## I. Social protection and social inclusion

a) State of play and developments on social convergence risks

Despite significant improvements, Romania still faces considerable poverty risks and inequality, with significant disparities across population groups and regions. Even though the overall share of people at risk of poverty or social exclusion (AROPE) has declined since 2015, by 12.5pps to 32% in 2023, it remains among the highest in the EU (34.4% vs 21.6% in the EU in 2022[153]), with important differences across regions (ranging from 12.3% in Bucharest-Ilfov to 45.3% in the South-East in 2023). Rural areas are still confronted with higher AROPE rates (45.1% vs 18.5% in cities in 2023), despite improvements in recent years. Factors contributing to high poverty risks include the still low availability of economic opportunities and reduced access to health, educational, employment, and social services, as well as to adequate social protection, especially in rural areas. The AROPE rate of older people (65+) was 32.3% in 2023 (down from 37.2% vs 20.2% in the EU in 2022). The severe material and social deprivation rate was also high at 19.8% (down

Figure 1: At risk of poverty or social exclusion rates for vulnerable groups
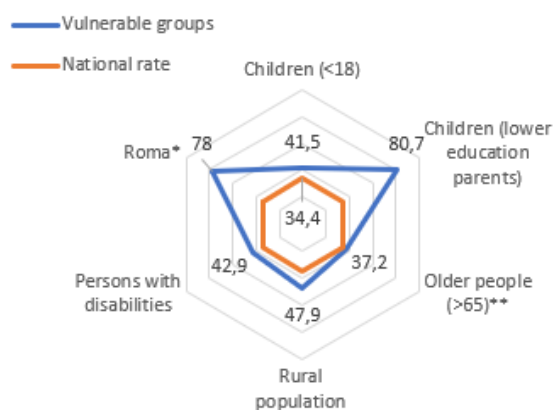
Source: Eurostat and FRA Survey 2021

*Roma at risk of poverty (AROP) according to the 2021 Fundamental Rights Agency (FRA) Roma survey. Included as it remains illustrative of the significant gap, considering that AROPE is a composite indicator that includes AROP and therefore is at least as high.

**The composition of the AROPE indicator slightly differs for the 65+ age group, as it does not include the low work intensity component. The 65+ age group is thus not fully comparable to the other age groups.

from 24.3% vs 6.7% in the EU in 2022). Women and vulnerable groups, including persons with disabilities and the Roma, are also subject to significantly more important poverty risks. The AROPE rate for women was 2.2 pps above that for men in 2023, and stood at 39.4% in 2023 for persons with disabilities (down from 42.9% vs 28.8% in the EU in 2022). Income inequalities have decreased and are the lowest since 2007, but are still higher than the EU average. In 2023, the income of the richest 20% of the population was 5.8 times higher than that of the poorest 20% (down from 6.0 vs 4.7 in the EU in 2022). Policy measures were put in place in recent years to address the disadvantages of the Roma, the share of Roma at risk of poverty (AROP) has even increased by 8 pps between 2016 and 2021 (78% vs 22.5% for the general population in 2021)[154]. In addition, energy poverty affected 12.5% of people in Romania in 2023 (down from 15.2% vs 9.3% in the EU in 2022). Overall, 6 million persons were at risk of poverty or social exclusion in 2023, against 7 million in 2019, showing some progress towards the national target of 2.5 million fewer people at risk of poverty or social exclusion by 2030 but also the need for further efforts to deliver on the target.

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[153] At the time of writing, the 2023 EU averages were not available yet.
[154] FRA, Roma survey 2021. The survey conducted in Croatia, Czechia, Greece, Hungary, Italy, Portugal, Romania and Spain, as well as in North Macedonia and Serbia, includes interviews with more than 8,400 Roma. By focusing on Roma, the survey provides unique data and information that are not available from European general population surveys, which do not disaggregate on grounds of ethnic origin.

The share of children at risk of poverty or social exclusion is particularly high. The AROPE rate for children lay was at 39.0% in 2023 (down from 41.5% vs 24.7% in the EU in 2022, among the highest). Severe material and social deprivation among children reached 22.6% in 2023 (down from 30.8% vs 8.4% in the EU in 2022). Roma children experience particularly important poverty risks (79% in 2021), with a significant gap between girls (83%) and boys (75%)[155]. More generally, children in Romania face among the most important barriers in the EU to attending quality educational and extra-curricular activities. Their significant poverty risks are closely tied to the socio-economic situation of their parents, including their low educational attainment. Labour migration also plays a role, with one in four children having had a parent working abroad in 2022[156]. In its national action plan for the implementation of the European Child Guarantee, Romania has set a national target to decrease child poverty by 500 000 by 2030, from 1.5 million children at risk of poverty or social exclusion in 2021.

