phare programme's HRD scheme is helping to prepare Romania for ESF-type projects to support the training of the employed and unemployed at regional level. The 1997 HRD 'Progress' programme was a pre-phase to the ESF-type projects of the 1998, 2000 and 2002 schemes. Projects funded under the 2002 scheme will start early in 2004.

5. PUBLIC AND PRIVATE EMPLOYMENT SERVICES

5.1 POLICY AND LEGAL FRAMEWORK

The first National Action Plan for Employment (NAPE) was prepared in 2002 under the coordination of the MoLSSF and

the NAE, in cooperation with other ministries and organisations, and it was adopted through the GD 759/18 of July 2002. The NAPE is a complex document and identifies a series of measures that Romania has to implement in the short and medium-term, with a view to increasing employment, reducing unemployment, supporting lifelong learning, and improving the efficiency and flexibility of the labour market. The policy objectives mentioned in the NAPE are summarised below.

- Sustained growth and more jobs should be assured by developing SMEs and stimulating the development of sub-sectors with growth potential (such as tourism and IT).
- Combating illicit work and initiating measures to reduce non-salary workplaces costs.
- Applying an accelerating rate of increase for the minimum gross wage relative to other wages, and reducing poverty by correlating active employment policies with a policy of increasing earned income.
- Preventing and combating unemployment among 15-24 year-olds.
- Identifying early alternative employment for redundant workers in the framework of restructuring.
- Implementing special programmes for disadvantaged groups on the labour market: young people from placement centres, people with disabilities, the Roma, former prisoners, and so on.
- Increasing the participation rate in the labour market by prolonging the active life of older people.
- Adapting initial and continuing education to a knowledge-based society.

The NAPE had been finalised before the joint work of the MoLSSF and the European Commission on the Joint Assessment Paper on employment priorities (JAP) completed in October 2002. The measures envisaged in the NAPE could therefore not take full account of the recommendations in the JAP. The JAP provides a set of concrete findings, which are summarised below.

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- Access to second chance, upper secondary and higher education should be improved, especially in rural areas.
- Participation in adult learning should be raised both in companies and for the unemployed.
- Salaries should reflect more productivity and salary increases should be restrained.
- The share of taxes and contributions on lower wages should be reduced.
- The new unemployment and social benefit schemes should be monitored, and links with active labour market measures should be ensured.
- Active labour market measures should be increased to facilitate labour transformations, as well as being thoroughly tested and evaluated.
- Sufficient Public Employment Service (PES) staff should be made available locally to carry out the early jobseeker programme that is foreseen in PES reform.
- The established equal opportunities policies should be implemented and monitored.
- A more active role of social partners should be promoted, especially through bipartite dialogue.
- ESF preparation needs to be accelerated and a consistent HRD and employment strategy developed.

Although the NAPE and JAP share much common ground, there are important distinctions between them. While the NAPE presents a mix of general policy objectives and inputs, the JAP seems to provide a more focused agenda aimed at more proactive education, training and employment policies, while reducing public involvement in wage policies to ensure that increases will not rise to fast.

The new Employment Law (No 76/2002) contains measures that are reflected in the policy objectives of the NAPE. The law limits the period that people can receive unemployment benefits, and lays the foundation for a more active labour market policy. Existing active measures (such as vocational training, job subsidies for hiring

graduates and soft credits to employers) have been supplemented by business start ups, financial incentives for jobseekers who find a job well before the end of the period in which they can receive unemployment benefit, public works, and job subsidies for hiring jobseekers who are over 45 or single providers of a family income. Moreover, importantly the law extends the entitlement to active measures to all unemployed people, even if they are not eligible for benefits.

The new Employment Law replaced the Law on Social Protection and Re-integration of the Unemployed (Law No 1/1991). According to that law, the MoLSSF was responsible for elaborating, implementing and monitoring policies in the field of employment, social insurance and occupational health and safety, including the administration of the Unemployment Fund. The Ministry could (and still can) fall back on an extensive network of local county offices for implementing its policies. Law No 1/1991 has been elaborated several times. The main additions were laid down in GD 288/1991 (on Training of the Unemployed), EO 35/1997 (on Stimulation Measures for Integration of Graduates from Education Institutions), and various other EO (13/1995, 9/1997, 22/1997, 98/1998). These measures dealt with regulating outplacement services, active measures, and in particular severance payments – mainly for the employees of large state enterprises (in the sectors of the defence industry, mining, heavy industry, chemistry and wood processing industries) and the *Régie autonome*, for employees who were involved in large scale redundancies. Severance payments have been a particularly important and often criticised instrument for restructuring in Romania (see 'Financial resources' below). According to the NAE, the law on the Minimum Guaranteed Income (Law No 416/2001) has caused a temporary increase³⁴ in the unemployment rate, since a large group of people had to register with the PES as jobseekers in order to be eligible for associated social benefits.

³⁴ National Agency for Employment, *Activity Report*, 2002.

5.2 STRUCTURE AND ORGANISATION

The Directorate for Labour Force Policies in the MoLSSF is the main policymaking body in the field of employment policies. A National Tripartite Committee for Employment advises the government on employment policies.

The National Agency for Employment (NAE) is the main body responsible for the provision of public employment services and implementation of labour market policies. The Agency was established by Law No 145/1998, and was initially named the National Agency for Employment and Vocational Training (NAEVT). The NAE was set up on the basis of existing MoLSSF structures including its county and local PES offices. With the EO 294/2000 and GD 260/2001, the NAEVT became the NAE. The NAE is a tripartite body. Its tripartite Administration Board at central level consists of 15 members, of which employers and trade unions make up two thirds. The Administration Board is responsible for the overall management of the agency. The president of the agency functions simultaneously as president of the Administration Board. They are appointed by the MoLSSF and also hold the position of Secretary of State within the ministry. The NAE has an extensive network of county agencies, local agencies and 'working points' in the country. Tripartite Consultative Councils at county agency level became operational in mid 2002, following a three-year delay due to a dispute between trade unions on representation in the county councils.

5.3 FINANCIAL RESOURCES

From its inception, the NAE has been responsible for the payment of unemployment benefits and for the collection of contributions to the fund. From 1 January 2004 onwards this last task was taken over by the National Agency for Tax Collection. According to Law No 145/1998 the costs related to operational expenditure of the NAE, including local staff, is limited to a maximum of 5% of total expenditure

from the approved Unemployment Fund. The new employment promotion law has not changed this limit. The contributions to the Unemployment Fund decreased in the years before 2001 and this had a negative impact on the resources available for developing PES and active employment policies. There were two main reasons for these deficits. First, employers, especially from state-owned companies, delayed or even did not pay their contributions to the fund. Second, severance payments for employees affected by mass lay-offs were systematically used to facilitate restructuring or privatisation of state-owned companies. The amounts paid for this purpose weighed heavily on the budget. In January 2001 the agency faced serious financial problems, even risking not being able to meet its obligations for paying unemployment benefit. One of the main priorities of the new management of the NAE after 2000 has been improving the collection of contributions, as well as reducing expenditure in order to avoid such situations re-occurring.

Special arrangements were made for companies to pay off their debts without sanctions. During 2001 the Unemployment Fund started to show a positive evolution, partially due to major cuts imposed on severance payments. The monthly capacity to collect contributions also increased (from ROL 600 billion to over ROL 1,300 billion in 2001). This provided the NAE with the basis for increasing the share of funds allocated to financing more active measures. Moreover, it became possible to decrease employers' contributions to the Unemployment Fund by 1.5% (from 5% to 3.5%) from January 2003, and by an additional 0.5% in 2004. It should be noted that the surplus in 2002 was higher than normal due to the fact that many public enterprises decided to pay off their debts from previous years, and that expenditure was also lower perhaps due to the fact that the conditions for an effective application of some labour market measures (such as labour force mobility support and training) were not yet optimal. More information on the resources allocated to active labour market measures is indicated above.

5.4 PHYSICAL RESOURCES

The NAE has an extensive network of 42 County Employment Agencies (one agency in each of the 41 Romanian counties, plus the Bucharest Municipal Agency). County Employment Agencies are responsible for a number of countywide functions (for example, labour market statistics and analysis, vocational guidance, organisation of training, administration of employment promotion programmes, provision of subsidised credits to enterprises, administration of the Unemployment Fund, as well as all internal administration, audit and control functions). The regular employment services for jobseekers and employers are provided through a network of 174 local agencies and 84 working points coordinated by county agencies. The number of local agencies and working points has recently been extended to improve the geographical coverage of the NAE. The NAE plans to have offices that can be reached within 45 minutes by all its clients.

Unlike public employment services in most acceding countries, the NAE has developed a steadily growing network of its own training centres. The centres have been established in areas where the existing provision for adult learning needs to be enhanced. Fourteen county training centres are coordinated by the respective county agency, serving the labour force and employers of the respective county. Five regional training centres have been established with financial support from a World Bank loan and are operational (in Craiova, Cluj Napoca, Ramnicu Valcea, Turnu Magurele and Calarasi), delivering services to several counties. An additional regional training centre is planned to be established in Brasov. Moreover, the NAE plans to establish at least six additional county training centres in the period 2004 to 2005, bringing the total to 26 training centres under its direct coordination. The training centres are manned by permanent staff members of the employment service who act as administrators. The training is carried out with external collaborators. The

centres are subject to the same accreditation criteria and tender procedures as other providers bidding for public funds. According to the NAE the centres have to prove their efficiency in a competition-based environment. This approach should be consistently implemented in order to avoid any non-cost effective operation of the centres in the future, taking into account that the centres themselves are currently partially funded from the Unemployment Fund.

5.5 ACTIVE LABOUR MARKET MEASURES AND TRAINING

In accordance with Law No 76/2002, the NAE is allocating more resources to active labour market measures than has previously been the case. This is in line with the objective of a more active employment policy. Although the resources for active labour market measures have increased, participation in training has not, and remains at a very low level. The total number of unemployed that graduated from training courses organised by the NAE decreased from 23,909 in 1999 to 19,250 in 2002, representing only 2.5% of the unemployed³⁵. Provisional data for 2003 show 21,753 unemployed graduates. At this moment the NAE prefers job subsidies and credits to training as a reintegration measure. Rigid requirements regarding reintegration upon completion of training courses have resulted in a reduced provision of vocational training services to the unemployed. At present more than 75% of the training activities is reserved for the unemployed with placement guarantees (100% reintegration). Less than 25% of training activities can be used for groups that are more difficult to integrate. A 60% reintegration rate is still required for this type of course. The NAE foresees the introduction of courses with a 30% integration rate for certain target groups in 2004. It plans to increase training provision to 40,000 unemployed people. The JAP concluded that the funding arrangements, level of funding, and the different active labour market measures should be

³⁵ Annual numbers of graduates are given because enrolment data are complicated by courses overlapping subsequent calendar years. According to the NAPE (Pillar I), p. 71, the number of unemployed that received training was 28,178 in 2000 and 23,737 in 2001.

reviewed in order to substantially increase the provision of training and achieve a better balance between subsidised employment and other measures. It emphasised the need to monitor the implementation of the new framework for active policies³⁶. An important instrument to assess the effectiveness of active labour market measures is a net impact evaluation. There have been two separate net impact evaluations on a pilot basis³⁷ funded by the World Bank and GTZ that show quite a positive role of existing (re)training activities as an integration measure. These types of evaluation need to be more systematically used to monitor the effectiveness of active labour market measures.

There are 50 private employment services registered in Romania³⁸. They are mainly active in Bucharest and offer job mediation and headhunting for better paid jobs, mediation for jobs abroad, guidance and counselling services, and HRD consultancy or web-based job mediation. According to official statistics from the NAE they

provided job mediation to 6,275 people over the first nine months of 2003, of whom 841 were placed in employment. A total of 2,428 people received guidance and counselling services from accredited providers of which 179 were placed in employment. That suggests that the share of the private employment services is still very small and they are not very effective. The market share of the NAE in terms of vacancies or market penetration and placements is however difficult to determine. This is the result of the practice of retroactive registration. Employers are obliged to register any vacancy with the NAE, and jobseekers also have to register. Otherwise labour contracts cannot be issued. Official statistics include jobseekers who found employment without the immediate assistance of the NAE in the placement figures, and vacancies that were never open to jobseekers from the register. Moreover, the practice of retroactive registration is taking up scarce staff resources that could have been allocated directly to clients.

³⁶ Joint Assessment Paper p. 37.

³⁷ GTZ, Oneasca I., *Analiza efectului net al cursurilor de formare a somerilor in Romania*, 2002, Benus, J., *Impact of ALMP in Romania*, The World Bank, Labour Market Policy course, Washington, March 2003.

³⁸ The number refers only to PRES registered with the NAE; in practice there are many more private providers.

1. INTRODUCTION

1

The country monograph on vocational education and training and employment services provides a baseline for the assessment of progress in implementing the priorities identified in the Joint Assessment Paper on employment policy (JAP) agreed between the government of Romania and the European Commission. Current EU policies based on the Lisbon conclusions, such as the lifelong learning initiative and the European Employment Policy, set the framework for the analysis. Romania's short-term employment and labour market policy priorities are determined by the following challenges identified in the JAP:

- restructuring, still far from being finalised, will continue to have a negative impact on employment;
- some areas/regions will be more affected by high and increasing employment in agriculture;
- negative trends in labour market participation and employment in general, and in industry especially;
- insignificant job creation in services;
- insufficient development and contribution of the private sector to employment;
- unemployment mainly in urban areas;
- high long-term unemployment (half of total unemployment) and youth unemployment rates, especially for low qualified people.

Other issues presented in the document are: low participation and high dropout rates in upper secondary and post-secondary level education (especially for the population living in rural areas and Roma), and a wage policy which obstructs job creation and drives people into the informal labour market due to high social contributions and taxes.

Romania is a democracy with solid institutions, democratic laws and a market-oriented economy. The process of change began against a different background than in the other candidate countries, and the country can be considered as a 'late starter' with key reforms only beginning as late as 1997. Since then most of the legal framework for a market economy has been established and Romania has continued to make progress towards a functioning market economy. The point of no return seems to have passed some time ago. However, it

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takes time before national reforms take effect at the grass roots level, and some of the fundamental reforms that have been introduced take longer than others. Implementing new policies is much more difficult than developing new laws and policies. Therefore, the European Commission stressed that the country can be considered as a functioning market economy once the good progress made continues decisively. A vigorous and sustained implementation of its structural reform programme is required³⁹.

In the last two years the economy has been expanding at rates faster than the EU average, and even faster than many of the better-performing EU Member States. In 2002 the economy grew by 4.9% (for the fourth year in a row) and inflation showed a declining trend. The GDP growth figures are encouraging, but in order to achieve sustainable growth investment is necessary to raise productivity, including maintaining and upgrading the country's human capital.

The labour market participation rate (for those aged 15-64) reached 69.9% in 1997 but has been slowly declining since to 67.3% in 2001⁴⁰, below the EU average of 69.2%. At 73.6% in 2001 the male activity rate was 3% lower than in 1997 and well below (almost 5%) the EU average of 78.3%. In the same period (1997 to 2001),

the female activity rate declined from 63.5% to 61.1% (EU average 60.2%). In 2002 it was almost 14% below that of men. The decline in participation was particularly strong for the younger age group (15-24) whose activity rate fell from around 45.6% to 40.0% between 1997 and 2001. The decline was particularly marked for the 55-64 age group (from 52.5% to 48.7%). In 2002 these rates were 37.4% and 37.9%, respectively⁴¹. A feature of participation in Romania is the high activity rate among those aged 65 and over. The participation of this age group strongly diverges from the overall pattern with an increase in their activity rate, a phenomenon that can be explained by the prominent place of agriculture in the Romanian economy.

In 1997 the unemployment rate declined and stabilised at around 5.3%. The rise observed thereafter was systematic, with a halt in 2001 (6.6%)⁴². In 2002 the unemployment rate was 8.1% (7.6% male and 8.6% female)⁴³. Unemployment is concentrated in urban areas. In 1996 the unemployment rate was twice as high in urban areas (8.4%) compared to rural areas (3.6%). The gap has widened since, and in 2000 the urban unemployment rate was 11.7% compared to 2.4% in rural areas. Unemployment rates remain relatively low for those with the lower educational attainments (in 2001 the rate was 5.0% for people with lower secondary

Table 8: Background indicators, 2002

	Romania	EU-15
GDP (annual % change)	4.9	1.0
GDP per capita (PPS Euro)	6,050 [f]	24,060 [f]
Inflation rate (average annual % change HICP*)	22.5	2.1
Unemployment rate (%)	8.1	7.6
Internet users per 100 inhabitants	4.5	31.4
Passenger cars per 100 inhabitants	14	50

Source: Europa Website (Structural Indicators), Eurostat (New Cronos database)

* HICP: Harmonised index of consumer prices

[f]: Forecast

³⁹ European Commission, *Regular Report on Romania's progress toward accession*, 2003.

⁴⁰ European Commission, *Employment in Europe*, 2003. LFS results for 2002 lack comparability with previous years due to changes in definitions.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

education or below compared with 3.5% for those with tertiary education). As in other countries, youth unemployment is higher than adult unemployment. In 2001 unemployment among those aged 15-24 stood at 17.6% compared to 5.7% for those aged 25-64. Long-term unemployment remains high. In 2001, 48.6% (or 3.2% of the labour force aged 15 and over) had been out of work for a year or more, of which nearly 50% had been out of work for two years and more. The long-term unemployment rate, as well as the youth unemployment rate in 2002 (3.8% and 18.5%, respectively), were close to the EU averages (3.0% and 15.1%, respectively)⁴⁴. Unemployment is expected to increase when the restructuring of the economy intensifies. Recent reform provides a wider framework for active policy. Appropriate resources are needed and active programmes must be tested in order to prepare to meet the challenges of labour force transformation. Subsidised employment programmes should be carefully evaluated and the provision of training measures needs to be expanded.

The level of unemployment by region is rather uneven. Based on Eurostat data⁴⁵, in 2001 the lowest unemployment rate (4.1%) was in Bucharest and the highest (8.0%) in the South-East region followed by the Central region (7.8%). Unemployment is especially high in former industrial areas where industries have been closed down. Regional income disparities are sizeable with differences ranging from 40% to 20% between Bucharest and the poorest regions. Formal employment and unemployment is mainly an urban phenomenon. The urban population represents 54.6% of the total Romanian population. More than half the population in urban areas is concentrated in Bucharest and cities with over 100,000 inhabitants. In rural areas only 1% of the 33 communes have over 10,000 inhabitants, comprising 3.9% of the rural population. Between 1990 and 2000 the size of towns changed – primarily through migration and only secondarily through natural increase – with

smaller towns of under 20,000 inhabitants declining in size. It is estimated that only 27% of the working population in villages with less than 2,000 inhabitants is formally employed. The rate increases with the size of the locality (54% for small towns, and 62% for towns with more than 20,000 inhabitants). Enterprise diversity becomes substantial when towns reach 10,000 in population. The number of firms per industry rises rapidly when the population exceeds 10,000. There is a threshold density of infrastructure network (gas, water) important for industrial diversity⁴⁶.

While the privatisation of the small-sized enterprise sector is nearly completed, the restructuring of the large state enterprise sector has been delayed. So far the current government has succeeded in privatising some large enterprises (notably the steel producer, 'Sidex', the car producer, 'Aro', and the tractor producer, 'Tractorul'), and the restructuring of the energy sector has also been pursued. There has been significant progress in the restructuring of the banking sector. Major banks were either privatised or liquidated, while the procedures to privatise the 'Banca Comerciala Romana' (accounting for one-third of banking sector assets) are well advanced. However, further enterprise restructuring will be the main test to show the determination of the government currently in power, especially as its social implications have to be carefully managed.

In 1996, foreign direct investment flows to Romania started to increase notably to triple their contribution to GDP by 2000 (from less than 1% in 1996 to about 3%). The government put in place rather favourable legislation concerning foreign direct investments, but actual foreign investments remained subdued. With Romania advancing to a knowledge-based economy, more pressure will be put on the development of more skill-intensive activities. A European Bank for Reconstruction and Development (EBRD) survey shows that foreign investors mention the local availability of relatively

⁴⁴ European Commission, *Employment in Europe*, 2003. LFS results for 2002 lack comparability with previous years due to changes in definitions.

⁴⁵ Eurostat, *Statistics in Focus*, Theme 1 – 6/2002.

⁴⁶ Gordon, H., *Rural-Urban Linkages and Local Area Development in Romania: Summary of Initial Findings*, World Bank, 2003.

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cheap skilled labour as one of the main important factors for investing in Romania, but the lack of IT skills among workers with vocational and secondary education is mentioned as a source of concern⁴⁷.

The new private sector, in particular SMEs, is the main driving force for economic transformation and job creation. In Romania, the SME sector accounted for 56% of the total economic turnover in 2001. Their contribution to total employment is estimated to have substantially increased from 25% in 1995 to around 50% in 2001. Over the same period all job creation took place in the SME sector with an estimated total increase of 700,000 jobs, not enough however to compensate for job losses. As shown in various studies, there are a number of structural weaknesses in the business environment, which hamper the development of new businesses. While lending to the private sector has been growing strongly in the last couple of years, the total stock of credit is still very low, and difficult access to finance remains an obstacle to enterprise development, especially in the SME sector. The volatile and often difficult to implement legal framework is the main source of uncertainty for businesses and gives room for corruption. Romania also has a heavy administrative burden – including tax administration – related to both setting up and running businesses.

Taxes on labour are high, especially for the low-waged. This is a barrier to job creation and is a disincentive for the unemployed/inactive to take up such jobs. High social contributions and taxes encourage the development of informal sector employment. In addition to measures taken to reduce income taxes, Romania should review payroll taxes. Enforcing compliance with tax payment is a precondition for reducing the tax burden in the medium term. According to the Ministry of Finance, the next priority will be given to lowering the maximum rate of income tax from 40% to 30%, which would bring it to the same level as equity and corporate taxes. Another measure, applied from 2003

onwards, is the full exemption of income tax for certain occupations (such as software designers, programmers and system engineers) in order to retain this skilled labour in Romania and limit the brain drain phenomenon.

In recent years real wage growth appears to be more in line with the development of productivity at macro level, but the authorities still have difficulties in controlling wage developments in the state-owned sector, as shown by the repeated failure to meet wage bill targets agreed with the International Monetary Fund (IMF). At present wage-setting mechanisms play a role in a small part of economy and income policies take account of the budgetary constraints set out in the agreements with the IMF. However, the reform of the wage setting system in Romania should ensure employment-friendly wage developments while contributing to macro-economic stability. Social partners and the government need to progressively develop wage-setting mechanisms to reflect productivity, skills and regional differences.

