



ROMANIA

Advisory Services Agreement on
Strengthening the Regulatory Impact Assessment Framework in
Romania

RIA Pilot Project Report:
Assessment of the Apprenticeship System in Romania

Ministry of Labour, Family, Social Protection and the Elderly

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Section 1. General Information on the Initiative

Title of the initiative: "Initiative Regarding the Apprenticeship System in Romania"

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For the purpose of this Report and according to Law 24/2000, *substantiation* refers to "instruments of presentation and substantiation" and is an umbrella concept for (Article 30.1):

- Reason note: accompanying legal drafts and legislative proposals;

- Substantiation note, in the case of government decisions and ordinances;
- Approval report, for all other legal acts;
- Impact study, supporting legal drafts of “high importance and complexity”.

Although various in name, all the documents above share a fairly identical content and one single difference: they accompany acts of distinct nature. Deriving for this, and for the scope of this Report, a unitary concept will be used to address the issue of substantiation: Substantiation Note.

Section 2. Rationale for Launching the Initiative

The European context

Europe is going through a period of transformation. The crisis has eroded years of economic and social progress and has highlighted the structural weaknesses of the European economy. To achieve a sustainable future, it is necessary to look beyond the short-term priorities. Europe needs to recover and subsequently to maintain its position. This is the goal of the Europe 2020 Strategy,¹ which aims to create more jobs and to ensure better living conditions. For 2020, the Commission proposes to the European Union five measurable goals that will guide this process and will be translated into national targets: i) employment, ii) research and innovation, iii) climate change and energy, iv) education and v) combating poverty. . An education and training strategy has also been proposed as part of Europe 2020 with a specific focus on contributing to the development of skills for the labour market.

The flagship initiative “*Youth on the move*”² establishes lines of action for the Member States to raise the overall quality of all levels of education and training in the EU. One of the courses of action that member states should consider is to facilitate the entry of young people on the labour market through integrated actions covering, inter alia, guidance, counseling and apprenticeship.

Moreover, the major approach “*An Agenda for New Skills and Jobs*”³ contains directions for action to help young people acquire, through training and education, the skills they need to be competitive on the labour market and have a job.

The European strategy for employment and *Employment guidelines*⁴ establishes a policy framework for the implementation of measures on employment and labour market in line with the Europe 2020 Strategy objectives. To respond to the ongoing trend of increasing unemployment in the European Union, the Commission launched in April 2012 a set of measures, which form the so-called Employment Package.⁵ The Employment Package is based on the Agenda for new skills and jobs included in the Europe 2020 Strategy and is supported by the European Monitoring Centre for Employment and by the Mutual Learning Program.

¹ European Commission (2010), *Communication from the Commission Europe 2020. A strategy for Smart, sustainable and inclusive growth*, COM(2010) 2020 final, Brussels

² <http://ec.europa.eu/youthonthemove/>

³ European Commission (2010), *An Agenda for new skills and jobs: A European contribution towards full employment*, COM(2010) 682 final, Strasbourg

⁴ <http://ec.europa.eu/social/main.jsp?catId=101&langId=en>

⁵ European Commission (2012), *Towards a job-rich recovery*, COM(2012) 173 final, Strasbourg

The Bruges Communiqué⁶ stipulates that learning and development at the workplace represent a means by which people can develop their potential. The workplace based learning component substantially contributes to the development of a professional identity and can boost the self-confidence of people who otherwise might consider they failed. Workplace based learning enables those employed to develop their potential, while preserving their income. Objectives 2 of the Communiqué includes support of the following actions by participating countries:

"Promoting excellence, quality and relevance of education, and initial and continuing vocational training; and -the development of apprenticeship-type training and raising awareness on this issue". Among the concrete short term objectives for the period 2011 - 2014 of strategic objectives 1 and 2, it is highlighted that at national level: *"the Governments, social partners and vocational education and training providers should adopt the measures necessary to maximize learning at the workplace, including through apprenticeships strategies, in order to contribute to increasing the number of apprentices in Europe by 2012."*

A European Alliance for Apprenticeships (EAfA)⁷ has been established to bring together public authorities, enterprises, social partners, education and training providers, youth representatives and other key actors in order to promote apprenticeship programs and initiatives across Europe.

The conclusions of the European Council of June 27 - 28 2013 made reference to promoting high quality apprenticeships and learning at the workplace, especially by means of the European Alliance for apprenticeships, this being a key element for supporting youth employment.

The alliance for apprenticeships also aims to specifically help tackle youth unemployment by improving the quality and offer of apprenticeships across the EU through a broad partnership of stakeholders involved in labour and education. The alliance also seeks to change attitudes about the apprenticeships. The alliance will identify, in particular, EU apprenticeship programs that have the most success and will apply adequate solutions in each member state. The alliance promotes measures to be financed by the European Social Fund (ESF), Youth Employment Initiative and Erasmus+, the new EU program for education, training and youth.

Alongside other member states, Romania committed itself⁸, to take a series of measures in order to increase the quality, offer and attractiveness of apprenticeship.

The national context

The country specific recommendations of the Council of July 8, 2014 on the National Reform Program 2014 of Romania include ensuring increased quality and access to vocational and technical education, apprenticeships, tertiary education and lifelong learning, and adapting them to the needs of the labour market.

The Commission's working document⁹ accompanying the country-specific recommendations of the Council forecasts a slow recovery of the labour market in 2014 and 2015, including an increase in the employment rate.

⁶ http://ec.europa.eu/education/library/publications/2011/bruges_ro.pdf

⁷ Promoted through the Declaration of the Council⁷ in October 2013, jointly coordinated by the Directorate General for Education and Culture, and the Directorate General for Employment, Social Affairs and Equal Opportunities; http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/139011.pdf

⁸ http://ec.europa.eu/education/policy/vocational-policy/doc/alliance/ms/ro_en.pdf

The importance of a high level of employment and labour market participation for sustainable development is reflected in the Europe 2020 Strategy target of achieving by 2020 an employment rate of 75%. In its National Reform Program (NRP), Romania has undertaken a national target of a 70% employment rate (for the age group 20-64 years) by 2020. This transformation will require a net increase of the labour demand by at least 10% and a considerable improvement of the position of youth and adults on the Romanian labour market (see: Country-Specific Recommendations, 2020 Objective and the targets assumed by Romania).

National Reform Program and National Strategy for Employment

The challenges of youth employment are outlined in the *The 2014 - 2020 National Strategy for Employment* along with a package of measures to increase youth employment rates. In order to facilitate the transition of young people from school to work and strengthen the cooperation between the relevant actors, implementation of apprenticeship at the workplace type of measures are proposed. Such workplace-based apprenticeships and internships for school-leavers, according to new regulations, would ensure quality in continuing vocational training and can benefit from additional funding from the ESF to ensure a qualitative job with a decent level of social security.

The actions proposed are intended to increase the mobility of young people on the European labour market, allowing them to increase their skills and employability, as well as the career prospects and obtaining decent income.

Box 1. National programming documents with potential impact on apprenticeship

The National Reform Program of Romania includes development of a range of additional strategies to address education and training needs, as follows: i) The *National Strategy on Reducing Early School Dropout* proposes measures to support the integration/reintegration of the target group in the educational system; ii) The *Strategy for Developing the Educational Infrastructure* proposes the development of an education infrastructure roadmap that would allow forecasts regarding the demographic trends and adaptation of the educational infrastructure; iii) The *National Lifelong Learning Strategy* proposes the creation of a strategic framework in order to encourage and increase the participation in lifelong training programs, with effects on the labour force's productivity, the initiative being also reinforced through the supplementation of the National Qualifications Framework and its adoption by means of government decision.

At present the *Strategy regarding Education and Vocational Training* is being developed for the 2014 – 2020 programming period, and it proposes, *inter alia*, strengthening the capacity of the initial and continuous vocational training providers to carry out attractive and qualitative education and training programs correlated with the needs of the market, especially in the sectors with growth potential, in order to ensure its complementarity with the strategy for increasing competitiveness.

Source: Ministry of Foreign Affairs (2013), *Main commitments for the National Reform Program 2013*, Annex no. 2, Romania, April.

2014-2015 Youth Guarantee

⁹ http://ec.europa.eu/europe2020/pdf/csr2014/swd2014_romania_ro.pdf

The present strategic framework for youth employment is the national Plan for Implementing the 2014-2015 Youth Guarantee, developed following the Recommendation of the Council of April 22, 2013, approved by the Government through the Memorandum and submitted to the European Commission in December 2013.

The implementation of the Youth Guarantee focuses on ensuring that all the young people with ages below 25 years, who lose their job or cannot find a job after graduation, receive in a short period of time a qualitative employment offer, continue their education, start an apprenticeship or an internship. This provides to the young people a greater variety of opportunities, facilitating employment or access to job-matching services ensuring high quality jobs, by introducing a mandatory counseling component when supplying mediation services. The aim is that the Public Employment Service (ANOFM), as well as the private service provides, especially those that use structural funds and cohesion funds from the European Union, would rigorously implement this approach, being provided with funds that would support this endeavor.

The low availability of vocational education and training, its relevance to the labour market and low business involvement in work-based training and apprenticeships is however acknowledged as a continuing challenge for Romania. Limited private sector involvement in apprenticeships and other dual training initiatives has also been identified as a challenge for implementing the Youth Guarantee in Romania¹⁰.

Development of the apprenticeship at the workplace system in Romania

Regulation of the apprenticeship at the workplace system in Romania was first put in place in 2005, with a number of subsequent amendments to the legislation in 2008, 2011, and 2013. An outline of the core apprenticeship model in Romania and subsequent amendment follows. More detailed information on the development of the workplace apprenticeship system in Romania is provided in Annex 1.

The aim of this normative act initiated in 2005 by the Ministry of Labour, Social Solidarity and Family was to increase the level of qualification of young people by regulating an on-the-job training mechanism under an apprenticeship contract, and stimulating work-based learning. The main elements established by Law 279/2005 on apprenticeship at the workplace relate to:

- Regulating the apprenticeship at the workplace contract as an individual employment contract of a particular type, concluded for a fixed period of time, under which an apprentice, undertakes to get professionally trained and work for and under the authority of a legal employer, and the latter undertakes to ensure payment of a wage and all the conditions necessary for the training.
- Employer authorization and certification of the apprenticeship master in accordance with the legislation in force in the field of vocational training of adults for a period of 4 years, with the possibility of prolongation.
- Providing financial support to apprenticeship at the workplace from the unemployment insurance fund, within the limit of the annually approved funds, during the execution of the apprenticeship contract, for each person, in an amount equal to 50% of the minimum gross wage at national level, as well as an amount equal to the monthly

¹⁰European Commission (2014), *Education and Training Monitor – Romania*, Brussels, pp. 3-5.

counter value of the theoretical training of the apprentice, without exceeding 20% of the minimum gross wage at national level.

In 2008, according to *GEO 126/2008 amending and supplementing certain regulations in order to eliminate the connection between the level of benefits granted from the unemployment insurance fund and the minimum gross wage at national level, and establishing measures for the implementation of Community regulations*, the section on financing apprenticeship at the workplace was amended, thus the subsidy granted from the unemployment insurance fund shall be calculated based on the reference social indicator of unemployment insurance and employment stimulation in effect, which was established as a fixed amount, namely 500 RON.

The legislative framework regulating apprenticeship at the workplace, established by *Law 279/2005 on apprenticeship at the workplace* and its implementation proved to be ineffective. During the 2006-2010 period only 41 apprenticeship contracts at the workplace were concluded with a single employer in Neamț County (Annex 2). Having reviewed the implementation of the legal provisions, a number of major difficulties were identified in the use of apprenticeship as a solution to promote employment and workforce training, as follows:

- The procedure for authorizing the employer and certifying the apprenticeship master was very labourious and needed to be streamlined in the context of legislative simplification and reduction of administrative burdens;
- The accommodation and meals of the apprentices could not be covered by the employers, in the conditions in which the subsidy was granted only to support a share of the salary and the theoretical training of the apprentice, which represented a barrier for organizing apprenticeship.

In this context, in order to create an adequate and more flexible legal framework for apprenticeship, in 2010 the Ministry of Labour, Family and Social Protection amended and supplemented the *Law 279/2005 on apprenticeship at the workplace*¹¹.

The main objective of the legislative amendment was to rectify the problems existing in the organization and operation of the legal framework regulating apprenticeship at the workplace, namely:

- To repeal the provisions regarding the obligation to certify the apprenticeship master;
- To repeal the provisions regarding the obligation to obtain an authorization in the field of vocational training of legal and natural persons that would like to employ apprentices;
- To establish the employer's obligation to organize the evaluation of the theoretical and practical training of the apprentice, by means of a center that evaluates and certifies the vocational skills attained through other routes than the formal ones, and to bear the costs related to evaluation and certification;
- To repeal the employer's obligation to ensure accommodation and 3 meals per day in specialized units, in accordance with the law, for the apprentice that has a stable domicile in another locality without the possibility to commute on a daily basis.

In the period 2011-2012, the amended legislation on apprenticeship at the workplace did not result in a significant increase the number of apprenticeship contracts. One of the potential causes was the low number of centers available to evaluate the skills: only 58 such centers were present at the

¹¹ The draft regulation was adopted by the Romanian Parliament through Law 106/2011, published in the Official Gazette of Romania on June 20th, 2011.

national level. Thus, in 2011 employers did not conclude apprenticeship at the workplace contracts, and in 2012 only 60 contracts were concluded in 4 counties (see Annex 2).

Considering the poor results achieved during the implementation of *Law 279/2005* amended in the 2010-2011 period, and taking into account the high rates of youth unemployment in Europe in 2012, MLFSPE promoted a new amendment to the apprenticeship law, approved by the Romanian Government in December 2012.

The main objectives of the legislative amendment were the following:

- Young people should be able to access qualitative vocational training and obtain nationally recognized skills which would allow them to have a job and continue learning, and the employer should ensure access to theoretical and practical training corresponding to the vocational training program, completed with a professional qualification, in accordance with GD no 129/2000 on vocational training of adults;
- Simplifying the tasks of employers that organize apprenticeship at the workplace, taking into account that vocational training, evaluation and certification of vocational training by means of apprenticeship at the workplace are carried out in accordance with the legal provisions in force on vocational training for adults by means of authorized providers;
- Expanding the funding possibilities for this type of vocational training, including through the use of European Structural Funds or sponsorships from natural and/or legal persons.

The Romanian Parliament adopted the draft law proposed by the Romanian Government, which resulted in *Law 179/2013*¹². The amended law also included the Government proposal to remove the upper age limit of apprentices.

In summary, the evolution of the apprenticeship legal framework between 2005-2013 aimed at addressing the social integration of young people in accordance with their professional goals and the needs of the market; promoting adequate employment opportunities for persons seeking a job, in the context in which they benefit from adequate training and reasonable gains; and ensuring a trained and skilled workforce, to meet employer needs. The specific amendments brought to the legislation were aimed at improving the quality of vocational training provided to apprentices, improving the manner in which apprenticeship at the workplace is organized and on certifying vocational training. The subsidy granted to employers from the unemployment insurance fund, whose value is related to the reference social indicator established in 2008 remained constant.

2.1. Problem definition

While the continuous efforts of the authorities to improve the legislative framework brought a slight increase in apprenticeship numbers, the apprenticeship system continues to be accessed by a relatively low number of employers and potential apprentices. The low level of take-up is influenced by a range of both demand and supply factors. These include the structure of the labour market, employers demand and perceptions, the needs of early school leavers, vocational education provision. An overview of the current scale and nature of apprenticeship is provided here, followed by an outline of key demand and supply factors.

¹² These provisions were implemented after the approval of the Methodological Norms of enactment, by Government Decision 885/2013, in November 2013.

2.1.1. Current status of apprenticeship at the workplace

The National Vocational Training Plan of NEA estimated 506 apprenticeship contracts for 2014. Similarly, NEA included in the 2015 National Vocational Training Plan an estimated number of 500 apprenticeship contracts.

Following the amendments to the Law 279/2005 by Law 179/2013, and potentially due to the slight recovery of the economic activity at national level, as of 2014 there was a slight increase in the number of persons employed under an apprenticeship at the workplace contract with 337 apprentices registered in 12 counties, according to the statistics of the National Employment Agency (NEA) (see Annex 2).

The employers that have developed apprenticeship programs are in industry and services sectors. NEA statistics indicate that most of the apprentices are employed within the following occupational groups:

- Major occupational group 8 - Installations and machinery operators, equipment and machinery assemblers (49.54%);
- Major occupational group 7 - Skilled and related workers (41.80%);
- Major occupational group 5 - Service workers (8.66%).

Among the 21 companies that hired apprentices, 7 are large companies (over 250 employees), 6 are medium-size companies (between 50 and 249 employees), 6 are small-size companies (between 10 and 49 employees) and 2 are micro company (less than 9 employees).¹³

2.1.2. The national labour market – sectoral growth and employment demand

The recent modest evolution of the Romanian economy, as well as of the economy of other states located in the European region, is reflected in a low number of jobs available on the market. Many sectors are in regression, leaving very few sectors registering growth. The 2014 – 2020 National Competitiveness Strategy identifies within the industrial and services sectors the competitive fields that have recently registered an increase in the added value: automotive, food and beverages, green agriculture, textiles and leather, IT&C, financial services. However, full employment in these sectors represents approximately 700 000 persons, respectively less than 10% of the labour force. Although it is forecasted that an increase will be registered in these sectors, their influence on the economy is limited.

Romania faces a number of problems related to the labour market. Among them, the main problem is the major lack of demand for labour force, which is reflected in the low rate of domestic

¹³In accordance with the recommendation of the European Commission (Recommendation 2003/361/CE), the criteria that differentiate SMEs from the other types of enterprises are:

1. The number of employees and
2. Turnover or total balance

Type of enterprise	No of employees	Turnover	or	Total balance
Medium	< 250	≤ 50 million €		≤ 43 million €
Small	< 50	≤ 10 million €		≤ 10 million €
Micro	< 10	≤ 2 million €		≤ 2 million €

employment¹⁴ and the massive migration of the labour force willing to benefit from opportunities abroad. This situation creates an extremely unfavorable platform for a progressive policy of the labour market.

The reduction of the employment rate during the recession manifested particularly in rural areas, while employment in urban areas continued to grow.

An analysis of the employment trends in the period 2005-2012 shows a reduction (of 1.2% reaching 65.7% in 2012) of employment among the population between 20 and 64 years in rural areas and, in particular, in primary and secondary sectors (2.6% in agriculture and 4.4% in industry and constructions) and a 14.5% increase in employment in the tertiary sector (services). Therefore, the gap between Romania and the EU27 average is still too large, in the proportion of the Romanian population requiring employment in sectors of the economy other than agriculture. In 2012 almost one-third (30.5%) of the population in Romania worked in agriculture, compared to the EU27 average of 5.2% in the same year.

Such poor economic performance jeopardizes the country's competitiveness. The World Economic Forum includes labour force with insufficient education among the most problematic factors that hinder doing business in Romania¹⁵.

2.1.3. The labour market situation of young people

With regard to the transition of young people from education to the labour market, the NIS Survey "Access of young people on the labour market", a module complementary to the Survey of the labour force in households (AMIGO) of 2009, 2nd trimester, illustrated that the high school and vocational education graduates reach insertion rates somewhat lower, only 34.3% and respectively 33.3%, obtain a job one year after graduation. The lowest insertion rates are found among the lower secondary, primary education graduates or among those that did not graduate any form of education. In such cases, the chances of being integrated on the labour market are very low, only 14.6% of them obtain a significant job, one year after they left the educational system.

Young people are facing difficulties in finding stable employment for several reasons:

- Competition in a labour market where there is a general shortage of employment opportunities; also, workers with tenure do not give up their jobs;
- The relative lack of professional experience puts young people at a disadvantage in the competition with other workers. According to recruiters, 59% of the employers cannot afford to hire young inexperienced people;
- The level of education attained. Even those with good results face lower employment rates than their counterparts in other European countries;
- Lack of skills required by employers (both technical skills and professional qualifications and secondary skills, e.g. the ability to organize their own activity and learning process, cognitive, communication and organizational skills);

¹⁴ See: Commission Services Position Paper, October 2012, p. 6; Progress Report of the National Reform Program 2011-2013, March 2013, p. 10; European Council Recommendations on the National Reform Program of Romania, June 2013, p. 6)

¹⁵ The other factors include: corruption, tax rates, bureaucracy and government inefficiency, access to funding, tax regulations, inadequate infrastructure, inflation and political instability. See the Report on global competitiveness index 2012-2013, World Economic Forum, p. 302.