The social protection system shows limited effectiveness in alleviating poverty risks and inequalities, pointing to insufficient access and low adequacy. The impact of social transfers (excluding pensions) on poverty and inequality reduction was 15.6% in 2023 (down from 16.5% vs 35.0% in the EU in 2022, among the lowest) and did not improve over the past years. The share of social protection spending out of general government expenditure was only 13.4% in 2021 (vs 20.4% in the EU). Workers in non-standard forms of employment (including casual and seasonal workers) and to some extent the self-employed are not covered by the social protection system. Moreover, only a low share of those in need receive social benefits (including the self-employed and the unemployed). Poverty is very high among quasi-jobless households, at 82.8% in 2023 (up from 75% vs 61.9% in the EU in 2022) and part-timers (56.6% vs 14.6% in 2022). Poverty remained also significant for the self-employed in 2023 (67.8% vs 20.8% for the general population) with no improvement in recent years, including in rural areas where job opportunities are scarce and subsistence farming is predominant. Moreover, while the share of the working-age population at risk of poverty and in quasi-jobless households receiving social benefits increased by 17.9 pps between 2021 and 2022 (to 70.6% vs 81.1% in the EU), the level of benefits remains very low. In 2022, the net income of a household receiving minimum income benefits amounted to just 11.7% of the AROP threshold, or 9.1% of the net income of a low-wage earner, against an EU average of, respectively, 59% and 46.8%.

Meeting the medical and long-term care needs of the population remains a challenge. Although significant progress has been achieved since 2008, unmet medical needs were reported by still 5.2% of the population in 2023 (up from 4.9% vs 2.2% in the EU in 2022). Nearly 75% of respondents cited costs as the main factor behind the unmet needs. The rate of unmet needs for medical examination or treatment is 9.3% for Romanians in the lowest income quintile, compared to 2.3% in the highest quintile. Labour shortages also reduce the availability of medical care, with 7.1 physicians per 1 000 inhabitants in the Bucharest/Ilfov region compared to 1.7 per 1 000 in South Muntenia in 2021. In the South-East region, the population with unmet needs for medical examination or treatment is about 9 times larger than in the West region (10.5% vs 1.2% in 2023). Nearly 6 in 10 Roma people (58%) do not have medical insurance coverage (vs 12% for the general population), and a similar share of Roma have not used any healthcare services in the past 5 years[157], as this group suffers from poor access to health services, lack of awareness and discrimination[158]. Moreover, public expenditure on long-term care (LTC) amounted to 0.3% of GDP in 2021, considerably below the EU average of 1.7%, contributing to the gap in access and unmet needs. In 2019, only 4.7% of persons aged 65 and over in need of LTC used home care services (vs 28.6% in the EU), and 61.6% reported a lack of assistance in personal care or household activities (vs 46.6% in the EU).

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[155] Ibid.
[156] Save the Children study, 2023.
[157] Fundamental Rights Agency, Roma Survey 2021.
[158] ERGO Network, Roma access to adequate healthcare and long-term care, 2022.

b) Relevant planned and ongoing policy responses

In 2022, Romania adopted two ambitious strategic frameworks that aim to reduce poverty and material deprivation. The National Strategy for Social Inclusion and Poverty Reduction 2022-27 aims to reduce the number of AROPE people by 7%, with measures to strengthen the delivery of social assistance and access to public services, boost social and economic participation of vulnerable groups and enhance the resilience of the social services system. The National Strategy on the Social Inclusion of the Homeless 2022-27 envisages measures for providing homeless people with better social protection. This measure is complemented by the first ever Romanian National Housing Strategy (2022-2050) aiming to promote accessible, inclusive, adequate, sustainable and resilient housing. While the strategies include important measures and ambitious targets, effective implementation and close monitoring is key to improving the situation of people at risk of poverty or social exclusion in Romania.