In 2002, higher than average wages prevailed in those sectors where restructuring made little progress. Based on national data, banking-insurance displays the highest nominal average net wage (more than twice as high as the national average) followed by petroleum processing (nearly twice as high as the national average). Energy, post and telecommunications, coal mining and petroleum extraction all have nominal average net wages more than 50% higher than the national average. Wages are also higher in public administration (42.3%), while other service activities (in particular, retail trade and hotels-restaurants) have the lowest wages. Real wages remained 44% higher in the public than in the private sector⁴⁸. This may be partly due to the under-reporting of wages by private companies, in particular SMEs.

Poverty remains a widespread and severe problem in Romania, and although it has been decreasing over the last three years,

⁴⁷ *The 2000 transition report among foreign investors in Eastern Europe*, EBRD, 2000.

⁴⁸ *Economic Assessment – Romania*, OECD, 2002.

it remains a serious and widespread issue in rural areas (over 65% of the total population live in poverty). The most affected categories are the unemployed and people employed in agriculture, followed by pensioners. According to a recent World Bank study⁴⁹ poverty in Romania is steadily declining. The World Bank's latest assessment of poverty in Romania showed that it declined from 35% of the population in 2000 to 29% in 2002. Severe poverty also declined but not to the same extent. One of the key findings of the report is the clear correlation between the targeting and growth of social protection, such as the guaranteed minimum income and the steady decline in poverty. Despite the positive trend noted in the report, poverty levels remain high overall. The report also shows that the better educated the household, the lower the risk of poverty. The risk of poverty mostly affects the 15-24 age group. The Roma population represent 7% of the total population living in poverty. Estimated figures showed that poverty would continue to decrease in the next few years provided sustainable economic growth is maintained (the main factor which contributed to the decreasing trend registered in the last years).

Despite of the contemporary language used in policy documents to prepare Romania for a knowledge society, the main challenge for the education system is probably not bridging the gap with international developments – which is extremely important for the competitiveness of the workforce of Romania – but to overcome the huge disparities that exist within Romania. It is therefore crucial that education reform is an inclusive process and pays due attention to the needs of the rural population, minorities and other disadvantaged groups, including special measures to reintegrate young people that have been failed by the education system. The JAP puts special emphasis on this challenge. It requires using the opportunity of demographic decline to review the provision of general education and improve access, especially at upper secondary level in rural areas, including the possible establishment of new 'second chance' schools.

The dropout phenomena in upper secondary education should be addressed and prevented. VET reforms need to be completed and implemented, including teacher retraining. Although links between enterprises and schools need to be improved urgently, new curricula should not focus too much on the immediate needs from local businesses but must be adapted to long-term needs because major restructuring is still to come. Implementing the integration strategy and monitoring its outcomes must improve education provision for minority groups and Roma. It is not clear whether the current capacity for providing higher education is sufficiently adapted to increasing medium-term needs. All these challenges can only be met if a major shift of resources for education takes place.

The government has developed several measures in dialogue with the Roma organisations to ensure a better integration and participation of Roma children in education as part of an integrated National Strategy for Improving the Condition of Roma. Among the pupils in institutions for special needs education, there are many Roma who are there for social reasons. Roma youth are over-represented among school dropouts in compulsory education and underrepresented in tertiary education. Minority coordinators in each county inspectorate monitor the participation of minorities in education. Poorly performing schools with many Roma students receive additional support. Special quota for Roma students have been reserved in universities. The Romanian policy now aims to integrate the special needs and disadvantaged groups in regular education rather than separating them from the rest of society.

Prevention is better than cure, but when people are unemployed they need to be reintegrated into the labour market as soon as possible. Recently, important changes have been introduced to promote this, and the near future will prove how effective they are. Unemployment benefits should facilitate economic restructuring, provide income support to the unemployed and maintain links with the labour market.

⁴⁹ *Poverty Assessment Report*, World Bank, 2003.

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The new unemployment benefit system should be monitored carefully, inadequacies in eligibility should be reviewed and active job search further encouraged. The establishment of appropriate systems for monitoring and control are very important and should also be linked to the evaluation of social

assistance reform, paying attention to how benefit systems interact. More PES staff should be in direct contact with clients to provide them with appropriate individual support and encouragement for an early reintegration, and more resources should be available to activate those jobseekers that are more difficult to reintegrate.

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

2

2.1 OVERVIEW OF THE EDUCATION AND TRAINING SYSTEM

2.1.1 LEGAL FRAMEWORK AND INSTITUTIONAL SETTING

In the early 1990s Romania's education system was one of the most centralised in Central and Eastern Europe with the Ministry of Education determining the curricula, secondary school entry and evaluation, as well as the education budget. Schools had almost no autonomy in terms of planning, and the participation of local communities in managing schools was very limited. The reform has taken place in several stages. In 1992 a readjustment period started by revising curriculum and eliminating the ideological orientation. Compulsory education was reduced from 10 to eight years, secondary education was diversified, the class size

was reduced and funding arrangements were reviewed. With substantial international support, mainly from the World Bank and the European Union, reform programmes were launched during 1993 and 1995. In 1995 a new Education Law was enacted (Law No 84/1995) and a process of gradual administrative decentralisation started, transferring some responsibilities to local authorities. This was the start of a more comprehensive reform covering curricula, teachers, textbooks, admission policies, financing, staff policies and other aspects of the education system. The pace of reform has not been consistent. Although major problems and shortcomings of the system were identified, consensus could not always be reached on strategic directions or concrete action. Sometimes political changes represented moments of discontinuity of the reform in specific areas of education.

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The basic legal text regulating the function of the education system for young people and adults is the Education Law (No 84/1995). The law, updated several times after its initial promulgation in 1995, presents the general objectives and principles of the Romanian education system and details aspects related to organisation, delivery and financing of all forms of education. It also represents the main text covering the structure and functioning of the system of initial vocational training. The law incorporates changes (adopted at the end of 1999) aimed at encouraging links between initial and continuing vocational training by introducing social partnership in vocational training at national, regional and local levels. It also includes general provisions related to lifelong education.

The legislative framework related to higher education was also established through the 1995 Education Law. The amendments made in 1999 (through Law No 151/1999) enabled the establishment of universities with teaching in minority mother tongues, such as language courses, programmes that reflect each minority's history and traditions in the content of education, provision of textbooks, and necessary material support, as well as the training of personnel in the minority language⁵⁰. Romania would like to increase participation in higher education further in the coming years, raising student numbers substantially to meet the European average, but it is not clear to what extent this goal is realistic considering the recent effects of accreditation on private provision and current demographic developments.

A new legislative framework for pre-university education has been set up through a Law No 268/2003 and two Executive Orders (68/2003 and 110/2003), which amend the 1995 Education Law. According to the new law, the starting age for compulsory education will become six years (with parental consent) from seven currently. Compulsory education will be

extended from eight to 10 years, as was already the case before 1990. High schools and Art and Trade Schools – the latter replacing the existing vocational schools and apprenticeship schools – will provide upper secondary education. The existing high schools will continue to offer both technical and general education. At the end of compulsory education graduates in the Arts and Trades School can obtain a level 1 qualification. This qualification enables the holder to perform relatively simple work. Level 2 and 3 qualifications which are more in demand on the labour market, will still need an additional one to three years of further study after compulsory education⁵¹.

The legislative process, which started after 1998, went beyond the initial education system. It was linked to the development of vocational training for adults as well as elements of a changing qualification system and a quality assurance system associated with the classification and recognition of occupations, trades and specialisations, and the accreditation of learning providers. Some of the most important laws are given below.

- A new law on the vocational training of adults is in place (Law No 375/2002 approving and modifying GD 129/2000). The law supports lifelong learning measures specific to continuing training, such as: guaranteeing access to CVT for all employees by including this right in the collective labour agreement; encouraging employers to invest in human resources development; and evaluating and recognising the competencies acquired by non-formal and informal learning. Whereas the above-mentioned issues are addressed in general terms, the law is very specific in defining the responsibilities and conditions for accrediting training providers. The National Adult Training Board has a central role in the accreditation. Law No 253/2003 consequently reviews the functioning of

⁵⁰ People belonging to national minorities are legally entitled to study in their mother tongue at all levels (that is, within faculties, school units, classes and study groups).

⁵¹ Romanian vocational qualifications are based on the European five-level framework as defined in Council Decision of 85/368/EEC. A level 2 qualification enables the holder to perform work which may be independent within limits of the relevant techniques, and a level 3 qualification enables the holder to perform chiefly technical work which can be performed independently and/or entail executive and coordination duties.

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the National Adult Training Board (NATB). It amends and completes a previous law (Law No 132/1999) focusing more on the NATB's new role in authorising training providers. With the new law the Council for Occupational Standards and Assessment (COSA) was integrated into the NATB, bringing occupational standards development and assessment tasks under a common umbrella. In October 2003 the methodology for authorising adult training providers was adopted through EO 522/2003, completing the legal framework for adult training. The directive regulates the work of County Authorisation Committees under the coordination of the NATB.

- The National Agency for Employment and Vocational Training was established through Law 145/1998 as a tripartite body, with a major role in managing active labour market programmes and organising adult vocational training programmes. Through the regulations EO 294/2000 and GD 260/2001 the functioning of the re-baptised National Agency for Employment was reviewed, providing the NAE with some new responsibilities in the field of employment and vocational training. According to Employment Law No 76/2002 the agency is responsible for coordinating vocational training and retraining programmes for the unemployed (financed from the Unemployment Fund), as well as for other individuals looking for jobs.
- The GD 844/2003 approves the classifications of occupations, trades and specialisations for initial vocational education and training as well as the principles for updating and adapting specialisations to changing demands on the labour market.
- The Labour Code (Law No 53/2003) in place from March 2003 pays ample attention to training in enterprises. Employers are obliged to provide regular training and develop annual training plans in consultation with staff representatives or trade unions. The law also establishes the general principles for apprenticeship contracts, whereby

the employer, apart from salary payment, assumes the responsibility for providing vocational training in a certain trade.

The collective labour agreements that have been signed in recent years normally include basic conditions on training. In 2001 for example, the agreement stipulated that: "Trade unions and employer's associations should cooperate to identify positions needing training as well as the training means, and should establish an annual training programme and monitor its implementation. Training costs will be borne by employers. Any company which plans to switch completely or partly to a different line of business should inform and consult with the trade unions at least two months prior to implementing such measures, and should give its employees the possibility to retrain or upgrade their qualifications, before considering the recruitment of external candidates. Employees willing to take up training courses offered by a third party should make an application to that effect which should be submitted to the employer and the trade union. They should then decide if and when the employer should pay for the cost of the training. An employee signing an addendum to his individual labour agreement regarding training, or whose contract is terminated for reasons attributable to the employee himself within three years of graduation from a training course, may be obliged to pay the cost of his training himself".

Responsibilities of public authorities

In the area of initial education, including initial vocational education and training and higher education, the MoER plays a predominant role. In the field of continuing training the responsibilities are more complex, but currently the MoLSSF is the lead ministry in the area of CVT policy development, in coordination with the MoER. Apart from the MoLSSF, the NAE and the NATB represent the main actors.

The organisational structure of the MoER includes the General Directorate for Pre-university Education. The General Directorate submits VET policies and

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strategies for the approval of the ministry based on the proposals forwarded by the National Centre for the Development of Vocational and Technical Education (NCDVTE). The General Directorate is also responsible for monitoring the quality of vocational training provided by education units. At county level it cooperates with school inspectorates: inspectors for technical school subjects, educational activities, and social-humanities school subjects. There are no inspectors in school inspectorates responsible exclusively for education for adults.

With GD 855/1998, the NCDVTE was set up as a public institution under the coordination of the MoER. Within the MoER, the NCDVTE deals with initial vocational training, more precisely with the follow-up of the initial vocational training reform that started with EU support through the Phare VET Programme RO 9405. The Centre is responsible for designing, developing, implementing and revising the VET curricula, the system of evaluation and certification of vocational training, teaching staff training, and the scientific coordination of VET development projects. Moreover, the Centre is in charge of developing social partnership in initial training at national, regional and local levels.

At the county level, the County School Inspectorates represent the MoER and are responsible for the quality of the provision of vocational education and coordination of the school network. Among other tasks, County School Inspectorates establish the availability of VET. The County School Inspectorates are also involved in approving school-based curricula (up to 30% in Arts and Trades Schools, and up to 25% in technical high schools depending on the profile).

The following responsibilities are delegated to the school education units: personnel evaluation; ensuring the quality of the instruction-education process; developing the school timetable based on the education outline plan; establishing the local development-based curriculum, the curriculum for school technologies, curriculum in apprenticeship schools and

the curriculum for post high school units (in cooperation with social partners); signing protocols of cooperation with economic agents; and employing associate teaching staff from career guidance and counselling institutions. In education units in the vocational training system, one of the managers must be trained in the specific profile of the respective school. Schools develop relationships with various enterprises and companies for the purpose of holding practical instruction courses for pupils and the potential employment of school graduates.

Public higher education institutions are coordinated by the MoER. University autonomy is fully guaranteed. Private higher education is a widespread alternative to public education. Participation in higher education grew substantially during the 1990s, facilitated by the growth of higher education institutions. The emergence of private universities increased capacity substantially, but also public universities have grown substantially in size, opening new specialisation courses and faculties. As a reaction to the growth process, Romania established the National Council for Academic Assessment and Accreditation, which was one of the first national accreditation agencies on European soil. Romania plays an active role in the Bologna process, and legislative reforms in higher education are determined more by European developments than national policies. Ministerial Order 3659/2000 introduced the diploma supplement as a first step towards increasing transparency. As a result, both public and private universities will be subject to the same scrutiny by the National Council for Academic Assessment and Accreditation.

Role and involvement of social partners and other stakeholders

Social partnership and tripartite institutions are widespread in Romania. The following tripartite bodies in Romania have an important role in the field of education, training and employment promotion: the Economic and Social Council, the National Committee for Employment Promotion, the

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Advisory Boards of the MoER and MoLSSF, The National Board of the Agency for Employment, The Boards of the County Agencies for Employment, the National Adult Training Board, the Local Development Committees and Regional Consortia for the development of vocational education and training, and County Committees for Authorising Adult Training providers. Thus, so far seven institutions at national level, eight at regional level and 84 at county level have been created.

The added value of consultation with social partners is not used sufficiently. The functioning of many existing bodies could be improved if they would develop more initiatives. Currently, the existing bodies are mostly used to discuss proposals from the ministries, employment agencies or inspectorates, and they do not seem to raise many issues themselves. This limits the added value of their recommendations. The lack of initiative among the social partners is possibly due to a very full agenda coming from the public institutions, and many representatives lack experience and expertise. Employers and trade unions are rather divided and bipartite cooperation is weak, with a few exceptions. There are many employers' confederations and trade unions in Romania, and traditionally there is a noticeable influence from trade unions on government. In the private sector, membership of trade unions is rather lower than in publicly-owned enterprises, especially in SMEs and the emerging service sector. Employers' organisations are not as well established as the trade unions. The practice of payment for attendance in tripartite bodies could create dependency. Since this has not been a general practice (for example, COSA did not pay for the attendance of social partner representatives), there does not seem to be an obligation to pay for attendance. Most of all, there seems to be an urgent need to strengthen the capacity and professionalism of organisations representing employers and employees in HRD issues, especially at sectoral and regional levels. The social partner representatives in the different tripartite bodies normally come from confederations,

and do not have a strong sectoral affiliation. They often follow very wide portfolios. Focussing more on HRD at both sectoral and regional levels will allow social partner representatives to raise their specific concerns, and better assist their constituencies.

Established in 1997 as a tripartite body (with Law No 109/1997), the Economic and Social Council (ESC) has an advisory role in the process of elaborating economic and social policy and mediating in labour conflicts. Based on analysis of the social and economic development of Romania, the ESC can make proposals in relation to restructuring and developing the economy, privatisation, labour relations, income (salary) policy, social protection and health, and education and research. All changes proposed to the legal framework by various bodies and impacting on the above-mentioned domains will be analysed by the ESC prior to their enactment/approval. However, the ESC's opinion is not binding. The council has 27 members equally distributed among government, trade union confederations and employers' organisations. Members of the ESC are appointed for a period of four years. The president of the ESC is also appointed for the same period by parliament. The ESC has several temporary and permanent specialised working committees (for example, for restructuring and developing the economy, for privatisation, for labour relations and mediation, for education and research, and so on). The council also includes a secretariat as a technical and administrative structure, under the responsibility of the General Secretary of the ESC. The General Secretary cannot be a member of the ESC. The representatives of the social partners complained several times that the government and/or parliament had taken decisions without proper (or with no) consultation of the ESC. In November 2002 representatives of some trade unions in the council refused to participate in the ESC's meetings, because they considered that consultation practices with social partners were not fully in line with the roles and objectives stipulated by law.

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The National Agency of Employment is also a tripartite body. Its tripartite Administration Board at central level consists of 15 members, of which employers and trade unions make up two thirds. The Administration Board is responsible for the overall management of the Agency. Tripartite Consultative Councils at county agency level became operational in mid 2002, following a three-year delay due to a dispute between trade unions on representation in the county councils. Despite ample opportunities to influence labour market policies and service delivery of the National Agency of Employment, the real impact of the social partners' participation at national and county levels remains largely unknown. Reported proposals from the social partners have concentrated so far on the 'structural' issues of the agency, such as investments or personnel, instead of on the expected proposals to improve the impact of the active measures or quality of employment services. This applies in particular at the level of the newly created county councils as far as employers' representatives are concerned. Employers contacted for the purpose of drafting this monograph were not in a position to articulate any specific policy proposal falling under the jurisdiction of the Agency.

The National Adult Training Board has a relatively active board, which recently also absorbed the functions of the board of the COSA. The NATB is currently preparing for its new responsibilities. Procedures and standards for accreditation and certification of training suppliers still await testing and further development. The accreditation process is starting to be organised and implemented through national and county-based mechanisms. Resources allocated to this institution seem to remain insufficient, at least as far as the situation towards the end of 2003 was concerned. The Secretariat of the NATB – the only operative structure of the body – has only very limited staff and financial resources. As a result, the NATB is overloaded with work, and its initial tasks as an advisory body for adult training-related issues are being threatened because it is mainly occupied with the technical responsibilities of accreditation, and – after merging with

COSA – with occupational standard development and assessment. A Phare CVT Twinning project between the Danish Ministry of Education and the Romanian MoLSSF will work on a review of CVT policies. It is important that due attention is paid to involve the board of the NATB in the review and the recommendations.

The Local Development Committees (LDC) were started during the Phare VET RO 9405 programme and further developed in recent years. The LDCs are tripartite structures established at the regional level, which include representatives of County School Inspectorates, local authorities (prefects' offices, county councils, local councils, town halls) and the County Agency for Employment, the employers' associations, Chambers of Trade and Industry, economic agents, trade unions and civil society associations. The LDCs have the following objectives: to institutionalise, diversify and develop social partnership in vocational training; to identify local labour market demand; to correlate the education offer in the VET system with labour market demand and individual and professional development needs; and to optimise county policies and strategies on financial, material and human resources in initial training.

Regional Consortia have been set up with representatives from County School Inspectorates, County Employment Agencies, Regional Development Agencies and social partners. The Regional Consortia are responsible for developing Regional Education Action Plans and have a role in all HRD activities financed through the Phare programmes. The presidents of the LDCs are members of the Regional Consortia and the link will be further enhanced once the Regional Education Action Plans become the basis for planning.

2.1.2 POLICY FRAMEWORK

Initial vocational training

The revised 'Strategy for the development of pre-university education in the period 2001-04' includes a projection until 2010.

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The strategy strengthens the policies to help network schools with stakeholders from the wider world in order to serve the needs of their communities. Compulsory education is extended to 10 years starting at the age of six. School preparatory classes in kindergartens are generalised. The document states that the competencies recommended by the Memorandum on Lifelong Learning and the Detailed Work Programme are integrated in the national curriculum. The decisions were made at the end of 2002 and will be implemented in different phases before 2007.

The strategy includes several objectives specific to the VET system, covering aspects related to both initial and continuing vocational training, such as:

- setting up vocational training standards for vocational, technical and post-high school education (specific specialisation) for structures that will be organised from the beginning of the 2004/05 school year;
- developing the curricula for vocational, technical and post-high school education (specific specialisation);
- designing the methodologies for the examination, evaluation and certification of skills acquired in initial training so as to provide a foundation for the recognition of qualifications for professional purposes, and to ensure the transparency of the national vocational training system;
- strengthening the mechanisms that ensure quality initial vocational training through a new school inspection methodology, based on staff guidance and counselling in every evaluation;
- consolidating the mechanisms that provide resources and using them efficiently in the process of initial vocational training;
- developing the organisational culture of education units in initial vocational education and training units in view of social partnership and entrepreneurial skills by implementing models of partnership for the management of County School Inspectorates and school units from a double perspective: community support for schools and school support for the community.

In the field of vocational education, the reform implemented by the MoER builds on the results of the Phare RO 9405 programme. The ministry used this Phare programme, launched in 1994, to start reforming vocational education to lead to more broad-based curricula, thereby postponing the moment of specialisation. It also started to increase decentralisation and the adaptation of curricula to local needs, as well as improving the planning process to involve local stakeholders and employers in all counties. Although the Phare programme covered only 75 schools, the experience and the new curricula have been disseminated to all schools and counties. Since 1997 the results have been extended to the other VET units of the ministry. In 1998, 154 vocational schools implemented the new occupational standards.

Lifelong learning

The objectives of lifelong learning are integrated into new policy documents and a special law (Law No 133/2000), but the policies lack a coherent strategic framework for lifelong learning, addressing mainly the current problems and needs. Despite the growing importance of lifelong learning in the policy documents, a broad national concept of lifelong and life-wide learning and a vision of Romanian workforce development over the next five to 10 years are lacking. The Memorandum on Lifelong Learning as well as the Commission's Communication on Lifelong Learning have had an impact on the education and training policies in Romania. The Romanian experts participate in working groups as part of the Detailed Work Programme. However, there seem to be different lifelong learning policies within the government. The sphere of initial education remains the sole domain of the MoER. The MoLSSF is responsible for policy issues that concern CVT and in particular policies addressing the unemployed. The private sector does not have a very clear voice in the national lifelong learning debate.

Some projects supporting the implementation of lifelong learning were already advancing at the end of 2002. These included the initiation of the

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research programme 'Core competencies for lifelong learning' in the Institute for Educational Sciences, the analysis of training needs at local level in order to adapt initial vocational training to regional development policies and social cohesion (this activity is coordinated by the NCDVTE), as well as the development of Leonardo projects on social and communication skills in vocational schools.