- The labour market aspect for young people deteriorated during the economic crisis, the unemployment rate growing from 18.6% in 2008 to 22.7% in 2012;
- Significant discrepancies are recorded between Romania and the EU27 in terms of youth employment rate (age group 15-24 years). In 2012, the average employment rate in Romania was 9% lower than the EU average (23.9% in Romania, compared to 32.9% in the EU27); for young women, the difference was of 10.7%;
- By analyzing the youth employment rates (age group 15-25 years) depending on the level of education, in the 2004-2011 period, as compared to the EU28, the highest discrepancies can be observed in the field of higher secondary education and non-tertiary post-secondary education, EQF levels 0-2, reaching a level of up to 14.6% in 2011. As for the other levels of education, primary, lower secondary and tertiary, the discrepancies are low, of up to 5%. (Annex 3).

2.1.4. Employer demand for apprenticeship and employer perceptions

The number of contracts involving apprenticeship at the workplace contracts remains insufficient as compared to the need of making apprenticeship a successful tool to support employment. The number of enterprises that concluded apprenticeship contracts is a key indicator of the apprenticeship demand. The very low value of this indicator in 2014 indicates a lack of attractiveness of the apprenticeship system for companies, and also suggests a very low level of employer awareness. These conclusions follow from recent analyses of the issue¹⁶ and they were also expressed during the consultation with the stakeholders organized within the apprenticeship pilot project in winter 2015. It should be mentioned that within the legislative changes of the legal framework governing apprenticeship at the workplace, various solutions have been identified and promoted for more efficient organization of this type of vocational training, while the financing from the unemployment insurance budget is the element which remained unchanged both in form and value, although the value of the minimum guaranteed gross wage doubled as compared to 2008.

The small number of apprenticeship contracts that were concluded called for an analysis of the factors that led to this situation, as well as of the actors involved in this issue or that can contribute to the improvement of the regulatory framework and implementation of apprenticeship programs.

A 2013 study in Romania found that the share of companies involved in apprenticeships was very low overall but that medium-sized companies, rather than larger-sized companies participated more in apprenticeships. Some of the factors identified by employers in 2013 for their low rate of participation in apprenticeship include: lack of need for employees requiring such skill training; and perceived high costs and bureaucracy associated with vocational training programs for apprentices (Box 2).

Box 2. Romanian employers participation in apprenticeship in 2013

During the November 2013 – November 2014 period, within the project Models for encouraging the investments in continuous vocational training at the level of the company, included in the Research and Development Sectorial Plan of the Ministry of Labour, Family, Social Protection and Elders (MLFSPE) for the 2013-2015 period – the LABOUR MARKET Program, a sociological survey was conducted on a sample of 5000 companies, regarding the training activities performed by the

¹⁶ For example the social investigation performed within the project “Models for encouraging investments in continuous vocational training at the level of the company” (2013)

aforementioned in 2013¹⁷.

In accordance with the information collected from the businesses, only 0.2% of them organized apprenticeship at the workplace activities in 2013. The distribution of the companies that organized apprenticeship at the workplace activities in 2013, in accordance with their size, shows that most of them were medium-sized. Although traditionally the big companies operating in the industrial sector were the main ones organizing apprenticeships, at present they no longer seem to be interested in this activity. At sectoral level, the apprenticeship at the workplace activities were carried out by companies operating in the field of “processing industry”, “transport and storage”, “information and communication” and “professional, scientific and technical activities”. However, the share of companies that organized apprenticeship programs was extremely low, regardless of the economic sector.

The main reason for which the companies did not organize apprenticeships programs in 2013 refers to the lack of the need for workers trained by means of such programs, this being the reason invoked by 62.4% of the companies. At the same time, 27.4% of the employers consider a barrier the fact that their own workers must allocate some of their working time in order to train/coordinate the apprentices. Last but not least, more than one fifth of the companies are discouraged by the unreasonably high costs associated to vocational training programs for apprentices, and 15.8% by the specific bureaucracy of apprenticeship.

The distribution of the reasons due which the businesses do not organize apprenticeship programs is similar to that of the SMEs as compared to the large companies. The only notable difference is the higher share of SMEs discouraged by the high costs of the vocational training programs for apprentices. In other words, the financial effort related to organizing apprenticeship programs is perceived more by the small and medium size enterprises.

However, a further survey has identified that employers in both industry and service sectors are experiencing some skill shortages, and that there is demand and interest in taking up apprenticeships within the next two years (Box 3). The study also indicated a lack of awareness amongst employers of the apprenticeship system, particularly amongst SME's.

Box 3. Employer's awareness of and interest in apprenticeship in Romania

1. *The survey*

Within the project “Developing the administrative capacity of the ministries to draw up economic and financial analyses in order to support the process of developing public policies relevant for programming and implementing structural instruments”, implemented by the Chancellery of the Prime Minister, during the period 28.01.2015 – 20.02.2015, a consultation process was initiated with the businesses by means of a survey. The purpose was that of collecting information regarding the level of awareness of businesses in relation to the present apprenticeship system, their perceptions, experiences and potential to organize apprenticeship at the workplace. 1319 companies from 38 counties answered the survey; over half, (615) of the companies were from the services sector, 44 were from the industrial sector and 53 from the agriculture and forestry sector.

2. *Awareness of apprenticeship*

¹⁷ The survey was conducted in collaboration with the National Institute for Scientific Research in the field of Labour and Social Protection (NISRLSP), the National Center for Statistical Training (NCST), Novel Research

Less than a third of the companies (29%) knew the Romanian apprenticeship system, which emphasizes the need to develop specific information campaigns addressed to employers. SMEs have a much lower level of information regarding the system than large-sized companies. Nevertheless, over one-third (37%) of the companies indicated that they were potentially interested to hire apprentices, given the high level of difficulties that they face in relation to employing skilled workers for the vacant jobs within the company. Large (48%) and medium (46%) sized companies reported most difficulties in hiring skilled workers.

3. Skill shortages and potential participation in apprenticeship

From the sectoral perspective, the companies affected by skill shortages are operating in the constructions and industrial sectors (48%), as well as in the services sector (31%). Further analysis indicated that over one-quarter of companies (28%) want to hire apprentices in the following 2 years, primarily those in the industrial and construction (37%) and in the services (23%) sectors. At the same time, the interest to organize apprenticeship programs is especially manifested by big companies (40%) and less by SMEs. The microenterprises (with maximum 9 employees) are the least interested in apprenticeship (20%). Most of the companies that want to organize apprenticeship programs in the following 2 years are located in the North-West, Central and North-East part of the country.

4. Financing apprenticeship

In order to finance the apprenticeship schemes, most of the companies intend to use the amounts provided from the unemployment insurance fund (64%) and their own resources (50%). At the same time, 41% of the companies are considering to access European structural funds in order to fund apprenticeship. Except for the large-sized companies that rely mostly on their own financial resources, all the other categories of enterprises envisage funding apprenticeship mainly with the support of the amounts provided from the unemployment insurance fund. On the other hand, the companies consider that the main benefit of apprenticeship at the workplace refers to training the employees in accordance with the company's skill needs.

5. Factors influencing sectors and companies with low interest in apprenticeship

Only 13% of the companies believe that apprenticeship is not beneficial for the companies. The share of companies that do not consider apprenticeship as being beneficial is almost double at the level of microenterprises and small enterprises (14%) as compared to the big companies (7.9%). At the same time, the agricultural sector is characterized by the highest share of the companies that cannot identify the benefits of apprenticeship (23%).

Among the key reasons why some Romanian companies are not interested in organizing apprenticeship programs is the predilection to hire already skilled workers, perceived bureaucracy of apprenticeship, limited time available for the apprenticeship coordinators, lack of the labour force need and the high cost of vocational training. The distribution of the reasons is different depending on the size of the company. Thus, the large companies are more reluctant, first of all because of the bureaucracy, while the SMEs would rather employ already skilled workers. The high dynamics and vulnerability that characterizes the evolution of SMEs hampers them from developing human resources policies for the medium and long term. To this regard, a more flexible system that would allow the reduction of the apprenticeship period could suit better their needs and interests.

At the same time, in what concerns microenterprises, reluctance occupies a higher position due to

the cost of the apprentice's salary.

At sectoral level, most of the companies that complain about the lack of persons interested in apprenticeship and the lack of vocational training providers operate in the industrial and constructions sectors. In what concerns the expectations of the Government in the field of apprenticeship, most of the companies would like more advantageous financial incentives for those companies that organize apprenticeship programs (61%), simplified procedures (52%) and promoting the apprenticeship system (36%). Furthermore, if the main expectation of the big companies refers to simplifying the specialized procedures, the SMEs expect for the Government to provide more advantageous financial incentives.

2.1.5. Early school leavers

When analyzing the social need for a feasible framework for organizing the apprenticeship programs, it is important to take into consideration the school dropout rate, which in Romania has registered a very high level, making apprenticeship a viable alternative for the transition from school to the labour market. Early dropout is a constant issue in Romania¹⁸ recording a negative trend as compared to the EU 2020 target since the beginning of the economic recession until 2010 (from 15.9% in 2008 to 18.4% in 2010), as well as a stagnation trend in the period 2011-2012 (17.4%), despite the programs developed at national or local level. The categories that face the highest risk of school dropout and which could benefit from apprenticeship programs are young people from disadvantaged areas, pupils from the rural area, Roma population and persons with special education needs.

Although work-based apprenticeship is presented as an alternative to school or centre based vocational training in all the strategic documents developed by Romania, the apprenticeship demand is still low (see Box 2). Both supply and demand barriers are seen to currently influence life-long learning development, including a lack of flexible and relevant training programs based on social partnership and limited access to systems of prior learning, validations and certification¹⁹.

2.1.6. Changes in the supply of vocational education and training at second level

At present, for the theoretical aspects of the apprenticeship program, the employer that hires apprentices must conclude a contract with an authorized vocational training provider. Statistics provided by the National Authority for Qualifications, who is the agency responsible for authorizing the vocational training providers, indicate that in the 2004-2011 period approximately 4,600 providers of vocational training were authorized, for approximately 21,600 training programs, at national level.

Recent changes in the vocational education system are also relevant to the future demand and supply of apprentices. In order to tighten the link between the economy and the training process, the Romanian Government made changes in structure and approach of vocational education at second level. These were outlined in the Order of the Minister of Education, Research, Youth and

¹⁸ See the Position Document of the European Commission Services, October 2012, p. 6; 78 Progress Report of the 2011-2013 National Reform Program, March 2013, p. 15; Recommendations of the European Council regarding the National Reform Program of Romania, June 2013, p. 7 and p. 10,

¹⁹European Commission (2014), Education and Training Monitor, Brussels, p.5.

Sports no 3168/2012 on the organization and operation of the 2-years-period vocational education and the Order of the Minister of National Education no 3136/2014 on the organization, operation, admission and enrolment in a 3-years-period public vocational education. The situation of the vocational education system is presented in Annex no 4.

The new 2 year and 3 year vocational education programs are guided by the German dual vocational education system and represent an appropriate mix of theory and practice. The framework plans for vocational education were also approved through a ministerial order and describe the curriculum, the practical training and internship, as well as the allocation of the training hours. Graduates of the 2-years vocational education program, who completed practical training are entitled to enroll in the certification exam for level 2 professional qualification corresponding to reference level 3 of the European Qualifications Framework. Graduates of the 3-years vocational education program can obtain level 3 professional qualification within the National Qualification Framework corresponding to the reference level 3 of the European Qualifications Framework.

The ratio between the theoretical and practical training (i.e. for 3-years-period vocational education: 1st year of vocational education - 80% theoretical and 20% practical training; 2nd year of vocational education - 40% theoretical and 60% practical training; 3rd year of vocational education - 28% theoretical and 72% practical training) places Romania closer to the apprenticeship based training system than the one based on school training²⁰.

The 3-year vocational education program provides a double recognition, academic and professional.

It allows both for progression to further education (as the vocational education graduates who pass the exam for certifying the qualification can continue their studies in the 11th grade of the secondary education, and later they can pass the baccalaureate exam), as well as the qualification necessary to obtain a job. The significant share of practical training can increase the skills levels of pupils, if obtained through practical training sessions held at the location of the economic operator / public partner institution.

There is also a possibility to attend a practical training internship to acquire a Level 2 professional qualification. This form of internship is available to young people in of lower secondary schools who do not continue their studies in upper secondary education immediately after graduation. It is also available to young people from schools of lower secondary TVET who interrupted their high school upper cycle studies. The practical training internships include technological laboratory classes taught by specialized teachers, and practical training classes taught by masters - specialized instructors, which account for a total of 720 hours of training.

The objective of this form of training is to develop the work skills of pupils transitioning from school to work, and improving their insertion on the labour market. Practical training can be organized, both in specialized laboratories and workshops of the authorized or accredited educational establishment, as well as at the location of partner businesses involved in the vocational training of pupils. The practical training performed at the location of businesses is organized only based on cooperation agreements concluded to this regard, embodied in conventions for performing the practical training²¹. Practical training performed at the location of the businesses has multiple benefits: pupils transition from school to active working life; it provides the employers opportunities

²⁰ Order of the Minister of National Education no 3152/2014 regarding the approval of framework plans for 3-years-period public vocational education, 9th, 10th and 11th grades.

²¹In accordance with the Order of the Minister of Education, Research and Youth no 1702/2007 regarding practical training performed at the location of the enterprise / public institution by pupils undergoing technical and vocational education.

for rigorous employment selection of future school leavers; and it reinforces the partnership between school and labour market directing the adaptation of the training programs to its requirement.

2.2. Justification of the need for action

Reducing the school drop-out rate, improving the quality of education and vocational training and adapting them to the needs of the labour market are challenges that Romania has to face in the coming period to ensure solid foundations for the country's economic competitiveness.

A response to early school-leaving and the situation of NEETs

As already noted, in Romania the school dropout rate has increased over the last few years. The reason behind this situation varies, ranging from economic causes (high costs of the education system) to the socio-cultural ones. An alternative is therefore required, so that people who have left school early are able to support themselves. An apprenticeship contract could be an appropriate solution, as it provides the opportunity for the young person to receive a wage and also to obtain a nationally recognized qualification.

In 2012, the early school-leaving rate in Romania was of 17.4%, decreasing slightly as compared to 2010 and 2011, but well above the EU average of 12.8%, with high early school leaving rates in rural areas and among the Roma population. At the same time, the tertiary education graduation rate was of 21.8% in 2012, 14 percentage points below the EU average (35.8%). Qualitative ones aggravate quantitative inconsistencies, to the extent that the basic skills in reading, mathematics and science are very low and the employment rate of people aged between 20 and 30 who have completed at least secondary education was 69.4% in 2012 (compared to 75.6% for the EU)²².

The structural changes of the Romanian economy have a major impact on the labour market, which is reflected in the decreased employment rate of active people, the increased need for qualified young people and for retraining of adults who have lost their job.

The large number of young people not in employment or education and training (NEETs: 16.8% in Romania, 13.2% in the European Union 2012)²³ also presents a significant employment challenge for Romania.

The main challenge for the education and training system in terms of correlation with the labour market is the alarming increase in the share of inactive NEETs together along with an increase in youth unemployment, especially in regions with low socio-economic development. In the next period sustained and integrated policies will need to be developed to address the needs of this category of young people.

Addressing skill gaps

Special issues are related to the phenomenon of "qualifications not adequate to the labour market"

²² European Commission – Europe 2020 – Key areas: Quality of education and training, Available at: http://ec.europa.eu/europe2020/pdf/themes/30_quality_of_education_and_training.pdf

²³ European Commission – Europe 2020 – Key areas: Youth unemployment, Available at: http://ec.europa.eu/europe2020/pdf/themes/21_youth_unemployment.pdf

(skill gaps), with particular regard to vocational and tertiary education²⁴. During the period 2007-2011 the vocational education recorded a downward trend in both urban and rural areas. Following the abolition of schools of arts and crafts (SAC), the vocational school population reached a minimum of 12,382 pupils enrolled in the reference period²⁵. While a new VET strand has been introduced in the compulsory second level school system the curriculum remains overloaded with a high proportion of theory-based learning and no specific regulations on work-based learning have been introduced²⁶.

Complex changes in the Romanian economy means that a different mix of skills will be required in the future for the labour force²⁷. This is evidence of the emergence of skills gaps at the start of the economic recovery process, with a shortage of skilled workers, especially in the manufacturing and agri-food sectors, which have growth potential. Recent research of the National Centre for the Development of Technical and Vocational Training (CNIDPT) in partnership with the national Research Institute for Labour and Social Protection (INCSMPS) (see: CEDEFOP, 2011²⁸) indicates significant labour force shortages in occupations, which require professional and technical qualifications. Such qualifications are required for most of the job vacancies existing at the time of the study, with a significant demand in the textile and leather industry, mechanical engineering and constructions.

Adequate investments in services for developing the labour force are needed in order to increase the adaptability of enterprises to change, notably at a time of significant changes in the nature and type of most professional occupations.

Review of vacancies notified to the County employment agencies for employment has shown that some vacancies remain unfilled for long periods of time. Although the agencies distribute the said jobs to the suitably qualified people looking for a job registered in their database, such persons are often not employed because they do not meet the specific requirements of the businesses. In such situations, apprenticeship at the workplace is potentially a real alternative to the advantage of businesses who can train the staff they want and have a person employed in the job declared vacant, for which they also receive a subsidy.

10,968 vacant positions were notified to the National Employment Agency (NEA) out of which almost two-thirds (6,700 or 61%) did not require a person to have previous employment experience.²⁹ Most vacant positions were in Major group 8 – Installations and machinery operators; machinery and equipment assemblers and Major group 9 – Unskilled workers. This suggests that employers prefer to hire unskilled workers, either because they do not find skilled labour force or they prefer to train their employees at the workplace; or that they hire unskilled workers in order to provide lower salaries. It can also be an indication that apprenticeship would be an option in order to fill these vacant positions.

²⁴ European Commission – Europe 2020 – Key areas: Skill gaps and labour mobility, Available at: http://ec.europa.eu/europe2020/pdf/themes/27_skills_gaps_and_labour_mobility.pdf

²⁵ Analysis of the needs of education and vocational training in Romania, Ministry of National Education

²⁶ European Commission (2014), *Education and Training Monitor – Romania.*, p.5

²⁷ Commission Services Position Document, October 2012, p. 6; Recommendations of the European Council regarding the National Reform Program of Romania, June 2013, p. 7

²⁸ Romania – Mapping the need for TVET graduates in times of crisis, <http://www.cedefop.europa.eu/en/news-and-press/news/romania-mapping-need-tvet-graduates-times-crisis>

²⁹ Information extracted from the database of the National Employment Agency on December 16th, 2014.

In the period 2012-2013, according to data of NEA, the positions that remained vacant for the longest periods of time were in the clothing and commerce sectors (see Annex 5). In 2012 most of the positions which remained vacant for long periods of time were registered in Major group 9 (Unskilled workers) and Major group 8 (Installations and machinery operators; machinery and equipment assemblers). In 2013 most of the positions, which remained vacant for longer periods of time, were registered in Major group 3 (Technicians and other specialists in the technical field). The same sectors remain weak in 2014, according to information provided by NEA (see Annex 5).

In addition, the number of NEETs increases every year in Romania as in other European countries, and apprenticeship is a viable alternative for these young people. Many school leavers complete their education without acquiring a qualification, which recommends them for an apprenticeship program, especially in the case of young people who do not want to attend further education. Apprenticeship enables such young people to obtain quality vocational training and nationally recognized skills, providing the opportunity to obtain a job and continue learning.

Up-skilling and retraining of redundant workers

Many persons were laid-off following the closing down of factories in certain sectors (mining, steel etc.) and whose qualifications are no longer required in the labour market. In addition many of those made redundant are aged over 45 years, which hinders their access to employment. Although employment agencies have included them in training programs for requalification, these persons do not have experience in the new qualification acquired, which is also a barrier to finding a job. Apprenticeship at the workplace has a double advantage for these persons - it offers a job and provides the opportunity to practice new skills and to obtain a qualification.