The authorities have also undertaken measures which are expected to reduce the depth of poverty. In 2022 and 2023, as part of its 'Support for Romania' initiative, the government issued 2.5 million social cards, which helped deliver food support to the most deprived families, a considerable part of which also relying on EU funds. Furthermore, also with support from EU funding, an energy vouchers scheme delivered targeted help to reduce energy poverty and the negative impact of energy price increases on vulnerable households in 2022 and 2023. For the first time since its introduction in 2008, the level of the social reference indicator (which determines the level of most of social benefits) was adjusted in March 2022 to account for inflation, and since then it has been updated annually every March, with the average annual inflation rate of the previous year. As part of the recovery and resilience plan (RRP), Romania is implementing the Minimum Inclusion Income (VMI) reform to improve the adequacy and effectiveness of social assistance and reduce poverty for the most vulnerable, while limiting administrative burden. Likewise, the public pension system is being reformed, aiming, inter alia, to increase the adequacy of minimum and lower pensions, in particular for those below the poverty threshold. These measures are expected to mitigate poverty risks, but the extent of the impact remains to be seen.

The national action plan to implement the European Child Guarantee (ECG) plays an important role in preventing and combating child poverty. The action plan was adopted in October 2023, with many of the planned measures supported by EU cohesion policy funds and the RRF, such as the development of a network of day-care centres and creches throughout the country, providing educational and material assistance to the most deprived children and their families, as well as community-based services to prevent separation of children from their families. With full implementation, the national ECG action plan should increase access to social, education, health and nutrition services, and housing for children, while taking into account the territorial dimension of poverty and social exclusion. The government has also increased the child rearing indemnity for parents of twins, triplets and multiples, as well as state allowance for children up to 18 years old, young people over 18 attending high school and vocational education, and children with disabilities up to 26 years old. These actions are expected to contribute to the reduction of the AROPE rate for children and advance towards reaching the national poverty reduction target.

Initiatives have been taken to improve the quality of social services. In 2024, Romania adopted a new Law reforming the social assistance system, seeking to improve the financing and quality of social assistance and care services and the protection of their beneficiaries. The European Social Fund Plus (ESF+) funded programmes for 2021-27 contain significant investments to improve access to social services in rural areas, for example by scaling up at national level the delivery of integrated services based on the case management approach for 2 000 disadvantaged rural communities. This initiative is also set to improve the ability of the authorities to deliver services by training the needed staff. The ESF+ together with the RRP will support strategic reforms, including the deinstitutionalisation of persons with disabilities, as well as social innovation measures to improve access to services for this group. However, ESF+ programmes are

still in the incipient stages of implementation and therefore further efforts could advance the planned investments.

Measures are underway to improve healthcare outcomes. The National Health Strategy 2023-30, adopted in 2023, aims to deliver structural reforms and synchronise health sector policies. The strategy coordinates the implementation of national and EU-funded measures under EU cohesion policy programmes and the RRP, aiming at enhancing the availability, quality and resilience of health services. Romania is also revitalising its approach towards the retention of medical staff. A significant initiative consists in the establishment of the National Institute for Health Services Management, tasked with providing health management training across all levels and implementing the Multiannual Strategy for Human Resources Development 2022-30, to enhance professional retention and the attractiveness of the sector. An effective implementation of these reforms should close the performance gap between the Romanian healthcare system and the EU average and improve access to healthcare services for vulnerable people. Recently adopted measures aim to improve access to medical services for uninsured patients, who, as of 2023, benefit from the same primary healthcare services as insured patients. Moreover, in December 2022 the government approved the National Strategy on Long-Term Care and Active Ageing 2023-30 foreseen in the RRP. The strategy is set to enable more older people to live independently for as long as possible, while improving access to adequate LTC services for dependent older people.

II.   Education and skills

a)   State of play and developments on social convergence risks

Participation of young children in early childhood education and care (ECEC) is low, which may affect their future educational and labour market outcomes. Despite nearly doubling since 2020, the rate of children below 3 attending formal childcare lies at only 12.3% in 2022 (vs 35.7% in the EU), still below pre-pandemic levels. The low uptake in formal childcare can be attributed to a lack of ECEC services for children below 3 in both isolated and oversubscribed localities, while long parental leave schemes also play a role[159]. The enrolment rate of children aged between 3 and the starting age of compulsory primary education is also well below the EU average (75.6% in 2022 vs 92.5% in the EU) and has been declining since 2015. Evidence shows that participation in high-quality ECEC correlates with better social and emotional well-being, reduces risks of school dropout and contributes to higher learning and employment outcomes later in life[160]. ECEC is particularly beneficial for children with disadvantaged socio-economic backgrounds, strengthening equal opportunities and the potential for social mobility. Roma children participation in ECEC is very low (27% vs 79% in the general population).[161] Hence, improving coverage, infrastructure and quality of services are priorities for Romania, as identified in the national action plan for the implementation of the European Child Guarantee. The plan also sets targets to raise ECEC participation of children below 3 to 22% and of those aged 4-6 to 95% by 2030.

