

Press Release

United Nations Development Programme

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România

UNDP Report: Making EU Accession Work for All - Fostering Human Development by Strengthening the Inclusiveness of the Labor Market

Bucharest, 13 July 2007 – The United Nations Development Programme (UNDP) launched the National Human Development Report Romania 2007: *Making EU Accession Work for All - Fostering Human Development by Strengthening the Inclusiveness of the Labor Market*. This is the ninth report in a series initiated 1995 by UNDP in collaboration with the Government of Romania.

The authors of this year's NHDR analyze the effects of Romania's EU accession on human development and offer a set of recommendations for improvement by strengthening the inclusiveness of the labor market.

In the Foreword, Soknan Han Jung, UN Resident Coordinator/UNDP Resident Representative states that "human development is about people, and a socially inclusive labor market can offer people the appropriate environment for professional and personal development, with direct benefits for themselves, their families and the entire society."

The report builds on the topic of the previous one, *Local Governance and Human Development*, which promoted means for a more effective link between governance and human development, and emphasizes the diversity of labor market issues and opportunities for improvement of quality of life. It also provides examples of the most successful government programmes implemented at the regional level that contributed to Romania's accession to the EU and on-going efforts to achieve the country's Millennium Development Goals.

Romania's economy entered the seventh year of consecutive growth, and the Human Development Index (HDI) leaped for the first time from the 'middle' to 'high' human development category. Yet there is still a significant gap between rural and urban areas, different ethnic and age groups. Despite recent modernization of reproductive behaviour and growth of budget spending on maternity and infant healthcare, life expectancy at birth is still the lowest in Europe, and infant mortality remains the highest among the 27 member states of the EU. Although Romania's economy multiplied by 4.3 times since the end of communism, it still remains one of EU's poorest. The Report findings suggest that when it comes to improving the labor market, convergence with EU living standards require Romania to significantly increase the quantity and quality of higher education, invest in research and development, create a strong domestic market, develop niche markets for exports (i.e. agro-tourism, IT, organic foods, consumer goods and bio-fuels), identify and turn comparative advantages into competitive advantages.

The report further analyzes the cost and benefits of the migration for employment abroad within the labor market, including the issues of remittances and the brain-drain phenomenon, as factors affecting human development. In the last few years migrant workers have been sending back their earnings amounting to a capital inflow big enough to end and reverse a long period of currency depreciation. As the economy will continue to grow and more workers will leave the country lured by permissive EU work legislation, the pressure on wages will continue to grow to a point of chipping into the current competitive advantage of cheap labour. The Report suggests that Immigration will most likely be the best solution to future low-skill labour shortages, and recommends that a comprehensive migration policy be soon drafted.

Like all other Eastern and Central European countries, Romania faces a sharp decline in population, accentuated by recent-years massive outward migration. Although the country now enjoys the benefits of a peak of the working-age population (the baby boomers or generation of 'children of the decree', children

born between 1967-1970 when former dictator Nicolae Ceausescu had forbidden abortions), once this generation retires, the country will most likely start to experience a serious difficulties in financing its array of social protection and social security schemes. This means that a significantly smaller amount of working force will be burdened with paying the benefits of a much larger mass of pensioners. The Report suggests that the Romanian Government consider the Irish example, where economic development, long term investment in human resources and an intelligent use of EU aid managed to reverse the depopulation trend.

The authors also argue for a broad diversification of the Social Security systems to suit the needs of the members of an increasingly open economy and society. It suggests a bold future agenda that includes: leveraging towards the opportunities offered by markets, diversifying social security systems to give more choice to the individual and reduce the burden on the state; supporting policies that will sufficiently hedge against the volatility of the markets to protect the less fortunate or at a certain disadvantage; and finally the continuation of the reform of social security and broadly of social protection to enhance sustainability, improve adequacy of benefits and strengthen its robustness. The authors conclude that only a particular mixture of leveraging and hedging that will tune contributions to benefits as closely as possible while, could provide a solid foundation for a sustainable future development.

For all these goals Romania can now count on the help of the EU, which will provide EUR bn30 until 2013. Since January 1 2007, the EU started to include Romania in the mainstream continental development pursuing the same successful practice which previously revamped the economies of Ireland and those of the young democracies in the Mediterranean belt.

The next major benchmark for Romania's economy, the shift from the national currency RON to the EURO projected to take place in 2014, is likely to finally anchor Romania in the larger EU economy. The second major benchmark, the achievement of the Millennium Development Goals for Romania by 2015, will enhance Romania's human development not only in the European context, but also in the global one.

The NHDR Report 2007 concludes that to achieve these goals the country needs political stability and predictability as well as accountable macro-economic policies governing the labor market with a special attention to its social inclusion dimension, which are the core of Human Development,

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