

Austerity measures intensify social crisis in Romania

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The first elements of the austerity program introduced by the Romanian government led by Emil Boc (Democratic Liberal Party, PD-L) came into affect on July 1. The measures involved will intensify the social crisis in a country already ranked as one of the poorest in Europe.

Starting July 1, state employees suffered a wage reduction of 25 percent. In many cases, the loss of income is especially significant, applying as it does to salaries that had already been subject to an initial cut at the beginning of the year. Following the Unitary Pay Law beginning January 1 of this year, most employees lost their entitlement to any sort of bonus.

At the same time, overtime payments were replaced by days off, leading to a further loss of income. The reductions in January came following pay cuts in two months, November and December 2009, when public employees were forced to take four days unpaid leave. With the advent of the new cuts professionals in many categories have now received a salary cut of up to 50 percent compared to last summer.

Following these reductions, teachers, doctors, social workers and other professionals, as well as police, will be left with monthly incomes of less than 1,000 lei, or approximately €240. Those working in agriculture will have a monthly income of less than €200, while those employed in town halls and public administration will receive about €150 per month. This level of income is, in many cases, equivalent to the monthly rent for an apartment in Bucharest or other big cities. For example, two persons living in a two-room apartment pay about €150 in rent; i.e. three-quarters of the total income for many and the total salary for some workers.

The austerity measures undertaken by the government affect, directly or indirectly, the entire population of Romania. In some areas, low wages and living

standards will have long-term repercussions. The health system, for example, expects to be hit by a renewed wave of emigration by trained personnel. Immediately after the announcement of the austerity measures there was a dramatic increase in the number of workers approaching recruitment firms hoping to find a job abroad.

The new system regarding the provision of prescriptions is also a source of broad dissatisfaction. Patients are only to be given a minimal subsidy towards the price of the drugs. The National Health Insurance House (CNAS) has retaliated by making available only the cheapest of drugs. Those who want to retain treatment based on the former health scheme will have to pay for it out of their own pockets. Those most affected by the changes are older people who find they have to chose between buying food and purchasing medicine.

The education system is also expected to see a further decrease in quality. Aurel Cornea, president of the Federal Educational Trade Union, says that "it will result in a permanent boycott from within schools. The austerity measures will lead to a rapid depletion of teaching staff and they will no longer have any motivation at all. This will affect the quality of education." At the same time, he made it clear that the trade unions would not oppose the austerity measures and merely advised teachers to find additional work to make ends meet, remarking. "This is life under capitalism."

Tough times also await those working in the private sector. VAT has been increased from 19 percent to 24 percent, leading to a dramatic increase in the price of basic goods. The subsequent decline in consumer spending will inevitably lead in turn to the bankruptcy of some firms.

The government's decision to eliminate subsidies paid for heat and hot water will also lead to a doubling or even tripling of fixed costs for households.

The long winter months, with temperatures dropping below -20 C, resulting in very high heating bills will drive sections of the population to take drastic measures. More and more people are reacting by disconnecting their homes from the local central heating network (RADET). The heating grant awarded by the state to those on low incomes has been withdrawn and the reduction in earnings for many other workers will now turn a warm apartment into a luxury.

The number of disconnection requests was so large in certain parts of the country that requests were turned down by RADET officials, fearing that nobody would be left on line capable of paying bills. Last month, for example, the number of requests for disconnection from the local heating network in Bucharest tripled compared to the same period last year. It is expected that when winter begins the number of those who "voluntarily"—in fact, forced by circumstances—give up heating their apartments will rise considerably.

Facing a huge pension fund deficit, estimated at €3.6 billion in 2011, President Traian Basescu said last Wednesday that the only solution was "the introduction of taxation on every income, the application of the flat tax on every income, irrespective of whether it is a high or low pension, income derived from cultural activities, copyright. In the end, every inhabitant must pay taxes." After the slashing of pensions by 15 percent was declared unconstitutional by the Supreme Court, Basescu said in early July that a change in the pension system was necessary. It is now expected that pensions will be taxed by up to 16 percent.

Desperate times lead to desperate measures. A lack of money is driving more and more Romanians to shoplifting. Toiletries and food (canned foods, oil, rice) are the articles most in demand, while the average age of shoplifters has increased dramatically. According to representatives of supermarkets, those who steal food are mostly elderly people. Although they know they are likely to be caught, people respond by saying they shoplift ... because they are hungry!

In addition to the increase in VAT an additional tax has been raised on bank savings. This measure will affect in particular small and middle-sized savers who were able to put something aside in the recent years.

Meanwhile, the IMF mission arrived in Bucharest on July 26 for meetings with Premier Emil Boc, BNR Board, bank managements and the heads of several ministries, including Public Finance, Health, Labor and Transport, as well as heads of the Fiscal Council, employers' organizations and trade unions.

In a new letter of intent, attempting to work out a project for a new loan in 2011, the government intends to continue the cuts in salaries up to 2011 and reduce the number of state sector employees by 100,000. Prime Minister Emil Boc announced that the wage cuts would not be rescinded on January 1, 2011 as promised. Instead, in line with the unitary pay scale of the Pay Law, just 10 percent of the cuts would be reversed—and only under the condition that the traditional extra month's salary for state employees is not paid out.

On national television, President Basescu said in early August that the austerity measures would be continued in 2011 and admitted that the state currently did not have enough money to pay people a decent salary. In the absence of any real prospects for Romania's future, he thanked people who sought work in other countries because by doing so they exempted the country from paying more unemployment benefits from an already highly indebted unemployment fund.

According to the recruitment site Myjob, over 86 percent of Romanians would leave to work abroad if they had a chance. Besides the nearly 2 million Romanians who have already left the country, more than 400,000 Romanians applied from January to June 2010 for a job abroad. Given the austerity measures implemented by the government this summer, the number of those fleeing the country will invariably reach new peaks this year.



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