Early school leaving remains an important challenge, especially in rural areas and among marginalised communities. The rate of early leavers from education and training is one of the highest in the EU (15.6% vs 9.6% in the EU in 2022). While the situation in cities (at 3.9%) is better than the EU average and improving in towns and suburbs albeit still high (at 13.5%), nearly 1 in 4 young people in rural areas leave school before completing upper secondary education, with a deteriorating trend since 2019. Besides accessibility factors, such as the need to commute long distances to attend high school, many schools fail to provide positive learn-

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[159] OECD (2020), Improving access to Quality Early Education in Romania, OECD Education Perspectives, No. 3.
[160] European Platform for Investing in Children (EPIC) (2022). Building a better understanding of the impact of Early Childhood Education and Care on medium- and longterm educational and labour market outcomes in Europe.
[161] Roma in 10 European countries. Main results - ROMA SURVEY 2021 (europa.eu)

ing environments, with around half of the students assessed in the OECD's 2022 Programme for International Student Assessment (PISA) stating that they do not feel they belong at school. Roma people are particularly affected with more than 7 out of 10 young Roma (18-24) not having completed upper secondary education. In addition, the segregation of Roma children in education has significantly increased (51% in 2021 compared to 28% in 2016).[162] A 2022 study[163] points to 1 in 10 children in compulsory schooling age from rural areas not attending any educational institution, and 1 in 3 teenagers being absent from school temporarily or permanently because of household work, highlighting the adverse circumstances faced by many children and young people in rural areas.

Figure 2 – *Early leavers from education and training (by degree of urbanisation), 2015-2022*

Source – Eurostat (age 18-24)

Figure 3 – *Unemployment rate by educational attainment (ages 20-64 as % of the labour force)*
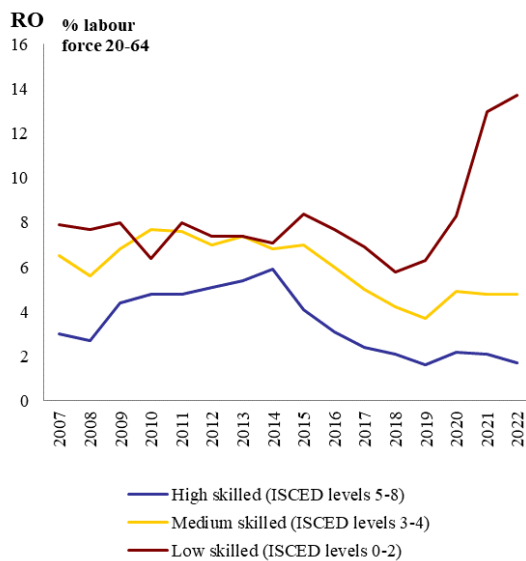
Source - Eurostat, LFS

The quality, labour market relevance and inclusiveness of education and training can be improved. The 2022 PISA results revealed that over 4 in 10 15-year-olds do not possess basic skills in reading (41.7% vs 26.2% in the EU), science (44.0% vs 24.2% in the EU) and mathematics (48.6% vs 29.5% in the EU). Furthermore, the underachievement gap between students from advantaged and disadvantaged backgrounds is among the highest in the EU and increasing. The quality of education is affected by a shortage of staff with proper qualifications, notably in rural areas. Moreover, vocational education and training (VET) is misaligned with the labour market needs, as revealed by the low and decreasing employment rate of recent VET graduates (57.7% vs 79.7% in the EU in 2022)[164]. Ensuring that more VET graduates benefit from work-based learning during their training (only 8.4% did so in 2022 vs 60.1% in the EU) is essential to improving their employment prospects after graduation[165].

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[162] Roma in 10 European countries. Main results - ROMA SURVEY 2021 (europa.eu).
[163] World Vision Romania (2022), Bunăstarea copilului din mediul rural din România 2022: https://worldvision.ro/wp-content/uploads/2022/05/Bunastarea-Copiilor-din-Mediul-Rural.pdf.
[164] Education and Training Monitor, 2023.
[165] The employment rate of recent VET graduates was only 53.1% compared to 77.4% in the EU.