The main changes concerning the application of lifelong learning principles in the education system are related to the organisation and content of education. The model designed to promote a 10-year compulsory education programme aims at introducing common learning standards for all students as a base for both formative evaluation and a counselling and guidance exam at the end of the eighth grade. This exam will be organised at local level based on national standards and will include training portfolios elaborated by students based on knowledge acquired in informal and non-formal contexts. The impact of this new understanding of the role and importance of VET in relation to lifelong learning could possibly be monitored in the future, taking into account the employability and occupational mobility of the students. In terms of education policies, the following measures are focussed directly on implementing the principles specific to lifelong learning:

- the decision to extend the duration of compulsory schooling from eight to 10 years starting with the school year 2003/04, and lowering the starting age for compulsory education from seven to six years;
- the school preparatory class in kindergartens (the last year of pre-school education, intended for pupils aged five) will be generalised;
- the introduction of learning standards common to all pupils as a basis for the organisation of formative evaluation, as well as an orientation and guidance examination for pupils after the eighth grade (this examination will be organised locally and based on national standards);

- the inclusion of the competencies recommended by the Memorandum on Lifelong Learning and the Detailed Work Programme in the national curriculum – the decisions were made at the end of 2002 and will be implemented by the end of 2007.

The National Action Plan for Employment (NAPE) was prepared in coordination with the MoLSSF with active support from the NAE and in cooperation with other ministries and agencies. It was approved by the government through GD 759/18 in July 2002. It provides a set of policies to sustain lifelong learning. The NAPE emphasises the short and medium-term measures needed to increase employment, to decrease unemployment, to assist lifelong learning, to increase labour market effectiveness and adapt more rapidly to economic changes, to ensure better access to the labour market, and to avoid discrimination and social exclusion. These measures have been translated into legislation with the new Employment Law No 76/2002, which was approved shortly before the NAPE⁵² and gave more importance to active labour market measures and the ability of the PES to use them effectively. The NAPE identifies a number of 'bottlenecks' hampering progress in lifelong learning, such as the low number of occupational standards developed for occupations with high demand on the labour market (only 72 standards have been developed for which training courses are organised each year, out of 300 trades and occupations), the lack of experience of local communities which have not been sufficiently involved in developing their own structures for lifelong learning, and the lack of professional and qualified personnel for adult education.

The National Development Plan (NDP) for the period 2002 to 2005, as the starting point in the Economic Programme for Accession of the Romanian government, was prepared mainly with participation of government structures (ministries and agencies) under the coordination of the former Ministry of Development and Planning (now part of the Ministry of

⁵² The law came into force on 1 March 2002, while the NAPE was adopted in July 2002 through GD 759.

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European Integration). Regional and local actors have also been involved, especially through the eight Regional Development Agencies and Regional Development Boards. The planning activity presented in the document is considered as an indicative framework for supporting cooperation and integrated action at national and local level. The analysis identifies seven priority axes for intervention, among which the most important is fostering human resources potential. Within this axis, the document proposes five generic measures: implementation of active labour market policies and vocational training in order to increase employment; support provided to the most disadvantaged groups and delivery of actions for ensuring equal chances; support provided for lifelong learning; improving employability and entrepreneurial skills; and specific actions targeted to support women.

An HRD strategy has been included in the new National Development Plan (NDP) for 2004 to 2006⁵³. It establishes the development framework for Romania until accession in 2007. It is the outcome of an unclear process of consultation that did not provide sufficient opportunities for a dialogue with the private sector, social partners and the regions. However, the strategy provides a clear set of medium-term priorities for initial and continuing training, especially for unemployed and disadvantaged groups. The strategy focuses mainly on improving access to initial education, especially in rural areas. It addresses the provision of adult learning, with special attention to public provision. The HRD strategy did not provide a clear vision on workforce development over the next five to 10 years. It argues that raising participation in adult learning is not opportune in a situation where the direction of sectoral adjustment is still unclear. The need for stronger sectoral diversification and labour productivity gains are not addressed. The links between initial education and adult learning are limited, but the initiatives for a common vocational qualification framework and register are mentioned. The Phare

Programming Document for 2004 to 2006 does not reflect the priorities set out in the strategy, and demonstrates that MoER and MoLSSF are still mainly pursuing their own agendas. According to the draft NDP the main problems faced on the Romanian labour market are:

- employment reduction and insufficient use and promotion of the labour resources;
- poor connections between the education system and labour force needs;
- discrimination on the labour market;
- insufficient attention to social inclusion of the disadvantaged groups and equal opportunities;
- a sanitary system crisis;
- deficiencies in the social assistance system.

It is not so clear how Romania is trying to prepare for the future, other than keeping its options open, ensuring flexible employment promotion, training and education, and a social services system that can cope with any situation. Special measures to raise the stake of the private sector and enterprises in HRD are missing.

2.1.3 RESOURCES (FINANCIAL, HUMAN AND PHYSICAL)

Financial resources allocated to initial training

The education system suffers from chronic under-funding. The 1995 Education Law stipulates that the budget for education should represent at least 4% of GDP. Between 1990 and 1995 the allocation of public funds for education represented only between 2.5% and 3.5 % of GDP. In 2000 only 2.9% of GDP was allocated to education, the lowest level among the FMS. Provisional data for 2002 shows that only 3% of GDP went on education (down from 3.1% in 2001), whereas only 2.6% of the amount for active labour market measures was spent on training of unemployed (down from 3.8% in 2001).

⁵³ Second draft NDP 2004-06, January 2004, approved by the Romanian government through memorandum 1704/18-12-2003.

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The finance data from CVTS2 show that enterprises invest on average only 0.5% of their labour costs in continuing training courses. No financial data are available on individual and household expenditure on education. Within this period, the shortfall was partly offset by the extensive donor involvement in the education sector through loans and grants, but the total financial allocation still falls below the policy target of 4% of GDP.

The legislative and institutional framework has been changed so as to allow modernisation of the system. Changes are related to setting the number of classes and salaries for the teaching staff based on quality standards, increasing the quality of financial management in units of education, diversifying the contribution of the local community and local administration in the management of the patrimony and provision of material resources required by the process of education, and involving social partners at local level in monitoring the administration of school units, in designing and developing human resources development policies, and the selection and promotion of teaching staff.

The financing of education in Romania incorporates a clear division of responsibility between central and local authorities. Initial education is mainly financed from the central budget, although there is also substantial private provision at post-secondary and tertiary level. In relation to the financing system of state pre-university education, the year 2001/02 was a period of extensive change. As a result, all education units in Romania are now registered with and managed by the local authorities. A series of decentralising measures are currently being implemented in financing; some expenditure is now undertaken by local councils. The local authorities also hold some additional responsibilities, such as school units budgeting, controlling the budgetary execution, the administration of all schools, and covering the costs related to school infrastructure.

The State, however, remains involved in the major part of education expenditure

(teachers' salaries). A new principle of financing schools is being applied and consists of budgeting the school units based on the average costs per student. These measures (actually the system of budgetary execution through the local councils) were not accompanied by any effort to direct local council funds towards schools, and for the most part local community funds went towards capital repairs, electricity and heating expenses. In a way, the school units have obtained a somewhat limited financial autonomy and may generate and further use their own extra-budgetary resources.

Current legislation stipulates the obligation to allocate funds for school infrastructure and student scholarships only from the local budgets. The County School Inspectorates are unable to assist in day-to-day school management sufficiently, especially in the field of finance and accounting. As a result, the school units are not always aware of the amount of funds they are entitled to, and are therefore unable to set priorities accordingly. Budgetary execution is carried out by town halls or budgetary centres, which prevent any potential savings from school funds to be further used by the respective school. Head teachers are not involved in planning (that is, setting the number of classes, selection and promotion of teachers, and so on) while local administration representatives are totally excluded from any decisions in this respect.

The major financial reform in higher education is the shift to lump sum financing. This means that the funds provided by the State will not be directed to detailed uses, which allow little if any discretion on the part of the institution. Instead, institutions will qualify, according to a common formula, for a certain level of funds and will be held accountable for the effectiveness with which these funds are used, but not for a detailed accounting of how each fund is spent. While normal accounting and auditing procedures will be maintained to protect against the misuse of funds, the institution will be the primary decision-maker on expenditure.

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Table 9: Expenditure on education by level, 2001

	Unit cost (ROL)
Pre-primary	4,980,400
Primary and lower secondary	6,711,400
High school	8,659,300
Post-high school	316,400
Vocational and apprenticeship	m
Tertiary	11,298,100
Special needs education	m
Other	m

Source: MoER
[m]: Missing data

For the financing of universities the MoER concludes an institutional contract with each institution for basic financing and an additional contract for complementary financing successfully tendered. Extra-budgetary income generated by the higher education institutions is used for the co-financing objectives included in the institutional strategic plan. In accordance with the Education Law and the principle of academic autonomy, the MoER provides basic financing with the support of the National Council for Financing Higher Education. This advisory body advises the ministry on state budget financing, based on specific quality indicators.

In pre-university education the application of financing based on unit costs is still in its infancy. The difficulties encountered so far do not threaten the viability of the system or the need to apply it. Corrections are being made and will be applied shortly to the new system of financing. The structure of education expenditure by level shows that over 40% of public funds are used for financing compulsory education and is reflective of the government's strong support for the more universally attended levels of schooling. The proportion for vocational education is low, and the unit costs are artificially low because of the lack of adequate equipment and current technology.

Initial training is financed from the state budget, local budgets and other sources of income according to the legislation in force.

In 2001 of the average costs per student, over 80% came from the state budget (representing teachers' salaries), about 16% from the local budgets, and 2.4% was supplemented by school units from the extra-budgetary resources. A large percentage of funds (almost 90% in 2001) from local communities are spent on school infrastructure (that is, repairs, electricity and heating bills). The proportion of other expenditure is minimal (10.4% investments and less than 1% on books and publications). The spending patterns may vary considerably by county and areas of residence but, in general, education is not seen as a priority; the local authorities tend to spend less than 10% of the revenues collected locally on education. Regional policy has recently become a priority since regional disparities are partly related to the political issue of public finance and intergovernmental transfers. This has primarily benefited the wealthier counties, but the system has become obsolete as populations become more mobile.

In terms of financing private education the Education Law stipulates that the state budget may provide financial support. However, given the fact that state education is still under-financed, if we take into account development needs, private education has seen none of the advantages of the above-mentioned law. It continues to finance itself from its own sources of income (taxes, programmes, and other own income).

Financing of adult learning including the training of the unemployed

CVT is financed from various sources: the Unemployment Fund, employers' funds, contributions of participants in the programme, sponsorships, donations, and other funds allocated through special programmes or external sources of financing. The NAE budget for active measures in 2002 included funds for providing vocational training for the unemployed, the actual expenses represented only 2.6% of the total active labour market measures (of the 4% budgeted). Phare has launched a series of pre-ESF activities that provide grants for guidance and counselling, training for unemployed or employed individuals, and integration of disadvantaged people in the regions⁵⁴. The first programme launched was the Phare 1998 HRD programme the first activities of which started in 2000. The total budget available was more than €19 million, of which €15 million was from Phare. A total of 106 projects were funded for a total of €7 million. The Phare 2000 HRD programme started in 2002. The total budget available was almost €25 million, of which €18 million came from Phare. €21 million of this was contracted for 416 projects. The Phare HRD 2002 programme offers a total budget of €16 million, of which €12 million from Phare is being made available in 2004.

The survey on vocational training in Romania⁵⁵ carried out in 2000 highlighted a series of aspects on the involvement of employers in the development of their human resources (data refer to 1999). Very few companies (approximately 7% of a total of more than 30,000 agents covered by the survey) forecast a special budget for CVT in their development plans, and when they did, it was usually large companies. The average cost for continuing training per trainee was ROL 3,102,000 (the highest cost was in finance and banking, and the lowest in the processing industry) with an average of ROL 43,000 per hour.

The average duration of CVT courses was 73 hours/trainee (68 hours for men and 81 hours for women). By fields of economic activity, the longest training courses were those in finance and banking, the extraction industry and construction. The total cost for CVT covered by companies in 1999 was ROL 308.9 billion. The funds allotted by companies for CVT were 0.9% of personnel-related indirect costs and 0.3% of the total cost of the workforce.

Human resources

In initial training, in the past 10 years the number of teaching staff has grown at all levels of education (for example, around 30% in high school education). On the one hand, this has been a measure of the steps taken in education policy to improve the quality of the education process, taking into account the fact that before 1990 the pupil-teacher ratio was very high. On the other hand, the higher number of teaching staff is the consequence of the growing number of schools and of recovery measures initiated in the early 1990s: the reduction of the compulsory number of classes per teacher and of the number of pupils per class. These measures led to a considerable improvement of the pupil-teacher ratio. In the school year 2001/02 the pupil-teacher ratio (based on full-time equivalents) in upper and post-secondary education (ISCED 3 and 4) was 14.9:1 for general programmes and 15.2:1 for vocational programmes⁵⁶. On the one hand, the improvement in this indicator has not led directly to a decrease in the number of unqualified personnel in education. On the other hand, the low pupil-teacher ratio raises problems in terms of the efficiency of the system of education in general – the VET system included – and is likewise one explanation for the low salaries of teaching staff.

In the school year 2002/03 the total number of educators in VET was 41,160 (32,841 teachers and over 8,300 foremen instructors), representing 19% of the total

⁵⁴ The total government contribution to the Phare 1998-2000-2002 HRD programmes is €14.5 million (25% of the €60 million budgeted).

⁵⁵ *Characteristics of CVT in Romania*, National Institute for Statistics, 2001.

⁵⁶ ETF Key Indicators database. However, it is difficult to obtain an exact figure as some teachers are registered as working in both vocational and apprenticeship schools, and in high schools and/or post-high school units.

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number of educators in pre-university education. The proportion of qualified teachers in the VET system is high (90%), with a high percentage of unqualified teaching staff in rural areas. The gender distribution of teachers shows that 60% are women. In VET the gender imbalance is less important than in compulsory education where the percentage of women teaching staff is 75%. Over 80% of the total numbers of teachers are in the age group 25-54.

Initial training for the teaching profession differs according to the level of education.

- Teachers for pre-school and primary education must be graduates of the pedagogical high school (qualified as educators or primary school teachers, respectively) or short-term pedagogical university college (qualified as institutors).
- Teaching staff for the other levels of education (including the VET system) must be graduates of higher education (university-pedagogic and university-polytechnic education), long-term (four to six years for high school teachers) or short-term (three years for vocational and apprenticeship school teachers). In addition to specialised training, for those who wish to become teachers it is compulsory to take a psychology-pedagogy module organised by the Teacher Training Department, which exists in each higher education institution. The programmes that provide psychological-pedagogical training include: courses in pedagogy, psychology, specific teaching methodology, teaching practice, and optional courses (established according to the orientations and options of each higher education institution).
- Foreman instructors must be graduates of a foreman school. At this level, the Phare reform introduced the trade of foreman-instructor in education for several types of instruction (for example, the foreman-instructor in engineering, telecommunications, and so on). Training programmes for foreman-instructors last for two years and have a three-module structure: individual and social development,

specialised training (theoretical and practical) and pedagogical and didactic training (theoretical and practical). To become foreman-instructors graduates of foreman schools who have not attended the special training programme described above must have at least three years experience in the field.

Teachers are appointed to positions in the state education system following a contest based on a methodology developed by the MoER. The County School Inspectorates organise the recruitment of teachers. The school units have no autonomy in recruiting their own teaching staff; their role is to analyse teaching staff needs and inform the County School Inspectorates. Private schools have extended autonomy and are responsible for validating contests and appointing their own teaching staff. Head teachers are selected by contests based on a methodology designed by the MoER and held by the County School Inspectorates.

The salaries of teaching staff are made up of a basic salary established according to the laws in force, and a variable part (that is, supplements, increments and other additional salary rights negotiated in the collective labour contracts). The level of a teacher's salary differs based on: the position and number of classes taught; the teaching degree (including the scientific degree of seniority in education); the quality of instruction-education activity; and the location and specific teaching conditions. Salary supplements and increments range from 3% to 80% according to various criteria (management positions, teaching activity carried out in rural areas, teaching activity in special education, teaching for more than 10 years, neuro-psycho job-related stress, management indemnity, doctorate scientific degree, merit grades and salaries). Despite these increments the salary conditions of teaching staff are unsatisfactory. Consequently a career in teaching is relatively less attractive. The government (EO 66/June 2002) brought slight improvements in terms of teaching staff salaries, too small however to increase the attraction to the profession. The basic

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salary of a teacher with teaching first degree and over 40 years seniority in education is ROL 4,291,000 (approximately €135), while the salary of a young teacher with less than two years of seniority in education is ROL 2,503,000 (approximately €80). For comparison purposes, in March 2002 the minimum gross salary was ROL 1,750,000 (approximately €55), while the average gross salary was ROL 5,091,065 (approximately €165)⁵⁷. The low level of salaries for teaching staff has led to a certain depreciation of teaching status, especially in urban areas. In rural areas this depreciation is felt less owing to the fact that teaching staff here receive increments which increase their income considerably (up to 80%).

In terms of continuing vocational training, as there is no information system covering the training providers (public and private) and teachers are often working on an assignment basis, it is difficult to estimate the trainee/trainer ratio.

Physical resources (schools and other education and training providers)

The most common type of vocational institution is Cluster School/Integrated Schools Unit covering several school types. Clustering school types with a common sectoral focus has been a way of optimising the VET network. It is difficult to assess the exact extent of the clustering process, given that statistics were influenced by a redefinition of independent units in 1999, thus showing more integrated units than in reality. For the same reasons it is difficult to provide an

accurate overview of school numbers over the years, given the changing definitions. However, it should be pointed out that some of these units are very small and do not represent more than a few classes in a secondary school specialised in VET. In spite of the reduction in student numbers, the numbers of 'school units' grew during the 1990s to achieve a better geographical coverage.

Based on the data from the National Institute for Statistics, in the school year 2002/03 (see Table 10), the public school network of vocational schools included 85 independent vocational school units (Grup Scolar) and 814 sections (Sectii), and in 2003/04 there were 79 independent vocational schools and 1,346 sections.

The data sourced in the MoER are different due to the application of a different definition. According to these data, in the school year 2002/03 there were 844 vocational schools and the number has increased to 1,264 school units in 2003/04, due to the fact that a number of gymnasias (lower secondary education schools) decided to provide an additional two-year programme following the extension of compulsory education.

In the early 1990s a substantial cut took place in the number of technical high schools, which in 1990 represented approximately 90% of all high schools. However, the number of units included in high school education grew by more than 15% (from 1,128 to 1,379) during the period 1990 to 2002. This particular growth was often the result of setting up high

Table 10: The number of public vocational schools, 1999/2000 to 2002/03

	1999/00	2000/01	2001/02	2002/03
Vocational school/Apprenticeship				
Independent (including Grup Scolar)	97	93	89	85
Specialisations/Classes [1]	m	771	788	814
Post-high school [2]				
Independent (including Grup Scolar)	86	104	102	78
Specialisations/Classes	m	519	578	665

Source: National Institute for Statistics

[1]: VET specialisations (Sectii) organised in non-vocational schools

[2]: Excluding the foreman education

[m]: Missing data; new definition of vocational schools introduced by the MoER

⁵⁷ The amounts in Euro are expressed at the current exchange rate and do not represent PPS.

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schools with profiles that had been quite scarce before 1990, such as fine arts, sports, technology, and especially theoretical high schools. At the same time the development of the private alternative especially in recent years added to the number of (post) high school education units.

The distribution of education units by areas of residence remained constant from one school year to the next (85% of schools in urban areas and 15% in rural areas). Although the number of secondary schools has grown considerably, discrepancies remain between urban and rural areas. This distribution, given the precarious financial situation of the population in rural areas, reduces young people's chances of access to education since their families cannot support them with the costs of transport, accommodation, meals, and so on. Due to the precarious financial conditions of rural families, the current distribution of the school network risks the development of human capital and human resources in villages.

In terms of the regional distribution of secondary schools, the highest concentration appears to be in the Central and North-West regions, which are better developed socially and economically with a greater mass of urban population. Post-high school education and enrolling high school graduates actually developed after 1989. In over 10 years (1990 to 2002) the number of school units and pupils increased by more than three times. The private alternative played a major role in the development of post-high school education, much more than in all the rest of pre-university education. In the school year 2001/02 according to the National Institute of Statistics' sources there were 66 private post high school units operating independently out of a total of 102 such units, while others are currently being authorised and accredited. Many schools were set up in small towns with a less developed public school network thus helping to increase the population's chances of access to education in these areas. At the same time, the initiators of these schools opted for certain specialisations according to the needs of

the local workforce. However, there are still a rather small number of post high school education units in these areas, both public and private.

The growth of institutions has been particularly strong in higher education, especially in the form of private institutions. Statistics show that the private alternative helped, more than anything else, to widen the offer of higher education by setting up such institutions in towns with no tradition in this respect, thereby broadening the range of specialisations and focusing on fields of activity and trades in demand on the labour market. It thus proved to have a greater capacity for adapting to labour market demands. For instance, some profiles (for example, technical and agricultural) providing training for jobs less in demand nowadays are hard to find in the private universities, where the intake numbers are lower. State universities have also been diversifying their offer. Some of them, exclusively technical, became 'mixed' and developed closely related or complementary profiles, which at some point meant they attracted new resources for development. The number of higher education institutions more than doubled between 1990 and 2001 (from 48 to 126, plus another seven institutions with military profiles). In the academic year 2002/03 some universities were closed down; currently the network consists of 103 universities; 67 are accredited (of which 18 are private universities) and 36 have a temporary operational authorisation.

The territorial distribution of the current network of higher education institutions highlights the concentration of universities in the capital city: 35% of the total number of higher education institutions in Romania, over 40% of private universities and nearly 30% of universities accredited at national level. Although 11 private higher education institutions were in the course of liquidation beginning with the academic year 2002/03 the highest number of universities is still in the capital: 34 such institutions, of which 12 are state-owned (excluding institutions with military profiles). Discrepancies are also noticeable by region. For example, the North-West and North-East regions with the university centres of Cluj-Napoca and

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Iasi, host over 30% of the total number of higher education institutions. Following these are the Central and Western regions (25%), then the three development regions in the south of Romania with the fewest universities. An analysis of the distribution of higher education institutions points to the need for decentralisation, which will be beneficial for regional development as it will narrow the gaps between regions.

2.1.4 STRUCTURE AND ORGANISATION OF VOCATIONAL TRAINING AND LIFELONG LEARNING

The Romanian initial VET system is school-based with two main pathways. The 'technological route' offers general secondary education (and Matura), with a large vocational component at technical high schools, providing a level 3 qualification.