After completing the apprenticeship period, people often remain employed, which implies stability of jobs created for apprentices.

Having a nationally recognized qualification certificate, the former apprentices can also find a job with another employer or even find a job in the European area, or they can set up their own business.

Employer interest in apprenticeship and in providing initial training at the workplace

There is evidence of some interest among employers to participate in apprenticeships in the future.

In August and September 2014 the county employment agencies consulted with businesses to see their openness toward apprenticeship programs. Approximately 2.600 employers were visited nationally, who expressed their willingness to employ around 700 apprentices and approximately 2.900 young people under 25 years in the coming years. This activity does not confirm the fact that employers understood that apprentices can be older than 25 years. Also, it is not known whether the 2.900 young people they intend to hire must have a qualification (see Annex 6).

On December 16th 2014, most (90%) of the job vacancies (9.926 of 10.968) registered with the NEA were for persons with secondary or professional education and unskilled workers, of which 6.205 (61%) did not require experience. 483 vacancies are available for graduates.³⁰

The fact that almost two-thirds of the jobs declared vacant are for people without experience shows the employers' willingness to train their own employees. It is intended to provide the necessary skilled, qualitative labour force, depending on the employers' requirements. Most positions

³⁰ Information extracted from the database of the National Employment Agency on December 16th, 2014.

requiring people without experience are in the textile industry and trade.

2.3. Problem definition

Taking into account the apprenticeship situation presented in the previous sections, the identified problem is the following:

The lack of attractiveness of apprenticeship for employers, as well as for potential apprentices, which is reflected in the imbalance between demand and supply of apprentices.

Additionally the low level of participation in education and vocational training programs for adults in Romania can be explained by the lack of integration between employers, employees, providers of education and training³¹. This results in an inadequate lifelong learning system, in which employers, workers and education and training providers make choices and act in isolation, without interacting with each other sufficiently. The expansion of the lifelong learning system in Romania involves overcoming the decoupling elements mentioned, while addressing the constraints of insufficient information, weak incentives and low capacity.

2.4. Key drivers of the problem

2.4.1. Economic and financial / bureaucratic drivers

Financial incentives for employers to recruit apprentices are unattractive. The employer receives a subsidy of approximately 300 RON per month per apprentice, the salary costs and taxes paid by the employer being much higher. The employer also has some additional costs. These include being responsible for the cost of the vocational training program, under a contract concluded with an authorized training provider; and in addition, the employer must assign an employee to act as apprenticeship coordinator. There is a cost associated with this employee therefore being unable to fulfill some of his/her normal work tasks.

In Romania, in order to pay a net salary of 857 RON for a skilled worker, an employer must spend 1.440 RON, and in order to pay a net salary of 724 RON for an unskilled worker, an employer must spend 1.199 RON.³²

Within the project “Developing the ministries capacities to draw up economic and financial analyses in order to support the process of formulating public policies relevant for programming and implementing structural instruments”, implemented by the Chancellery of the Prime Minister, during the January 28th 2015 – February 20th 2015 period, a consultation process with businesses was initiated by means of a survey, in order to collect information about the level of company awareness of the present apprenticeship system, and employer perceptions, experiences and potential of organizing apprenticeship at the workplace. 1319 companies from 38 counties answered the survey, 615 companies operating in the service sector, 44 companies in the industrial and constructions sector and 53 companies in the agriculture and forestry sector (see Box 3). The main reasons cited by employers for not organizing apprenticeship programs include:

³¹ World Bank (2013) Europe 2020 Romania report: “Evidence-based Policies for Productivity, Employment, and Skills Enhancement”.

³² Government Decision no 1.091/2014 on establishing the minimum guaranteed gross wage

- The bureaucracy related to apprenticeship,
- High number of duties and limited time for the workers to coordinate apprentices,
- High cost of the training provider,
- Very high costs for the apprentice's salary.

In accordance with a recent report³³, the bureaucracy associated with the implementation of apprenticeship programs is excessive, both in respect of administrative burdens (information obligation), as well the number and complexity of the documents that have to be drawn up.

In order to analyze the administrative burden associated with the implementation of apprenticeship programs by the employers, the methodology applied in the report previously mentioned was reapplied in this endeavor. The purpose was to take into account the legislative changes within the regulatory framework of the Romanian apprenticeship system, as well as the most recent evolutions of the unitary costs like salary, direct and indirect costs borne by the employers in order to meet the information obligations resulting from the legal provisions in force.

The following methodological steps were followed in order to assess the administrative burden related to the conclusion of apprenticeship contracts.

The following methodological steps were followed in order to assess the administrative burden related to the conclusion of apprenticeship contracts:

1. Identifying the information obligations of businesses in regard to the implementation of apprenticeship, in accordance with the legislation in force (including secondary legislation);
 - 1.1. Reviewing the previous process of assessing the administrative burden that had the involvement of MLFSPE (2014);
 - 1.2. Updating the information obligations of the businesses, in accordance with the amended legal framework:
 - 1.2.1.5 information obligations were identified, as follows:
 - F164 – appointment of the apprenticeship coordinator by the employer;
 - F165 – monthly request submitted by the employer for the apprenticeship subsidy;
 - F166 – the obligation of the employer to provide an answer to the requests from labour inspectors in regard to the implementation of the apprenticeship contracts;
 - F189 – the obligation of the employer to provide the apprenticeship contract to the apprentice, and;
 - F192 – the obligation of the employer to conclude a funding convention with NEA for the monthly subsidy. These obligations were described (with reference

³³ Final Report developed within the project *Technical assistance services for measuring the administrative costs and identifying the administrative burdens of the legislation in the areas regulated by the Ministry of Labour, Family, Social Protection and Elders, Ministry of Health and Ministry of National Education –SMIS code 15283*, funded through the 2007 – 2013 OPDAC and implemented by the Deloitte and Archidata consortium in collaboration with the General Secretariat of the Government, which had as objective measuring the administrative costs and identifying the administrative burden generated by the legislation in several ministries, among which MLFSPE. The research was performed in the March 2013 – May 2014 period

to the relevant norms) in different Excel sheets, dedicated to the estimation of the administrative burden for each of the identified information obligation.

1.2.2.The content of the obligations was updated, as needed;

1.2.3.Each of the obligations was broken down in standard burdens grouped in a logical manner;

2. Estimation of the hourly fee applicable to administrative burdens (in accordance with the "Costs" spreadsheet of the "Administrative burden" Excel file);

2.1. The gross monthly salary in force in 2014 was of 2.298 RON; for the estimation a gross monthly salary of 3.604 RON was used, similar to the one identified in the previous administrative burden assessment process;

2.2. The social contributions of the employer, as well as of the employees and the income tax were added in order to determine the total monthly labour cost;

2.3. The total labour cost per hour was determined by dividing the monthly labour cost to the average number of working hours per month, applicable in the baseline year (168);

2.4. Overhead costs: A share of 10% of the labour cost/hour was added in order to be able to consider other direct costs (paper, toner etc.);

2.5. A share of 20% of the labour cost/hour was added in order to be able to consider indirect costs (utilities, etc.);

2.6. A total hourly cost (including other direct and indirect costs) of 35.64 RON was estimated.

3. Estimation of the administrative burden for each information obligation;

3.1. The same hourly fee of 35.64 RON was used for all the burdens, regardless of the manner in which they are fulfilled: by the business or by means of outsourcing;

3.2. The necessary time (in hours) was estimated for each activity (almost all the burdens were considered as being performed by the business, except for the apprenticeship plan);

3.3. Account was taken of the burdens performed regularly, for each contract (apprenticeship or apprentice supervision) or those performed only once, for all the contracts (for example becoming familiarized with the information obligation);

3.4. Account was taken of the burdens performed regularly during the year (like the monthly subsidy request) or the ones performed only once;

3.5. Each burden related to an information obligation was assessed for the estimated number of new apprenticeship contracts concluded by an employer in one year (in accordance with the three options that were described) ;

3.6. It was estimated that one coordinator is needed for up to 10 apprenticeship contracts;

3.7. The yearly number of employers that shall conclude new apprenticeship contracts was estimated in accordance with the three options that were identified;

3.8. The average duration of the apprenticeship contracts was estimated for each of the three options that were identified;

3.9. The estimations took into account a 3-years-period (2016, 2017, 2018);

3.10.The impact of the inflation rate was not taken into account.

4. The following table summarizes the results obtained following the estimation of the administrative burden borne by the average employer when deciding to hire 20 apprentices. The results are multiplied by an estimated number of 25 employers, concluding apprenticeship contracts on an annual basis, in the reference period. The monthly cost borne by the average employer in the reference period for each apprenticeship contract concluded is estimated as being 57 RON, 72% of this cost being generated by the obligation to request the apprenticeship subsidy on a monthly basis (41 RON). At the level of the economy, the costs borne by all the employers that conclude apprenticeship contracts is estimated as having a value of 1.083.686 RON.

Table 1. Estimation of administrative burden borne by employers that recruit apprentices

Do nothing option/all contracts					Do nothing option /contract/month			
	2016	2017	2018	TOTAL (RON)	2016	2017	2018	
F-164	4.162	4.162	4.162	12.485	0.69	0.64	0.64	0.66
F-165	247.883	268.540	268.540	784.964	41.31	41.31	41.31	41.31
F-166	40.323	40.323	40.323	120.970	6.72	6.20	6.20	6.37
F-189	38.719	38.719	38.719	116.158	6.45	5.96	5.96	6.11
F-192	16.370	16.370	16.370	49.110	2.73	2.52	2.52	2.58
TOTAL (RON)	347.457	368.114	368.114	1.083.686	57.91	56.63	56.63	57.04
Number of new apprenticeship contracts concluded during the period	500	500	500	1,500				
No of on-going apprenticeship contracts	500	542	542					
Average number of apprenticeship years	1.08							
F164, F166, F189, F192 – one time obligations								
F165 – regular obligation								

2.4.2. Socio-cultural drivers (cultural context)

The low attractiveness of apprenticeship is also influenced by a range of socio-cultural factors, including a somewhat negative image of VET amongst young people and a low perception of the relevance of specialized skills among employers and young people. Salary and informal networks and contacts are primary influences in young peoples' decision to take up employment. However those currently employed as apprentices are generally satisfied overall with their experiences. These points are further elaborated below.

Apprenticeship, as a vocational training or craft alternative, has an unfavorable image. The vocational education graduation rate recorded low values during the period 2007-2011, fluctuating between 44% in 2008 and 14% in 2011. The decrease in participation and completion of vocational education is mainly due to the negative perception about the social prestige of this level of education, which determines the orientation of the majority of pupils to theoretical education, completed with high school graduation diploma³⁴ Low wages, particularly in certain sectors are often not attractive for apprentices. However this could be countered if apprentices were directed towards sectors where wages are higher, thereby making apprenticeship a more attractive alternative.

The reluctance of Romanian employers to hire young people and to provide them with work and learning experience also negatively impacts on the development of an apprenticeship system and opportunities.

Key factors that influence young people in seeking and taking up employment were identified in a 2014 research report "Romanian youth: concerns, aspirations, attitudes and life style."³⁵The study found that young people consider that personal connections are crucial in finding a good job, and that salary is by far the most important criterion when choosing a job, followed by safety at the workplace.

The report also identified issues concerning the relevance and use skills by employers in the labour market. Only 30% of the young respondents work in their field of specialization, and 15% of them work in an adjoining sector. Almost one of three young people from this sample group carry out an activity completely different from their specialization, while one of five does not have any professional qualification. Among those that have a job, one of nine is unskilled and 4% work in agriculture.

"Friends or acquaintances" were identified as critical to finding a job, by more than a quarter of our respondents while skills and vocational education of an employee were seen as somewhat less important (e.g. in Bucharest, only 17% of the interviewed young people consider that vocational education is the most important factor when looking for a job). Work experience is considered more important than training in a formal setup. The salary is by far the most important factor when choosing a job – 61% of the young people consider the salary the main factor, and 24% place it on the second position. More than 20% of the young people, especially men, aging 25-29 years old and/or from Bucharest want to start their own business.

Key drivers for current apprentices were also identified during the RIA process. The MLFSPE WG initiated a consultation process with the apprentices by means of an on-line survey, following invitation from the NEA. The consultation process was performed in the period 16.03 – 08.04.2015.

The objective of the consultation process was to collect information regarding the experiences, drivers, needs, expectations and career perspectives of the persons that concluded an apprenticeship contract. The survey found that nearly half (45.7%) of the young people found out about the apprenticeship programs from friends or relatives and almost one-quarter (22.9%) from the current employer. Only one-fifth (21.4%) were informed by the public employment services about the opportunity to attend apprenticeship programs. This points to the need to develop a promotional campaign for the apprenticeship system designed for potential beneficiaries to create greater awareness of apprenticeship as an opportunity for people looking for a job.

³⁴ Analysis of the needs for education and training in Romania, Ministry of National Education.

³⁵ CURS (2014) for Friedrich-Ebert-Stiftung Romania (FES)

The survey found that over a quarter (27%) of apprentices decided to attend an apprenticeship program in order to obtain both a salary and a qualification and a 27% were motivated by the possibility to have a qualification in a craft. Three quarters of the apprentices evaluated the level of accessibility of the apprenticeship program as being positive. Most of the respondents did not experience difficulties when seeking an apprenticeship position (61%). The main difficulty identified by the other respondents refers to the low number of employers willing to hire apprentices, which underlines the need to increase the attractiveness of the program for the Romanian companies. It is interesting to note that over two-thirds (67%) of the apprentices did not have an alternative when they started the apprenticeship program, given that they did not consider any other training / qualification modalities. Only 21% of the apprentices were interested in the training courses provided by the public employment service, yet they decided to attend the apprenticeship system as it provides the possibility of qualification at the workplace. Those who were exclusively interested in the alternative of apprenticeship are young people (25 years or younger) and elders (46 years or older). This shows that the apprenticeship system in Romania especially meets the needs of these age categories: young people that want to have a qualification and professional background, as well as elders facing difficulties in being reinserted in the labour market, with outdated qualifications that are no longer needed in the current economic context.

The apprentices had a positive opinion about the duration of the program, the training modalities and evaluation. Their level of satisfaction regarding the implementation of the program is very high, this opinion being shared by the young and older apprentices. The only notable cause of dissatisfaction refers to the value of the salary, which is considered by 12% of the apprentices as being too low. The apprentices were satisfied overall with the level of involvement of the employer, the evaluation methods, the standard of the vocational training, the balance between work and training, the training period and the advice received from the public employment service. One of the few perceived limits of the apprenticeship program refers to the lack of flexibility of the system, which does not allow the apprentices to achieve different parts of program with different employers.

At the same time, the apprentices were not able to identify or anticipate some of the potential benefits or outcomes of an apprenticeship program. Many expressed their belief that they will continue to work for the same company and will also receive a higher salary on completion of the apprenticeship program.

2.5. Which are the effects of the problem?

The current situation in the apprenticeship system in Romania, characterized by lack of attractiveness both for employers and potential apprentices leading to imbalances between demand and supply, has various effects that can be summarized as follows:

1. The main effect is that the unskilled workers will not find a job, as the opportunities for them are limited. Unskilled workers will not have the opportunity to acquire possible new skills and therefore their opportunities to find a job will remain limited. As a result, they will remain outside the labour market, with no career prospects or access to quality jobs. Most of them will become discouraged and will give up in looking for employment or will perform occasional informal activities. Even if they would enter employment, they would have access to so-called "secondary jobs" which are characterized by low wages, high turnover, poor working conditions and lack of career ladders.

2. Another effect is the increase of unemployment, which combined with the above effects can generate a low standard of living. Unemployment rate will remain high among youth and older persons and among those with low or no qualification. As most of them become long term unemployed, they will be exposed to poverty and deprivations. On the other hand, the public expenditures with social assistance of the unemployed will continue to increase.
3. Moreover, the lack of qualified personnel in enterprises will remain a problem. Due to outflows migration or various skills shortages at local level, many companies will continue to experience difficulties in finding qualified workers. Companies will continue to have hard-to-fill vacancies due to lack of job applicants or lack of job applicants with the right set of skills. In the long term, skills shortages will affect company performances and potential to growth of the local economies.
4. The rate of participation in education and training programs for adults in Romania will remain low. Lack of efficient policies for cost sharing in the field of vocational training will continue to maintain a very low training participation rate. In the same time, the proportion of youth not in employment, education or training will not be reduced. In this context, Romanian labour force will not have a stock of skills in accordance with the market needs and technological developments.

2.6. Main stakeholders involved/affected by the apprenticeship system

Key stakeholders and social partners in the development of the apprenticeship systems are employers' organizations, sectorial committees, vocational training providers, government ministries and agencies, parents associations, NGO's and youth associations.

Currently the involvement of social partners in the issue of apprenticeship is very low. Social partners, respectively owners associations and trade unions, can significantly contribute to increasing the number of apprentices employed in sectors that require skilled labour force. Owners associations and the individual employers have a key role in the implementation of the apprenticeship schemes, by providing jobs for apprentices, as well as by being involved in the development of the training program that the apprentice shall undergo.

Employers and Chambers of Commerce

A high level of employer interest in workforce development and initial training is integral to the development of an apprenticeship system; however currently the level of employer interest is rather low, due to the impact of the recent economic and financial crisis on Romania.

Romania's economy is mainly based on services, which accounts for over two-thirds (67%) of the GDP, followed by the manufacturing industry (22%) and agriculture (7%) and other non-manufacturing industries (4%)³⁶. The statistics on the dynamic of businesses provide significant inputs for the future competitiveness policy of Romania. Thus, although the rate of setting up enterprises is characterized by a slight increase in 2011 (36.1%) compared to 2010 (33.2%), it must be noted that the majority (58.7%) of start-up companies have no employees, only 63.4% of them

³⁶ Ministry of Economy (2013), "Socio-economic analysis", Competitiveness Working Group.

retain their active status after one year of operation, and that only 16.8% invest during that period, which indicates an entrepreneurship bias towards small companies and microenterprises, as well as the difficulties faced when entering the market related to lack of resources, high competition, barriers to customer identification, and difficulty in accessing loans.³⁷ Employers in Romania represent one of the two main parties involved in apprenticeship programs, being those who provide jobs for apprentices. The ratio of companies that provide training to their employees also affects the availability of skills. This ratio is of only 40% in Romania compared to the EU average of 58%.

Romanian microenterprises are even less willing than their counterparts in other EU countries to ensure the involvement of their employees in lifelong learning activities. Therefore, there is a need to encourage employers to invest in the development of the workforce through continuous training/lifelong learning activities, in order to improve productivity and resilience and to address the current low participation in training programs for adults.³⁸ Chambers of Commerce, which are autonomous organizations representing the interests of their members (associate traders) and of the Romanian business community can be partners in the provision of apprenticeship programs. As shown in the position papers of the Chamber of Commerce and Industry of Romania the Development Strategy of the Chamber confers great importance to its role in training activity: "Permanently connected to Romanian economic development and training market trends, the Chamber of Commerce and Industry aims to become an important pillar in the training of young people, by signing a protocol with the Ministry of National Education."³⁹

The Chambers of Commerce wish to take over and further develop vocational education activities based on identification of training needs in line with manpower and market requirements.

The Chamber of Commerce and Industry of Romania has adopted the German model. In Germany, the Chambers of Commerce coordinate training provision by means of certification, pragmatic orientation towards services that provide added value to businesses based on national and international standards.

Sectorial committees

The sectorial committees are public social dialogue institutions, with legal capacity, established in different fields of activity by means of the collective labour contracts in force at national level. A single sectorial committee can be established at the level of a branch of economic activity. The sectorial committees include representatives of the ministries and regulating authorities, joined by representatives of the professional associations operating in the said branch of activity. The committees seek to encourage and stimulate the participation of organizations and persons in continuous vocational training and vocational and technical education. They also validate the qualifications and standards related to the qualifications, except for those acquired through higher education. According to the National Authority for Qualifications, there are 15 Sectorial Committees acting in fields such as tourism, hotels and restaurants, metallurgy, agriculture and fishing, transports, constructions, etc.⁴⁰

³⁷ NIS (2013), *New companies and entrepreneurs profile in Romania*, ISSN: 2065-5487

³⁸ Commission Services Position Paper, October 2012, p. 6; European Council Recommendations on the National Reform Program of Romania, June 2013, p. 6.