Challenges in skills development need to be addressed to support a fair transition towards a green and digital economy. Less than a third of those aged 16-74 had at least basic digital skills in 2023 (27.7% vs 55.5% in the EU). This gap has widened since 2021. Adult participation (25-64) in learning over the past 12 months stood at 19.1% in 2022, 13.3 pps higher than in 2016, but still well below the EU average of 39.5%. Moreover, participation in adult learning is highly unequal, as those who did not complete upper secondary education and training were 10 times less likely to participate in learning in comparison to those with tertiary education in 2022 (3.9% vs 41.2%, respectively). At the same time, those with lower qualifications (ISCED 0-2) witness worsening employment outcomes, with skills challenges putting at risk competitiveness, but also fairness and social convergence.

b) Relevant planned and ongoing policy responses

Recent legislative changes are expected to improve the accessibility and quality of ECEC services. The final year of ECEC became compulsory in 2020, and the starting age of compulsory education was lowered to the age of 4 in September 2023. In September 2030, it will be further lowered to the age of 3, which should help increase participation rates. Expenditure on pre-primary education per child (3 to 6 years) increased by over 7% between 2015 and 2020[166]. In 2022, the government adopted a new legislation on the organisation, operation, funding and monitoring of crèches and other ECEC facilities. This legislation should accelerate the integration of crèches into the national education system, with the overall aim of building an integrated, inclusive and high-quality ECEC system. Some of the measures proposed are financed through the RRP, such as the construction of 110 energy-efficient crèches providing support for up to 4 500 children, as well as 90 complementary early education services for disadvantaged groups. The plan also aims to train and professionalise staff, complementing similar initiatives funded through the ESF+.

The National Programme for Reducing School Dropout (PNRAS)[167] aims to address the root causes of early school leaving. The PNRAS is implemented with support from the RRF, the ESF+ and the Technical Support Instrument (TSI). Schools with the higher risks of early school leaving are first identified through an early warning mechanism, eligible schools draw up a plan with measures tailored to their specific needs, and then receive a 2- to 3-year grant of up to EUR 200 000. As part of the RRP, support will reach a minimum of 2 500 schools for lower secondary education, while the ESF+ will finance grants for primary education. However, some vulnerable children might not be reached by preventive measures if they are not enrolled in a school in the first place, so efforts to ensure universal participation in education will need to be reinforced, with particular attention to bridging the rural-urban divide. To address the high drop-out from university programmes, the new education law envisages the creation of a National Programme to Reduce University Dropout.

The authorities have initiated major reforms in an effort to improve the education and training system. The 'Educated Romania' project, launched in 2016, aims to address key challenges for education, establish a vision and set key objectives for 2030. The project benefitted from wide public consultations and culminated in a report setting a strategy for reforming the country's education system, which was approved by a government memorandum in July 2021. In September 2023, the government took a major first step in the implementation of key reforms by adopting new legislation for pre-university and university education. The timely implementation of subsequent measures, supported by the Technical Support Instrument (TSI, 2022-2024) and for EUR 3.5 billion from the RRF and EUR 1.6 billion from the ESF+, will ultimately determine the success of the reform process. However, complementary efforts by national authorities could help address the structural challenges linked to the equity and quality of the education system.

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[166] OECD (2023), *Education at a Glance 2023: OECD Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/e13bef63-en.
[167] Approved by Government Decision no. 1309/2021 in December 2021.

Measures have been put forward to support the teaching profession and increase the quality of teaching. In 2023, the government raised the salaries of teachers following a three-week strike, with an additional increase in January 2024. The new pre-university education law also introduced important changes to the teaching profession, namely by making compulsory the attainment of a master's programme in teaching for future teachers. With RRF support, more than half of Romanian teachers in primary and secondary education should be trained in digital education. Moreover, the RRF is expected to fund widescale investments in school laboratories, school equipment and digital infrastructure in particular in rural areas and disadvantaged schools, which could also help improve working conditions, therefore attracting more teachers to these schools. While strengthening initial teacher education is important, fostering engagement in high-quality training by teachers and trainers could improve the quality of teaching. The ageing of the teaching workforce in Romania is less pronounced than in other Member States, meaning that updating and modernising teachers' knowledge and skills will be achieved primarily by working with the existing teacher population[168].