Over half the students in upper secondary education study at technical high schools, more than at theoretical high schools. Many high school graduates pursue their studies in post-high school and higher education. The 'vocational route' prepares students for the labour market or further studying at Arts and Trades Schools. The Art and Trade Schools is a product of a merger of the two existing school types (apprenticeship schools offering two-year VET programmes, and vocational schools offering three-year vocational education) that has just been introduced with the extension of compulsory education. At the end of compulsory education (grade IX-X) graduates in the Art and Trade Schools can obtain a level 1 qualification. This qualification enables the holder to perform relatively simple work. Level 2 and 3 qualifications, that are more in demand on the labour market, will still need an additional one to three years of further

Table 11: National education system in Romania, 2003/04

Age	Grade	ISCED	Education level		Qualification level	Type
>19		6	Post-university		Higher and post-university education	Post-compulsory
		5	University		4	
		4	Post-high school ³		Post-secondary education	
18	XIII	3		High school – upper cycle	Upper secondary education	Post-compulsory
17	XII		High school – upper cycle	Completing year		
16	XI					
15	X	2	High school – lower cycle	Arts and Trades School	Lower secondary education	Compulsory
14	IX					
13	VIII		Lower secondary school (Gymnasium)			
12	VII					
11	VI					
10	V	1	Primary school		Primary education	
9	IV					
8	III					
7	II					
6	I	0	Pre-school education		Pre-school education	
5						
4						
3						

Source: Ministry of Education and Research

¹ Qualification level 1 is awarded to Art and Trade Schools graduates (Grades IX-X).

² Qualification level 2 is awarded to Art and Trade Schools graduates after finishing the completing year (Grade XI).

³ Professional qualification track, up to three years, open to high school graduates (including high school graduates without the Matura exam).

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study after compulsory education⁵⁸. A level 2 qualification is awarded after grade XI which represents at the same time the 'classe de passage' towards level 3 for both routes (high school and vocational). Grades XII-XIII provide a level 3 qualification.

Analyses of student numbers and school units in the main profiles over the past five years show that planning adapts only very slowly to changing labour market requirements, in spite of the changes in the importance of different sectors. So far, planning appears to have served mainly the interests of the existing school network. In late autumn 2002, planning for the initial training system was based on a systematic and extensive consultation with social partners, employers, representatives from local authorities and the national employment agency in order to respond better to the local and regional development needs. The consultation took place in Local Development Committees that were set up in each county. It is not clear how this has affected enrolment in

2003/04. It seemed that stakeholders still had major difficulties in distinguishing between short-term and medium-term needs. In the near future planning should be based on Regional Education Action Plans, which are developed by the Regional Consortia. The first Regional Education Action Plans were developed during and finalised in 2003, and should cover the medium-term needs until 2010. The Regional Education Action Plans will be revised on an annual basis. They should feed into the work of the LDC and the planning at school level. It could also become a basis for planning CVT.

Continuing vocational training

Continuing training provision

In Romania CVT is organised into two major categories of training providers: public and private. The public providers are units of vocational and technical education (subordinated to the MoER) or centres of vocational training for adults (subordinated to the NAE), which offer courses of

Table 12: Number of students in upper and post-secondary education (ISCED 3 and 4)

(thousands)	1990/91	1994/95	1999/00	2000/01	2001/02	2002/03	2003/04
Upper secondary education (ISCED 3)	1,361.6	1,046.4	916.6	927.5	963.0	1,010.6	1,038.0
Theoretical/Vocational high schools [1]	212.8	363.1	393.8	385.7	397.3	414.1	419.0
Vocational and apprenticeship	365.9	288.7	222.2	239.6	252.4	270.2	279.1
Technical high-schools [2]	782.9	394.6	300.6	302.2	313.3	326.3	339.8
Vocational, apprenticeship and technical	1,148.8	683.3	522.8	541.8	565.7	596.5	618.9
Post-secondary education (ISCED 4) [3]	18.0	33.4	84.0	73.1	65.1	61.8	54.7
Total (ISCED 3 and 4)	1,379.6	1,079.8	1,000.6	1,000.6	1,028.1	1,072.4	1,092.7

Source: National Institute for Statistics

[1]: Vocational route: fine arts, music, choreography, sports, pedagogy, military, theology

[2]: TVET: technical, agriculture, forestry, agro-mountain, economics, administration, veterinarian, special

[3]: Excluding foremen education

⁵⁸ Romanian vocational qualifications are based on the European five-level framework as defined in Council Decision 85/368/EEC. A level 1 qualification enables the holder to perform relatively simple work. A level 2 qualification enables the holder to perform work, which may be independent within limits of the relevant techniques. A level 3 qualification enables the holder to perform chiefly technical work which can be performed independently and/or entail executive and coordination duties. A level 4 qualification covers a higher level of knowledge and of capabilities. It does not generally require mastery of the scientific bases of the various areas concerned. Such capabilities and knowledge make it possible in a generally autonomous or in an independent way to assume design and/or management and/or administrative responsibilities.

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vocational training for adults, adapted to the employers' requirements and with targeted curriculum. The centres offer continuing training for the unemployed as well as for the employed. Some other training centres operate in specific fields (for example, banking, tourism, cinematography, aviation, port workers, and teacher training). There are also 'people's universities' under the jurisdiction of the Ministry of Culture and Cults. These institutions provide mainly non-formal education for adults. In Romania, until 1989 there were over 200 community centres, more than 2,000 culture clubs and approximately 3,000 people's universities for adults, in addition to a nationwide network of libraries, folk-art schools and folk-art guidance centres. The education for adults provided by these centres included mainly cultural-artistic activities and leisure occupations as well as specialised vocational training courses. After 1989, in the absence of financing sources and an appropriate legislative framework, the number of people's universities fell to 152 according to statistics of the Ministry of Culture and Cults (2002). Of the total number of existing people's universities, 10 are legal entities, the rest are distinct departments of community centres or culture clubs. Initially managed by the Ministry of Culture and Cults, people's universities are now financed by local authorities. Half the village cultural houses are not able to function normally due to lack of resources.

The only figures regularly available about continuing training are those produced by the NAE following the requests from companies about providing training courses or releasing certificates. Since 1999, when the NAE began functioning, almost 280,000 people (including the unemployed) have been involved in various training and retraining programmes organised by the NAE. Most of these people are from companies or apply individually to participate in the courses organised by the National Employment Agency. The share of unemployed and jobseekers among the trainees seems to have become smaller. In 2002 the NAE organised 4,232 courses, of which 1,782

were at the request of individuals (42%), 1,345 at the request of employers (32%), 890 for unemployed receiving benefits (21%) and 215 for unemployed not receiving benefits (5%). The majority of these courses (56%) were provided by training centres directly coordinated by the NAE (30% by county training centres, and 26% by regional training centres).

The private providers are companies, professional associations, the Chambers of Commerce and Industry, specialised structures of employers or trade unions, non-governmental organisations or community centres. According to surveys carried out in 1998 by GOPA and the most recent one carried out in 2001 by the NATB and GOPA consultants, most providers are not specialised in a certain domain. They adapt their offer according to the immediate needs of the labour market. The strategy adopted by the private training providers is one of survival and rather than development. Public or EU funds are a welcome and important additional source of income for private providers in a poorly developed training market. They are often used to widen the portfolio of the provider. In general, private providers do not have to be accredited, and private companies are free to choose any training providers. However, there are indirect incentives to use accredited providers. Commercial legislation (Law No 650/2002) makes training of traders and retailers from accredited providers compulsory. Also, VAT exemption is only provided for training from an accredited provider. Moreover, training providers need to be accredited for the participation in public tenders and in training activities under the SAPARD programme.

One of the objectives of the RO 02/IB/SO/03 Phare Twinning project is the development of an information network for all the institutions involved in CVT at national and county level, including accredited training providers.

Participation in continuing training

A survey organised in 1999 by the National Institute of Statistics⁵⁹ and covering 6,500

⁵⁹ *Characteristics of continuing vocational training in Romania*, National Institute for Statistics, 2001.

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companies with at least 10 employees revealed that only 11% of companies implemented training programmes for the employees. The survey also showed that only 5.4% of companies have developed a human resources development strategy and only 4.6% of enterprises allocated a special budget for continuing training. The participation rate in continuing training was 7.6% (similar for men and women) with the highest rates in transport, finance-banking and insurance activities, and the lowest in construction and trade. High rates were also observed in community, social and personal service activities. The access to continuing training courses was higher in the case of employees with higher education holding management or administrative positions, and lower for technicians and foremen. Almost two thirds of companies preferred to recruit new staff as opposed to allocating financial resources for training. Almost 30% of companies did not provide training because it was considered too expensive. Participation rates were high (over 30% of the total staff) in small enterprises where training was provided, compared with 19% in medium enterprises and 20% in large companies.

In 2001, the Romanian National Observatory carried out a study⁶⁰ on the impact of continuing training on multiple beneficiaries (employers, employees, training providers, and social partners). The conclusions of the study are as follows: although there is a growing interest in developing other types of skills (social, entrepreneurial, communication, and so on) most employers believe it is more important to have training programmes focused on strictly professional job-related competencies. Furthermore, large private companies develop active continuing training policies, as compared to state-owned companies. The difference is mainly due to the economic context as well as mentality: more often than not, public employers consider human resources as an expense rather than an investment. Generally speaking, SMEs are less in favour of a human resources development

policy, either because they are not yet aware of its importance and its positive effects on company development or because they cannot afford to invest in human resources development as they are going through a difficult economic period and are struggling hard to maintain and develop the business.

2.2 RESPONSIVENESS OF THE EDUCATION AND TRAINING SYSTEM TO THE NEEDS OF THE LABOUR MARKET AND THE INDIVIDUAL

The link between the world of learning and the world of work is the litmus test for any vocational education system. If the links are weak the system risks producing graduates that are difficult to place on the labour market. The results are youth unemployment and expensive retraining programmes. If the links are too focused on the individual needs of employers, the system is difficult to innovate and mobility on the labour market and progress in the education system are hampered. The Romanian VET system suffered from both problems in the 1990s. At the beginning of 1990s the provision was still very much focused on the needs of large publicly-owned industrial companies. Since economic restructuring has been much slower than in other candidate countries these companies have had a big influence on VET delivery for quite a long time, both in terms of the numbers and the quality of VET provision. Although the VET reform process started in 1994, reforms have been generalised since as late as 1999, and in individual cases the publicly-owned industrial dinosaurs that have survived still have a dominant influence on individual schools. However, most schools have been confronted with the other extreme. With the disappearance of large companies, the number of small and medium sized enterprises has started to grow. Most of them do not have any links at all with vocational schools or any other type of training provider⁶¹.

⁶⁰ *Social impact of continuing vocational training*, Romanian National Observatory, 2001.

⁶¹ *Skills Audit Survey*, Romanian National Observatory, 2003.

There is more and more emphasis on meeting individual needs for education and training – something that has been constantly ignored in the past. The tendency to meet these needs originally took the form of ‘compensation measures’, initiated as early as 1990, as a response to accumulated discontent (or the perception of such). These included diversification of the training offered in secondary education, especially in high schools, as well as the increase in the number education providers and the absorption capacity of higher education institutions, increasing the number of places in universities; and more recently, more attention to the needs of individuals from disadvantaged and special needs groups. Individual needs for education must be balanced with labour market demand, which requires sophisticated labour market information systems and career guidance that are well integrated, as well as giving more attention to the transition from school to work.

This sub-chapter looks at relevant policy documents to improve the links with the labour market, including new innovative ways of planning vocational education at school, county, regional and national level, changes in curricula design, practical training in enterprises, the state of equipment in laboratories and workshops in schools, the use of ICT, development of stronger links between schools and enterprises, and measures to improve access to education and respond better to individual needs.

2.2.1 CURRICULUM DESIGN AND DEVELOPMENT

In the field of initial vocational education, the reform implemented by the MoER builds on the results of Phare RO9405 VET Reform programme. The ministry used this Phare programme, launched in 1994, to start reforming vocational education to lead to more broad-based curricula, thereby postponing the moment of specialisation. It also started to increase decentralisation and the adaptation of curricula to local needs, as well as improving the planning process to involve local stakeholders and employers in all counties. Although the

Phare project covered only 75 schools, the experience and the new curricula have been spread to all schools and counties. Since 1997 the results have been extended to the other VET units of the ministry. A total of 82 more have subsequently been included. In 1998, 154 vocational schools implemented the new occupational standards.

The school year 1999/2000 marked the start of the ‘reform generalisation’ stage. That same year the new curriculum was introduced in technical high schools – the technological route. It has since taken over the principles proposed by the Phare VET programme but requires further development and adjustment towards the respective level of education and labour market demands. Unfortunately, because of a lack of adequate financial support the generalisation of reform was actually focused on the introduction of the new curriculum. Without making the necessary changes in the other areas, the impact was not as visible, (as in the case of schools included in the programme). Therefore, even the generalisation of the curriculum is extremely difficult given the wide discrepancies that became apparent between schools that took part in the programme and the other units of education.

One of the central elements of the education system reform in Romania was the design and implementation of a new curriculum at national level. The focus was on specific dimensions and principles, which included: orienting education towards a development of competencies, abilities and skills, offering a more flexible education; the possibility to have individualised school pathways; introducing new means for selecting and organising learning content; adapting learning content to the requirements of everyday life and the characteristics of the labour market; and making social partners more responsible for education. In this context new curriculum was adopted for compulsory, vocational and high school education.

The training standards and, implicitly, the curriculum stress the need for constant links to and balance with labour market

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demands⁶². This 'side-by-side' process of setting training standards and curriculum was facilitated by the participation of players directly involved in the process of education (teaching staff, social partners playing a role in the evaluation of vocational training either as beneficiaries (enterprises) or as key players in the VET system (trade unions, Chamber of Trade and Industry, employers), members of the National Council for Continuing Education and Training, and members of Local Committees for Social Partnership Development in Vocational Training.

The new elements introduced by vocational training standards had several basic principles in view, including a module-type and more flexible training in the process of schooling and modernising the system of evaluation. The new curricular developments eliminated two major deficiencies manifest in initial training: premature qualification and narrow specialisation⁶³. Starting from the standards of vocational training, the written curriculum (school curriculum and programmes) was designed by the Programme Management Unit of the Phare 9405 VET project and developed by Vocational Boards established according to occupational families. Curriculum units were organised based on the following principles: organisation of activities by study modules which ensure a passage from basic training (first year) to general training (second year), and finally to special profile training (third year); making vocational training more flexible by ensuring the possibility to change the order of approaching study modules and the introduction of new knowledge in view of continuous adjustment to educational needs; and modernising the system of evaluation.

It was in this context that curricula and study programmes for vocational schools and post high school units were drawn up (for 134 qualifications provided through the VET system). The implicit aim of the VET reform was to go beyond the traditional model of vocational training restricted to the field of specialisation by promoting a model of complete development of the

pupil's personality. New elements were introduced to emphasise professional skills, but are focusing even more on the development of other types of competencies: new basic skills (foreign languages, IT skills), social skills, communication and teamwork skills at the workplace, entrepreneurial skills, and so on. The purpose is to equip the graduate of vocational technical education with functional competencies supporting their social and professional integration. In this context, outline plans for the VET system include new school subjects with a direct impact on the development of modern communication skills: social-humanities sciences (psychology, sociology, logic and argumentation); vocational guidance and counselling; civic culture; entrepreneurial education; technology education; and information technology/applied computer sciences.

One of the new elements of the modern curriculum is the introduction of general education subjects from the point of view of their applicability to the chosen trade/specialisation: for example, applied mathematics, applied computer science, and applied foreign language. An important element in the new curriculum model is the introduction of the optional curriculum and the possibility of curriculum adaptation at local level, with the involvement of social partners. The latter is meant to decentralise the curriculum, proposing a common area of not more than 70% of the curriculum, leaving up to 30% of the total learning content at the school's own discretion (the so-called 'school-based curriculum'). This policy is not limited to initial vocational education and training but applicable to the entire secondary education system.

The new model of curriculum design also proposed a teaching methodology specific for VET education, focusing more on the students in the teaching process, and individualising lessons and instruction time in order to improve the students' adaptability to changing demands in the labour market, and promoting their

⁶² S. Nielsen and A. Le Steen Hansen, *Report on the final evaluation of the Phare VET RO 9405 Programme*, ETF, 1999.

⁶³ Romanian National Observatory, *National Strategy for human resources development*, 2001.

entrepreneurial spirit, critical thinking, communication skills, and team-work abilities.

2.2.2 ASSESSMENT AND CERTIFICATION

As in other developed countries traditional school-based assessment and certification systems in Romania are going through a series of fundamental but gradual changes of combining, supplementing and substituting traditional norm-referenced classroom assessment practices with criterion-referenced outcome and process-oriented systems. At the level of certification the first steps have been established towards finding common denominators and shared responsibilities between different stakeholders from public institutions, training providers and the world of work. These developments have raised interest in the validity, reliability of assessments, and quality assurance arrangements of assessment processes. The emphasis on assessment and certification is the result of the need to raise transparency and quality in vocational education training in order to facilitate mobility in the labour market and progression through the education and training system. The measures to increase transparency and the quality of assessment outcomes are being taken as a result of a growing number of institutions and procedures to accredit the training provision (such as the National Council for Academic Evaluation and the National Adult Training Board). These efforts to establish quality assurance mechanisms should be monitored to ensure that they are balanced with the need for flexibility, effectiveness and cost efficiency. There is a risk that quality assurance leads to over-bureaucratisation. Practicality needs to be a guiding principle and it needs to be very clear that quality is a moving target that depends very much on what is fit for the purpose.

In Romania vocational skills are officially certified by the MoER for initial training and by the MoLSSF for continuing training. To design a new skills assessment and certification system, the COSA was

established (by the GD 779/1999). COSA is a tripartite body with 15 members representing equally the government, the employers associations and the labour unions confederations. COSA has been assigned to facilitate the development of occupational standards and a new system for the evaluation and certification of professional skills, based on occupational standards. Until now COSA has elaborated 300 occupational standards. Most of these have been developed in the framework of a World Bank project to establish COSA that started in October 1995. Some 25 standards have been developed since the completion of the project in September 2001. Some stakeholders in Romania think this is too slow, and there are still large gaps in the set of standards that have been developed. Other experts consider that more attention should be paid to maintaining and rationalising the existing set of standards. Since 1998 COSA has been trying to sell standards to interested parties, in order to raise funds for itself, and since 2000 this has even been a main policy just to keep the organisation alive. The practice of selling standards clearly constrains the widening of the use of standards and the promotion of a more competent Romanian workforce.

Today, continuing vocational training in the public system, organised by the National Agency for Employment is recognised by the Certificate of Professional Qualification. Certification of continuing vocational training is also provided by training centres specialising in various areas of activity (banking, tourism, movie-making, navigation, teacher training, and so on) that are officially recognised by relevant ministries in cooperation with the Ministry of Labour Social Solidarity and Family. The certificates are recognised on the labour market. Private providers of continuing vocational training do not provide officially recognised certificates. For that reason some private providers in the past have asked the NAE to certify their courses.

The new Adult Training Law that came into effect with the adoption of its methodological norms in 2003 (GD 522/2003) introduced a national system for the accreditation of learning providers.

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According to the law, the NATB will coordinate the activities of county committees for evaluation, accreditation and certification at national level. The methodological norms for the law were adopted in May 2003 and currently the county authorisation committees are being set up, with representatives from the MoLSSF, MoER and social partners. The NATB is developing guidelines for the accreditation of each type of training course that should be based on nationally recognised occupational standards. COSA has been integrated into the NATB through Law No 235/2003, bringing standards development and assessment tasks under a common umbrella. This could be an important move forward towards integrating the standards development and accreditation processes. However, analysis of the methodological norms clearly shows that the accreditation process is currently rather focused on input-based criteria for traditional institution-based training. The COSA experience is not yet integrated into the new NATB as a quality assurance agency for adult learning.

In initial training the reform implemented with the assistance of Phare VET 9405 promoted new approaches in the assessment of professional skills. Occupational standards have been used to define learning outcomes (training standards) and curricula. The National Centre for the Development of Vocational Technical Education (NCDVTE) in the MoER is in charge of the assessment of initial vocational subjects. Assessment outcomes are integrated in the training standards. The establishment of vocational training standards based on occupational standards and in cooperation with employers laid the foundation for a new system of evaluating skills. Furthermore, employers' representatives are included in the commissions for final evaluation and certification of graduates' professional skills. The difficulties encountered while generalising the results of the Phare VET 9405 project throughout the initial training system, which we have already mentioned in other parts of this document, have also influenced the operation of the systems of assessment and skills certification. Currently, quality assurance and

assessment practices are under further review in the framework of the Phare TVET 2001 programme.

The National Assessment and Examination Service (NAES) is responsible for the assessment of general education subjects within initial vocational education. The NAES was established in 1998 as a national centre providing educational assessment and examination expertise. The main aim of the NAES is the establishment and monitoring of assessment and examinations, focusing on classroom assessment and the examination of pre-university education results within a larger international context. With the assistance of the NAES, two national examinations were introduced: the 'capacitate' exam at the end of eighth grade and the 'baccalaureate', which is the school-leaving exam at the end of pre-university education.

The NAES was also involved in the implementation of the PISA 2002 Survey in Romania, which took place in 2003. The results of the PISA study have not yet been published. Romania did participate in the Trends in International Mathematics and Science Study (TIMSS) in 1999, assessing the mathematics and science skills of eighth-grade students, and performed below average.

The Adult Training Law foresees the possibility of accreditation of prior learning, but there are no official arrangements established yet to link informally acquired knowledge, skills and competencies with national qualifications. The labour legislation obliges enterprises to record only qualifications and functions based on official types of certificates in their staff registers, prohibiting enterprises from validating competencies developed in the workplace. The official international contracts for working abroad are normally mediated by the MoLSSF, which imposes the same rule. Although the legislation is still not enacted in the validation of prior learning, the assessment of competences based on the existing occupational standards is already practiced in individual enterprises (for example, in the Banca Comerciala Romana, and McDonalds) and

in a limited number of training centres which have been accredited by COSA. Any person, young or adult, can be assessed against occupational standards in the centres and will receive a COSA certificate, which is recognition of professional competence. The NAE's regional training centres (see 'Capacity of public and private employment services') are currently being supported in becoming occupational assessment centres using the COSA experience. This could enable regional training centres to accredit informal learning among the unemployed and allow them to offer personalised accelerated training.

Currently, discussions are taking place to extend NATB responsibilities further and give the organisation a central role as the quality assurance agency for all vocational education and training. The new NATB annex qualification agency should be in charge of developing and maintaining qualifications – including a national register – and should operate as the main quality assurance and award body. Discussions have already reached an initial conclusion that Romania should develop a common VET qualification framework covering both initial and continuing training, as well as open up the qualification system for the accreditation of prior learning. The conceptual work on the vocational qualification framework has been developed within the framework of the Phare VET Reform project RO 0108-01, which started in 2003 and was approved in September 2003. A major obstacle that is hampering current progress is linked with different views in the MoER and MoLSSF on the breadth of qualifications and partial qualifications. A CVT twinning project that started at the beginning of 2004, will also address the issue of a common qualification framework.