³⁹ <http://ccir.ro/2014/09/28/revitalizarea-invatamantului-profesional/>

⁴⁰ http://www.anc.edu.ro/?page_id=48

Private Vocational training providers

Apprenticeship programs have a very important vocational training component, which is why it is necessary for the employer to conclude a contract with an authorized vocational training provider or to be authorized as a provider of vocational training. The vocational training program is developed by the employer and provider, in accordance with the occupational standard of the qualification that the apprentice will obtain. A qualitative vocational training program will lead to obtaining a qualification recognized at national level, based on which the apprentice will be able to work for any employer in the national or European market.

Ministry of Education and Scientific Research

The Ministry of Education plays an important role due to its records on early school leavers who can access apprenticeship as an alternative to education in order to have a qualification and obtain a job.

The Ministry also manages a high number of pupils, which can orient themselves towards the apprenticeship route, if the financial situation does not allow them to continue their education. At the same time, schools can become a partner within the apprenticeship program, as authorized providers of vocational training.

Ministry of Labour, Family, Social Protection and Elders

MLFSPE is the main promoter of employment and vocational training policies, and therefore of apprenticeship. The ministry monitors and proposes the updating of the regulatory framework of apprenticeship at the workplace. The role of the ministry is very important in ensuring the link between all actors in the labour market, employers, persons looking for a job, unemployed, vocational training providers, and civil society, in order to develop and implement the employment and vocational training policies which would increase the employment rate and the rate of involvement in vocational training.

National Employment Agency

The National Employment Agency (NEA) is a key actor with a range of roles in respect of the apprenticeship system. It acts both as mediator between supply and demand, as well as financier, as the subsidies for apprenticeship programs are granted by NEA under an agreement concluded with the employer hiring apprentices. The economic recession impacted severely on the activities of the NEA in recent years.

Socio-economic and labour market changes led to an increased number of people seeking work and of unemployed persons registering with the NEA, along with an increased demand for specific services, especially information and guidance, mediation and training. Concurrently, the decrease of investment in active employment measures (from 0.16% of the GDP in 2003 to 0.02% in 2011) has reduced the magnitude and quality of services provided.⁴¹ The involvement in lifelong learning programs and initiation of active labour market policies remain among the lowest in the EC, given the low level of the expenditure. The share of expenditures allocated to active measures, of the total unemployment fund, was reduced during the crisis, most of the fund being redirected to the payment of unemployment benefits.

⁴¹ Source: National Employment Strategy 2014-2020 http://www.mmuncii.ro/j33/images/Documente/Munca/2014-DOES/2014-01-31_Anexa1_Strategia_de_Ocupare.pdf

In addition, the budgetary constraints and measures adopted in the context of the global economic and financial crisis led to a 40% downsizing of the public employment service (PES) in the period 2008-2010. This situation forced the county agencies to operate with minimal staff.

Closer partnerships with private employment providers and NGOs operating in the field of activation will therefore be indispensable to overcome the shortage of NEA staff and increase the capacity of NEA services.

Parents' associations

Over the past years, children have tended to be better qualified than their parents. A recent research study⁴² indicates that half of young people consider that their parents belong to the middle class, while one of three considers that his/her parents belong to the working class. There is a powerful and important correlation between the social class of the parents and the class of the young people. For example, if a young person declares that his/her parents belong to the working class, most probably he/she will position himself/herself in the same social class. That is why it is very important to change the somewhat negative attitudes of parents and young people to craft occupations and skills and to attaining them by means of apprenticeship. Parents associations can play an important role in this respect.

NGOs for social inclusion, youth associations

The European platform for combating poverty and social exclusion is one of the flagship initiatives of the Europe 2020 Strategy and it provides a structure for dialogue between the EU and the European stakeholders like NGOs, trade unions, academia, regional authorities and foundations, in order to carry out activities at EU level, in order to address different aspects of poverty and social exclusion.

Therefore, at national level, partnership must be the center of all employment, vocational training and inclusion policies. Relevant NGOs and youth associations can also contribute to changing attitudes to apprenticeship and crafts, and can support the creation of jobs and social cohesion at local, regional and national level, including through the development of local communities.

2.7. No-action option (baseline scenario)

2.7.1. Impacts and benefits for economy and labour market

If we choose the “do nothing” option, leaving the current apprenticeship system and procedures as they are, the following effects may occur:

- the lack of skilled workers in the labour force will continue to be a problem for individual enterprises and the economy (skill shortages);
- low levels of initial training and work-place based training will impact negatively on business competitiveness and ability to adapt to changes in technology and related occupational skills (skill gaps);

⁴² Research report “Romanian youth: concerns, aspirations, attitudes and life style”, developed by CURS for Friedrich-Ebert-Stiftung Romania (FES) in 2014.

- those who leave school early without a qualification will request unemployment benefits, which will lead to higher costs of unemployment and active measures indemnity;
- those who are long-term unemployed or unskilled, along with young people, will continue to have limited employment opportunities and will become even poorer;
- the impact on the employment rate is limited;
- long term vacant jobs will continue to exist;
- a negative perception will exist in regard to the social prestige of apprenticeship, orients a majority of pupils towards theoretical education, completed with a baccalaureate diploma leading to the lack of skilled personnel within the enterprises.

The low rates of professional insertion of school leavers with a low level of education (lower secondary, primary education or no education) will be the main challenge of the future period. In such cases, the chances of being integrated on the labour market remain very low as compared to the chances of the people that have higher levels of education and qualification.

In case of no action, the main challenge for the education and vocational training system in terms of correlation with the labour market will be the continuing alarming increase in the share of inactive young people in the age group 15-24 years, who are not in employment, not included in any form of education or vocational training, and are not registered as jobseekers, concurrent with an increase in youth unemployment, especially in regions with low socio-economic development. In the next period these phenomena will require sustained and integrated policies designed for this category of young people. Government Emergency Ordinance 117/2013 established the legal framework for a new educational and vocational training (EVT) component within the education system. The new EVT courses, having a duration of three years, will start in the 2014-2015 school year, with programs that cover learning objectives and that include classes corresponding to the 9th and 10th high school grade.

This was necessary in order to be able to take into account the EVT component within the mandatory education system and in order to allow the graduates of vocational schools to be able to continue their education in the 11th and 12th high school grade. Unfortunately, the curricula is still overloaded, with a high percentage of theoretical learning, and no specific regulations were introduced in relation to learning at the workplace⁴³.

The funding from the unemployment insurance fund is the element of the apprenticeship system what that was not changed in past few years, in form and value. In this context consideration has been given to use of European funds.

The structural funds represent an opportunity to fund vocational training in the following programming period. Within the Romanian Plan for Implementing the Youth Guarantee, the Ministry of Labour has set a target of 7.000 young people being involved in apprenticeship in the 2014-2015 period – including with ESF+YEI (Youth Employment Initiative) (400 EUR/month).

At present, the benefits of the current apprenticeship system relate primarily to the quality of apprenticeship programs. Although many employers complained about the bureaucracy related to apprenticeship programs, the procedures currently in place aim to ensure the quality of vocational training particularly through use of approved trainers as well as having apprenticeship coordinators at the workplace.

⁴³ See EC (2014) Education and Training Monitor - Romania

Another benefit is that of lower costs for the state, most of the expenses being borne by the employers (it represents a cost for employers).

Other benefits:

- Employers reduce the costs related to recruiting a person qualified in accordance with the company's requirements;
- Employers – receive a subsidy of 300 RON, deduct the vocational training expenses;
- Ensure personnel qualified in accordance with the company's requirements;
- Apprentices are provided the opportunity of having a job after they have completed the apprenticeship program, in accordance with the acquired qualification and experience;
- The training providers obtain profit, as the employers are obliged to use the services of an authorized vocational training provider.

So, in the absence of Government action, the problem is very likely to remain the same. As a result, during the next 3 years the total number of apprenticeship contracts is expected to reach a maximum of 1840.

Elements taken into account when the target of no-action option was established:

- Number of apprenticeship contracts concluded in 2014: 340 contracts
- Number of new apprenticeship contracts included in the National Plan for Vocational Training of NEA to be subsidized from the 2015 budget: 500 new contracts

In the no-action scenario, the average duration of the apprenticeship contracts is estimated as 13 months, as a large majority of the contracts are for a period of 12 months.

2.7.2. Financial impacts – for state, employers and apprentices

Impacts on the State

In the situation of no action taken by the Government, the financial impact for the state will be positive, but at a modest level. The low costs for the state is one the main benefits of the no-action option. There are two categories of costs for the state: costs with the subsidy offered to employers from the unemployment insurance fund (300 RON/apprentice/month representing 60% of the reference social indicator) and implementation costs supported by the public employment agency (estimated to an average value of 174 RON/apprentice/month). While taking into account the expected number and duration of apprenticeship contracts for the next three years, level of costs for the state remains rather low. This is a strong argument in favour of the no action option, as the public unemployment insurance fund is currently in deficit and receives transfers from the national budget in order to sustain the social benefits and subsidies granted to the unemployed and employers.

On the other hand, the benefits for the state include savings made by not granting social protection (unemployment benefit and expenditures with vocational training) or minimum guaranteed income for those unemployed who become apprentices. Considering the average state expenditures with the social protection of the unemployed, the state will save around 150 RON/ apprentice/month. Also, considering the fact that half of unemployed benefit from minimum guaranteed income (monthly average of 230 RON), the state would save the expenditures made with granting it for those becoming apprentices. Another important benefit for the state is the possibility to collect social contributions and income tax for the apprenticeship contracts (583 RON/apprentice/month

taking into account an average gross salary of 1.170 RON/month which is 20% higher than the minimum wage).

In conclusion, in a no-action scenario of the costs to the state will be much lower than the benefits.

In this case, the state would have a net gain of around 4.866 RON for each apprentice, but the number of apprentices is expected to remain very limited.

Table 2. Costs and Benefits for the State for the “No-action” option (2016-2018)

1840 apprentices	
Costs	
Subsidy for employers costs	7,176,000 RON
Implementation costs	4,163,754,4 RON
Benefits	
Savings in social protection costs	3,599,960 RON
Savings in minimum income guaranteed costs	2,750,800 RON
Social contributions and income tax	13,945,360 RON
Net impact	8,956,365,6 RON

Impact on Employers

One important part of economic impacts concerns the employers that recruit apprentices. While costs for the state remain low, the costs borne by employers are high. They include costs with the wage of the apprentice (monthly average of 1.440 RON, including social contributions paid by the employer) and costs with the wage of the apprentice coordinator (average cost of 357 RON/apprentice/month, taking into account 20 hours of work per month and the average wage, including social contributions paid by the employer). So, labour costs represent the main part of the apprenticeship related costs supported by employers. Moreover, they also support the training costs of the apprentice (in average 45 RON/apprentice/month). Finally, for taking up an apprentice, employers have a series of administrative costs that are derived from the information obligations related to apprenticeship in Romania, including procedures needed for receiving the subsidy (administrative costs reach an average value of 57 RON/apprentice/month).

On the other hand, employers benefit for subsidies granted by the public employment agency from the national unemployment insurance fund (300 RON/apprentice/month representing 60% of the reference social indicator). Also, they benefit from the apprentices product, which is estimated on the base of the apprentice time spent contributing to firm production. The so-called ‘productive time’ is obtained by subtracting the training time (according to the legal provisions) and annual leave from the total working time. Finally, the productive time was valued using the minimum wage (for unskilled workers). Additionally, the employers benefit from the skills gained by the apprentices during the program. During an apprenticeship contract, the gain in apprentice productivity is estimated as half of the gap between an unskilled and a skilled worker. In the end, the costs for the employers within the current apprenticeship system clearly exceed the estimated benefits, during

the apprenticeship period.⁴⁴ For this reason, the participation of employers in the current scheme is most likely to remain low for the future and will not provide more than new 500 contracts per year.

Table 3. Costs and Benefits for the Employers for the “No-action” option (2016-2018)

		1840 apprentices
Costs		
	Apprentice wage costs	34,444,800 RON
	Apprentice coordinator wage costs	8,539,440 RON
	Training costs	1,079,988 RON
	Administrative costs	1,083,686.34 RON
Benefits		
	Subsidy	7,176,000 RON
	Apprentice product	24,685,440 RON
	Apprentice gain in productivity	2,882,360 RON
Net impact		-10,404,114.34 RON

Costs and benefits for apprentices

Another category of economic impacts concern apprentices. Costs that are supported by apprentices include travel costs that have to be taken into consideration as they exceed costs of a regular worker due to the training provided at the training centre premises. For that reason, some employers support the travel costs of their apprentices, but this happens on a voluntary bases.

Usually, the travel costs reach 50 RON/apprentice/month. Expenditures with the registration documents for apprenticeship represent a one-time cost and amount for an average of 46 RON/apprentice. Finally, most important cost for apprentices is related to remuneration received in alternative non-apprenticeship employment of the same duration (opportunity cost). Such employment situations were considered the unskilled positions paid with the minimum wage. As for the benefits, apprentices receive remuneration for their work, according to the apprenticeship contract that was concluded with their employers. The average wage is estimated as being 20% higher than the minimum wage (net average wage of 857 RON/month). Moreover, as the apprentices have the same rights as regular workers, they benefit for social insurance rights corresponding to their wage (in average, the benefits amount to 463 RON/apprentice/month). Also, the apprentices benefit for the fact that they receive training, improving their career prospects. This benefit is estimated on the base of the training costs as reported by public employment agency. Concluding, the cost-benefit analysis shows a net positive impact for the apprentices. The low attractiveness of the apprenticeship in the eyes of job seekers results from poor information and knowledge about the scheme and from low social prestige associated with apprentice position.

Table 4. Costs and Benefits for the Apprentices for the “No-action” option (2016-2018)

⁴⁴ Research studies of Lerman, IZA (2014) and Hogarth, BIS (2012) show that while apprenticeships may be a cost for employers in the short –term, in the longer term benefits outweigh investment costs in most systems when the apprentices are recruited as full-time employees – due to the productivity gains of having a skilled worker, and lower recruitment costs.

		1840 apprentices
Costs		
	Travel costs	1,196,000 RON
	Costs with the registration documents	84,640 RON
	Opportunity cost – remuneration in alternative non-apprenticeship employment	17,318,080 RON
Benefits		
	Net salary	20,499,440 RON
	Social insurance rights	11,074,960 RON
	Training	1,076,400 RON
Net impact		14,052,080 RON

Also, the “no-action” scenario determines low economic impacts at the level of the training providers.

The training market will not be impacted in a significant way, as the number of apprentices will remain rather low.

2.7.3. Social impacts

Considering the small number of apprenticeship contracts to be concluded in the next three years within a no-action scenario, the social impacts will be limited. No significant improvements will take place at the level of the social prestige associated with apprenticeship or regarding employers’ and job seekers’ awareness of the apprenticeship opportunities. The small number of apprentices will not impact consistently the unemployment rate, number of NEETs, poverty rate or the level of social protection expenditures. Moreover, skills deficits and gaps will continue to affect the activity of many companies and the growth of the national economy.

2.8. Objectives

Government intervention in the field of apprenticeship has to be driven by clear objectives that can make the system work in an efficient manner. The following objectives have been identified and should be the goal of government intervention when redesigning the apprenticeship system in Romania.

General objective: Strengthening and supporting the apprenticeship system by improving the link between vocational training and employment.

Specific objectives:

1. Reducing the administrative costs for employers and apprentices before and in view of organizing and performing apprenticeship programs;
2. Increasing the attractiveness of apprenticeship contracts by reducing their financial costs;
3. Improving the image of the apprenticeship system;
4. Making the apprenticeship system more flexible for employers as well as for apprentices;
5. Increasing the credibility of the apprenticeship system;
6. Ensuring the quality of vocational training in order to ensure sustainable jobs – maintaining employment in the same position after having completed the apprenticeship program.

Section 3. Preferred Option

3.1. Description of the option

This option includes proposals for change to a range of aspects of the current apprenticeship system:

- The subsidy granted to employer should be increased to 1 reference social indicator, namely 500 RON /apprentice /month for the entire duration of the apprenticeship program;
- NEA/CEA should be responsible for oversight of the vocational training, by means of its own network of training centers or by means of authorized vocational training providers, selected in accordance with the provisions of the law on public procurement. The costs related to vocational training would be borne only for the persons seeking a job;
- Developing strong information and awareness campaigns for employers and potential apprentices regarding the opportunities and advantages of apprenticeship;
- Making the duration of the vocational training at the workplace more flexible (the duration of the apprenticeship contracts to be between 6-36 months), especially for the persons that hold partial qualifications, by introducing different types of apprenticeship programs:
 - Specialization programs for different levels of qualification 2, 3, 4, 5⁴⁵, so that the labour force would meet the challenges generated by the new technologies. The access condition would be for the apprentice to have a nationally recognized basic qualification certificate, issued by the educational system or by the vocational training system for adults. The duration of the apprenticeship programs could be of:
 - 3 months for qualification level 2;
 - between 3 and 6 months for qualification level 3;
 - between 3 and 12 months for qualification level 4;
 - between 3 and 12 months for qualification level 5;
 - Training courses for persons with any of the qualification levels 2-5, focusing on the de-skilled labour force (due to long term unemployment or in the event in which the person did not practice for the past 5 years the occupation for which the qualification was obtained). The duration of the trainings can be between 3-6 months;
 - Trainings in order to obtain a higher qualification, in the same occupational field, for the persons that already have a qualification – the duration of the apprenticeship contracts is reduced with one year. The list of qualifications that can have a lower apprenticeship duration can be developed by the National Qualifications Authority:
 - 12 months – for the persons have a level 2 qualification and that would like to obtain a level 3 qualification;
 - 24 months for the persons have a level 3 qualification and that would like obtain a level 4 qualification – high-school graduates.
- complementary training in order to obtain a full qualification for persons that already have a proficiency certificate – for at least 50% of the competences required in order to be fully

⁴⁵ In accordance with GD no 918/2013 on approving the National Qualifications Framework

qualified. In this situation the duration of the contracts can be between 6-18 months, depending on the level of qualification:

- 6 months for qualification level 2;
- 12 months for qualification level 3;
- 18 months for qualification level 4,
- 18 months for qualification level 5.

By implementing the changes and actions listed above to the current apprenticeship system, during the next 3 years apprenticeship contracts could be provided for up to 30.000 persons.

The elements that were taken into account when the target of the alternative option was established are the following:

- The unemployment rate in December 2014 was 5.29%
- Total number of unemployed persons registered by NEA in December 2014: 478 338 persons (140 955 indemnified and 337 383 not indemnified)
- The number of unemployed persons without studies, primary, lower secondary and vocational education in December 2014: 357367 persons
- The number of apprenticeship contracts necessary in order to reduce the unemployment rate in the period 2016-2018 with approximately 0.3 percentage points (to 5%) is of approximately 25 000
- The number of vacant positions registered by NEA in December 2014: 10 968 vacant positions out of which 6 700 requiring no experience. For the persons with secondary and vocational education and for unskilled workers 9 926 positions are available, out of which 6 205 with no experience
- The structure of the vacant positions depending on the level of qualification: approximately 70% for occupations requiring qualification level 2, 15% for occupations requiring qualification level 3 and 15% for occupations requiring qualification level 4. If the number of apprenticeship contracts would replicate the structure of vacant positions in accordance with the level of qualification, then the average duration of the apprenticeship contracts would be of 17 months.

The cost-benefit analyses are estimated for the next three years period and the main results is presented in Annex 7.⁴⁶ This time framework was established based on the low predictability and emergent character of the Romanian economy. The economic cycle can dramatically influence both the demand and supply for apprenticeship. Moreover, the three-year period was decided by taking into account the maximum duration of the apprenticeship contracts (36 months) for all the policy options taken into consideration.

3.2. Financial impact on the state, employers and apprentices

Impact on state

The financial impact on the public authorities for the preferred option will be mostly determined by the moderate increase of the subsidy that is granted from the national unemployment insurance fund to employers that recruit apprentices. The subsidy will increase to 500 RON/month/apprentice (1 social reference indicator). Also, within the preferred option, the state will take over training costs for apprentices. Such costs will amount to approximately 45 RON/month/apprentice. The implementation costs supported by the public employment agency will be around 174 RON/month/

⁴⁶ A full picture of the cost-benefit analysis of the three options can be found in Annex 7.

apprentice. So, as against the “no-action” situation, the monthly costs of the state per apprenticeship will increase with approximately 50%. Moreover, one should remember that the achievement of the established number of apprenticeship contracts targeted by the preferred option (30.000 contracts during the next 3 years) would incur very significant general costs for the state.