The new VET and higher education legal framework aim at improving labour market relevance and quality. As part of the RRP, the government approved the legislative framework setting up a complete educational pathway for students registered under dual upper secondary education, so that they may go up to third-level education programmes. To improve the alignment with the labour market, the RRP supports the development of 10 regional consortia consisting of professional or technical schools and universities acting in partnership with economic operators and local authorities, to be set up by 2026. Moreover, the possibility to pursue dual education (in partnership with companies) in universities, and introduced short-cycle university programmes, double specialisation programmes as well as micro-credentials was introduced. A multiannual action plan focusing on tertiary education has been drawn up as part of the 'Educated Romania' strategy, and it should support the practical implementation of the newly legislated study modalities.

Efforts to support lifelong learning and skills development are becoming more coordinated and concrete. After several years without a strategic policy framework in the sector, two national strategies in the field of adult learning have recently been elaborated in a coordinated and complementary manner – the National Strategy on Adult Training 2024-27 (Ministry of Labour and Social Solidarity) and the National Strategy on Adult Learning 2024-27 (Ministry of Education). Expanding the provision of training for digital and green skills is given particular focus in the action plan, in line with the needs of an evolving labour market. Through the conclusion of the ReCONECT project in December 2023, a skills forecasting mechanism is in place, which also operates as a graduate tracking tool. It will be important to build on this by making sure that skills intelligence properly informs the design of labour market and education policies, which will require a close and structured cooperation between Public Employment Services (PES) and education and labour authorities. The roll-out of coordinated and targeted skills policies will be important to ensure that economic growth and the twin transition do not exacerbate inequalities between regions and population groups.

III. Labour market

a) State of play and developments on social convergence risks

Although the labour market situation has been improving, important challenges remain. Throughout the last decade, the employment rate has been on an upward path. Nonetheless, it remains among the lowest in the EU (68.7% in 2023 vs 75.4% in the EU), with high regional disparities. The employment gap between the regions with the highest (Bucharest-Ilfov, 79.9%) and the lowest employment rates (Sud-West-Oltenia, 61.8%) was 18.1 pps in 2022. Employment in the Bucharest-Ilfov and Centre regions has been improving in

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[168] OECD (2020), "Improving the teaching profession in Romania", *OECD Education Policy Perspectives*, No. 1, OECD Publishing, Paris.

recent years, also thanks to foreign investment. On the other hand, employment has either stagnated or decreased in the other regions, most notably in the Nord-Est region (69.4% in 2022). In 2023, the unemployment rate (5.6% vs 6.0% in the EU) was below the EU average. The long-term unemployment rate (2.2% vs 2.1% in the EU) was slightly above the EU average and has deteriorated since 2020 after years of improvements, while the share of long-term unemployment has been improving, reaching 38.6% in 2023 (in line with the EU average). Factors explaining long-term unemployment in Romania include skills shortages (see below) and a significant share of undeclared work, which is estimated at 1.4 million people[169].

Women, youth, the low-skilled, persons with disabilities and the Roma are under-represented in the labour market. In 2023, the employment rate of women was 59.1% (vs an overall employment rate of 68.7% in the country and a 70.2% employment rate for women in the EU). Youth unemployment is also high (21.8% in 2023 vs 14.5% in the EU). So is, despite improvements in the last decade, the rate of young people neither in employment, nor in education and training (NEET) (19.3% in 2023 vs 11.2% in the EU), composed in 2022 of 5.6% of unemployed and 14.2% of inactive (vs 4.3% and 7.4% respectively in the EU). Young women are more likely to be NEETs (gender difference of 10.7 pps in 2023), as is more than half of the Roma youth. Moreover, the employment rate of the low-skilled lied at 44.9% in 2022 (vs 57.2% in the EU), significantly below that of people with tertiary education (89.5%). The gender employment gap (19.1 pps in 2023 vs 10.3 pps in the EU) and the disability employment gap (32 pps vs 21.4 pps) remain high. Furthermore, at 41% in 2021, the participation of Roma people in the labour market is low (vs 71% for the general population) and deteriorating (vs 45% in 2016) [170]. Improving labour market outcomes for under-represented groups would importantly contribute to reaching the national employment target of 74.7% by 2030.