For a mixed set of practical and political reasons Romania is opting for a VET qualification framework rather than a single framework, accommodating both general

and vocational education. This choice can be criticised but is probably the best solution possible at this stage. However, in order to facilitate the introduction of the qualification framework and allow for bridging and patching arrangements between VET and general education, detailed technical discussions should still be part of the process. This means that universities and other proponents of general or academic learning need to be part of the process of development.

2.2.3 IMPROVED DELIVERY OF VOCATIONAL EDUCATION AND TRAINING – PLANNING THE PROVISION

In order to limit the unemployment of young graduate first jobseekers, in 2001 a protocol was signed between the Ministry of Labour, Social Solidarity and Family (MoLSSF) through the National Agency for Employment (NAE) and Ministry of Education and Research (MoER). The provisions of this document, to be implemented at county level; aim to monitor specialisations in vocational schools with the objective of decreasing the offer of education in specialities not needed by the labour market. For the moment, the results are limited. Until recently, planning has been mainly oriented towards supply, and there was no mid-term or long-term perspective for development. So far, school closures have been avoided and the current network is being practically maintained. Schools have been clustered, for example mining schools were redirected towards construction, which require similar skills. Fewer people are trained in areas for which there is no demand⁶⁴, the list of profiles and jobs has grown and new specialisations have appeared.

Some studies analysing the planning⁶⁵ as well as interviews held with various players directly involved in education or their social partners in the course of drawing up the

⁶⁴ The profiles that are not in demand on the national or local labour market include: mechanics, chemistry, and metallurgy – areas of activity that have been edged out with respect to market demand.

⁶⁵ *Professional insertion of graduates of vocational and technical high school education*, 1999; and *Feasibility Study on the vocational education and training (VET) within the educational system of Romania*, Romanian National Observatory, 2001.

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monograph, revealed situations where the training offer, the profiles and specialisations, as well as the enrolment ratio are established according to criteria such as the human and material resources of schools or the individuals' needs for education (requests of pupils and parents). Such situations emerge, on the one hand as a result of the tendency of players directly involved in education to 'protect' first of all the existing human resources (teaching staff), and on the other hand, as a result of insufficient knowledge of labour market demands and training needs, and in the absence of studies in the field and forecasts of regional and local economic development.

The planning of the enrolment ratio in the initial vocational education and training system has started to change recently, and is using local partnership structures at county level. Decisions related to the enrolment ratio are made by the Local Development Committee (LDC) of the County School Inspectorate, a tripartite body that includes representatives of social partners (local authorities, employment agencies, employers, for example). Each year the council should examine the proposals that schools and companies make related to qualification needs at local level and confront them with a series of relevant documents and information, such as: the local economic development plan, information provided by local employment agencies regarding the labour market, local statistics and other major documents. The planning procedures used by local development councils were standardised in 2002. It is not clear to what extent this has led to changes in enrolment in 2003/04, given that schools were suddenly confronted with the extension of compulsory education.

Information on skill requirements remains constrained by the inappropriate vacancy registration services of the NAE. Information on vacancies is usually confined to the job title according to the Romanian Classification of Occupations (COR) and some working conditions. Although based on the International Standard Classification of Occupations (ISCO), the main advantages of ISCO,

namely the classification of jobs according to work performed and type and level of skills required, remain largely under-utilised. Job titles and statistics therein relate almost exclusively to the highest educational attainment certificate required by the incumbent (rather than representing a summary of the entire skill specification derived from work duties).

An important impediment for a better planning of the training supply is the inability of the stakeholders to distinguish between long and short-term labour market needs. The focus is too much on short-term needs and today's pressing problems. The ability to look ahead is weak. Education planning has reached a new dimension through the establishment of the regional development level. Regional development will be the basis for most of the support Romania will receive from the EU through the European social and structural funds, once it has joined in 2007. Regional structures in Romania are fragile. They have been developed within the scope of the Phare Programme and are not based on any existing administrative structures in the country. The country is divided into eight development regions. In each region a Regional Development Agency has been set up as a non-governmental organisation. The Regional Development Agencies cooperate with the Ministry of European Integration with regard to implementing the Phare programme. The weak regional structures will be a major impediment to efficient use of the ESF funds.

The initiative for better regional planning has come from the MoER in the form of Regional Education Action Plans for initial training at pre-university level in each region. The first Regional Education Action Plans will have a planning timeframe from 2003 to 2010 and will focus on initial training for young people. They will be updated annually and will subsequently include plans for academic routes and for continuing vocational training. The Regional Education Action Plans are supplementary to the human resource chapters of the Regional Development Plans and link the economic and social development for the region and the

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structural arrangements for TVET to support it. Short-term objectives for 2003 and 2004 include:

- development of model of Regional Education Action Plans for use by all regions;
- piloting of the approach in two regions;
- development of Regional Education Action Plans to the RDP, the needs of individuals and the community, both now and until 2010) in each of the seven regions within the Phare 2003 programme.

Each region will develop a set of priorities for action in relation to TVET. The Regional Development Agencies and the Regional Consortia are supported through the Phare RO 0108-01 VET Reform project in the development of the Regional Education Action Plans. They will contain objectives and priorities across a range of aspects of TVET dependent upon the region, but all will include actions in relation to:

- the qualifications and levels of qualifications needed in the region to address anticipated labour market changes for 2010;
- the structure and distribution of the school network within the region to provide a more effective and responsive TVET service which promotes equality of opportunity for all;
- the arrangements for partnership working between schools, pupils and enterprises.

Extensive input from individual learners and from social partners is essential to the achievement of demand-led Regional Education Action Plans. Equally, for the Regional Education Action Plans to be real tools for change, they must have an influence on the development of the curriculum at an operational level – nationally, regionally, locally and within individual schools. For example, they need to inform the types and levels of qualifications needed, the resources by national and local bodies, the composition and rationalisation of the school network, staff development, and partnerships between schools and the community. The first Regional Education Action Plans were finalised in November/December 2003 and

provided information for adapting provision that could take effect from September 2004. A Regional Consortium has been established in each region to take forward the preparation of the Regional Education Action Plans and to take responsibility for monitoring, review and annual updating. Regional Consortia have been set up with representatives from County School Inspectorates, County Employment Agencies, Regional Development Agencies and social partners. The Regional Consortia are chaired by the Regional Development Agencies. The Regional Consortia are responsible for:

- assisting TVET schools and training providers operating in the CVT sector in advising on the development of curricula leading to qualifications held on the national register;
- monitoring quality assurance in the provision of TVET in collaboration with the local inspectorates;
- acting as a conduit between the regions and the National Centre for the Development of Vocational and Technical Education (NCDVTE) for the early identification of skills gaps within their respective regions and of emerging occupational profiles within the region;
- providing advice on the rationalisation and optimisation of training resources within the region.

Regional consortia are new bodies. They could also play a significant role, in conjunction with staff from other Regional Development Agencies, in the development of support for sector clusters linked to the priorities in the RDP. Although established in 2002, they have not been fully activated before the start of the Phare RO-0108-01 programme yet, and their role will be developed over a number of years. In the medium term, the Regional Consortia should be developed to:

- carry out a more significant role in quality assurance through their place on assessment/validation panels for curriculum and through approving and accrediting TVET centres;
- make a greater contribution to overall human resources development through the RDP.

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Local Development Committees have a responsibility to work with the inspectorates to develop the local plans and determine numbers and domains for each initial training school in their county. There are three main elements to their short-term development:

- establishing strong links between the Regional Education Action Plans and the Local Development Plans (LDP) to ensure that they both contribute to regional priorities and meet local needs;
- having a stronger influence on the provision of resources at a local level;
- developing a stronger role in quality assurance;
- 'approving' school plans linked to the county level plans and Regional Education Action Plans.

The LDC were also expected to play a role in the implementation of the Adult Training Law. However, separate county tripartite evaluation bodies are now being set up for this purpose. This is a missed opportunity to draw the social partnership structures for initial and continuing training closer together. At an individual institutional level, schools will develop individual action plans, which will deliver the regional and local priorities. Local school plans should collectively deliver the regional priorities. In some cases school plans will relate to individual schools and in others these will apply to school clusters. Increasingly, plans should be based on cooperation and collaboration between different schools and between schools and social partners. In spite of the fact that planning is improving in initial training and the involvement and consultation of social partners is expanding in the delivery of continuing training, the existence of parallel structures and the complete absence of links between the planning for initial and continuing training has to be seen as a major shortcoming in the planning process. So long as the two processes are not better linked, the tension between short, medium and long-term needs will continue to exist.

2.2.4 DELIVERY

Transition from school to work and practical training places for initial training students

It is difficult to follow up the job placements of young graduates. This aspect can be seen as one major difficulty in assessing the performance of schools in relation to the relevance of training provided, in both quantity and quality. On the one hand, schools do not have explicit responsibilities for supervising students after they graduate, since external effectiveness is not a normal criterion for assessing the performance of an education institution. On the other hand, the county agencies for employment have information only on the number of graduates who turn to them for assistance.

However, it is an indisputable fact that the unemployment of graduates of various forms of initial vocational training – starting with graduates of vocational schools and ending with those of higher education – has become a chronic phenomenon. It has powerful repercussions on economic and social development, on human resources training, and on demand for education, as well as on motivation for continuing education.

Despite all the improvements introduced by the VET reform, the transition from school to active life and the job integration of youth remains a critical issue with a strong economic and social impact. If we take into account the structure of the unemployed by work experience, labour market entry-level people – the overwhelming majority being graduates of various forms of education, especially pre-university – represented in the period 2000 to 2002 (according to the data of the AMIGO survey) approximately 33-34% of the total number of ILO unemployed. If we add approximately 30% – the value of the rate of transition from secondary to tertiary and post-secondary non-tertiary education – it is estimated that 35% of secondary education graduates start work each year.

The Skills Audit that was organised by the National Observatory in the form of

in-depth interviews with 100 companies in 2003 revealed that almost half the companies surveyed prefer to fill skill gaps and vacancies with their own staff resources. Fresh blood is entering companies slowly. On average three graduates were hired per company in the last three years, which is 85% below the share of graduates entering the labour market. More than half the companies have no links at all with education institutions⁶⁶.

The former organic links between enterprises and schools having been broken down, there is currently a lack of systematic/structured contact between these entities (in terms of exchange of information on skill needs, advice on adaptation of curricula, and so on). Practical placements in enterprises are normally performed in groups under the supervision of a teacher, and there is therefore no question of a real insertion into the world of work. The growth of small companies makes it more difficult to find placements for students. Evidence from the field suggests that the number of students following practical training in enterprises has decreased substantially, with major discrepancies between profiles. As an alternative to practical placements some schools have developed training firms that simulate the experience of real enterprises. It is one of the main objectives of the current VET reform to make schools more responsive to labour market needs and establish better links with local enterprises. For this purpose school enterprise partnerships are developed for every individual school with the Phare RO-0108-01 programme.

There is a need to reinforce the practical training provided in enterprises in terms of content, duration and numbers of placements. Work and learning are not well integrated in the Romanian VET system⁶⁷. Much, if not most, of practical training is concentrated in schools. Instructors in technological laboratories, school workshops or companies, supervise the practical training of students. Although they must have completed post-high school, in

terms of remuneration their status in schools is low and career prospects are limited.

There is no doubt about the issue that practice should be in enterprises. However, there is a problem to find sufficient good places in enterprises. The method for organising practical placements is one of the main obstacles. In order to avoid the exploitation of under age students for jobs that are not related to their training profile, training in enterprises is done in groups under the supervision of a teacher. Students cannot go into enterprises by themselves to undertake practical training. They are not allowed to look for their own training enterprises. The difficulty in finding practical placements is very sector and location dependent. Some companies are willing to pay for the work performed by pupils during their practice stage and offer additional opportunities for stages and work during holiday periods.

The practical placements could become more attractive for students and employers by allowing for integration into real work activities during a longer period than is currently the case, and at the same time improving the delivery of training in the enterprises in terms of supervision and outcomes. Practical placements are an important instrument to improve the transition from school to work and can help to open up enterprises and improve their own work-based learning.

Equipment in laboratories and workshops

Vocational schools are generally poorly equipped with up-to-date equipment for practical training. Much of the equipment is outdated. The situation varies considerably between schools, but has been aggravated due to the general deterioration of links with enterprises, limiting the possibilities for practical training outside schools. The existence of international support programmes aimed at reform in pilot schools has created inequitable conditions between schools. In 2007 (the time of

⁶⁶ *Skills Audit Romania*, Romanian National Observatory, 2003.

⁶⁷ Work and learning are perceived as different entities; cf. *Integration of Work and Learning*, Romanian National Observatory, 2001.

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accession), as consequence of 13 years of international assistance, about one third of the schools will have been able to improve their performance considerably, whereas the majority of schools will have been forced to adapt under deteriorating conditions. Through the Phare TVET programmes (2001, 2002, 2003) 172 schools will be provided with new equipment. The Phare VET 9405 programme provided a considerable amount of equipment, and the 75 schools included in the programme (less than 10% of the vocational schools in Romania) have a privileged position compared to other education units in the system. Even if, in terms of programme implementation, the use of this equipment was delayed, it is now being used intensely (two to three shifts a day) and has become indispensable in applying the new learning and teaching principles⁶⁸.

The implementation of the new VET curriculum was made easier as a result of the improvement of equipment and educational facilities: equipment for school workshops, educational facilities for laboratories and study rooms, audiovisual equipment, and IT equipment. The decision to generalise the curriculum, developed by the Phare VET programme at national level, raised the issue of drawing up a strategy for the purpose of equipping the other education units in the system. In this sense, it is necessary to set minimum standards for the equipment required to sustain the new curriculum. As many schools lack the necessary equipment and financial support similar to that granted to the schools included in the Phare VET programme, a real generalisation of the reform of vocational education is difficult to achieve. Even among those schools that enjoyed Phare support there is still a need for further investment, as was demonstrated during visits to some Phare VET schools during the preparation of the monograph which showed that they were still using very outdated and totally inadequate equipment for the training process.

ICT infrastructure in schools

Romania seems to be lagging seriously behind in information and communication technology (ICT) equipment and Internet connection in comparison with other countries. This is indicative of the general state of equipment in schools, since ICT equipment is the first priority. Moreover, only 21% of teaching staff had basic ICT skills in 2002, only 10% of all teachers could prove these competences with certificates, and only 5% had in-depth ICT skills. Whereas 66.7% of existing schools in urban areas had at least one computer and 30.5% were connected to Internet. The figures for rural areas were 15.3% and only 1.1%, respectively.

The National Strategy for the Implementation of an Information Technology Society has been drawn up in Romania, intending to facilitate the economic transition of the country towards a knowledge-based economy. The Economic and Social Council (ESC) is the institution in charge of coordinating the establishment of an active partnership between the government, the private sector, non-governmental organisations and civil society, for inclusion of ICT aspects in all key sectors of the economy and social life. One of the key objectives of the e-Learning initiative is to include ITC in education, and to this end a series of European and national programmes have been designed to: i) provide infrastructure and equipment at the level required to reach the objectives set; ii) train human resources at all levels; iii) develop and provide adequate services and high quality content; and iv) strengthen European cooperation and develop educational networks.

In order to bridge the digital divide, the government initiated an ambitious programme for an ICT aided education system in 2001, which promotes the use of ICT on a large scale in the education and training system. After a pilot phase in 2001 and 2002, a project was launched in November 2002 to provide 1,100 upper secondary schools with computer networks and to provide in-service training to

⁶⁸ S. Nielsen and A. Le Steen Hansen, *Report on the final evaluation of the Phare VET RO 9405 Programme*, ETF, 1999.

teachers and administrative personnel. The development of educational software is also encouraged to promote the use of ICT in education, and existing materials are being centralised. A third phase that should provide the rest of the schools with IT solutions is in preparation.

2.3 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING SOCIAL AND LABOUR MARKET INCLUSION

2.3.1 ACCESS AND INCLUSION

There are many signals that skills gaps within Romanian society are growing. Although more students are going to university today, more young people than before break off their education prematurely. Half the young population live in rural areas and only very few make it to university. Among dropouts, Roma take a very prominent place. The lower skilled risk being marginalised. Skills are becoming more and more a decisive factor for personal success, employment and growth, and in a rapidly changing and dynamic knowledge-based society, the skill needs are changing much faster than before. It is expected that until 2010 almost half the new jobs that will be created in an EU including Romania will require higher education, and almost 40% of them will be for people with upper secondary education⁶⁹. Between 80 and 90% of the new jobs will make extensive use of ICT. This does not immediately mean a radical change to the labour market, where lower skilled jobs continue to exist. In 2001, half the employment in the EU was in manual jobs, sales and service activities. By 2010 the proportion is likely to be around 45%. However, it is clear that efforts to raise productivity will increase across the board. Not only the most skilled workers need to keep up with new developments, but at the bottom end of the skill spectrum, labour shortages are expected to continue, for example, for engineers and crafts related jobs. Therefore, training and education are

important for all types of jobs. Education and training are fundamental for the promotion of social inclusion. This sub-chapter describes and offers an analysis of how Romania addresses this issue.

In the 15-24 age group (ISCED levels 1 to 6) Romania has one of the lowest participation rates (41.9%) among the current and future Member States (i.e. almost 60% of students are not in education), and is among the lowest in Europe. Another indicator that depicts the trend is the early school leaving rate. In Romania, 23.2% of 18-24 year-olds with lower secondary education or less were not in education or training in 2002, the highest rate among the Member States apart from Malta. The rate has increased progressively since 1997.

Participation in Continuing Vocational Training is very low. Based on the CVTS2 data⁷⁰ the participation rate is only 8% for employed, and the latest report from the National Agency for Employment shows that only 2.5% of unemployed people participated in training in 2002. Access to continuing training is very much limited for people living in rural areas, which is problematic given that the employment figures show that over 35% of the employed are in agriculture. Although the MoLSSF is planning to extend active labour market measures to rural low earners, this will remain an area of concern. Half the young population live in rural areas but only very few make it to university. Despite the positive trend in the period of reference, according to sources of the National Institute for Statistics, the attendance rate of children in lower secondary education remains low: 92.1% in the school year 2001/02, varying between urban (95.2%) and rural areas (88.2%). We also notice a slight decline in compulsory education overall in rural areas in 2002/03: approximately 94% compared to 96% in the previous year.

As early as 1999 the Ministry of Education initiated a number of programmes designed to provide equal education

⁶⁹ *Learning for employment*, Cedefop, 2003.

⁷⁰ *Statistics in Focus*, Theme 3 – 2/2002, Eurostat.

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opportunities, officially recognising phenomena such as illiteracy, school dropout and the social-professional exclusion of young people who have prematurely dropped out of compulsory school. The MoER is currently establishing a strategy guaranteeing equal opportunities of access to pre-university education and eliminating any form of discrimination or exclusion of any type (race, social, religious, linguistic or gender). With this in mind, a series of intervention policies and projects has been devised for a number of vulnerable categories: pupils in disadvantaged areas or environments; pupils in rural areas; pupils from national ethnic minorities (especially Roma); young people coming from childcare institutions, and so on. The end goal is to provide social facilities for pupils, programmes combating and preventing school abandonment, systems of the 'second chance' education type, support for pupil mobility within the system of education, and support for the development of basic skills for all.

In order to increase attendance in secondary education and implicitly initial vocational training, beginning with the school year 1998/99 several measures were taken, such as: monitoring school attendance and identifying the causes of social exclusion; institutionalising social partnership of the school, local public administration and parents associations; and increasing the flexibility of the system by giving vocational school graduates the chance to continue their studies in high school, based on transferable credits. The effects of these measures meant to encourage school attendance are already visible. The admission rate to secondary education has been higher in the past few years as is the coverage rate in secondary education, the VET system included. Other measures based on provisions in the Education Law or other legal acts were taken to encourage and facilitate the access to education, especially to apprenticeship education, including the possibility of setting up apprenticeship schools in rural areas as auxiliaries to compulsory schools.

The development strategy for pre-university education presents five projects designed and implemented by the MoER in cooperation with a number of institutional partners whose objective is to provide access for all children and young people to education services and to combat social exclusion. It will ensure the quality of education in rural and disadvantaged areas, offer education for national minorities providing quality school guidance and professional counselling services, and give support for educational alternatives and for private education. Starting in 1998, the MoER implemented, with World Bank financing, a programme in eight pilot counties to equip schools in rural areas with computers, school furniture, and teaching aids, as well as running training programmes for teachers and head teachers.

There is a clear divide in Romania between the quality of provision in urban and rural schools. There are considerably fewer teachers with a teaching qualification in rural areas than in urban areas. More than half of Romania's young population are located in rural areas, and the total share of the rural population (currently 47%) is growing. However, far less than half of rural young people enter upper secondary education and only 1% of students in higher education come from rural areas. In order to address these problems the government has adopted special measures to support rural education with the support of a World Bank loan that will be implemented over the next six years⁷¹. The programme aims at improving teaching in rural areas and the career perspectives of rural teachers as well as improving basic education conditions. The Phare VET programme 2003 will also include 50 rural schools.

In the past, too many young people have ended up in institutions for special needs education for physically and mentally disadvantaged, among whom many were Roma who have ended up there for social reasons. The Romanian government has developed special programmes of education for special needs and

⁷¹ The loan is US\$60 million, supported by an additional US\$31 million from the Romanian government.

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disadvantaged groups, with particular attention to Roma. The Romanian policy now aims to integrate the special needs and disadvantaged groups in regular education rather than separating them from the rest of society. Policies and special programmes for this purpose started in 2002. The policy principles are elaborated and implemented with the assistance of two Phare programmes (RO-0104-02 and RO2002/000-586.03.01). The Phare TVET (RO-0108-01) programme, as well as the 2002 and 2003 programmes, supports regular schools in providing individualised training to students from special needs groups. The government is closing down obsolete institutions for disabled children or those with special needs.

Disparities in the demand for learning are strong. Roma youth are over-represented among school dropouts in compulsory education and under-represented in tertiary education enrolments. The government has developed several measures in dialogue with Roma organisations to ensure a better integration and participation of Roma in education. Poorly performing schools with many Roma students receive additional support. Other major initiatives related to the access of minorities to education are those that provide separate places in universities for young Roma candidates (150 to 200 places annually), appointment of an inspector for education for Roma in all the 42 school inspectorates, training programmes for Roma teaching staff (intensive summer school courses, open and distance learning, and so on), the consolidation of the network of teachers of Romani, to include designing school books and curricula, as well as cultivating the Romani language in extra-curricular activities. There are special places for Roma and 1,000 scholarships are reserved for students from remote rural areas. Given the problems of housing, most students study in their hometown.