Finally, in order to increase the level of information and to change negative public image of the apprenticeship, the state will support costs for nation-wide information campaigns targeting employers and potential apprentices. Implementation of these campaigns will cost public authorities around 182.000 RON.

On the other hand, public authorities will have a set of benefits that become more significant with the number of concluded apprenticeship contracts. First, the state will benefit from saving the expenditures with the social protection of the unemployed (unemployment benefit and vocational training) for those who join the apprenticeship program. Currently, public expenditures with the social protection of one unemployed person is an average value of 150 RON per month. Also, half of the registered unemployed benefit from the minimum guaranteed income, which amounts to a monthly average of 230 RON. So, by entering in apprenticeship jobs, public authorities would save social expenditures for 30.000 unemployed persons. Another important benefit for the public authorities is related with the possibility to collect social contributions and taxes for all apprentices employed under an apprenticeship contract. The total level of social contributions and taxes will reach 583 RON/month/apprentice (taking into consideration an average salary of the apprentices with 20% above the minimum wage and the current level of taxation).

Overall, public authorities will have a positive net impact in the scenario of the preferred option during the next three years. However, one should be aware that this option will contribute to increasing the deficit of the national unemployment insurance fund as most costs are to be borne by it (increased subsidies, training costs and implementation costs). However, the fund will be alleviated by the expenditures with the social protection and will collect unemployment contribution for the apprenticeship contracts (0.5% for employers and 0.5% for apprentices). So, the national unemployment insurance fund will be negatively impacted, but the overall net impact will be significantly beneficial for the public budget.

Table 5. Costs and Benefits for the State for the preferred option (2016-2018)

		30.000 apprentices
Costs		
	Subsidy for employers	165.000.000 RON
	Training costs	14.899.500 RON
	Implementation costs	57.443.100 RON
	Information campaigns costs	182.000 RON
Benefits		
	Savings in social protection costs	49.665.000 RON
	Savings in minimum income guaranteed costs	37.950.000 RON
	Social contributions and income tax	192.390.000 RON

Impacts on employers

Employers that recruit apprentices represent the main category of companies that is impacted by the preferred option. These employers incur costs with the apprentice wage and with the apprentice coordinator wage. Such costs amount to 1.440 RON/month/apprentice in the case of apprentice wage and 357 RON/month/apprentice for the wage of apprentice coordinator. Both costs have been estimated by taking into account the average salary and the social contributions paid by employers. Besides labour costs, employers are impacted by administrative costs associated with information obligations for taking up apprentices and applying for receiving the subsidy. The administrative costs are estimated to 58 RON/month/apprentice. As the preferred option foresees that the state (public employment agency) will take over the training costs, the total costs for the employers decrease as against the “no-action” option.

On the other hand, employers will benefit from an increased subsidy (500 RON/month/apprentice, representing 1 social reference indicator). Moreover, they benefit from the work performed by apprentices within the company. Thus, the apprentice product is estimated on the base of the productive time spent by the apprentice working for the production of the company. The productive time is obtained by subtracting the training time and the annual leave from the total standard working time. Furthermore, the productive time is valued with the gross salary (including social contributions paid by employers) paid for unskilled workers (minimum wage). In this case, the apprentice product amount to 1.032 RON/month, covering only part of the wage that is paid by the employer. Finally, as the apprentice participates in training activities, the employers benefit from their skills development. The productivity gain of the apprentice is estimated as half of the difference between the wage of unskilled and skilled workers, namely to 120 RON/month/apprentice.

Overall, despite the increased subsidy, the net impact at the level of employers is negative as the apprenticeship related costs exceed the benefits. However, one should be aware that due to the lack of quality data with respect to the level of average wage for skilled workers, the productivity gain is clearly underestimated. Also, as against the current situation (no-action option), the gap between the costs and benefits of the employers is becoming smaller. Finally, taking into account post-apprenticeship benefits to the employers which are related to lower recruitment costs and higher productivity of those employed following apprenticeship (due to the acquired firm-specific skills), the net impact is moderately negative in the short term and positive in the long term. Moreover, the positive effect is higher among employers who have difficulties in attracting qualified workers due to increased migration outflows or different kinds of labour and skill shortages.

The subsidy offered to employers that take up apprentices will act as a state aid with the purpose of increasing employment and improving qualification of job seekers with low employability.

Considering the level of the subsidy and the costs of the employers, the preferred option will not affect the competition on the national market. The subsidy would be available in all regions of the country.

Table 6. Costs and Benefits for the Employers for the preferred option (2016-2018)

30.000 apprentice	
Costs	

Apprentice wage costs	475,200,000 RON
Apprentice coordinator wage costs	117,810,000 RON
Administrative costs	19,194,892.11 RON
Benefits	
Subsidy	165,000,000 RON
Apprentice product	340,560,000 RON
Apprentice gain in productivity	39,765,000 RON
Net impact	-66,879,892.11 RON
Post-apprenticeship long term impacts	Decreased recruitment costs Higher productivity

Impact on apprentices

Also, individuals who decide to become apprentice are impacted in significant ways. They have to support costs such as travel costs to employment premises and to the training center and costs with the registration documents. Travel costs are estimated to reach 50 RON/month/apprentice, while preparation of the documents required for registration will be around 46 RON /apprentice. One important cost for apprentices is related with the remuneration he/she would have the possibility of gaining while working in an alternative non-apprenticeship employment (opportunity costs). This opportunity cost is estimated as being at the level of the minimum wage, which is usually paid to unskilled workers. In the preferred option, the apprentices' benefit from the net salary (857 RON/month/apprentice), as well as from the social rights associated with the statute of employed (463 RON/month/apprentice). Moreover, the apprentices gain from gaining new skills and better career prospects. The benefit is estimated by taking into consideration the cost of the training courses that amounts to an average value of 45 RON/month/apprentice. Overall, there is a net positive impact for individuals deciding to enter an apprentice position.

Other impacts

Due to the fact that the preferred option proposes a more flexible apprenticeship system with shorter duration and flexible pathways of qualification, the system will be more attractive for both employers and apprentices. From their point of view, the new system would allow smaller investments (financial and non-financial) and the possibility of establishing several milestones along the way. Moreover, it will allow apprentices to continue his/her qualification with another employer.

Also, the proposed system can be used by employers interested in improving/shifting the stock of skills of their employees without removing them from the productive activity. They can attend specialization or training courses in apprenticeship regime.

Table 7. Costs and Benefits for the Apprentices for the preferred option (2016-2018)

30.000 apprentices	
Costs	
Travel costs	16,500,000 RON
Costs with the registration documents	1,380,000 RON
Opportunity cost – remuneration in alternative non-apprenticeship employment	238,920,000 RON
Benefits	

Net salary	282,810,000 RON
Social insurance rights	152,790,000 RON
Training	14,850,000 RON
Net impact	193,650,000 RON
Post-apprenticeship long term impacts	Higher employability Increasing life time earnings

Also, the preferred option would require further development of the training market and have positive impact for training providers. In comparison with the no-action option, the number of apprentices attending training courses will be sixteen times higher which will require increased training delivery capacity, and provide a significant growth opportunity for providers.

3.3. SMEs Test

SMEs face specific barriers when accessing the apprenticeship system. The most important barriers relate to the low level of information, costs related to the apprentice's salary, cost related to vocational training, administrative costs and the limited availability of the apprenticeship coordinator. The preferred option, namely increasing the attractiveness of the apprenticeship system, would have a direct impact on SMEs, as indicated in survey findings as part of the consultation process. This was based on a survey of employers (1319 companies, out of which 1126 SMEs, distributed in the following manner: 408 microenterprises, 425 small companies and 293 medium sized companies). The survey found that the expectations of SMEs regarding the role of the Government in relation to apprenticeship focused mainly on the need to provide more advantageous incentives. A need to simplify the specific apprenticeship procedures and to further promote the apprenticeship system were also identified as priorities by SMEs'.

Taking into account these results, the preferred option meets the needs of the SMEs through the specific amendments that it proposes within the legal framework: increasing the subsidy granted to employers to 1 RSI (Reference Social Indicator) (500 RON); making the system more flexible so that it would allow a reduction of the apprenticeship duration and, therefore, the reduction of the costs; and initiating an information campaign for companies, as well as for potential apprentices (persons looking for a job). Moreover, due to the fact that it favors a more flexible duration of apprenticeship (especially for persons that hold partial qualifications), the preferred option is tailored for SMEs, which are in general characterized by a low level of participation in formal vocational training activities, focusing more on the development of human capital through other means than the formal ones⁴⁷. The reduction of the apprenticeship period could reduce the SME trend of hiring already skilled workers instead of apprentices. In general, SMEs have a lower capacity of developing long-term policies and investments, therefore a more flexible apprenticeship system can increase its attractiveness to the needs of SMEs.

SMEs population and participation in apprenticeship

The SMEs population, eligible to be involved in the apprenticeship system comprises 483.476 companies⁴⁸ (National Institute of Statistics, 2013). They are distributed in the following manner: 426.775 microenterprises (88%), 48.287 small companies (10%) and 8.414 medium sized companies (2%). The largest numeric concentration of SMEs can be found in the Trade sector (156.332

⁴⁷ OECD Skills Studies, Skills Development and Training in SMEs, 2013

⁴⁸ <http://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

microenterprises, 13.390 small companies, 1.373 medium sized companies). Other sectors which include a significant number of SMEs are Manufacturing, Constructions, Scientific and Technical Professional Activities and Transportation and Storage.

Data on apprenticeship valid on December 30 2014,⁴⁹ indicate that two-thirds (66.6%) of the companies that concluded apprenticeship contracts are SMEs and one-third (33.3%) are large companies. On the other hand, the large companies hired over two-thirds (67%) of the apprentices and SMEs one-third (33%). On the basis of maintaining the ratio of SMEs in the total number of companies that hire apprentices and the same distribution of apprentices hired in accordance with the size of company, the preferred option should result in approximately 1.850 participant companies in the apprenticeship system, out of which 1.235 would be SMEs. This would represent approximately 0.3% of the Romanian SMEs.

As far as administrative costs are concerned, it is expected that administrative burden associated with the preferred option of apprenticeship public policy to impact differently on enterprises according to their size as defined by their number of employees: microenterprises (0-9 employees), small companies (10-49 employees), medium-sized companies (50-249 employees) and large enterprises (over 250 employees).

Expectations are based on the working assumption that in general, micro and small businesses do not generally have specialized human resources or legal departments to help them effectively meet the administrative requirements when implementing apprenticeship programs (i.e. F164 - designation by the employer of the apprenticeship coordinator; F165 - monthly request by the employer of the subsidy for apprenticeships; F166 - the obligation of employers to subject to labour inspectors in respect of the implementation of apprenticeship contracts; F189 - the employer's obligation to hand the apprentice the apprenticeship contract, and F192 - the obligation of the employer to conclude a financing agreement with the local employment agency in order to receive the monthly subsidy allowance).

Two variables potentially impact on the administrative costs. Firstly, the average time dedicated to administrative tasks related to the implementation of apprenticeship programs, potentially higher in the case of micro and small enterprises due to their lack of specialized departments/ staff in the field. Secondly, the hourly rate applied to persons who fulfill administrative obligations associated with apprenticeship programs. This is potentially higher for the same categories of enterprises, because the administration tasks are likely to be met by administrators remunerated at a higher level than staff with human resource management or legal responsibilities in medium-sized and large enterprises, or by outsourcing them to specialized consultants who will charge higher rates for the (relatively low) number of apprenticeship contracts that might be concluded by the micro or small employing company.

However, such possible differences were not taken into account in the current exercise. The main working assumption used in estimating the administrative burden incurred by different size enterprises is that large companies, with over 250 employees (and possibly the medium ones, with more than 50 but less than 249 employees) will include in their organizational chart a department specialized in human resources management and/ or legal activities and thus realize economies of scale in implementing apprenticeship programs. The administrative burden will be distributed to each new apprenticeship contract will be lighter than in the case of micro or small enterprises.

⁴⁹ National Employment Agency (NEA)

SME Test results

The table below summarizes the main results of the SMEs test exercise. For the needs of this exercise we assume the total of apprenticeship contracts targeted by the preferred policy option (30,000 new apprenticeship contracts concluded in the three reference years) is distributed across companies by their size as the total number of enterprises is distributed to different size categories, at the national level. The number of apprenticeship contracts that may be concluded by a company according to its size category was estimated as follows: micro businesses (0-9 employees) – one new apprenticeship contract concluded; small enterprises (10-49 employees) – four new apprenticeship contracts concluded; medium-sized companies (50-249 employees) – 15 new apprenticeship contracts concluded and large enterprises (over 250 employees) – 25 new apprenticeship contracts concluded. Total administrative costs are supposed to be evenly distributed within each size class.

Table 8. Monthly administrative costs/ new apprenticeship contract concluded by size of enterprise, for the preferred policy option

Monthly costs per newly concluded apprenticeship contract	Enterprise, by size:			
	<i>Micro</i> 0-9 employees	<i>Small</i> 10-49 employees	<i>Medium</i> 50-249 employees	<i>Large</i> >250 employees
F-164	7,19	1,96	0,50	0,90
F-165	79,79	48,23	20,11	40,26
F-166	7,43	7,49	3,67	7,32
F-189	35,38	13,68	3,80	6,71
F-192	3,21	3,09	1,49	2,97
TOTAL (lei)	132,99	74,45	29,57	58,16

Unit administrative costs (per newly concluded apprenticeship contract) are significantly higher for micro-enterprises. The lowest costs are incurred by medium-sized enterprises. The most costly obligations are those related to the monthly request by the employer of the subsidy for the apprenticeship contract and to the handing of the apprenticeship contract to the apprentice (as it includes prior identification of training provider and development of the apprenticeship program).

Among the positive impacts associated to the information obligations, the most important one focuses on ensuring the quality of vocational training for apprentices. Given that vocational training within the apprenticeship system is performed in accordance with the legislation which regulates vocational training, the information obligations represent a modality through which the qualitative elements provided by the legislation are being complied with, namely: the number of learning hours, and theoretical and practical education ensure acquiring the specific skills units in accordance with the qualification. Thus, when the apprenticeship period is successfully completed, the apprentice will obtain a Certificate of Proficiency recognized at national level.

Financial costs for SMEs

The negative financial impacts (costs) borne by the SMEs following the implementation of the preferred option, are the costs related to the apprentice's salary and the costs related to the salary of the apprenticeship coordinator. The cost related to the apprentice's salary does not fluctuate very much depending on the size of the company, as the said salary has a level very similar to the one of the minimum national wage, exceeding it with maximum 20%. The total monthly cost related to the

apprentice's salary (including the employer's contributions) was estimated as having a value of 1.440 RON for small, medium and big companies (approximately 1.2 minimum national wages) and 1.200 RON for microenterprises (the same level as the national minimum wage), due to the fact that the medium wage in microenterprises is not much higher than the minimum wage. Unlike the cost related to the apprentice's salary, the cost related to the salary of the apprenticeship coordinator (due for 20 hours of activity / month) fluctuates significantly depending on the size of the company.

The estimation related to the coordinator's salary relies on the hypotheses that he/she receives the medium national wage. The estimations took into account the value of the medium gross wage in January 2015 (including the employer's contributions) (3000 RON) and the personnel cost structure of microenterprises, small, medium and big companies in 2012 (National Institute of Statistics)⁵⁰.

Thus, if a company that hires an apprentice spends on average, 357 RON / month for the salary of the apprenticeship coordinator (for 20 hours of activity), the cost for a SME would be of 248 RON, and the cost for a big company would be of 656 RON. Among the SMEs the differences between the average salaries paid to the employees by various categories of companies result in a different cost related to the salary of the apprenticeship coordinator (160 RON for microenterprises, 240 RON for small companies and 341 for large companies). Thus, being very much influenced by the level of salaries depending on the categories of companies, the absolute costs related to hiring an apprentice are much lower for SMEs than for big companies. Nevertheless, in relative terms, these costs represent a higher effort for SMEs and even more for microenterprises. Thus, for a microenterprise, the monthly financial cost related to hiring an apprentice is similar to the one paid for an average salary; for a small company the cost for an apprentice would represent approximately 80% of an average salary, for a medium company approximately 60%, and for a large company the cost related to hiring an apprentice is lower than half of the average salary paid to the employees.

Financial benefits for SMEs

On the other hand, the benefits have approximately the same value for various categories of companies. The financial benefits include the subsidy granted by the employment agency, and which is equal to one reference social indicator (500 RON), regardless of the size of the company. At the same time, the benefits also include the contribution of the apprentice to the company's activity (estimated based on the monthly working time), as well as the productivity gain resulting from vocational training. Both benefits are estimated starting from the value of the minimum national wage, which is similar for all categories of companies. Therefore, in absolute terms, the financial benefits of the company reach a monthly value of 1652 RON for one apprentice, regardless of the company's size. Because of this, in absolute terms, the net monthly financial benefit (costs-benefits) associated with hiring an apprentice is positive for microenterprises (gain) and negative for the other categories of companies (the small companies have the lowest monthly loss and the big companies has the highest one). Nevertheless, account should be taken of the fact that the lack of data regarding the average salary of a skilled worker depending of the category of company, leads to underestimating the productivity gains of the apprentices, especially in relation to large and medium sized companies (companies that have higher salaries).

Sectorial impacts

In regard to the sectorial profile, the financial impacts shall be distributed in an irregular manner depending on the salary level. Therefore, in absolute terms, the monthly financial cost for an

⁵⁰ <http://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT109C>

apprentice will be lower for SMEs operating in sectors like Hotels and Restaurants, Transportation and Storage, Trade and Construction. In relative terms, these costs are very similar to the cost associated to hiring a skilled worker, which indicates an additional effort of these companies in order to hire an apprentice. On the other hand, given the high level of the salaries at sectorial level, the cost for one apprentice is high for SMEs operating in sectors like Information and Communication and Professional, Scientific and Technical activities, Administrative services and Support services activities.

In relation to the transfers from businesses to public authorities, they refer to the social contributions paid for the apprentice's salary (for social insurance, social and health insurance, unemployment fund, vacations and indemnities, salary receivables, risk and accidents fund). These transfers shall be calculated as a percentage of the apprentice's salary, its percentage value being, most of the time, similar for all categories of companies. Thus, for an apprentice, who receives a monthly gross salary of 1.170 RON (20% higher than the minimum national wage), a company will pay to the state 270 RON, regardless of its size.

Benefits of preferred option for SMEs

Taking into account the positive and negative impacts described above, the preferred option is especially beneficial for SMEs which face a qualification deficit at local level, from the quantitative and/or qualitative perspective (the educational system does not ensure adequately qualified labour force or it operates in a geographic area with a high level of migration, or the salary level is not attractive for the skilled labour force). In the condition of adequate information, the microenterprises that cover a significant part of the financial cost associated to hiring an apprentice with the subsidy can be attracted by this possibility, especially if they face difficulties when hiring labour force adequately trained in accordance with its needs. Last but not least, given the high incidence of formal employment at the level of microenterprises, the opportunity provided by apprenticeship and its positive effects can be an incentive for formalizing the employment relations.

Another significant barrier faced by microenterprises when trying to access the apprenticeship system refers to the difficulties faced by these companies when contracting authorized vocational training providers in order to ensure the training of a low number of apprentices. In general, the providers enforce restrictions regarding the minimum number of participants within a training program. The preferred option modifies the present situation, namely for the vocational training to be ensured by the employment agencies. They will use either their own training centers, or they will outsource the vocational training activity to certain authorized providers; the employment agencies will have the capacity to ensure vocational training for the apprentices working in microenterprises, regardless of their number within each company. Moreover, by organizing vocational training in such a manner, the apprentices working for various companies which are training for the same qualification, will have the possibility to carry out different practical education activities in various companies in order to acquire all the skills units provided by the employment standard.

We should not forget that most of the vocational training providers can be framed within the SMEs category. They will benefit from a significant development of the market in which they operate, and in the following years the preferred option will lead to an important increase of the demand for vocational training of apprentices.