Wages, including the minimum wage, increased beyond inflation in 2023, protecting the purchasing power of workers in light of the high cost of living, though in-work-poverty risks persist. Nominal wage growth reached 15.1% in 2023 (vs 5.8% in the EU), after 6.4% in 2022 (vs 4.7% in the EU), on the back of high (albeit decreasing) inflation linked to the energy crisis provoked by Russia's war of aggression against Ukraine. Real wages also increased significantly in 2023 (4.8% vs -0.8% in the EU), broadly offsetting the fall recorded in 2022 (-5.0% vs -3.7% in the EU). The minimum wage (set at 3300 RON) also saw important increases in nominal terms, namely by 29% between January 2022 and January 2024, to compensate for the high inflation rate, but was very much above the former and labor productivity growth. In its latest reading for 2023, the minimum-to-median wage ratio was at around 58%, which would be broadly in line with one of the main examples of indicative reference values in the Directive on adequate minimum wages in the EU to guide the assessment of adequacy of minimum wages (i.e., 60% of the median wage). Yet, the statutory minimum wage remains among the lowest in the EU, reflecting also the labour productivity differential. Furthermore, the in-work-at-risk-of-poverty rate is substantially higher in Romania than in other Member States (14.5% vs 8.5% in the EU in 2022), notably for part-time workers (56.0% vs 12.2% for full-time workers)[171]. Going forward, nominal wages are expected to continue growing significantly in 2024, driven by high increases in public sector wages, highlighting the need to continue monitoring wages in light of mitigating purchasing power losses, especially for low-income earners, taking due account of productivity considerations.

While labour shortages remain low in comparison with other Member States, skills shortages are rising. The job vacancy rate (0.7% in Q4-2023) is well below the EU average (2.5% in Q4-2023). Yet, 79% of employers report difficulties with filling vacancies, according to the most recent Employment Outlook Survey by ManpowerGroup[172], as well as 86% of Romanian SMEs, according to a Eurobarometer

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[169] PwC (2023), Labour market analysis in Romania.
[170] All data related to Roma persons comes from the Fundamental Rights Agency (FRA) 2021 Roma Survey, except where explicitly mentioned otherwise.
[171] When looking at this indicator however, it has to be considered that Romania has a very high number of unremunerated family workers in the agriculture sector, that cannot be impacted by the minimum wage policy.
[172] Manpower Group (MPG) (2023), Global talent shortage 2024.

survey 529, conducted in May 2023[173]. Despite available vacancies seem to be filled, there is a challenge in finding workers with the appropriate skillset, pointing to skills shortages and mismatches. The educational attainment of the population (15-64) is lower than in other Member States, affecting employment. In 2022, only 17.1% of the population held a tertiary education qualification (vs 30.2% in the EU). Moreover, in 2021, 36.6% of people aged 15-34 with at least upper secondary education worked outside their field of study. Manufacturing, transportation and ICT were the sectors with the highest labour shortages in absolute terms in 2022[174]. The 2023 Cedefop Skills forecast for Romania points to an increase in labour shortages by 2035[175]. Labour shortages risk being amplified by a shrinking working population (a 23.7% projected reduction by 2050) due to low labour market participation, emigration, the projected demographic decline, as well as inefficiencies in the education and training system.

There is scope for improving the effectiveness of active labour market policies and the capacity of PES. Expenditure for labour market policy interventions is among the lowest in the EU (0.1% of GDP in 2020) and is predominately focused on employment subsidies. Out of total expenditure, 32.9% is spent on active labour market policies, of which only 7.4% on trainings. This limited expenditure hinders the effectiveness of active labour market policies and leads to insufficient capacity to reach those in need, offer individualised support pathways and effectively work with employers.

b) Relevant planned and ongoing policy responses

In 2021, Romania adopted the National Employment Strategy (NES) 2021-27 aimed at increasing employment by improving labour market integration. The strategy plans on capitalising the economic potential of young people (including NEETs), modernising and strengthening labour market institutions, and strengthening the adult vocational training system to better connect it to the labour market. Thereby, the strategy aims to put Romania on a path to reach an employment rate of 75% (for those aged 20-64) by the end of 2027. Complementing the NES, the National Strategy for Green Jobs (2018-25) sets the policy framework for the transformative effects of the green transition on the labour market, including with regard to the demand for new skills.

There are also some dedicated measures to improve the labour market access of persons with disabilities. The National Strategy for the Rights of Persons with Disabilities 2022-27 aims to enhance employment opportunities and training quality for this group. The ESF+ funded 'Social Inclusion and Dignity' programme will finance an innovative inclusion cluster focused on the labour market integration of persons with disabilities. The effective implementation of the planned measures, involving all relevant stakeholders, will be essential to reducing the disability employment gap.