Education for school recovery (literacy classes, completion of studies, professional training, structuring intensive and low attendance education) is another major

dimension of MoER policies on access to education. The programme is currently being revised in order to be extended throughout compulsory education and to allow the organisation of forms of low attendance or extra-mural education for grades I-IV to include children of under 14 years of age who dropped out of school for at least two years.

The Institute of Educational Sciences, supported by Unicef, carried out a study into the school enrolment of Roma, and prepared a related pilot project. The 2002 study proposed an education strategy, consequently adopted by the Ministry of Education and Research, which set out to increase the enrolment of Roma at all levels of education, ensure access of Roma adults to education and training, and design a national system for monitoring the access of Roma to learning. The 2003/04 pilot project in a school in Giurgiu, a poor district with a high concentration of Roma, aimed to achieve some of the strategic goals by drawing up an alternative curriculum, by training teachers and by improving the school infrastructure, so that it may become a resource centre for parents and other members of the community.

Although initiated only a short while ago (the start of the school year 2002/03) the programme 'Food in Schools', providing all children in primary school with a daily snack, is already widely appreciated. This is the logical conclusion if we consider the fact that very many children do not come to school because they are too poor. According to MoER estimates⁷² Roma pupils are a high percentage (about 80%) of those who have never attended school or dropped out along the way. Finally, another major social measure currently being promoted is to provide material aid, especially in the form of schoolbooks and stationery, for pupils who come from very poor families. These government measures are completed and supported by numerous international organisations (for example, Unicef, World Learning, and USAID) especially in the case of disadvantaged categories, such as children and young

⁷² Strategic programmes of the MoER for Roma between 2000 and 2001, at <http://www.edu.ro/download/masrromi.pdf>.

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people living on the streets, children with special needs or institutionalised children.

The absence of a general understanding of the phenomenon of social exclusion means there is no mechanism to measure it. Consequently, the measures initiated at central level by various ministries (such as the MoER and the MoLSSF) are poorly coordinated. A study from the National Observatory⁷³ took into account criteria such as quality of life, position on the labour market or access to education and training, and identified the following categories of adults with a high risk of exclusion: single mothers, unemployed people under 25 years old, unqualified workers/people with a low qualification, and people with special needs. The National Action Plan for Employment includes guidelines and measures that Romania must apply in the short and medium term to combat discrimination and social exclusion in employment. The National Action Plan for Employment takes into account the 18 guidelines included in the four pillars of the European employment strategy. However, although one of the priority directions is precisely “drawing up special programmes addressed to groups of people who are confronted with difficulties in integrating on the labour market”, the target categories are presented in an unsystematic and general manner: young people, long-term unemployed, people with special needs and people of Roma ethnic origin⁷⁴.

The programmes run by the NAE in 2002 identified the following disadvantaged categories: women, young people, long-term unemployed, people with special needs, ex-convicts, 18 year-olds formerly institutionalised, the Roma population, other categories (refugees, repatriates, and so on). Intervention programmes aimed to find jobs for 172,959 people who belong to groups that are disadvantaged on the labour market, including people soon to be laid off from the defence industry. Another relevant programme for people who risk social exclusion was the ‘180 Programme’ – a special programme designed to

increase the rate of employment in towns and villages declared disadvantaged (by EO 24/1998) and towns in industrial and mono-industrial areas. This programme was expected to lead to the employment of 29,376 individuals, of which 14,916 jobs were in the 140 towns declared disadvantaged (by EO 24/1998), and 14,460 jobs were in another 40 towns with a high unemployment rate in industrial and mono-industrial areas. One of the priorities of the Phare HRD 2000 programme (see also Chapter 3) was to promote the social inclusion of disadvantaged groups. The programme was addressed to the following disadvantaged groups: people with physical, mental and social handicap (drug addicts, ex-convicts), Roma, young people previously institutionalised, women returning to the labour market, the unemployed over 45 years old, single parents, and youth who have left school without any basic qualification.

2.4 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING ENTREPRENEURSHIP

In pre-university education, developing entrepreneurial skills is a frame objective of the ‘technologies’ curricular area. In compulsory education this particular curricular area focuses on the following school subjects: practical skills (for primary education); technical education (for lower secondary education); and entrepreneurial education and elements of business education (for higher secondary education – the technical route – and vocational schools). Furthermore, some entrepreneurial skills and business elements can be found in the curricular area ‘Counselling and guidance’, beginning with lower secondary education and until the completion of pre-university studies. Since the above-mentioned school subjects are part of the common core (compulsory national curriculum) employer involvement in the development of this curriculum is minimal.

⁷³ Romanian National Observatory, *Vocational education and training against social exclusion in Romania*, 2000.

⁷⁴ *National Action Plan for Employment*, 2002, p. 27.

The ECONET project is one initiative in entrepreneurial and business education in the initial training system that has proved successful and that will shortly be extended. The purpose of the project is to set up a network of training firms in economic high schools in countries of South-Eastern Europe. Four education units in Romania in cooperation with 'Kulturkontakt' Austria carry out the project, which is financed through the Stability Pact for South-Eastern Europe. Also, many of the Leonardo da Vinci projects running in partnership with countries in the European Union are focused on the development of entrepreneurship. In continuing training, immediately after 1989 business education became a highly interesting field for private training providers, as well as the fact that there were a series of programmes with external financing sources (Fiman Project, World Bank, Phare). Chambers of Trade and Industry were active providers of business education. These institutions provided entrepreneurial consultancy for setting up and developing businesses through their consultancy or business development centres. The main areas requiring consultancy services were: establishing a business plan, marketing, business contacts, investment, cutting business risks, promotion of company image and advertising. Currently, the branches of the Romanian Business School of Chambers of Trade and Industry run entrepreneurial training courses for: training company administrators to develop their business, training future entrepreneurs and developing entrepreneurship.

For several years the NAE has been supporting the orientation of unemployed people or people subject to mass retrenchments towards 'own account' work and the creation of SMEs. This service was supported largely by donor-funded programmes (for example, as a component of the Employment and Social Protection Project co-financed by the World Bank, or the EU RICOP) but was also supported through its own resources. While these donor-funded activities initially remained largely confined to workers subject to mass

lay-offs, the new employment promotion law (No 76/2002) widened the parameters for beneficiaries by opening consulting and other assistance services as active measures for all jobseekers. The number of beneficiaries is projected by the NEA to remain roughly at the level of 2002, namely around 2,200 persons. With the World Bank's approval the target group of World Bank-funded activities was also widened.

2.5 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING EQUAL OPPORTUNITIES FOR MALES AND FEMALES

In terms of school attendance by gender, statistics (gross school coverage rate) show that in Romania there are no significant differences at any level of education, including compulsory education where it is approximately 1%. The absence of gender-based discrimination in the case of access to education is also proved by the gross enrolment rate at all education levels – 2.5% in favour of women. The conclusion drawn from the analysis and other indicators on the access to, and the efficiency of, education is different only in terms of the Adult Literacy Rate. In this case there is a 3% difference in favour of men. The absence of gender differences is also visible from the analysis of data of national examinations in the past few years: there is no significant difference by gender in the quality of school results. If focus is shifted to the content of education there are a series of gender-related deficiencies. They became visible when the curriculum⁷⁵ was extensively evaluated in 2001, with the gender criterion included. The conclusions drawn were: that school curricula and textbooks promote a predominantly male world, traditionally controlled by men with a tendency to stress the essential gender differences; that gender is built and defined in an unvarying manner; and that success models reveal a gender discrepancy. Information and references to the life experiences of women (such as giving birth, pregnancy, and so on) are lacking.

⁷⁵ School at the crossroads. Reform and continuity in compulsory education, 2002.

2. VOCATIONAL EDUCATION AND TRAINING AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

So far, gender sensitivity has been approached in isolated cases by the National Network of Information Services, Counselling and Guidance, a component of the initial vocational education and training system (psycho-pedagogical assistance centres, inter-school psycho-pedagogical assistance offices), as well as in Information and Vocational Guidance Centres belonging to the County Agencies for Employment. An examination of human resources development programmes in terms of gender development and utilisation indicates yet another deficiency: most training programmes neglect the gender sensitivity aspect. Modules for gender sensitivity in the classroom and beyond have been practically non-existent in the training of both schoolteachers and managers. The training offer is not so visible at community level either. Only a few NGOs carried out such programmes, or they were held as components of selective projects.

Unemployment among women has been lower than among men since 1999. In 2002, the unemployment rate of women was 7.5% and that of men was 8.7%. In 2001, the proportion of long-term unemployed among unemployed females was 50.3% (or 3% of the female labour force) compared with 47.4% (or 3.3% of the male labour force) for unemployed males. Statistics on attendance of continuing training programmes do not reflect any limitation of female access. Taking into account gender-related differences in the case of employment, in 2001, measures applied by employment programmes, including those on vocational training, focused on target groups that included disadvantaged social categories or individuals (young people, long-term unemployed, young people over 18 years of age from social protection institutions) and women – a first for Romania. Other measures intended to promote equal employment opportunities and prevention of discrimination of women are included in a series of normative laws and acts, such as Law No 19/2000 on the public pension system and other social welfare rights, that include provisions related to: pregnancy and child-raising rights and length of maternity leave for women: length and

conditions to be met. The new Labour Code brings changes to women's rights: providing special working conditions for pregnant and breast-feeding women (no night shifts, reduced day working hours, the right to breaks for child care), duration of maternity leave, the right to other kinds of paid leave, indemnity for child-raising or caring for a sick child.

At the level of social and educational policies the gender disparities have lately come increasingly under debate. With a view to accession, Romania has ratified the majority of international regulations on women's rights and equal opportunities for men and women. At national level, a series of institutions has been set up (inter-ministerial, within ministries and in other types of government organisations) responsible for promoting gender policies within legislation and taking action in various sectors. The Agency for Equal Opportunities has been recently established. In addition to this governmental institution, a range of non-governmental organisations have emerged. They promote and support equal opportunities for men and women in civil society. Also, the majority of national policy plans at general or sectoral level, such as the National Development Plan and the National Action Plan for Employment, promote strategies and courses of action for equal opportunities for men and women. However, despite the fact that at a formal level (educational level included) equal opportunities are reflected and sustained by specific institutions, legislation and policies, we may safely say that the gender dimension is not implemented and utilised efficiently in education or other sectors. As for public opinion, women's rights and equal opportunities are still little known and promoted, and few efforts are being made to raise awareness in this sense.

Issues encountered in the system of initial and continuing education and training as well as in employment call for a series of general and specific measures: the increase in the visibility of activities carried out by institutions with responsibilities and a role to play in promoting gender equality, through specific information and

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dissemination activities within society; the development of active partnerships between governmental and non-governmental, national and European institutions that play a role in the field, to make their activity more efficient (avoiding overlapping, sharing experience and results); the development of methodologies to apply legislation adopted on gender equality to facilitate their application; the introduction of the gender sensitivity issues in the area of counselling and guidance throughout the duration of education; the

introduction of specific topics in the study programmes of all school subjects; the introduction of the gender dimension as a major criterion in the evaluation grid of school textbooks; the development of teaching aids on the gender related themes designed for both pupils and teachers; the inclusion of a gender sensitivity aspect in human resources development programmes (teachers, trainers); and the continued development of employment training measures for women.

3. CAPACITY OF PUBLIC AND PRIVATE EMPLOYMENT SERVICES TO SUPPORT THE AIMS OF NATIONAL EMPLOYMENT POLICIES

3

Labour market developments in Romania have been quite different than in other future Member States, given the “favourable” employment and unemployment rates. As in other acceding countries the appearance of unemployment and industrial restructuring created new challenges for the employment services. The National Employment Agency (NAE) is putting a lot of effort in meeting these new challenges. This chapter describes the functions and organisational structure of the public employment service and emerging private employment services in Romania.

3.1 ORGANISATIONAL STRUCTURE

Ministerial responsibilities

At the national level, the Ministry of Labour, Social Solidarity and Family (MoLSSF) has

the overall responsibility for monitoring labour market developments, elaboration and implementation of employment and labour market policies, social protection, pensions, wage policies and industrial relations. As regards employment policies, the Ministry is responsible for drafting and endorsing the legal texts including vocational education and training and equal opportunities policies. It budgets the Unemployment Fund based on the proposals made by the National Agency for Employment (NAE). The ministry establishes performance indicators based on which the Agency elaborates the annual working plans. The organisational structure of the Ministry includes a Directorate for Employment Policies, coordinated by the State Secretary, who also holds the position of president of the NAE. Within this directorate, there are two departments which assume responsibilities for employment and vocational training, as well as for equal opportunities.

The legal and policy framework

A new Employment Law ('Law on the System of Unemployment Insurance and Employment Promotion 76/2002') has replaced the Law on Social Protection and Re-integration of the Unemployed 1/1991, which represented the main legal framework for the Public Employment Service (PES) and ALMP since 1991. Law No 1/1991 mainly comprised passive measures consisting of different allowances varying in duration and amount for a period up to 27 months, depending on the length of employment. The amount was calculated on the basis of the last salary. The law has been subject to several amendments and supplementary legislation over time. According to the 1991 law, the Ministry of Labour and Social Protection was responsible for elaborating, implementing and monitoring policies in the field of employment, social insurance, and occupational health and safety, including the administration of the Social and Unemployment Funds. When the National Agency for Employment was established in 1998 it took over some of these tasks related to the implementation and monitoring of employment policies and the administration of the Unemployment Fund. The legal framework set out by the Law No 1/1991 was complemented by the Government Decision 288/1991 on 'Training of the Unemployed, Emergency Ordinance on Stimulation Measures for Integration of Graduates from Education Institutions 35/1997', various Emergency Ordinances (13/1995, 9/1997, 22/1997, 98/1998) regulating outplacement services, and active measures, and in particular severance payments mainly for the employees of large state enterprises (in the sectors of the defence industry, mining, heavy industry, chemistry and wood processing) and the *Régie autonome*⁷⁶, whose employees were subject to massive lay-offs. The Law on the Minimum Guaranteed Income 416/2001 is also relevant because, according to recent NAE sources⁷⁷, it caused an artificial increase in unemployment due to its regulations (a large number of people registered with the

NAE in order to draw the associated social benefits).

The new Employment Law No 76/2002 provides a broader framework for active labour market programmes, in particular by widening access to all unemployed people and not only benefit recipients. The law introduces new policies, thereby extending the range of activities and measures to those usually found in the Member States and other candidate countries. In addition, the new law provides for an innovative measure, namely a financial bonus for unemployed people who find a new job on their own before their entitlements expires. The extension of entitlement of active measures to all jobseekers, independent of entitlements to benefits, is an important change in policy. Likewise, the number of target groups eligible to certain facilities of the law has been extended. With regard to passive measures, the new law introduced a lump sum unemployment benefit independent of previous earnings. The unemployment benefit now represents 75% of the gross national minimum salary (50% in the case of graduates), when previously the amount was related to the previous salary. The National Agency for Employment estimates that the new system will lead to an increase of the unemployment benefit by about 15% per recipient compared to the previous system. However, the measure is also seen as an activation of those unemployed people who previously received high unemployment benefits compared with minimum or average salaries (estimated at 27% of the total unemployed). The duration of payment is related to previous contributions to the Unemployment Fund and varies from between six months (for those contributing for between one and five years) to 12 months (for those contributing for more than ten years). The maximum duration has been reduced from 27 to 12 months.

The National Action Plan for Employment (NAPE) was elaborated in 2002 to prepare for participation in the European Employment Strategy (EES).

⁷⁶ Publicly-owned companies.

⁷⁷ National Agency for Employment, *Activity Report*, 2002.

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The preparation of the NAPE coordinated by the MoLSSF with active support from the National Agency for Employment, in cooperation with other ministries and agencies. It was adopted through Government Decision No 759/18 in July 2002. The NAPE is a complex document and identifies the measures that Romania has to implement in the short and medium term with a view to increasing employment and reducing unemployment, supporting lifelong learning, and improving the efficiency and flexibility of the labour market for rapid response to economical change. The policy objectives mentioned in the NAPE are summarised below:

- sustained growth and more jobs should be assured by developing the SME sector and stimulating the development of sub-sectors with growth potential (for example, tourism, IT);
- combating illicit work and initiating measures to reduce non-salary workplace costs;
- applying an accelerating rate of increase for the minimum gross wage relative to other wages, and reducing poverty by correlating active employment policies with a policy of increasing earned income;
- preventing and combating unemployment among 15-24 year-olds;
- identifying early alternative employment for redundant workers in the framework of restructuring;
- implementing special programmes for disadvantaged groups in the labour market, including young people from placement centres, people with disabilities, the Roma, former prisoners, and so on;
- increasing the participation rate in the labour market by prolonging the active life of older people;
- adapting the initial and continuing education to international trends for a knowledge-based society.

The NAPE had been finalised before the joint work between the MoLSSF and the European Commission on the Joint Assessment Paper on employment priorities (JAP) was completed (October 2002). Therefore, the measures envisaged in the NAPE could not fully take account of

the recommendations in the JAP. The NAPE and JAP share much common ground: both aim at activating employment policies and promoting sustainable jobs. While the NAPE presents a mix of general policy objectives and measures, the JAP seems to provide a more focused agenda aimed at more proactive education, training and employment policies, while advocating the reform of a wage setting system that can be supportive of economic and labour market reforms. The JAP provides a set of concrete findings, which are summarised below.

- Access to 'second chance', upper secondary and higher education should be improved especially in rural areas.
- Participation rates in adult learning should be raised in companies and for the unemployed.
- Salaries should reflect productivity, skills and regional differentiation more closely.
- The share of taxes and contributions on lower wages should be reduced.
- The new unemployment and social benefit schemes should be monitored and links with active labour market measures ensured.
- Active labour market measures should be increased to facilitate labour transformations, and be thoroughly tested and evaluated.
- Sufficient PES staff should be made available locally to realise the early jobseeker activation that is foreseen in the PES reform.
- The established equal opportunities policies should be implemented and monitored.
- A more active role of social partners should be promoted, especially through bipartite dialogue.
- ESF preparation needs to be accelerated and a consistent HRD and employment strategy developed.

With the new employment law, the National Committee for Employment Promotion was established in 2002. This new tripartite body supplements the other tripartite institutions, such as the Economic and Social Council (ESC) and the Administration Board of the NAE. The National Committee for Employment

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Promotion has been established as a high level tripartite body. The Committee is approved by the Prime Minister and includes eight senior officials from key ministries, eight representatives of employers associations and five trade union representatives. According to the law, the National Committee for Employment Promotion has responsibilities in the following areas:

- raising stakeholder awareness of the strategies and policies aimed at the improvement of the quality and level of employment;
- ascertaining human resources development trends;
- ensuring the coordination of HRD programmes financed from public funds or other sources;
- developing proposals for employment-related legislation;
- making proposals in order to initiate proactive employment measures in relation to fiscal policies, structural adjustments, and professional re-conversion, based on socio-economic trends and developments in the labour market;
- monitoring the implementation of the NAPE.

The National Committee for Employment Promotion may commission studies, research papers and analysis related to labour market developments financed from the Unemployment Fund. The Directorate for Labour Force within the MoLSSF provides the Secretariat of the Committee. It is too early to make an assessment of the practical role and influence of the Committee.

Organisation of public employment services and responsibilities

The National Agency for Employment (NAE) represents the main body responsible for the provision of public employment services and the implementation of labour market policies at national level. The agency was established by Law No 145/1998 and was initially

named the National Agency for Employment and Vocational Training (NAEVT). Initially, the main responsibilities covered the administration of the Unemployment Fund, including the collection of contributions and the organisation and delivery of active and passive employment measures financed from the fund. The operational structure of NAEVT emanated from the Ministry of Labour and Social Protection, including its county and local PES offices. With Emergency Ordinance 294/2000 and Emergency Ordinance 260/2001, the NAEVT was renamed the National Agency for Employment (NAE). The establishment of the agency as a result of Law No 145/1998 was an important milestone from a social dialogue perspective, as institutionalisation of social dialogue had been included in the objectives of the agency.

The tripartite Administration Board at central level consists of 15 members, of which two thirds are employers and trade union representatives⁷⁸. The Administration Board is responsible for the overall management of the agency, including preliminary approval of the budget. The president of the agency functions simultaneously as president of the Administration Board, is appointed by the Prime Minister⁷⁹ and holds a position as Secretary of State within the MoLSSF. Tripartite Consultative Councils at county agency level should have been set up in 1999, but they only became operational in mid 2002. This delay was mainly due to difficulties between the trade unions in reaching consensus on their representation in the councils.

At regional level, the NAE has at its disposal an extensive network of 42 county agencies for employment (one in each of the 41 counties, plus the Bucharest Municipal Agency), which had been part of the Ministry of Labour administration between 1991 and 1998. The county agencies fulfil some functions for the entire county, such as: developing local employment programmes; labour market

⁷⁸ See Law No 145/1998 on the establishment, organisation and functioning of the National Agency for Employment and Vocational Training, modified and completed by EOG 294/2000, Art. 9.

⁷⁹ See EOG 294/2000.

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statistics; analysis and forecasting; vocational guidance, organisation and financing of training; provision of subsidised credits to enterprises; supporting labour mobility; supporting companies under restructuring in case of mass lay-offs; establishing employment local partnerships; providing passive measures; accreditation of private employment services; supporting legislative reform; administration of employment promotion programmes; administration of the Unemployment Fund; as well as all internal administration, audit and control functions.

At the local level, the regular employment services for jobseekers and employers are provided through a network of 135 local agencies established in smaller localities and 115 so-called 'working points', usually placed in the mono-industrial areas where big companies are undergoing restructuring. (In general, the local agency for the county capital is integrated in, or adjacent to, the county agency building, thus making it difficult to distinguish during the visits paid to the counties in preparation for the monograph.) Unlike public employment services in most acceding countries, the NAE has developed a steadily growing network of its own training centres. The centres have been established in areas where the existing provision for adult learning needs to be enhanced. A total of 14 county training centres are coordinated by the respective county agency to serve the labour force and employers of the respective county. Five regional training centres have been established with financial support from a World Bank loan and are operational (in Craiova, Cluj Napoca, Ramnicu Valcea, Turnu Magurele and Calarasi), delivering services to several counties. An additional regional training centre is planned in Brasov. Moreover, the NAE plans to establish at least six additional county training centres in the period 2004 to 2005, bringing the total to 26 training centres under its direct coordination. With the support of the German government, three

adult training centres (in Timisoara, Sibiu and Vladimirescu) have been established under the Romanian-German Foundation. One centre for young unemployed people (in Izvorul Muresului) has been established as an autonomous training foundation.