Conclusion and recommendation from SME test

In conclusion, it can be highlighted that the irregular burden of the administrative costs at the level of microenterprises, as well as that the level of the monthly cost for one apprentice, is very similar to

the cost related to an average salary. In these conditions, it is proposed that the following measures be implemented:

1. Adapting the monthly reporting documentation to the employment agencies in order to obtain the subsidy that would allow the companies to report the information in an aggregate manner for all the apprentices employed by a company for the same qualification;
2. Developing a guideline with indicative practical examples on how to submit the monthly reporting documentation to the employment agencies in order to obtain the subsidy;
3. The two measures that are proposed will lead to a reduction of the time allocated to information obligations by all companies, and, as a result, will decrease the administrative burden which was higher for SMEs in the context of limited resources.

3.4. Social / Health impacts

The preferred option will have significant social impacts. Overall, revision of the apprenticeship system in accordance with the preferred option will enhance lifelong learning and individual wellbeing while strengthening the performances of the companies. An enhanced apprenticeship system will result in the following positive macro and micro effects:

- reduce the level of unemployment while increasing employment;
- address the NEETs problem;
- offer employment opportunities and better career prospects for vulnerable individuals with no qualification or low employability;
- increase the level of qualification of the labour force;
- reduced social costs;
- improve the occupational structure and mobility of the labour force;
- reduce the number of unskilled workers;
- adapt the labour force to the needs of the employers in order to enhance productivity and growth;
- ensure the quality of vocational training and relevance of qualifications;
- ensure the legal conditions for flexible training and qualification routes;
- develop the vocational training market;
- improve the level of awareness and public image of the apprenticeship;
- increase self-esteem of people in vulnerable positions and the level of trust in the vocational training route.

Section 4. Alternative Options

4.1. Description of options

For the alternative option, the main modification considered refers to increasing the subsidy provided to employers to the amount of 1000 RON/month/apprentice. Twice the value of a reference social indicator was taken into account in order to cover all the costs of the employers

that recruit apprentices. The duration of the apprenticeship contracts would remain the same: 12 months (level 2), 24 months (level 3) or 36 months (level 4)⁵¹.

Also, the alternative option includes implementing intensive information and awareness campaigns for employers and potential apprentices with regard to the opportunities and advantages of apprenticeship.

Within the above stated alternative option, during the next 3 years the total number of apprenticeship contracts is expected to reach 25.000.

The elements that were taken into account when the target of the alternative option was established are the following:

- The unemployment rate in December 2014 was 5.29%
- Total number of unemployed persons registered by NEA in December 2014: 478 338 persons (140 955 indemnified and 337 383 not indemnified);
- The number of unemployed persons without studies, primary, lower secondary and vocational education in December 2014: 357367 persons;
- The number of apprenticeship contracts necessary in order to reduce the unemployment rate in the period 2016-2018 with approximately 0.3 percentage points (to 5%) is of approximately 25 000;
- The number of vacant positions registered by NEA in December 2014: 10 968 vacant positions out of which 6 700 requiring no experience. For the persons with secondary and vocational education and for unskilled workers 9.926 positions are available, out of which 6 205 with no experience;
- The structure of the vacant positions depending on the level of qualification: approximately 70% for occupations requiring qualification level 2, 15% for occupations requiring qualification level 3 and 15% for occupations requiring qualification level 4. If the number of apprenticeship contracts would replicate the structure of vacant positions in accordance with the level of qualification, then the average duration of the apprenticeship contracts would be of 17 months.

As in the case of the preferred and “no-action” options, the impact analysis is performed for the next three years period: 2016-2018. A summary of all costs and benefits of the various options can be found in Annex 7.

4.2. Financial impacts on state

Adopting the alternative option will impact very significantly the public budget. As the subsidy granted for employers will be increased to the value of 1000 RON/month/apprentice, this would represent a cost for the public authorities three times higher than at present and two times higher as in the preferred option (for one apprentice). Moreover taking into account the high number of the apprenticeship contracts that are expected to be concluded in the next three years period, the budgetary effort of the public authorities would be considerable. Costs with the subsidy supported by the public authorities are complemented by the implementation costs of the apprenticeship system. For the system implementation, the public employment agency needs to spend approximately 174 RON/month/apprentice. The high costs that would be expected for the next three years would significantly increase the deficit of the national unemployment insurance fund. At

⁵¹ In accordance with GD no 918/2013 on approving the National Qualifications Framework

the same time, the public authorities would provide funding for information and awareness raising campaigns among employers and potential apprentices.

On the other hand, the public budget would benefit from the fact that the apprentices change their status from unemployed to employed persons. As a result, the public budget will benefit from savings in the expenditures with the social protection of those becoming apprentices. The expenditures amount to a monthly average of 150 RON/ apprentice (unemployment benefit and vocational training). In addition, around half of the registered unemployed are beneficiaries of minimum guaranteed income. Therefore, the public authorities will save these expenditures for those joining the apprenticeship program (monthly average of 230 RON). The most important benefit for the state arises from the possibility to collect social contributions and income taxes for individuals working on apprenticeship contracts. This benefit will amount to 583 RON/month/apprentice.

However, due to very high level of the subsidy granted to employers, the total net impact on public authorities is significantly negative for the next three years period. Implementing this option would affect the sustainability of the national unemployment insurance fund and would impose the need for much higher transfers to it from the public budget.

Table 9. Costs and Benefits for the State for the Alternative option (2016-2018)

25.000 apprentices	
Costs	
Subsidy for employers	425,000,000 RON
Implementation costs	73,979,750 RON
Information campaigns costs	182,000 RON
Benefits	
Savings in social protection costs	63,962,500 RON
Savings in minimum income guaranteed costs	48,875,000 RON
Social contributions and income tax	247,775,000 RON
Net impact	-138,549,250 RON

4.3. Economic impacts on employers

Main beneficiary of the implementation of the alternative option would be the employers that take up apprentices. They would have higher benefits as against costs. Thus, costs of the employers will include wage costs for the apprentice and for the apprentice coordinator. The wage of an apprentice amounts to a monthly average of 1440 RON, including the social contributions paid by the employer.

The wage of the coordinator corresponding to 20 hours of activity is estimated to 357 RON/month/ apprentice, including the social contributions paid by the employer. Further, within the alternative option, employers would support the training costs that reach on average 45 RON/month/ apprentice. Also, the employers would be subject to an administrative burden related with taking up apprentices and application procedures for receiving the subsidy. The administrative cost for the employers is estimated to 54 RON/month/apprentice.

On the other hand, employers would benefit from an increased subsidy granted for each apprentice (1000 RON/month). Also, they would benefit from the work of the apprentices. The apprentice product is estimated taking into account the real productive time of the apprentices obtained by

subtracting the training time and annual leave. The obtained productive time is valued with the minimum wage, which is usually paid to unskilled workers. The resulting apprentice product is estimated to 1032 RON/month/apprentice. Finally, the employers benefit from the upskilling of apprentices during the training program. This gain in productivity is estimated to represent half of the wage gap between skilled and unskilled workers (120 RON/month/apprentice). One should be aware that due to the lack of available data on wages by level of qualification, the productivity gain is probably underestimated. Overall, when comparing costs and benefits of the employers taking up apprentices, the net impact is positive. Such an impact will determine employers to become involved in the apprenticeship scheme, regardless the long duration of the apprenticeship programs.

Table 10. Costs and Benefits for the Employers for the Alternative option (2016-2018)

25.000 apprentices	
Costs	
Apprentice wage costs	612,000,000 RON
Apprentice coordinator wage costs	151,725,000 RON
Training costs	19,188,750 RON
Administrative costs	20,782,394.79 RON
Benefits	
Subsidy	425,000,000 RON
Apprentice product	438,600,000 RON
Apprentice gain in productivity	51,212,500 RON
Net impact	111,116,355.21 RON
Post-apprenticeship long term impacts	Decreased recruitment costs Higher productivity

Impacts on Apprentices

Another category of impacts concerns the apprentices. Their costs and benefits are similar with those from the preferred option except for the duration of the apprenticeship program. In the case of the alternative option, due to the fact that the apprenticeship programs lasts on average 17 months, both costs and benefits of apprentices are multiplied. Not to mention the fact that longer apprenticeship duration can be very discouraging for both employers and apprentices. In the case of the alternative option, apprentices will support the travel costs for longer period of time (50 RON/month/apprentice) and unchanged costs with the registration documents (46 RON/apprentice). Finally, of most importance is the opportunity cost represented by the level of earnings possible to be obtained by apprentices in alternative employment situations. This cost has been estimated on the base of minimum wage paid for unskilled workers (net amount of 724 RON/month/apprentice). On the other hand, while being an apprentice, one benefits from the salary (average net amount of 857 RON/month/apprentice) and for the social insurance rights (approximately 463 RON/month/apprentice, corresponding to social contributions paid by employer and employee for the average wage of apprentices). Also, apprentices benefit from training that gives them the opportunity to gain a certified qualification and to improve their career prospects.

The net impact on apprentices is highly positive, except for the fact that obtaining a qualification takes a long time, especially in the case of higher-level qualifications, which can act as a disincentive.

Table 11. Costs and Benefits for the Apprentices for the Alternative option (2016-2018)

25.000 apprentices	
Costs	
Travel costs	21,250,000 RON

Costs with the registration documents	1,150,000 RON
Opportunity cost – remuneration in alternative non-apprenticeship employment	307,700,000 RON
Benefits	
Net salary	364,225,000 RON
Social insurance rights	196,775,000 RON
Training	19,125,000 RON
Net impact	250,025,000 RON
Post-apprenticeship long term impacts	Higher employability Increasing life time earnings

The subsidy granted to employers that recruit apprentices can be considered a state aid. Moreover, as the alternative option proposes an important increase of the level of the subsidy, this could result in negative effects for market competition. On the other hand, the alternative option would enhance the training market by increasing the demand for training to the benefit of the training providers.

4.4. SMEs Test

The alternative option focuses on increasing the attractiveness of the apprenticeship system by ensuring a significantly higher subsidy as compared to the current one having a value of 2 Reference Social Indicators (1000 RON). The eligible population of SMEs, which can be involved in the apprenticeship system, is similar to one of the preferred option, namely 483.476 companies⁵², out of which: 426.775 microenterprises (88%), 48.287 small companies (10%) and 8.414 medium sized companies (2%).⁵³ The distribution of SMEs in economic sectors indicates a high number of companies operating in Trade, Manufacturing Industry, Constructions, Scientific and Technical Professional Activities and Transportation and Storage.

Starting from the hypothesis of maintaining the ratio of SMEs in the total number of companies that hire apprentices and the same distribution of apprentices in accordance with the size class, the alternative option will determine the involvement of approximately 1.540 companies in the apprenticeship system, of which 1.030 would be SMEs. These would represent approximately 0.2% of the Romanian SMEs.

Regarding the administrative costs and benefits associated with the alternative option of apprenticeship policy, the same methodology and underlying hypotheses have been used as in the case of the preferred policy option. The number of apprenticeship contracts to be concluded by enterprises, according to their size (determined by their number of employees) are as follows: microbusiness (0-9 employees) – one contract, each; small enterprises (10-49 employees) – four contracts, each; medium-sized companies (50-249 employees) – 15 contracts, each; and large enterprises (over 250 employees) – 25 contracts, each.

Table 12. Monthly administrative costs/ new apprenticeship contract concluded by size of enterprise, for the alternative policy option

Monthly costs per newly concluded apprenticeship	Enterprise, by size:			
	<i>Micro</i> 0-9	<i>Small</i> 10-49	<i>Medium</i> 50-249	<i>Large</i> >250

⁵²<http://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

⁵³ National Institute of Statistics, 2013

contract	employees	employees	employees	Employees
F-164	5,63	1,41	0,77	1,16
F-165	89,77	49,73	41,47	70,82
F-166	5,81	5,38	5,57	9,48
F-189	27,69	9,82	5,76	8,68
F-192	2,51	2,21	2,26	3,84
TOTAL (lei)	131,40	68,54	55,83	93,99

Costs

As in the case of the preferred option, unit administrative costs (per new apprenticeship contract concluded) are significantly higher for microbusinesses, compared to enterprises of other sizes. The differences are, however, insignificant between the two policy options (preferred and alternative).

Similar with the case of the preferred policy option, the lowest costs are incurred by medium-sized enterprises, but they are larger when compared with the preferred policy option.

The most costly obligations are related to the request by the employer of the monthly subsidy for apprenticeship contracts (F165) and the handing of apprenticeship contract to the apprentice (F189) as such obligation includes the prior identification of training provider and the development of the apprenticeship program.

Similarly to the preferred option, the positive impact resulting from the information obligations specific to the alternative option relate to ensuring the quality of vocational training during the apprenticeship period. The obligation of submitting to the employment agency the information included in the Monitoring Report and Activity Plan of the apprentice ensures that the provisions of the apprenticeship legislation are observed, respectively, an adequate blend of learning and working.

The monthly financial costs related to hiring an apprentice include, besides the salary of the apprentice and the costs related to the salary of the apprenticeship coordinator, the cost of vocational training. The first two cost categories are determined by the level of salaries paid by different categories of companies. Therefore, on average, the costs related to the salary of the apprentice and apprenticeship coordinator (due for 20 hours / month) reach the lowest absolute values for microenterprises and are higher as the size of the company increases. In principle, the vocational training costs should be similar for the same qualification, regardless of the size of the company hiring apprentices. Nevertheless, there is a high probability for this training cost to be different for microenterprises that have to contract training services for a very low number of apprentices. In this situation, there is a possibility for the training providers to charge a higher cost, or not to be able to provide the requested services. Even when the training cost is similar for all categories of companies (45 RON/month/apprentice), the total financial cost paid by a microenterprise for one apprentice would exceed the cost related to the average salary paid by the said category of companies. Moreover, as compared to the preferred option, the costs borne by SMEs for one apprentice is directly proportional to the duration of the apprenticeship program which is significantly longer within the alternative option. In this context, microenterprises could be reluctant to hire apprentices.

Benefits

On the other hand, the monthly benefits resulting from the alternative option for hiring one apprentice are similar for all categories of companies: subsidy in the amount of 1.000 RON, benefits resulting from the apprentice's activity estimated based on the working time and the contribution of the apprentice to the company's activity (a little over 1.000 RON) and the productivity gain resulting from the knowledge and skills accumulated during the training program (approximately 120 RON).

Due to the lack of data regarding the average wages of skilled workers classified in accordance with the size, the productivity gain is underestimated for companies with higher salaries, respectively for medium and large companies. In the situation in which the subsidy has a very high level, the net benefit for an apprentice is positive for all categories of companies, being higher for SMEs.

Conclusion

However, while the impact analysis indicates a net positive benefit, which is important for microenterprises and small companies, the difficulties that they face when contracting the services of vocational training suppliers (caused by the low number of apprentices) can be a major barrier when accessing the apprenticeship system. Because of this, the alternative option does not ensure favorable conditions for the adequate involvement of SMEs within the apprenticeship system.

4.5. Social / Health impacts

Along with financial and economic costs, the alternative option brings a wide range of positive effects at the social level (and similar to those of the preferred option):

- reducing the level of unemployment while increasing employment;
- addressing the problem of NEETs;
- offering employment opportunities and better career prospects for vulnerable individuals with no qualification or low employability;
- increasing the level of qualification of the labour force;
- improving the occupational structure and mobility of the labour force;
- reducing the number of unskilled workers;
- adapting the labour force to the needs of the employers in order to enhance productivity and growth;
- ensuring the quality of vocational training;
- developing the vocational training market;
- improving the level of awareness and public image of the apprenticeship;
- increasing self-esteem of people in vulnerable positions and the level of trust in the vocational training route.

Section 5. Public Consultation Process (Art. 7 of Law 52/2003)

The public consultation undertaken during the development of the Substantiation Note had two main components: one consultation was carried out in the initial phase of the process and the second following the development of the impact analysis and identification of the preferred option.

Within the first component, the aim of the consultation was to explore how the current apprenticeship system is perceived by the two main actors: employers and apprentices. The main objective was to collect information useful for the construction of the three policy options and for identifying a series of costs and benefits. Thus, the first component of the public consultation was carried out via two questionnaire-based surveys among employers on the one hand and apprentices on the other hand. Key findings from the consultations are outlined in Boxes 4 and 5.

Box 4. Consulting the employers potentially interested in the apprenticeship system in Romania

During the period 28.01.2015 – 20.02.2015, a consultation process was initiated with the businesses by means of a survey. The purpose was that of collecting information regarding the awareness level of the businesses in relation to the present apprenticeship system including employers' perceptions, experiences and their potential to organize apprenticeship at the workplace. 1319 companies from 38 counties responded to the survey, 615 companies from the services sector, 44 companies from the industrial sector and 53 companies from the agriculture and forestry sector. Main results from the consultation are as follows:

- Only 29% of the companies are familiar with the Romanian apprenticeship system, which emphasizes the need to develop specific information campaigns addressed to employers. The low level of information regarding the system is much more accentuated in what concerns SMEs as compared to large companies.
- Nevertheless, at least 37% of the companies are potentially interested to hire apprentices, given that they face a high level of difficulty in recruiting skilled workers for vacant jobs. The proportion of companies facing major difficulties in relation to hiring skilled workers is significantly higher for large (48%) and medium sized companies (46%). From the sectorial perspective, most companies affected by the qualification deficit are operating in the construction and industrial sectors (48%).
- 28% of the companies would intend to hire apprentices in the following 2 years, most of them operating the industrial and constructions sector (37%) and in the services sector (23%). At the same time, interest in organizing apprenticeship programs is highest in large companies (40%) and less by SMEs (27%). The microenterprises (with maximum 9 employees) are the least interested in apprenticeship (20%). Most of the companies that intend to organize apprenticeship programs in the following 2 years are located in the North-West, Central and North-East part of the country.
- In order to finance the apprenticeship schemes, most of the companies intend to use the subsidy provided from the unemployment insurance fund (64%) and their own resources (50%). At the same time, 41% of the companies are considering accessing European structural funds in order to fund apprenticeship. Except for the large companies that rely mostly on their own financial resources, all the other categories of enterprises envisage funding apprenticeship mainly with the support of the subsidy provided from the unemployment insurance fund.
- On the other hand, the companies consider that the main benefit of apprenticeship at the workplace relate to training employees in accordance with the company's skill needs. Only 13% of the companies believe that apprenticeship is not beneficial for the companies. The share of companies that do not consider apprenticeship as being beneficial is almost double at the level of microenterprises and small enterprises (14%) as compared to the large companies (7.9%). At the same time, the agricultural sector is characterized by the highest share of the companies that cannot identify the benefits of apprenticeship (23%).

- Among the key reasons due to which the Romanian companies are not interested in organizing apprenticeship programs is the predilection to hire already skilled workers, bureaucracy of apprenticeship, limited time available for the apprenticeship coordinators, lack of the labour force need and the high cost of vocational training. The distribution of the reasons varies by size of the company. Thus, large companies are more reluctant, first of all because of the bureaucracy, while the SMEs would rather employ already skilled workers. The high dynamics and vulnerability that characterizes the evolution of SMEs hampers them from developing human resources policies for medium and long term. To this regard, a more flexible system that would allow the reduction of the apprenticeship period could suit better their needs and interests. At the same time, in what concerns microenterprises, reluctance occupies a higher position due to the cost of the apprentice's salary. At sectorial level, most of the companies that express concern about the lack of persons interested in apprenticeship and the lack of vocational training providers operate in the industrial and constructions sectors.
- With regard to the expectations from the Government in the area of apprenticeship, most of the companies would like more advantageous financial incentives for those that organize apprenticeship programs (61%), simplified procedures (52%) and promotion of the apprenticeship system (36%). Furthermore, while the main expectation of large companies refers to simplifying the procedures, the SMEs expect for the Government to provide more advantageous financial incentives.