Some public employment services improved but important challenges remain. The INTESPO project successfully introduced mobile teams targeting young NEETs that face significant barriers to employment. Running from 2018 to 2022, the project registered 190 135 young NEETs, providing them with tailored services such as job matching, counselling, training and employment incentives. The project helped reduce the number of NEETs by bringing them into formal employment and will be continued with support from the ESF+. In 2023, the PES introduced new profiling procedures for jobseekers as part of the 'Case management' project, supported by the ESF. The procedures take into account a wide range of issues (including family, medical, personal issues, readiness to participate in training, motivation and availability for mobility) and provide more targeted services to jobseekers. All of this is aimed at providing a unique approach to activation and job placement, particularly for vulnerable groups. The revamped procedures are applied and used by all

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[173] Flash Eurobarometer 529 European Year of Skills: Skills shortages, recruitment and retention strategies in small and medium-sized enterprises – May 2023.
[174] PwC (2023): Labour market analysis in Romania.
[175] skills_forecast_2023_romania.pdf (europa.eu)

territorial structures of the PES. These measures are an important step in improving the quality of PES services, but continuing the modernisation wave will be key to making the PES fit for purpose.

Romania committed to a comprehensive reform of its public employment services with support from the ESF+ and the RRF. The 2021-27 ESF+ 'Education and Employment' programme will invest EUR 216 million until 2029 to boost the capacity of PES by investing in human resources and improving service quality. Additionally, the RRP is dedicating resources for investments to digitalise services for jobseekers. Full implementation of the two measures is expected to improve the quality of the PES services and contribute to improved labour market outcomes across the board. However, the implementation of the ESF+ measure is lagging behind, and efforts could speed up its implementation.

The introduction of a voucher system is formalising the work of domestic workers. The reform, outlined in the RRP and scheduled for completion by March 2026, is expected to help reduce undeclared work and provide workers with the status of insured person in the social security and health insurance system.

A new minimum wage setting mechanism is being established. The reform envisaged in the RRP should introduce a new mechanism and formula to objectively set the minimum wage level, in consultation with the social partners, and in a way that is consistent with job creation and competitiveness. The reform should fully comply with the requirements of the Directive on adequate minimum wages in the EU, including notably in relation to making minimum wage updates more predictable and foster a decent standard of living, and ensuring that the criteria for setting and updating statutory minimum wages include at least the following elements: the purchasing power of statutory minimum wages, taking into account the cost of living; the general level of wages and their distribution; the growth rate of wages; and long-term national productivity levels and developments. The full implementation of the reform will create an objective and predictable minimum wage setting mechanism.

IV. Concluding remarks

The available quantitative and qualitative evidence in this second stage analysis points to challenges related to high risks of poverty or social exclusion, especially for children, people living in rural areas, women and vulnerable groups, including persons with disabilities and the Roma. Even though these risks have decreased over the past decade, the impact of social transfers (other than pensions) on poverty reduction remains well below the EU average and ensuring effective nationwide access to services, social protection and its adequacy remain important challenges. Participation of young children in early childhood education and care is low, self-reported unmet needs for medical care are high and meeting long-term care needs remains a challenge. Moreover, high early school leaving rates, especially in rural areas and among marginalised communities, accompanied by a high incidence of young people neither in education nor in employment and training, widespread underachievement in basic skills as well as a very low level of basic digital skills, point to significant scope to improve the quality, accessibility and labour market relevance of education and training. In the labour market, despite some important improvements, the employment rate remains low, especially for women, persons with disabilities, the youth, low-skilled people and the Roma, and in-work poverty risks are significant. At the same time, the long-term unemployment rate is slightly above the EU average, but the share of long-term unemployment has been improving. Skills shortages are reported, and the capacity of Public Employment Services and the effectiveness of active labour market policies are limited.

The measures undertaken so far, such as reforms and investments in social protection and inclusion, the adoption of new education laws and the implementation of the national programme for reducing school dropouts, as well as actions taken with regards to active labour market policies, are expected to help Romania move in the right direction in relation to the risks identified. Despite progress made, there is scope for further efforts in relation to health, long-term care, education, social and labour market services, also to ensure that all are given a fair chance to achieve their full potential.