3.2 RESOURCE ALLOCATION TO PUBLIC EMPLOYMENT SERVICES

3.2.1 FINANCIAL RESOURCES

In Romania, expenditure related to the implementation of active and passive measures are financed from the Unemployment Fund. The fund's budget, and therefore the NAE's budget, including allocation of expenditure per category, is approved annually by parliament based on proposals prepared by the MoLSSF (which subsequently come from the NAE⁸⁰). In addition to payments for active and passive measures, expenditure covered by the fund includes administrative expenditure related to the functioning of the NAE.

In case of deficits, the Unemployment Fund may be supplemented by funds from the State Budget. In practice, this has never been the case. So far, cash flow problems have been overcome by treasury credits, which have been fully repaid. In the Table 14 below a breakdown is provided of the revenue and expenditure of the NAE over the past four years. Whereas the MoLSSF and the NAE supply data and information on utilisation of resources allocated from the Unemployment Fund and from credits provided by the World Bank, the monitoring of other funds (such as EU Phare programmes) is the responsibility of other Romanian implementing agencies, other governmental entities or NGOs. There is a lack of integrated information on the allocations from different budgetary sources, which makes a complete overview of the structure of expenditure for active labour market measures very difficult.⁸¹

⁸⁰ The board of the NAE approves the budget proposals before they are submitted to the MoLSSF.

⁸¹ Starting with the Phare HRD 2002 grant scheme, the NAE will be involved in implementing pre-ESF measures, which may improve the overview.

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Table 13: Public employment service budget (billions of ROL and % of total) for the period 1999 to 2002

	1999		2000		2001		2002	
Revenues	6,631.0		9,269.0		13,690.0		17,939.0	
Common (fiscal) revenues	5,633.0	85%	8,233.0	89%	11,671.0	85%	15,300.0	85%
Non-fiscal revenues	459.0	7%	430.0	5%	1,653.0	12%	2,119.0	12%
Reimbursement of credits	57.0	1%	75.0	1%	126.0	1%	457.0	3%
Other (donations, sponsorships, etc.)	482.0	7%	531.0	6%	240.0	2%	63.0	n
Expenditure	8,195.4		9,273.0		9,230.0		11,204.6	
ALMM	210.4	3%	199.0	2%	1,115.2	12%	1,563.0	14%
PLMM	7,708.5	94%	7,720.0	83%	7,504.6	81%	8,947.0	80%
Other expenditure	276.5	3%	1,354.0	15%	610.2	7%	694.6	6%
of which PES and administration	267.3	3%	345.7	4%	459.1	5%	589.3	5%
Deficit/Surplus	-1,564.4		-4.0		4,460.0		6,734.4	

Source: National Agency for Employment
[n]: Negligible

The deficits registered by the Unemployment Fund over several years leading up to 2001 have had a negative impact in relation to the financial resources available for developing the NAE in general and active employment policies in particular. There were two main reasons for these deficits. First, employers, especially from state-owned companies, delayed or did not pay their contributions to the fund. Second, severance payments for employees affected by mass lay-offs were systematically used to facilitate the restructuring or privatisation of state-owned companies. Severance payments were paid in lump sums, which weighed heavily on the budget. This eventually led to delays in the payment of unemployment benefits in 1999 and 2000. Two loans from the State Treasury were necessary to overcome the deficit⁸². By January 2001, the NAE again faced serious financial

problems. One of the main priorities of the new management of the NAE since 2000 has been improving the collection of due contributions, as well as reducing expenditure, in order to avoid such situations. Starting in 2001 the contributions to the Unemployment Fund show a positive evolution, especially as a result of major cuts imposed on severance payments. At the same time, the monthly collection of contributions increased from ROL 600 billion to over ROL 1,300 billion during 2001. The strengthening of the capacity of the NAE to collect contributions created the opportunity to decrease employer's contributions to the Unemployment Fund from 5% to 3.5% from January 2003. A further reduction of 0.5% is foreseen in 2004. The surplus in 2002 was higher than normal due to the fact that many public enterprises decided to pay off their debts from previous years.

⁸² The loans amounted to ROL 482 billion in 1999 and ROL 464 billion 2000, and were entirely reimbursed in 2000.

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Table 15: Public expenditure on active labour market programmes as a % of GDP for the period 1997 to 2002

	1997	1998	1999	2000	2001	2002
Total	0.05	0.06	0.09	0.07	0.13	0.14
Labour market/vocational training	0.01	0.01	n	n	n	n
Subsidies/credits to regular employment [1]	0.02	0.02	0.02	0.01	0.08	0.08
Disadvantaged/youth measures	0.01	0.01	0.01	0.01	0.01	0.01
PES and administration	0.01	0.01	0.05	0.04	0.04	0.04

Source: OECD (data for 1991-98), ETF Key Indicators database (data for 1999-2002)

[1]: OECD data refer only to loans for SMEs hiring the unemployed

[n]: Negligible

[m]: Missing data

The increase in active labour market measures over the last few years is very impressive, from 2.1% in 2000 to 13.9% in 2002⁸³. In 2001 and 2002 the most important category of active measures is represented by the subsidised credits for SMEs. The amount allocated for credits grew eleven times between 2000 and 2001. Of the budget allocated for active measures in 2002⁸⁴, the funds allocated for job subsidies and credits amounted to 46.4%, while actual expenses on these two measures amounted to 81.2% of the total expenses for active labour market measures. The credits can be granted to SMEs and/or self-employed individuals who can carry out independent activities and commit themselves to recruiting a certain number of registered unemployed people. 'Soft credits' are an attractive incentive for employers to hire the unemployed. Credits are more popular than subsidies among enterprises because they give employers a freer hand to choose whom to hire than subsidies that are linked with the recruitment of individuals from target groups that are difficult to integrate. According to the NAE, the credits are a success and they allow the NAE to intervene directly in the labour market to create new jobs where it is more difficult for employers to do so for various reasons. It states that 39,000 jobs were created

through this measure, half of these for the unemployed. Growing international experience shows that such policies of job creation require careful monitoring, evaluation and targeting to improve the net impact and to reduce negative counter effects (such as deadweight). The NAE can use its experience in two pilots to develop appropriate instruments to monitor and evaluate the net effect of these measures. In addition, the JAP recommends a better balance between subsidised employment and other measures. This could be achieved by substantially increasing the provision of training.⁸⁵ More emphasis on improving the quality of the labour supply is important as it can contribute to long-term employability, which is one of the most important objectives of the European Employment Strategy.

There has been an increase in the total expenditure on active labour market measures in Romania, from 0.14% of GDP in 2002 and 14% of the Unemployment Fund expenditure. This is low compared to other acceding countries, such as Hungary and Slovenia (0.36%), and the Slovak Republic (0.23%), and even lower compared to EU Member States: Germany (0.97%), Belgium (1.13% in 2000), Denmark (1.44% in 2000) and France (1.13% in 2000).

⁸³ National Agency for Employment. The fact that credits are recyclable is reflected in table 13 where the revenues of the NAE from the reimbursement of credits indicate a lower net increase of active labour market measures.

⁸⁴ The allocated budget in the Unemployment Fund for active labour market measures in 2002 was ROL 3,109 billion (24% of the total unemployment budget allocated), of which ROL 1,556 billion was actually spent (14% of the total spent). According to updated figures provided by the NAE the total amount spent on active labour market measures in 2003 was ROL 1,563 billion, of which 85% was spent for job subsidies and credits.

⁸⁵ Joint Assessment Paper, conclusions p. 37.

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Table 16: Public Employment Service expenditure (billions of ROL and % of total) for the period 1999 to 2002

	1999		2000		2001		2002	
Staff costs	74.2	28%	133.3	39%	190.3	41%	265.8	45%
Materials, consumables, contracted services	159.7	60%	148.8	43%	182.9	40%	240.8	41%
Investments	33.4	12%	63.6	18%	85.9	19%	82.7	14%
Total PES and administration	267.3		345.7		459.1		589.3	

Source: National Agency for Employment

In comparison with OECD data, in 2002 the expenditure on PES as a percentage of GDP was 0.04% compared with 0.12% in Denmark (2000), 0.13% in the United Kingdom (2000), 0.14% in Austria and Belgium (2000), 0.18% in France (2000), 0.23% in Germany (2001) and Sweden (2001). The share of the PES costs in Romania is also lower than in other acceding countries, such as Lithuania and the Czech Republic (0.08%), Hungary (0.11%) and Slovenia (0.12%).

The funds allocated for vocational training in 2002 amounted to 4.0% of the budget for active labour market measures, while actual expenses on this measure amounted to 2.6% of total active labour market measure expenses⁸⁶. There is an under-utilisation of the funds allocated for training, especially as a third of the available budget was not used. There are several explanations for this situation but the most important is the introduction of the new criteria of efficiency by the NAE. Placement rates after graduation from training courses is one of the performance indicators used by the NAE for assessing

the county agencies. In 2002, more than 75% of the unemployed that were trained took part in courses assuming a 100% placement rate, and the rest took part in courses where the placement rate was at least 60%. As a result of this new approach, placement rates after vocational training went up from 62% in the past to 74% during the first 10 months of 2002 (based on the NAE data). Evidence from international experience suggests that the constraint to obtain high placement rates increases the risk that the employment agencies and training providers select the most trainable unemployed, which are likely to be the most employable⁸⁷.

The NAE has developed a steadily growing network of its own training centres, unlike public employment services in most acceding countries. The centres have been established in areas where the existing provision for adult learning needs to be enhanced. There are 14 county training centres and five regional training centres that are coordinated by NAE. An additional regional training centre is planned to be established in Brasov. Moreover, the NAE

Table 17: The number of graduates from training courses organised by the NAE for the period 1999 to 2003

	1999	2000	2001	2002	2003
Graduates (unemployed persons)	23,909	20,641	21,099	19,250[1]	21,753
Inserted	6,935	6,539	10,590	14,458	m

Source: National Agency for Employment

[1]: The training of 5,939 individuals was carried over from 2001

[m]: Missing data

⁸⁶ National Agency for Employment, *Activity Report 2002, 2003*.

⁸⁷ There is no evidence to show that this actually happened in Romania; in fact according to the NAE 58% of the unemployed trained in 2003 had an educational attainment level of lower secondary education or less (ISCED 1-2). Data from previous years to compare are not available.

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plans to establish at least six additional county training centres in the period 2004 to 2005, bringing the total to 26 training centres coordinated by the NAE. The training centres are manned by permanent staff members of the employment service who act as administrators. The training is carried out with external collaborators. The centres are subject to the same accreditation criteria and tendering procedures as other providers bidding for public funds. According to the NAE the centres have to prove their efficiency in a competition-based environment. This approach should be consistently implemented in order to avoid the non-cost effective operation of the centres in the future, taking into account that the centres themselves are currently partially funded from the Unemployment Fund.

In addition to the Unemployment Fund, several international organisations and bilateral donors provide financial support, either in the form of loans or grants. The international assistance was used mainly for financing or co-financing active measures, in particular in the context of economic restructuring and mass lay-offs. With regard to the World Bank Redeployment Programme, the financial support also represented a source from which to improve office facilities and training centres, especially through the purchase of the necessary equipment and training the staff involved in delivery of services.

The EU is the most important donor in the field of active labour market measures. A number of major Phare programmes have been launched and financed over the past few years: RICOP and Human Resource Components of Phare 2000 and 2002 sub-programmes for Social and Economic Cohesion. The RICOP programme covered 17 Romanian counties and was launched in 1999 with the aim of supporting the restructuring of state-owned loss-making companies. It was expected that, as a result of the restructuring process, about

50,000 people would be laid off. The RICOP programme has a budget of €9 million for employment promotion measures, as part of a bigger package of €100 million, which includes support for outplacement (€1 million), severance payments (€28 million⁸⁸), public works (€14 million), small business finance (€30 million) and social response measures (€9 million). The RICOP programme was launched in 1999, with the aim of supporting the restructuring of state owned loss-making companies. The budget finally allocated for active measures was significantly reduced. A total of €4.7 million was being contracted through about 108 projects by the end of 2002 with 28,000 beneficiaries, of whom 17,500 had been laid off from the restructured companies. For the Public Works component, the original allocation of €14million was increased to €18 million, representing an increase of almost 33% from the original allocation for public works.

Phare has launched a series of pre-ESF activities that provide grants for guidance and counselling, training for unemployed or employed individuals, and the integration of disadvantaged groups in the regions⁸⁹. The first programme launched was the Phare 1998 HRD programme, the first activities of which started in 2000. The total budget available was more than €19 million, of which €15 million was from Phare. Some 106 projects were funded for a total of €7 million. The Phare 2000 HRD programme started in 2002. The total budget available was almost €25 million, of which €18 million was from Phare. 416 projects were funded for a total of €21 million. The total budget of the 2004 HRD programme is €16 million, of which €12 million are from Phare. The experience with the scheme shows that projects are not always well targeted and that it is difficult to make an accurate assessment of the qualitative impact. The projects supported under the Phare 1998 HRD programme seemed to be rather supply-oriented, although most activities that were supported also

⁸⁸ This component was directly managed by the NAE. 40% of the amount spent by the NAE on severance payments for lay-offs from enterprises that took part in RICOP was reimbursed to the NAE budget from the RICOP budget. Only €12.9 million from RICOP was actually spent on severance payments.

⁸⁹ The total government contribution to the Phare 1998-2000-2002 HRD programmes is €14.5 million (25% of the €60 million budgeted).

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continued after Phare funding had come to an end. The involvement of the MoLSSF and the NAE in the HRD programmes has been quite limited, but there are plans to considerably reinforce them in preparation for the ESF⁹⁰.

Within the Labour Redeployment Programme launched in 1998, the World Bank financed various active employment measures as part of a loan of US\$8.5 million. About US\$7.7 million of the loan has been disbursed for this activity. A large proportion of the available funds (50%) were used for creating temporary jobs through financing public works, while only 7% have been allocated to training. In 2001, the Romanian government agreed (under GO 111/2001) to a new Social Sector Development loan financed by the World Bank. This new loan project (US\$30 million) will focus especially on the needs of poor rural communities and disadvantaged groups, and use community development approaches including education and training (investment in social capital) as an integrated measure.

The main bilateral donors in the field of employment promotion are the German government through GTZ and the American government through USAID which, together with the Canadian government (CIDA), closely coordinate their assistance with the World Bank's Employment and Social Protection activities. The German government funded the establishment of the four training centres under the Romanian–German Foundation. The French government has provided a permanent pre-accession advisor to the MoLSSF. The French and Dutch governments provide regular input and opportunities for capacity building.

3.2.2 HUMAN RESOURCES

When the NAE started in 1998 it planned to have a staff of 6,180 by 2001. In 1999, 3,437 positions were filled, of which 127 were in the agency's headquarters. Law No 145/1998 stated that the costs related to

the operational expenditure of the agency (including county and local agencies) should be limited to a maximum of 5% of the Unemployment Fund. This limitation has not been changed with Employment Law No 76/2002. As a result of this financial constraint, the planned number of staff has not yet been reached.

A large majority of staff are employed at county agency headquarters. Apart from the regular employment services, the county agencies are in charge of all internal administration, audit and control functions, organising the training programmes for the unemployed and delivering credits and subsidies. Although the majority of staff in the county agencies are in occasional (or even regular) contact with jobseekers, they usually provide additional services (or aspects of services). Taking into account the staff whose main job it is to provide services to jobseekers, the number of unemployed per counsellor is often much higher than the average of 182 registered unemployed per staff member mentioned in the JAP. In the counties that were visited in preparation of the monograph in December 2002, the estimated rate of unemployed per job counsellor ranged from 404 (in Calarasi) to 702 (Brasov). The NAE regards 80% of all staff as working directly with the public. According to the NAE the widening of the beneficiaries for active measures, as laid down in Employment Law No 76/2002, means that other jobseekers and employers are also part of the agency's core clientele. Personnel in charge of crediting, public relations staff, legal counsellors, personnel of the regional training centres, functionaries from the active measures control departments and the budgetary and IT systems departments that are in contact with employers should, in the view of the NAE also be considered as working directly with the public. While the tasks and responsibilities of the staff employed with county agencies are easily identifiable through organisation charts, specialisation (if any) in local agencies seems to be subject to a wide variety of organisational patterns. It is evident that in

⁹⁰ The Ministry of European Integration manages the HRD programme. County agencies will be involved in the Phare HRD 2002 programme (starting in 2004). The MoLSSF and the NAE will manage the Phare 2004 HRD programme.

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the many small local agencies with only one or two staff, they need to be generalists, delivering only basic services. In the larger local agencies, specialisation by activity, target group, market or by other pattern occurs. However, during the field visits in December 2002, that took place in preparation for the monograph, these specialisations were rather difficult to identify. In addition, in some local agencies, staff seemed to rotate from one specialisation to another.

The Joint Assessment Paper states that a review of staff allocation between the regional and local agencies is necessary with a view to successfully implementing the modernisation strategy and the new activation policy⁹¹. At present the agency has at its disposal a total staff of 3,475 (up from about 2,000 staff before 2000) distributed as follows: 186 at headquarters; 3,189 at county level of which 1,247 are at local level; 148 transferred to the General Directorate of Labour and Social Solidarity for control activities; and 175 to the National Agency for Tax Collection, which has been taking over the responsibilities of collecting and controlling contributions to the Unemployment Fund. There are currently 100 staff employed in the regional training centres and 603 staff working in the field of career guidance and counselling⁹². Comparing these figures with those in the JAP (2002) it becomes clear that an additional administrative task has been delegated (the collection of contributions to the Unemployment Fund) to another body, the National Agency for Tax Collection with a transfer of the administrative NAE staff. Moreover, the

staff resources for career information, counselling centres and training centres, which according to the JAP appeared to be particularly understaffed, have been significantly reinforced (403 staff instead of 175 for guidance and counselling, and 100 staff instead of 40 for the five regional training centres). However, there is no evidence yet of a review of the staff allocation between the county and local agencies, given that the staff numbers for the local agencies is exactly at the same level as a year ago.

The NAE is developing a professional training system for its own staff and will establish a National Training Centre for NAE staff in Brasov by 2005. This will be with the support of a Phare Twinning programme under the 2003 Institution Building for Economic and Social Cohesion scheme⁹³. The twinning programme aims to strengthen the NAE's capacity to assess, train and update the relevant skills of its staff, and will also focus on the requirements for the implementation of the ESF for which the NAE has been appointed as implementing authority.

3.2.3 PHYSICAL RESOURCES

In 2001 all regional and local agencies were equipped with new hard and software platforms⁹⁴. The IT system has been upgraded in recent years (supported by a World Bank loan), and in March 2003 the entire new IT system became operational. The new hard and software tools equip job brokers/counsellors with online databases and remove one of the constraints to

Table 18: Distribution of NAE staff by subordinated units for the period 2001 to 2004

	2001	2002	2003	2004
Total number of positions, out of which:	3,695	3,695	3,670	3,475
Headquarters	200	200	170	186
County level	3,495	3,495	3,400	3,189
Regional Adult Training Centres	N/A	N/A	100	100
Local agencies and working points	1,251	1,247	1,247	1,247

Source: NAE February 2004

[N/A]: not applicable (centres set up in 2003)

⁹¹ JAP, p. 31.

⁹² Figures from the NAE, January 2004.

⁹³ Twinning project RO 2002/IB/SPP-02.

⁹⁴ The NAE is the first public agency to have its own national infrastructure. 80% of the activities at local level are being computerised and more than 2,500 employees are working on PCs.

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providing high quality job brokering services. It will also assist in improving selection and referral to active measures, but more progress in this respect would require the integration of information on potential measures and service providers. The new system also supplies a modern management information system and facilitates labour market statistics. The new hardware and software tools have already facilitated the internal functioning of the agency, but during the monograph exercise it was too early to make a valid judgement on the impact on jobseekers and employers, or on the use of statistics or other labour market and occupational information for improving the quality of employment services. The top priority to this end will be the application and continuous improvement of the newly developed standard working procedures, accompanied by systematic staff training, including continuing training.

3.3 COVERAGE OF PUBLIC EMPLOYMENT SERVICES

The target groups for the PES are active jobseekers aged 16 and above, and prospective employers. The PES market shares⁹⁵ are not available for the Romanian PES. This is regrettable, as essential reference data on all newly concluded job contracts should be readily available from the competent department of the labour inspectorate (the former Chamber of Labour). Nevertheless, the market shares would be rather meaningless in countries where the notification of vacancies is compulsory for PES (which is the case in Romania), especially if this compulsory action is to be enforced (also the case in Romania). The information on the market shares in

Romania is less valuable since the data on vacancies that are registered in county agencies and filled include vacancies that are declared and registered retroactively (that is to say that the employers and the jobseekers who have concluded job contracts without using the NAE services are obliged by the Labour Inspectorates to declare and register the vacancy retroactively at the NAE). In order to compile the second version of market shares, the NAE would need first and foremost to define what constitutes a placement or, even better, a successful job brokering, and count this incidence statistically. For the time being, only statistical data on 'jobseekers leaving the register for employment' are available. However, these data include jobseekers that have found jobs on their own (without support from the NAE).

In Romania, the differences in reporting practices often lead to problems with employment indicators at both national and regional levels. The information on registered unemployed persons usually held by the NAE differs in coverage and definition from those used in Labour Force Surveys. In 2002, for example, registered data show a substantial decrease of registered unemployed, while LFS data show a moderate increase. While regional data are available from LFS, county trends are only available from the labour force balance data. Hence, information on trends is therefore not easily usable⁹⁶.

Collection of statistical data on the NAE's operations has been considerably improved over recent years (supported by a bilateral Romanian-German project). While mainly stock figures (or even stock figures accumulated since the beginning of Law No 1/1991) have been collected until

⁹⁵ The market shares for PES are commonly calculated in two ways. The vacancy (or market) penetration rate indicates the degree to which the employment services are asked to assist in the recruitment of personnel. It is supposed to represent the relation between vacancies of which the employment service have received notification during a reference period and all vacancies occurring during the same period across the entire labour market. As data on the latter are usually not available, vacancy penetration rates are usually composed of proxy data, that is, with available data, which are supposed to replace the unknown 'vacancies in the entire market' figure. In this case, data on all newly concluded job contracts (obtained from labour inspectorates, tax authorities, and social security institutions) are utilised. The other rate is the market share (placement rate), which indicates how many of all new employment contracts had been concluded due to the job brokering efforts of PES. As with the above version, flow figures on all newly concluded job contracts are essential.

⁹⁶ The figures of the LFS 2002 as well as national registered data for 2002 are not fully comparable with previous years due to the changing definitions on employment in 2002 (see also Regular Report 2003, p. 36).

late into the 1990s, all county agencies now provide an extensive range of stock and flow data. Although data are available, their presentation is not always in accordance with worldwide standards, namely allowing easy comparison with previous months (periods) and the same months (periods) of previous years.