Box 5. Consulting the apprentices who concluded apprenticeship contracts in 2014

The MLFSPE WG initiated a consultation process with the apprentices by means of an online survey, following the invitation from NEA. The consultation process was performed in the period 16.03.2015 – 08.04.2015. The objective of the consultation process was to collect information regarding the experiences, drivers, needs, expectations and career perspectives of those persons that concluded an apprenticeship contract. 70 apprentices from 12 counties have filled in the questionnaire. The sample included 19 women and 50 men (1 non response), 49 apprentices under 25 years old, 19 ageing 26-45 years old and 1 apprentice above 46 years old. Most apprentices are employed in manufacturing and construction, while less than 20% are employed in services. The main results of the consultation are as follows:

- 45.7% of the young people found out about the apprenticeship programs from friends or relatives and 22.9% from the current employer. Only 21.4% were informed by the public employment services about the opportunity to attend apprenticeship programs. In this regard, it seems necessary to develop a promotional campaign for the apprenticeship system designed for potential beneficiaries and to focus particularly on the information needs related to apprenticeship as an option for persons looking for a job.
- The information collected from the apprentices shows that 27% of them decided to attend an apprenticeship program in order to obtain both a salary and a qualification.
- Three quarters of the apprentices evaluated the level of accessibility of the apprenticeship program as being positive. Most of the respondents were not able to identify potential difficulties when seeking an apprenticeship position (61%). The main difficulty identified by the other respondents refers to the low number of employers willing to hire apprentices, which underlines the need to increase the attractiveness of the program for the Romanian companies.

- It is interesting to note that 67% of the apprentices did not have an alternative when they started the apprenticeship program, given that they did not take into account any other training / qualification modalities. Only 21% of the apprentices were interested in the training courses provided by the public employment service, yet they decided to attend the apprenticeship system as it provides the possibility of qualification at the workplace. Those who were exclusively interested in the alternative of apprenticeship are young people (25 years or younger) and older adults (46 years or more). This shows that the apprenticeship system in Romania especially meets the needs of these age categories: young people that want to have a qualification and professional background, as well as older adults facing difficulties in being reinserted in the labour market, without dated qualifications that are no longer needed in the current economic context.
- The apprentices were positive about the duration of the program, the training and the assessment methods. Their level of satisfaction regarding the implementation of the program is very high, this opinion being shared by the young and old apprentices. The only notable reason of dissatisfaction refers to the value of the salary, which is considered by 12% of the apprentices as being too low.
- The level of involvement of the employer, , the qualitative level of vocational training, the ratio between work and training, the training period and the advice received from the public employment service also received a positive evaluation from the apprentices.
- One of the few perceived limits of the apprenticeship program refers to the lack of flexibility of the system, which does not allow the apprentices to achieve different parts of program with different employers.
- At the same time, many apprentices expressed their belief that they will work for the same company, being convinced that they will also receive a higher salary when the apprenticeship program is completed.

The second component of consultation focused on collecting feedback with respect to the features of the preferred option and more concrete inputs for post-adoption arrangements. For consultation purposes, one stakeholders' meeting has been organized.

Box 6. Stakeholder meeting

The stakeholder meeting has been organized on 1st of July 2015. Employers' association representatives, trade unions representatives and employers with high number of apprentices have participated in the meeting. Gaps and weaknesses of the current apprenticeship system were discussed, as well as possible solutions to be adopted by the Government:

- Companies taking up apprentices are negatively impacted by the high costs associated with apprenticeship, especially by labour costs as apprentices require salaries above the minimum wage; in this respect, companies requested a higher subsidy as against the one that is currently granted. The preferred option increases the subsidy from 300 RON to 500 RON.
- Awareness raising and information for apprentices needs to be strengthened as companies had to supply the needed information. This demand will be addressed through the organization of information campaigns by the public employment agencies. Also, participants raised the issue of poor social prestige and negative public image of apprenticeship. Further awareness raising campaigns will be developed in order to increase the attractiveness of the system.
- Another important issue raised by the companies refers to the right of employers to require the apprentice to remain with the company at least three years after the completion of the

apprenticeship program. This provision has been included in the previous form of the Apprenticeship Law and removed as being unconstitutional. However, the Labour Code provides employers the general right to impose loyalty clauses for employees participating in training funded by the company or to be indemnified by employees for training costs in case of leaving the company. Therefore, the problem remains to be subject of bargaining between employer and apprentice.

- Companies requested the extension of the 30 days term after the completion of the trial period to the conclusion of the agreement between employer and local county employment agency; the term is too short for the county employment agencies to access budgetary resources for the subsidy provision. This input was retained to be included in the methodological norms.
- Participants discussed the role of apprenticeship in the Romanian education and training system. The general opinion was that although the initial VET has to be further developed, the apprenticeship system addresses the needs of a different target group: adults with low employability. Therefore, initial VET and apprenticeship at the workplace represent alternative qualification routes, both of them being very much needed in the Romanian context.
- The aim of the apprenticeship public policy should be to increase efficiency and not to justify the maintenance of the status quo
- Additional improvements in the institutional framework are needed for an efficient apprenticeship system such as improving and increasing the number of the occupational standards and improving the functioning of the sectorial committees
- Labour Inspection should closely monitor and control the implementation of the legal provisions stipulated in the apprenticeship contracts (e.g. social contribution rights of the apprentices)
- County employment agencies should be more proactive in helping both willing employers and potential apprentices to enter the apprenticeship system (better targeted intervention)
- Companies from the construction sector requested the removal of the obligation that the training provider to be authorised. Qualification diplomas should be granted by employers not the state. This input was discarded due to the need for quality assurance and for granting apprentices with better career prospects on the labour market and not only a diploma issued by one company.
- The state should only coordinate the implementation of the apprenticeship programs not implement them.

Section 6. Post-Adoption Arrangements (for Preferred Option Only)

6.1. Implementation arrangements

The preferred option represents an improved form of the existing Apprenticeship System. Therefore, all the existing implementation arrangements will be kept in place. The National Employment Agency through County Employment Agencies will further coordinate the implementation of the apprenticeship system. Several functions of the county employment agencies will be modified:

- The value of the subsidy to be granted to employers taking up apprentices will be modified to reach the value of 1 reference social indicator (500 RON);
- Vocational training of the apprentices will be provided by the county employment agencies within vocational training centres of the agencies or by subcontracted authorised training providers. On the basis of the number and nature of apprentice job vacancies notified by employers to the county employment agencies, the training activity will be organised within the framework of the National Plan for Vocational Training;

- Information campaigns will be organised by county employment agencies among companies and job seekers. Also, methodological assistance will be provided by employment agencies personnel to employers willing to recruit apprentices. To reduce the administrative burden for employers, the National Employment Agency will develop a set of guidelines with practical examples for filling in the application and monitoring forms;
- The duration of the vocational training at the workplace will be made more flexible (the duration of the apprenticeship contracts to be between 6-36 months), especially for persons that already hold partial qualifications, by introducing different types of apprenticeship programs in the Apprenticeship Law as follows:
 - Specialization programs for different levels of qualification 2, 3, 4, 5⁵⁴. The access condition is for the apprentice to have a nationally recognized basic qualification certificate, issued by the educational system or by the vocational training system for adults. The duration of the apprenticeship programs can be of:
 - 3 months for qualification level 2;
 - between 3 and 6 months for qualification level 3;
 - between 3 and 12 months for qualification level 4;
 - between 3 and 12 months for qualification level 5;
 - Training courses for all the qualification levels, focusing on the de-skilled labour force. The duration of the trainings can be between 3-6 months.
 - Training in order to obtain a higher qualification, in the same occupational field, for those that already have a qualification – the duration of the apprenticeship contracts is reduced with one year. The list of qualifications that can have lower apprenticeship duration will be developed by the National Qualifications Authority:
 - 12 months – for the persons having a level 2 qualification and that would like to obtain a level 3 qualification,
 - 24 months – for the persons having a level 3 qualification and that would like obtain a level 4 qualification – high-school graduates.
 - Complementary training in order to obtain a full qualification for persons that already have a proficiency certificate – for at least 50% of the competences required in order to be fully qualified. In this situation the duration of the contracts can be between 6-18 months, depending on the level of qualification:
 - 6 months for qualification level 2;
 - 12 months for qualification level 3;
 - 18 months for qualification level 4,
 - 18 months for qualification level 5.

Regarding the funding of the proposed apprenticeship system, the subsidy granted to employers and the costs of the vocational training provided to apprentices are to be covered from the National Unemployment Insurance Fund. The information campaigns to be organised by county employment agencies will be funded from the budget of the National Employment Agency.

6.2. Monitoring and evaluation activities

⁵⁴ In accordance with GD no 918/2013 on approving the National Qualifications Framework

Monitoring and evaluation activities will be carried out by the National Employment Agency. The scope of these activities will be to collect relevant information on the access to and participation in the apprenticeship system and on the relevance of the system in relation with its objectives. For monitoring purposes, the following indicators will be collected:

Table 13. Indicators to be collected for the monitoring activities

Indicators	Responsible institution for data collection	Periodicity	Data source
<i>Context indicators</i>			
Number of the registered unemployed in the last day of the month, by: <ul style="list-style-type: none"> · gender · age groups (15-24 years; 25-54 years, 55+ years) · level of education · working experience (with or without) · duration of unemployment 	County Employment Agencies (CEA)	Monthly	Data base of CEA
Registered unemployment rate, by: <ul style="list-style-type: none"> · gender · age groups (15-24 years; 25-54 years, 55+ years) · level of education 	County Employment Agencies (CEA)	Monthly	Data base of CEA
Number of employers with active job offers reported to the public employment agencies in the last day of the month, by: <ul style="list-style-type: none"> · economic sector (NACE) · firm size (0-9 employees, 10-49 employees, 50-249 employees, 250+ employees) 	County Employment Agencies (CEA)	Monthly	Data base of CEA
Number of job vacancies reported to the public employment agencies, by: <ul style="list-style-type: none"> · occupation · economic sector (NACE) · firm size (0-9 employees, 10-49 employees, 50-249 employees, 250+ employees) 	County Employment Agencies (CEA)	Monthly	Data base of CEA
<i>Access and participation to the apprenticeship system</i>			
Number of apprenticeship contracts in force in the last day of the month, by: <ul style="list-style-type: none"> · type of apprenticeship · occupation · economic sector (NACE) · gender of the apprentices · age groups of the apprentices (15-24 years; 25-54 years, 55+ years) · level of education of apprentices · working experience of the apprentice (with or without) · duration of unemployment of the apprentices 	County Employment Agencies (CEA)	Monthly	Apprenticeship contract Data base of CEA
Number of new apprenticeship contracts concluded	County Employment	Monthly	Apprenticeship contract

<p>during the month, by:</p> <ul style="list-style-type: none"> - type of apprenticeship - occupation - economic sector (NACE) - gender of the apprentices - age groups of the apprentices (15-24 years; 25-54 years, 55+ years) - level of education of apprentices - working experience of the apprentice (with or without) - duration of unemployment of the apprentices 	Agencies (CEA)		Data base of CEA
<p>Number of employers having apprentices in the last day of the month, by:</p> <ul style="list-style-type: none"> - economic sector (NACE) - firm size (0-9 employees, 10-49 employees, 50-249 employees, 250+ employees) 	County Employment Agencies (CEA)	Monthly	Data base of CEA
<p>Average number of apprentices per employer in the last day of the month, by:</p> <ul style="list-style-type: none"> - economic sector (NACE) - firm size (0-9 employees, 10-49 employees, 50-249 employees, 250+ employees) 	County Employment Agencies (CEA)	Monthly	Data base of CEA
Quality of the apprenticeship system			
<p>Number of apprenticeship contracts ended without completion of the duration of apprenticeship during the month, by:</p> <ul style="list-style-type: none"> - reason - type of apprenticeship - economic sector (NACE) - firm size (0-9 employees, 10-49 employees, 50-249 employees, 250+ employees) - gender of the apprentices - age groups of the apprentices (15-24 years; 25-54 years, 55+ years) - level of education of apprentices 	County Employment Agencies (CEA)	Monthly	Data base of CEA
<p>Number of apprenticeship contracts ended with completion of the duration of apprenticeship during the month, by:</p> <ul style="list-style-type: none"> - type of apprenticeship - economic sector (NACE) - firm size (0-9 employees, 10-49 employees, 50-249 employees, 250+ employees) - gender of the apprentices - age groups of the apprentices (15-24 years; 25-54 years, 55+ years) - level of education of apprentices 	County Employment Agencies (CEA)	Monthly	Data base of CEA
<p>Number of apprenticeship contracts ended with a certificate during the month, by:</p> <ul style="list-style-type: none"> - type of apprenticeship 	County Employment Agencies (CEA)	Monthly	Data base of CEA Data base of National

<ul style="list-style-type: none"> · levels of the certification · occupation · economic sector (NACE) · gender of the apprentices · age groups of the apprentices (15-24 years; 25-54 years, 55+ years) · level of education of apprentices · working experience of the apprentice (with or without) · duration of unemployment of the apprentices 			Qualification Agency
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The scope of the evaluation activities will be to assess the way in which the apprenticeship system answers to the needs of the employers and offers to individuals the opportunity of qualification and employment. One important aspect will be to assess the extent to which the apprenticeship programs offer individuals access to stable jobs. The evaluation will be carried out quarterly by the National Employment Agency on the base of indicators calculated and reported by County Employment Agencies.

For evaluation purposes, the following indicators will be calculated:

Table 14. Indicators to be reported for the evaluation activities

Indicators	Responsible institution for calculation	Periodicity	Data source
Share of new apprenticeship contracts concluded during the month in total outflows from unemployment, by: <ul style="list-style-type: none"> · gender · age groups (15-24 years; 25-54 years, 55+ years) · level of education · working experience (with or without) · duration of unemployment 	County Employment Agencies (CEA)	Monthly	Data base of CEA
Share of apprentices concluding a working contract following apprenticeship in total number of apprentices who completed the apprenticeship program with certification, by: <ul style="list-style-type: none"> · gender · age groups (15-24 years; 25-54 years, 55+ years) · level of education 	County Employment Agencies (CEA)	Monthly	Data base of CEA
Share of apprentices in employment in total number of apprentices who completed apprenticeship program with certification - after 12 months from graduation, by:	County Employment Agencies (CEA)	Monthly	Contacting the apprentices Administrative databases

<ul style="list-style-type: none"> · gender · age groups (15-24 years; 25-54 years, 55+ years) · level of education · occupation · employer (same employer, different employer, self-employed) 			(REGIS, ANAF)
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Annex 1. Development of the Apprenticeship at the Workplace System in Romania

Apprenticeship at the workplace was regulated in 2005 by *Law 279/2005 and the enactment of implementation of Law 279/2005 on apprenticeship at the workplace* by Government Decision 234/2006.

The aim of this regulation initiated in 2005 by the Ministry of Labor, Social Solidarity and Family was that of increasing the level of qualification of young people, by regulating a mechanism of vocational training at the workplace, based on an apprenticeship contract and by stimulating learning through work.

The main elements established through Law 279/2005 on apprenticeship at the work place refer to:

Contract regulation

The apprenticeship at the work place contract is an individual labor contract of particular type, concluded for a determined period of time, on the grounds of which a natural person, referred to as apprentice, undertakes to gain professional experience and work for and under the authority of a legal or natural person called employer, who undertakes to ensure the payment of the salary and all the conditions needed for vocational training.

An apprentice is a natural person that has reached the age of 16 years, but no older than 25 years, who does not have any qualification for the qualification for which apprenticeship at the work place is organized. The duration of the apprenticeship at the workplace contract cannot be more than 3 years and less than 6 months.

The conclusion, execution, amendment, suspension and termination of the apprenticeship at the workplace contract is performed by complying with the regulations of Law 53/2003 – Labor code referring to apprenticeship and individual labor contract.

The objective of apprenticeship at the workplace focuses on obtaining a partial/full qualification level 1, 2 and 3, the duration of apprenticeship at the workplace being of 6 months for qualification level 1, one year for qualification level 2 and of two years for qualification level 3.

Employer authorization and apprentice master certification

The apprenticeship master is a person certified in accordance with the law, who coordinates the vocational training of the apprentice, is hired by the employer who organizes apprenticeship at the workplace. In the case of self-employed persons authorized to carry out independent economic activities or in the case of a family associations, the apprenticeship master is the self-employed person or a member of the family association.

The authorization of the employer and certification of the apprenticeship master is done by the Ministry of Labor, Social Solidarity and Family, by means of the county labor, social solidarity and family divisions or of the Municipality of Bucharest, based on the approval of the county Commission, respectively Bucharest Commission, authorizing vocational training providers,

established in accordance with the law. The authorization of the employer and certification of the apprenticeship master is done for a period of four years, with the possibility of prolongation.

Financial support for apprenticeship at the workplace

The employers that hire persons based on an apprenticeship at the workplace contract, receive monthly from the unemployment insurance fund, for each person, following a request, during the contractual period:

- an amount equal to 50% of the minimum gross basic salary per country;
- an amount equal to the monthly counter value of the theoretical training services for the apprentice, which cannot be higher than 20% of the minimum gross basic salary per country.

In 2008, according to *GEO 126/2008 amending and supplementing certain legislation in order to eliminate the connection between the rights granted from the unemployment insurance fund and the minimum gross wage in the country, and establishing measures for the implementation of Community regulations*, the section on financing apprenticeship at the workplace was amended, the subsidy granted from the unemployment insurance fund is calculated based on the reference social indicator of unemployment insurance and employment stimulation in effect (RON 500).

The legislative framework regulating apprenticeship at the workplace established by *Law 279/2005 regarding apprenticeship at the workplace* and the enactment of implementation proved to be ineffective and inapplicable, so that during the 2006-2010 period the number of apprenticeship contracts at the workplace was of 41, concluded with a single employer in Neamt County. A number of major difficulties in the use of apprenticeship as a solution to promote employment and workforce training were identified, as follows:

- apprenticeship did not provide any advantages for the person employed as apprentice, as compared to the continuing vocational training route regulated by GD 129/2000;
- the procedure for authorizing the employer and certifying the apprentice master was very laborious and should be simplified in the context of the exercise of legislative simplification and reduction of administrative burdens;
- the financing of accommodating costs for the apprentices was impossible to be provided by employers.

In this context, in accordance with the commitments stipulated in the Legislative Program of the Government and the 2007-2010 National Reform Program, the Ministry of Labor, Family and Social Protection undertook to modify and supplement Law 279/2005 on apprenticeship at the workplace.

The main objectives of the legislative amendment took into account:

- proving young people the possibility to obtain qualitative vocational training that would allow them to find advantageous jobs;
- promoting employment opportunities for the persons looking for a job, in the conditions in which they benefit from adequate training and reasonable gains;
- allowing the employers to obtain skilled labor force, depending on their own requirements;
- allowing the vocational training participants to apply the knowledge accumulated during work;
- to contribute to the increase of employment.

In order to solve the issues identified in relation to using apprenticeship as a solution to promote employment and labor force training, mentioned above, the proposed draft law amended Law 279/2005, as follows:

- to abrogate the legal provisions referring to the apprenticeship master;
- to establish a person that would coordinate apprenticeship at the workplace in accordance with the occupational standard, respectively the vocational training standard, referred to as apprenticeship coordinator;
- in relation to the vocational training of the apprentice, the employer has the obligation to ensure access to theoretical and practical training, as well as the necessary conditions so that the apprenticeship coordinator would fulfill its tasks related to training of the apprentice;
- to abrogate the provisions regarding the authorization of legal and natural persons that want to hire apprentices;
- to abrogate the employer's obligation of ensuring the accommodation and 3 meals per day, in specialized units, for the apprentice that has his/her stable domicile in another locality and no possibility to commute daily, in accordance with the law;
- to abrogate the employer's obligation of ensuring accommodation conditions borne by the apprentice, and their counter value cannot be higher than 50% of the net salary obtained by the apprentice, in accordance with the apprenticeship contract in force;
- to train the apprentice in work places which that would allow him/her to acquire all the skills provided for by the occupational standard, respectively by the vocational training standard;
- the employer has the obligation to evaluate the theoretical and practical training of the apprentice, by means of center evaluating and certifying professional competences obtained by other means than the formal ones, and to bear the costs related to the evaluation and certification of vocational training by means of apprenticeship at the workplace;
- the evaluation and certification of vocational training by means of apprenticeship at the workplace is performed in accordance with the legal provisions in force on skills attained in the non-formal and informal system;
- in the event in which the apprentice did not obtain the skills specific to the apprenticeship training program, the said apprentice can be evaluated only once more, within 60 days as of the date of the Evaluation Commission's decision, in accordance with the Joint Order of the Minister of Education and Research and Minister of Labor, Social Solidarity and Family 4543/468 of 2004 on approving the Procedure for evaluating and certifying the professional skills attained through other means than the formal ones;
- in the event in which the apprentice is evaluated once more, the apprenticeship contract shall be prolonged with 60 days, period which is necessary in order to improve the apprentice's vocational training, as well as for the new process for evaluating the skills, which in accordance with the law can have a duration of maximum 30 days;
- in the event in which the apprentice does not obtain the Skills Certificate the second time, the employer is obliged to fully return the amounts collected from the unemployment insurance fund, for each apprentice, plus the reference interest rate of the Romanian Central Bank, in force at the date of receiving the second decision of the Evaluation Commission mentioning "not yet competent".