3.4 RANGE AND QUALITY OF SERVICES

The range of tasks assigned to the National Agency for Employment by Law No 76/2002 includes a range of support activities which vary from credits and assistance for starting up a self-employed activity to mobility allowances and vocational training programmes. A series of new features has been introduced and the range of active labour market policies has been diversified, and addressed both to the unemployed, encouraging them to search for a job or creating their own business, as well as to the employers through various types of subsidies. In addition, the NAE provides free-of-charge services for private entrepreneurs, such as vocational counselling, personnel selection, and financial services, including credits offered to employers. Below follows a brief reference to the main functions.

- a. Job brokering
 - Mediation services and vacancies announced at the local agencies.
 - An Internet-based electronic job brokering service has been developed. This service is called SEMM (Serviciul Electronic de Medierea Muncii) and provides free-of-charge nationwide access to vacancies and jobseekers via the Internet. The system allows direct contact between applicants and employers. Since its inauguration, SEMM has been accessed by approximately 70,000 individuals, of whom 8,475 were employers and 60,741 were people looking for a job (according to data included in the National Action Plan for Employment, 2002). Almost 15,240 jobs have been offered. In 2002 about 37,300 people visited the site.

Factors such as the low mobility of the labour force, insufficient access to the Internet, or lack of computer literacy and the associated costs related to this, are expected to limit the use of SEMM.

- b. Mobility allowances for the unemployed who relocate for employment purposes.
- c. Reintegration allowances for the unemployed. This range of active measures also includes an innovative element (the reintegration bonus) for unemployed people who have found a job before the expiration of their entitlements.
- d. Vocational training programmes provide initiation, qualification and re-qualification, advanced specialisations of individuals in compliance with the law. The programmes offered are courses, practical on-the-job training, specialisations, and so on.
- e. Recruitment subsidies for employers, especially designed to stimulate the recruitment of target groups, such as graduates, long-term unemployed and single-family earners. It can cover different types of subsidy ranging from the reduction of social security contributions to wage subsidies.
- f. Credits granted to SMEs, cooperatives, self-employed individuals authorised to carry out independent activities which create additional jobs for registered unemployed, and unemployed who set up companies. At least 50% of the new staff employed must be jobseekers.
- g. Consulting services and assistance for jobseekers wishing to start their own business. The services are granted to jobseekers on request, in the form of legal, financial and marketing services, effective management methods and techniques, and other counselling services. These services are provided by county agencies and/or by private providers (such as companies, NGOs, professional associations, and so on).
- h. Direct creation of temporary jobs (public works) and intensive job search assistance (job clubs).
- i. Administration of the Unemployment Fund (budgetary control and payment of unemployment benefits and other income replacements such as

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severance payments). From its inception, the NAE has been responsible for the payment of unemployment benefits and for collection of contributions to the fund. With respect to social welfare payments, recipients able to work are obliged to register as unemployed with the NAE in order to become entitled to the 'Minimum Guaranteed Income' (MGI). Recipients have to be available for work and participation in active measures.

- j. Labour market information (statistics), analysis, and reporting.

In 2001 the government adopted a National Strategy for Improving the Condition of Roma, using a decentralised approach to address: public administration and community development, housing, social security, healthcare, justice and public order, economic development, child welfare, education, culture, and communication and civic involvement. County Roma Offices have been established in each county. The National Employment Agency and its county offices have started active cooperation with the Roma County Offices and NGOs in order to improve Roma access to the labour market (although to date there has only been limited progress).

The foundations for developing modern services have been laid, but it is likely to take further efforts and time until the labour market competencies of staff permit a quality of service necessary to implement the European Employment Strategy. This applies in particular to abilities to design truly individual action plans for jobseekers and to pre-select candidates according to job requirements. The new requirement of designing individual action plans is an example. While this approach merits vigorous pursuit, it is a tool that needs to be used systematically otherwise it may only result in a higher workload and more paperwork. Improvements may be facilitated when all the information from the individual action plan is fully stored in the new jobseeker database, and also include current "non-structured" information on

work experience and abilities as standardised for all jobseekers⁹⁷.

In spite of different legislative requirements, jobseekers remain classified according to the certificate of their highest educational (or vocational training) attainment. Real previous work experience, competences acquired through such work experience, through other informal means of skills acquisition, or so-called 'soft' or personal skills (like teamwork), although of the utmost importance for effective job brokering (and even more so for referral to active measures), are recorded only in exceptional cases. Information on job vacancies usually remains confined to the job title and some basic working conditions. Information about the job description or more elaborate skill specifications could not be found on the sample of vacancy files studied during the monograph missions. In addition, classification of vacancies seems to relate exclusively to the highest education or training certificate demanded by the employer, rather than to a summary of the skill specification. This lack of information in the classification of vacancies hampers effective job brokering services. Moreover, it deprives the agency of an essential indicator for demand trends and specific skill requirements (which have to be approached through active measures). Therefore, it is recommended that counsellors should be systematically trained on how to record and use this type of information.

Two pilot projects on net impact evaluations of active labour market measures have been carried out in Romania. One focused on selected active measures of the NAE in pilot counties within the framework of a bilateral Romanian–German Project (GTZ)⁹⁸. The overall goal of this project was to provide information on the net impact of selected active labour market programmes in Romania and to improve the targeting and cost-effectiveness of them. The other was a study to determine the net impact of the active labour market programmes financed under the World Bank Labour Redeployment

⁹⁷ The EUROPASS framework could be used to structure this kind of information.

⁹⁸ GTZ, Oneasca I., *Analiza efectului net al cursurilor de formare a somerilor in Romania*, 2002.

Program⁹⁹. The results from these evaluations show a positive role for existing (re)training measures as an integration measure, but these evaluations have been used only on World Bank-funded and regionally focused programmes. The studies showed that not all active labour market measures have positive impacts on employability, and they are more effective for some sub-groups than for others. Better targeting of services to those who can benefit the most will enhance the impact of active labour market measures. The results also showed that training and retraining is particularly effective for the young unemployed, in particular females with an educational attainment level of average or below (that is, lower secondary education). The NAE could use its experience in these two pilots to develop appropriate instruments to monitor and evaluate the net effect of active labour market measures. This would be in line with the recommendations in the JAP to measure the impact of active labour market measures on various groups in order to ensure an appropriate targeting¹⁰⁰.

The new leadership of the National Agency for Employment has developed an internal performance management system based on a set of 14 quantitative performance indicators. These indicators form the basis of contracts between the national and the county agencies, and between county and local agencies. The performance of county and local units is measured mainly according to these indicators, and under-performing counties and their staff may be sanctioned. As in other countries, the new system had some 'teething' problems. The first set of indicators in 2002 seemed to depend to a large degree on market developments and on the cooperation from the side of employers rather than on the performance of agency staff, and thus was not suitable for assessing the added value of the NAE. These have been overcome with a more 'bottom-up' approach for the indicators for

2003. Also for 2003, the NAE management intended to develop more quality than quantity-oriented indicators.

The problem of finding useful performance indicators for PES is affecting both Member States and future Member States. It is unfortunate that some of the most effective and unproblematic performance indicators (like the 'market shares' or the 'vacancy spell'¹⁰¹) can not be used due to the existence of compulsory registration of vacancies and the practice of retroactive declaration of vacancies that have already been filled. In addition, the currently applied Vacancy Fill Rate (*Gradul de satisfacere a ofertelor*) is not a helpful indicator since it includes vacancies filled without the direct mediation of the NAE.

3.5 ROLE OF PRIVATE EMPLOYMENT SERVICES

Before 2002 private employment agencies only had to register with the Chamber of Commerce. However, Employment Law No 76/2002 stipulates that private employment agencies are permitted to operate only under a license issued by the NAE¹⁰². The law also sets the legal framework for cooperation between the PES and private agencies. Suppliers of employment services can either be legal entities or individuals that have to be accredited. Accreditation criteria have been established through Governmental Decision 277/March 2002 (for example, criteria include having a database, having the necessary equipment, specialised staff, of which at least 30% have to have a university degree and specialisation in the field, and at least three years experience). It is also necessary to pay a fee for accreditation. The accreditation is granted by the NAE and lasts for a period of four years. The suppliers must be registered in the 'National register of accredited employment services suppliers', which is updated periodically.

⁹⁹ Benus, J., *Impact of ALMP in Romania*, The World Bank, Labour Market Policy course, Washington, March 2003.

¹⁰⁰ See for example, Joint Assessment Paper pp. 28 and 37.

¹⁰¹ The 'vacancy spell' is the time period between the desired starting date of a given job and the actual starting date.

¹⁰² The criteria for licensing (accreditation) are established through GD 277/2002.

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Scale of private employment service activities and relations with the public employment service

So far, about 50 private employment services are registered with the NAE. The data in Table 19 cover companies registered during 2001 and 2002, and these companies are likely to be the most successful ones. No research or surveys have been carried out so far on the private sector of the intermediary services. Evidence from the field suggests that fees paid by the jobseeker are a substantial source of the income for private employment services. Jobseekers pay for mediation, initial registration fees, and fees for the preparation of job applications. Typical international practice is that only the employer pays for these services where the person is appointed. Indeed the relevant ILO convention (181) provides that: "Private employment agencies shall not charge directly or indirectly, in whole or in part, any fees or costs to workers". Even while providing free services for employers, the smaller local private agencies operating in the domestic labour market face great difficulty in building up business in what is essentially a 'buyers' market'. Given the high level of unemployment, employers often have little difficulty in recruiting for routine jobs.

The private employment service sector is at an initial phase of development. It is still fragmented and offers a limited number of services and opportunities. At this stage there is limited cooperation between the private and public employment services. The registered private employment services are mainly active in Bucharest and larger cities, and provide a range of services: headhunting for better paid jobs, mediation for jobs abroad, guidance and counselling services, HRD consultancy, web-based job mediation, as well as finding jobs for the unemployed and related activities (for example, filling in forms, CV writing, translation and legalisation of documents). The work of private intermediaries in job finding is claimed to be more flexible than that of the PES. According to the subjective opinion of the employees in the private employment service sector they are less bureaucratic,

contacts with employers are less formalised, there is no need to fill in many forms, and the collection of updated information is quicker. At the same time, experience shows that the private employment services have a limited capacity. According to official statistics from the NAE, the private employment services provided job mediation to 6,275 individuals over the first nine months of 2003, of whom 841 were placed in employment. 2,428 people received guidance and counselling services from accredited providers, of whom 179 were placed in employment. That suggests that the share of the private employment services is still very small and they are not very effective.

3.6 REFORM OF PUBLIC EMPLOYMENT SERVICES

With the new Employment Law, a long awaited milestone has been reached in terms of raising the quality of PES commonly found in the EU Member States. As stated on several occasions in this monograph, regardless of some drawbacks, this law contains a modern quality orientation which was not present in the previous legislation. In addition, it has extended the range of potential active measures to a degree found in more advanced countries and even beyond. An example is the so-called 'reintegration bonus' for unemployed benefit recipients who have found a job before the expiry of their benefit. In addition, the new management of the NAE has succeeded in improving the collection of contributions to the Unemployment Fund and started an extensive modernisation programme, including not only physical resources (such as offices and equipment), but also the development of new standard working procedures, the introduction of performance management and the development of a new training system for internal staff. Currently, the focus is on: further increasing the share of expenditure for active labour market measures (including training); the establishment of six additional county training centres; refining the system of performance indicators to aim more at qualitative indicators; the

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preparation for the ESF (for which the NAE will be the implementing body); the improvement of internal staff training, including the inauguration of a staff training centre in Brasov; the introduction and further improvement of standard working procedures; and the improvement and consolidation of the new IT system.

As stated previously, the new Employment Law represents a major change in PES objectives, introducing quality elements, principles, active measures, and even innovative measures, in comparison with the EU Member States. Drawbacks maintained from previous legislation include compulsory notification of vacancies and no necessity to further target measures to those in need (within the broadly defined target groups). In contrast with the 1990s, both the MoLSSF and the NAE are now intensively discussing, planning and tackling the future development of the PES. These plans are to be transparent, and active support is sought both inside and outside these institutions.

3.7 SUPPORT FOR IMPLEMENTING THE EUROPEAN EMPLOYMENT STRATEGY

The PES in Romania has achieved considerable progress in gearing itself up to the requirements of effective implementation of the European Employment Strategy. Progress comprises first and foremost the new and modern employment promotion law. Despite some drawbacks, this law provides the essential

legislative basis for developing services and quality measures required for the European Employment Strategy. In addition, a number of management initiatives (such as the introduction of performance indicators or standard working procedures) accelerate the modernisation of the NAE, as does investment in all types of facilities. It is too early to judge whether these tremendous efforts will lead to substantial improvements in the quality of services to jobseekers and employers. A large number of PES staff are still concentrated in County Employment Service Headquarters dealing with administrative functions. The key to decisive quality enhancement remains the considerable improvement in the collection of information on jobseekers and vacancies, including the overall approach to collecting information, its comprehensiveness for job brokering services, and the design of active measures tailor-made to the needs of the individual, as well as its documentation and classification.

The NAE has some challenging circumstances ahead, including the broadening of active measures, the regionalisation of employment policies and preparation for ESF, as well as the widening of beneficiaries, the greater emphasis on early activation, and the rapidly developing economic and social situation due to an acceleration of structural reforms that will start to effect rural Romania. It will need to focus on the quality and efficiency of its services and concentrate its resources more on those target activities where the NAE can have a particular added value.

4. CONCLUSIONS

4

Romania is changing rapidly

Economic growth is currently at one of the highest levels in Europe. The growth figures are encouraging, but in order to achieve sustainable growth, investment is necessary to raise productivity, including maintaining and upgrading the country's human capital. The contributions of the different sectors to GDP are changing rapidly in line with global development. The service sector is gaining importance. Smaller companies play an increasingly important role. There are substantial demographic changes in Romania. In comparison to ten years ago there are already 25% less students in compulsory education, a trend that is still continuing. There are huge disparities in the country between urban and rural areas. Large parts of rural Romania are slipping backwards towards subsistence farming; urban centres are developing sometimes under difficult circumstances. Industrial restructuring is reducing the role of the big industrial complexes further in terms of employment and output. Romania has witnessed a phenomenon unique in Europe of increasing employment in agriculture

while the added value of the sector is reducing.

Lack of vision and policy coordination for HRD

Although during the past three years many policy and legal documents have been prepared that refer to different aspects of lifelong learning, education and employment policies do not often state clearly why they have been designed. There is no forward-looking strategy stating why Romania would need to invest in lifelong learning, which can be translated into a vision of the Romanian workforce in five to ten years time. When policies are translated into actions there is a preference for regulatory instruments that address segments of the system without taking into account the contextual environment sufficiently. Institutions continue to look at their own concerns and interests first. In terms of lifelong learning, a change in mentality is still to take place. One of the problems is the concept of learning versus education. Learning is seldom approached from the individual's perspective, but mostly seen from a supplier's point of view.

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As a result, there is a strong preference for institution-based education, and work-based learning is underdeveloped.

CVT – Priority is to do much more

Participation in CVT is at its lowest level in Europe. Moreover, although the participation rates and attainment level of 18-24 year-olds are improving, Romania still has to catch up substantially with other European countries. The focus in the new Adult Training Law No 375/2002 on quality might distract people from the fact that not enough is being done to raise participation. Raising participation must go hand in hand with building capacity, thus raising quality, and not just through regulation. Quality is a moving target that also depends on what is fit for the purpose. Continuing training needs to be stimulated, and apart from regulating quality – which is going to raise costs for the clients of continuing training – and obliging employers to train their staff regularly, there need to be positive incentives. Given the low level of funding of the education system (less than 4% of the GDP) reallocating resources to continuing training does not seem to be an option.

PES and active labour market measures – A substantial increase in training measures is needed

In Law No 76/2002 the range of active measures is extended to a degree found elsewhere. The PES has started an extensive modernisation, including performance management, standardised working procedures and staff training. Due to a successful policy to recover the debts in contributions to the Unemployment Fund, thus ensuring more regular payments and a reduction of the eligibility period of unemployment benefits, more money is now available for active labour market measures. Most of it is spent on different types of job subventions, through recruitment subsidies and credits to employers. However, between 1999 and 2002 we observed a decrease in training activities with a small recovery in 2003 – still 10% below the 1999 level. In 2002 only 2.5% of the unemployed completed a training course. Moreover, the main share of training activities seems to be strictly

linked to the requirement of reintegration. The introduction of targeted policies to activate individual clients in line with the European Employment Strategy and as intended by the new law will require new competences and attitudes of PES staff. PES will need to focus on the quality and efficiency of its services, and concentrate its resources more on those target activities where it can have a particular added value.

Enhancing systematic data collection and analysis – Labour market information and monitoring

In Romania, the differences in reporting practices often lead to problems with employment indicators at both national and regional levels. Apart from Labour Force Surveys there is no regular survey that gives information on trends on the labour market. The information on the registered unemployed differs in coverage and definition from the LFS. For example, in 2002 registered data show a substantial decrease of registered unemployed, while LFS data show a moderate increase. While regional data are available from LFS, county trends are only available from the labour force balance data. Hence, data on trends are quite poor. Vacancy fill rates cannot be used due to the practice of retrospective registration. Monitoring is based on performance indicators, but a systematic use of net impact evaluations to assess the effectiveness and substitution effect of active labour market measures is still missing. In the planning for the initial training system there is not a sufficient distinction between short-term needs and long-term requirements. The quality of labour market information should be improved to support the planning of all training measures.

Social partnership bodies – Using the added value

There are many social partnership institutions in the employment promotion and education and training area (Local Planning Committees for initial training, Regional Consortia for initial training, the board of the NAE at national and local level, the National Employment Promotion

Committee, the National Adult Training Board, and county accreditation committees for adult learning). The representatives of the world of work can offer a different perspective on education, training, and HRD and employment policies. Currently, the contribution of social partners is often limited to an advisory role on public policies. The added value of consultation with social partners is not used sufficiently. This is partly due to a lack of experience with consultation processes among public bodies that use consultation as a tool to validate their actions. It is also due to the weakness of the social partner representatives. Sectoral issues, for example, are not raised because the sectoral representation of social partners is rather weak. The practice of payment for attendance could be detrimental. There is an urgent need to strengthen the capacity and professionalisation of organisations representing employers and employees in HRD issues at sectoral and regional levels.

Progress in initial training and higher education, but much remains to be done to ensure better job opportunities for graduates

The PES currently spends twice as much on job subsidies for new labour market entrants than on training for the unemployed. Within the curriculum reform, initial training has progressed considerably and there is a clear framework based on Phare RO 9405 programme results. This has resulted in broader based curricula in which specialisation is postponed. In 1999 the revised curricula were introduced into all vocational schools, but full implementation is still incomplete due to the poor conditions in schools. The link with the labour market is still key. The role of social partners is improving, competence-based occupational standards have been used to define the training outcomes, and consultation with local stakeholders in terms of planning the education system is mandatory. It is difficult to assess the impact of the most recent changes. There is a large discrepancy between the shift in importance of sectors and the student

numbers and schools per profile. The figures up to 2001 demonstrate that the system has been rather stable since 1995. Therefore, planning seems to serve more the needs of the system rather than the labour market. As in other transition countries more people go to general education, which is partially the result of labour market insecurity. Therefore, it is important to make VET more attractive. The transition from school to work should be addressed as a priority. Practice in enterprises deserves more attention. There was a large growth of HE students in the early 90s but enrolment stabilised toward the middle of the decade. Numbers are expected to increase again in spite of accreditation procedures that reduced the number of (private) universities.

Spending on education needs to be raised

In general, the education system is under-financed. Even in comparative terms funding is far below the EU level. It is unclear whether the national 4% GDP norm established in the education law of 1995 has been reached, but even this norm is very low in European terms. The conditions between individual schools are extremely varied. Therefore, quality has to be an important concern, but it is not just defined by inputs. Although more than 80% of the education budget goes on salaries, teachers' salaries are below the average in Romania. Yet teaching staff numbers remain rather stable despite the drop in students. The investment in equipment seems to be far too low to modernise the system. There is a digital divide with the rest of Europe, and access to computers and the Internet is especially problematic in rural schools. Local authorities have become responsible for capital expenditure (such as investment in equipment, and heating and maintenance of the buildings). Under the present circumstances the decentralisation process does not necessarily result in improvement. Optimisation of the school network should be seen in the demographic context. Raising participation and attainment levels and quality still remains an important priority.

VOCATIONAL EDUCATION AND TRAINING AND EMPLOYMENT SERVICES IN ROMANIA

Access to learning needs to be widened

There are many signals that skills gaps within Romanian society are growing. Although more students are going to university today, more young people than before break off their education prematurely. Half the young population live in rural areas. Only very few make it to university. Among dropouts, Roma take a very prominent place.

The lower skilled are marginalised. Many of them end up in the informal sector or emigrate illegally. If they are unemployed, there is a 97% chance that they will not be offered any training. If they have a job and are lucky enough to be in a Romanian company that trains its staff, the chance is still very small that training will be offered to them because only the most skilled staff members are trained. Skills are becoming more and more a decisive factor for personal success, employment and growth,

and in a rapidly changing and dynamic knowledge-based society, the skill needs are changing much faster than before. It is expected that almost half the new jobs that will be created in the EU until 2010 will require higher education, and almost 40% of them will be for people with upper secondary education. Between 80-90% of new jobs will make extensive use of ICT. This does not immediately mean a radical change in the labour market, where lower skilled jobs continue to exist. In 2001, half the employment in the EU was in manual jobs, sales and service activities. By 2010 the proportion is likely to be around 45%. However, it is clear that efforts to raise productivity will increase across the board. It is not only the most skilled workers who need to keep up with new developments. At the bottom end of the skill spectrum labour shortages are expected to continue for engineers and crafts-related jobs, for example. Therefore, training and education are important for all types of jobs.

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LIST OF ACRONYMS

COSA	Council for Occupational Standards and Assessment
CVT	Continuing vocational training
CVTS	Continuing Vocational Training Survey
ESC	Economic and Social Council
ESF	European Social Fund
ETF	European Training Foundation
EU	European Union
FMS	Future Member States
GDP	Gross domestic product
HRD	Human resources development
ICT	Information and communication technologies
ISCED	International standard classification of education
IT	Information technologies
JAP	Joint Assessment Paper on Employment Policy
LDC	Local Development Committee
LFS	Labour Force Survey
MoER	Ministry of Education and Research
MoLSSF	Ministry of Labour, Social Solidarity and Family
NAE	National Agency for Employment
NAPE	National Action Plan for Employment
NATB	National Adult Training Board
NCDVTE	National Centre for the Development of Vocational and Technical Education
NGO	Non-governmental organisation
PES	Public Employment Service
ROL	Romanian lei
SME	Small and medium-sized enterprise
TVET	Technical and vocational education and training
VAT	Value added tax
VET	Vocational education and training

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