In November 2010, the draft law was approved by the Romanian Government due to the following reasons:

- the economic context which led to a an increase of the unemployment rate and the high youth unemployment rate, especially for those that did not have the necessary skills or that came from disadvantaged backgrounds,

- the need to remedy the dysfunctions created in the organization and operation of the legislative framework regulating apprenticeship at the workplace established by *Law 279/2005 on apprenticeship at the workplace*, and due to the impossibility of using apprenticeship as a solution for promoting employment and youth training,
- the need to create an adequate and flexible legal framework in the context of simplifying the legislation and reducing the administrative burdens, so that apprenticeship at the workplace would become a real instrument for supporting employment and labor force training, an instrument useful to the employers that have the opportunity to train their labor force depending on their specific needs and the unskilled workers or workers with a low level of skills, that can access employment and obtain the professional skills needed by the labor market,
- the need to promote without delay the new measures designed to encourage apprenticeship at the work place, so that they would reach their objective faster, and the effects would be felt as soon as possible on the labor market.

The draft law was adopted by the Romanian Parliament through Law 106/2011, published in the Romanian Official Gazette of June 20th 2011.

In the period 2011-2012, the implementation of legislation on apprenticeship at the workplace did not lead to the expected results. One of the reasons was that only a small number of apprenticeship training at the workplace programs could be organized because there were only 58 different skills assessment centers across the country. Thus, in 2011 employers did not conclude apprenticeship contracts at the workplace, and in 2012 60 contracts were concluded in 4 counties (Appendix 1).

Considering the poor results achieved in the implementation of *Law 279/2005* amended in the 2010-2011 period, taking into account the European context in 2012 which revealed that the youth unemployment rate was very high, as well as the conclusions of the informal European Council of January 30th, 2012, following which the Member States had the responsibility to develop and implement comprehensive initiatives regarding employment, education and skills, significant efforts were required at national level in order to improve the labor force offer and reduce youth unemployment, respectively:

- accelerating the efforts for promoting the first contact of young people with the professional life and involving them in the labor market;
- significant increase in the number of apprenticeships and training internships in order to ensure that they are real opportunities for young people;
- renewing the efforts of introducing the early drop outs in a training system.

To this regard, the legislative framework regulating this type of training established by *Law 279/2005* on apprenticeship at the workplace and the subsequent legislation required a series of amendments that would contribute to meeting the objectives established by the European Council of January 30th, 2012 which focused on accelerating the efforts for promoting the first contact of youth with the professional life and involving them in the labor market.

The main objectives of the legislative amendment took into account:

- the young people obtaining qualitative vocational training and skills recognized at national level, that would allow them to find a job and continue learning;
- ensuring the necessary skilled labor force, in accordance with the requirements of the employers;
- simplifying the duties of the employers that organize apprenticeship at the workplace;

- expanding the funding of this type of vocational training, including through the use of European funds;
- facilitating social integration of young people in accordance with their professional aspirations and the needs of the labor market.

Therefore, in accordance with the commitments included in the Legislative Program of the Government and the 2011-2013 National Reform Program, the Ministry of Labor, Family, Social Protection and Elders undertook to modify and supplement Law 279/2005 on apprenticeship at the workplace.

In order to stimulate the involvement in apprenticeship programs as a solution for promoting employment and reducing youth unemployment, the draft law developed by the Ministry and approved by the Romanian Government in December 2012 amended *Law 279/2005*, as follows:

1. The apprenticeship at the workplace contract includes, besides the mandatory elements of the individual labor contract, the following provisions referring to:

1.1. name of the qualification that shall be acquired by the apprentice.

1.2. name of the training provider that performs apprenticeship vocational training at the workplace.

1.3. employer's additional obligations, namely:

- to provide to the apprentice all the rights awarded by a labor contract concluded for a determined period of time, proportional to the worked period;
- to provide to the apprentice the practical training appropriate to the qualification for which the apprentice is undergoing vocational training;
- to provide to the apprentice access to theoretical training corresponding to the vocational program completed with a vocational training certification for adults, in accordance with Government Ordinance 129/2000 on vocational training of adults, republished, subsequently amended and supplemented;
- to conclude a training service contract with an authorized provider, in accordance with Government Ordinance 129/2000 on vocational training of adults, republished, subsequently amended and supplemented, in order to ensure the vocational training program of the apprentice;
- to bear the costs of the vocational training program of the apprentice.

1.4. apprentice obligations, respectively:

- to carry out the activity in accordance with the provisions of the apprenticeship at the workplace contract;
- to be involved in the theoretical training corresponding to the vocational training program completed with a vocational training certification for adults, in accordance with Government Ordinance 129/2000 on vocational training of adults, republished, subsequently amended and supplemented;
- to attend the graduation examination when the theoretical and practical training is finalized.

2. The conditions for accessing this apprenticeship program were improved by introducing an obligation for the persons that would like to attend such an apprenticeship at the workplace program, namely that of cumulatively fulfilling the following conditions:
 - 2.1. to take the necessary measures in order to find a job, through its own means or by registering with the national employment agency in the area of domicile, or, as the case may be, residence or with another provider of employment services, accredited in accordance with the law;
 - 2.2. to be 16 years old; apprenticeship can be organized also for persons over the age of 25 years;
 - 2.3. not to hold any qualification for the occupation for which apprenticeship at the workplace is being organized;
 - 2.4. to fulfill the conditions for accessing vocational training at the workplace, for different levels of qualification in accordance with the provisions of Government Ordinance 129/2000 on vocational training of adults, republished, subsequently amended and supplemented.
3. The evaluation and certification of vocational training through apprenticeship at the workplace is done in accordance with the legal provisions in force on vocational training of adults, in the conditions in which the vocational training is organized by authorized providers.
4. The funding of vocational training through apprenticeship at the workplace can be done from:
 - 4.1. own resources of the employers;
 - 4.2. sponsorships from natural and/or legal persons;
 - 4.3. European Structural Funds;
 - 4.4. unemployment insurance fund.
5. Control of the manner in which apprenticeship is organized and performed at the workplace.

The control of the manner in which apprenticeship is organized and performed at the workplace is done by the territorial labor inspectorates, taking into account the provisions of Law 53/2003-Labor Code, republished, subsequently amended and supplemented, in accordance to which the apprenticeship at the workplace labor contract is the individual labor contract, of particular type, and the enforcement of the general and special regulations in the field of labor relations, security and labor health are subject to the control of Labor Inspection which has in its subordination the territorial labor inspectorates, established in each county and in the Municipality of Bucharest.

The implementation of the provisions of the amended law was performed after the Romanian Parliament adopted Law 179/2013 and approved the enactment of application by means of Government Decision 885/2013 of November 2013.

Thus, in 2013, by applying the legal provisions in force before the last amendment, 44 apprenticeships contracts were concluded in 4 counties.

Annex 2. Status of the Apprenticeship Contracts in 2006-2013 Period

Year	Counties	Number of contracts
2006		0
2007	Neamt	20
2008	Neamt	21
2009		0
2010		0
2011		0
2012	Arad	9
	Bistrita	15
	Giurgiu	2
	Vrancea	34
	Total	60
2013	Bistrita	1
	Calarasi	1
	Dolj	4
	Vrancea	38
	Total	44
2014	Bistrita	12
	Braila	28
	Bucharest	25
	Botosani	2
	Constanta	3
	Dolj	3
	Galati	9
	Gorj	4
	Iasi	143
	Ilfov	14
	Prahova	42
	Teleorman	26
	Vrancea	29
	Total	337

Annex 3. Youth Employment Rates According to the Level of Education

Youth employment by sex, age and educational attainment level, from 15-24 years									
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Less than primary, primary and lower secondary education (level 0-2) ISCED 11									
EUR 28	24,5 (b)	24,4	25	24,5	22,3	21,1	21,3	20,2	19,5
RO	16,6 (b)	15,9	16,5	15,9	16,5	17,4(b)	15,6	16,1	15,3
Upper secondary and post-secondary non tertiary education (level 3 and 4) ISCED 11									
EUR 28	46,8 (b)	47,8	48,7	49	46	44,8	44,2	43,3	42,6
RO	34,3 (b)	32,7	31,8	32,4	30,5	30 (b)	29,8	30,1	29,9

Source: Eurostat, extracted on 03.04.2015, and unit: thousand.

Annex 4. Analysis of the Romanian Education System

The restructuring the IVET (initial vocational education and training) system in Romania, as a result of the low enrollment rates and precarious infrastructure, lead to the progressive dismantling of the arts and crafts schools as of 2009, especially of the agricultural high schools whose number decreased with more than 80% in the past 15 years. The remaining ones are generally considered as non-attractive due to the quality of buildings, endowments and personnel. This lead to a constant reduction of the enrollment rates.

During the analyzed period, 2007-2012, the gross enrollment rates of vocational education have decreased in total value, as well as in regard to gender and regions. Also, it was acknowledged that the male population has a higher enrollment rate. From extreme values (in total) of 16%, respectively 19% in 2007-2008 the level reached in the last year that was analyzed is of 0.8%, respectively 1.8%.

The decline starts at the same time with the 2009-2010 academic year, when the measure on dismantling arts and crafts schools was implemented. In what concerns vocational education, the school dropout situation is accentuated by the measure on dismantling vocational schools, which encouraged school dropouts to leave the system in 2010, thus the values doubled during the last year as compared to the average value of the 2007-2010 period (19.8% as compared to 8.5% in 2007). The situation highlighted by the evolution of the 2007-2010 period should be a concern.

Besides the accentuated reduction of the number of pupils, following the dismantling of Arts and Crafts Schools (ACS), the dropout rates are also increasing, reaching a fifth of the number of persons enrolled at the beginning of the 2010/2011 academic year⁵⁵.

In accordance with the same Study of the Ministry of National Education, the graduation rate of vocational education registers low levels in the 2007-2011 period, fluctuating between 44% in 2008 and 14% in 2011. The decrease is mainly a result of the negative perception regarding social prestige ensured by this level of education, which determines most of the pupils to choose theoretical education completed with a baccalaureate diploma. At the same time, the reorganization of a relatively high number of school units with vocational track in high school type of units contributed to the decrease of possibilities to access this level of education. It should be noted that, as compared to the other levels of education, in what concerns vocational training, boys have a better situation than girls, registering a higher graduation rate (19.3% boys as compared to 10.2% girls).

An important modernization process is currently being carried for the IVET system in order to promote acquiring skills closely correlated with the requirements of the labor market and the needs of the private sector; developing and supporting the upper secondary and post upper secondary education; expanding the utilization of a credit transfer system (namely, between the vocational education system and the post upper secondary education); providing the possibility to attend at least one vocational training program to the graduates of secondary education that have obtained low results, below the age of 18 and who dropped out of school; acquiring skills in accordance with the National Qualifications Framework (which shall be ensured free of charge by vocational and technical state owned schools).

⁵⁵Study of the Ministry of National Education – Analysis of the needs of education and vocational training in Romania, Annex 2, Table 35, Table 43

Government Emergency Ordinance no 117/2013 established the legal framework for a new component of vocational education and training (VET) within the educational system. The new VET courses shall start in the 2014-2015 academic year, with programs that cover learning objectives and which entail teaching classes corresponding to the 9th and 10th high school grade. These were necessary in order to take into consideration the VET component within the mandatory educational system and in order to allow the graduates of vocational schools to continue their education in the 11th and 12th high school grade. Unfortunately the curricula is overloaded, with a high percentage of activities based on theoretical learning, and no specific regulations were introduced in relation to on-the-job learning.

The on-the-job vocational training system launched in 2012 did not attract a lot of pupils. At the same time, the availability depends on the companies' level of interest, which is rather low, especially due to the economic and financial crisis.

The public expenditures allocated to education have in Romania one of the lowest levels as compared to the EU27. In accordance with the data of the Ministry of National Education (MNE), during the 2006-2008 period, the education budget exceed 5% of the GDP, and in 2010 and 2011 the education budget was decreased, having a value of approximately 4% of the GDP. Nevertheless, the official EUROSTAT data indicate that the information available for this indicator is valid only for 2005 and 2009.

The total education expenditures (in million PPS) had in 2009 the value of 10,078.2 million PPS, in accordance with EUROSTAT. Even if this value is two times higher than the one registered in 2005, these expenditures are very similar to the ones reported by the Member States with a smaller school population (e.g., Finland, Czech Republic or Ireland).

The low allocations for education and research display the economic difficulties faced by Romania, as well as the low level of awareness of decision makers in relation to the added value of these areas in increasing competitiveness and creating high quality jobs (See the Working Document of the Commission Services regarding the evaluation of the 2012 National Reform Program and Convergence Program, p. 11).

Therefore, following the dismantling of vocational schools, in the past few years a significant decrease was acknowledged in what concerns the share of active population that graduated vocational education, from 26.4% in 2007 to 21.7% in 2011 (Analysis regarding the needs of education and vocational training in Romania, Ministry of National Education). Schools can have a double role: providing the possibility to follow the vocational education route, at the same time with the reestablishment of the vocational schools, and providing theoretical education by means of an apprenticeship program (regulated in accordance with Law 279/2005), as authorized training provider.

Annex 5. Long-Term Vacant Jobs during the 2012 – 2014 Period

Year	Designation	Total
2012	Unskilled worker in the garment industry	3665
	Industrial garment worker - textiles, knitwear, synthetic fabric	3416
	Textile garment worker-assembler	2445
	Unskilled worker in the assembly, mounting of parts	1623
	Seller	1292
	Freight handler	1157
	Unskilled worker in building demolition, masonry facing, mosaic flooring, wall and floor tiles	1024
	Commercial worker	1021
	Truck/heavy duty vehicle driver	987
	Unskilled worker in the packaging of solid and semi-solid goods	949
	Mechanic fitter	791
	Motor vehicle and light lorry driver	781
	Security agent	689
	Unskilled worker in the maintenance of roads, carriageways, bridges, dams	630
	Semi-automated and automated machine tool operator	606
	Guardian	569
	Sales agent	467
	Unskilled agriculture worker	455
	Kitchen worker (large dish washing operator)	431
	Cleaning lady	430
2013	Unskilled worker in the assembly, mounting of parts	3592
	Unskilled worker in the garment industry	2856
	Industrial garment worker - textiles, knitwear, synthetic fabric	2189
	Commercial worker	2036
	Textile garment worker-assembler	1602
	Cashier	1547
	Seller	1310
	Freight handler	1247
	Truck/heavy duty vehicle driver	1095
	Security agent	951
	Unskilled worker in the packaging of solid and semi-solid goods	913
	Merchandiser	903
	Motor vehicle and light lorry driver	882
	Sales agent	839
	Unskilled worker in building demolition, masonry facing, mosaic flooring, wall and floor tiles	838
	Customer service analyst	834
	Semi-automated and automated machine tool operator	725
	Cook	683
	Welder	639
	Building attendant	608
Unskilled worker in the assembly, mounting of parts	3592	

Year	Designation	Total
2014	Textile garment worker-assembler	2856
	Commercial worker	2189
	Cashier	2036
	Unskilled worker in the garment industry	1602
	Freight operator	1547
	Seller	1310
	Security agent	1247
	Industrial garment worker - textiles, knitwear, synthetic fabric	1095
	Automated and semi-automated machinery-tools operator	951
	Unskilled worker assembly of solid and semi-solid products	913
	Motor vehicle and light lorry driver	903
	Truck/heavy duty vehicle driver	882
	Subassembly fitter	839
	Unskilled worker in building demolition, masonry facing, mosaic flooring, wall and floor tiles	838
	Sales agent	834
	Welder	725
	Manual packaging operator	683
	Cook	639
	Motor vehicle cable manufacturing operator	608

Annex 6. Status of Visits to Economic Agents NEA

County	Visits to economic agents	No. of potential workplaces for apprentices	No. of potential workplaces for young people facing risks of marginalization	No. of potential workplaces for trainees	No. of potential workplaces for young people <25 years of age	No. of potential workplaces for unemployed above 45 years of age	No. of potential workplaces for unemployed with 5 years until retirement age	No. of potential workplaces for people of Roma ethnicity	No. of people of Roma ethnicity to be employed in 2014	No. of disabled people to be employed in 2014	Job fair attendant**
Alba	60	12	51	38	140	136	29	32	31	52	60
Arad	56	2	7	10	27	33	2	3	2	2	43
Arges	23	20	12	40	194	82	2	9	0	0	23
Bacau	32	1	4	29	87	27	0	0	0	0	32
Bihor	49	0	6	18	233	170	18	13	13	5	49
BistritaNasaud	33	13	13	33	67	86	29	9	4	7	33
Botosani	73	20	7	23	68	97	23	12	9	8	73
Braila	26	19	13	10	101	129	10	5	950	80	26
Brasov	15	0	0	0	0	0	0	0	0	0	15
Bucuresti	93	22	8	120	359	275	40	11	11	2	93
Buzau	218	0	5	16	143	190	34	0	0	0	218
Calarasi	60	5	13	8	41	50	9	12	1000	50	55
CarasSeverin	32	6	15	0	60	61	11	33	33	1	32
Cluj	321	14	36	76	251	196	58	60	100	20	230
Constanta	33	32	1	16	102	49	11	44	2	0	33
Covasna	61			3	52	24					61
Dambovita	216	36	20	73	102	171	33	23	23	18	172
Dolj	69	0	0	0	32	52	0	0	0	0	30
Galati	124	15	30	48	78	144	35	3	0	0	124

Giurgiu	70	68	29	28	181	138	15	24	11	1	62
Gorj	193	24	5	16	43	62	0	0	0	0	188
Harghita	48	4	14	0	10	8	0	0	4320	240	47
Hunedoara	70	0	0	0	37	47	2	1	1	2	67
Ialomita	201	0	0	0	28	6	0	0	0	0	200
Iasi	29	403	0	186	0	12	0	0	0	0	28
Ilfov	53	45	9	35	134	64	30	20	20	15	53
Maramures	45	0	8	4	52	53	7	5	5	0	45
Mehedinti	60	0	0	3	12	30	0	0	0	2	60
Mures	31	39	15	33	34	42	10	1	1	1	29
Neamt	126	0	9	0	98	167	0	2	2	0	126
Olt	52	0	0	0	66	46	0	0	0	0	52
Prahova	64	20	0	33	119	109	17	3	0	0	64
Salaj	22	2	2	7	6	5	2	2	2	1	22
Satu Mare	45	5	13	19	55	49	10	11	11	6	45
Sibiu	285	26	23	152	449	352	64	34	66	13	285
Suceava	73		3		247	74	19				20
Teleorman	45	28	1	0	26	28	4	0	0	0	45
Timis	52	4	11	30	409	248	22	7	7	6	52
Tulcea	541	177	183	135	370	416	201	37	27	24	541
Valcea	250	0	0	0	197	16	0	0	0	1	250
Vaslui	489	9	56	30	173	162	51	28	38	12	489
Vrancea	37	0	0	0	0	3	0	0	0	0	37
Total	4475	1071	622	1272	4883	4109	798	444	6689	569	4209

Annex 7. Cost Benefit Analysis

Options	Stakeholders	Disadvantages / Costs	Cost/apprentice/ month	Total cost/3 years/ total no of apprentices	Advantages / Benefits	Benefit/apprentice/ month	Total benefit/3 years/ total no of apprentices	Net impact	
Option Zero - Do nothing	State	Subsidy granted the employers	300,00 lei	7.176.000,00 lei	Opportunity cost - exemption from paying the unemployment indemnity	150,50 lei	3.599.960,00 lei		
		Administrative costs for NEA (National Employment Agency)/CEA (County Employment Agency).	174,07 lei	4.163.754,40 lei	Opportunity cost - exemption from paying the minimum guaranteed income (MGI)	230,00 lei	2.750.800,00 lei		
					Opportunity cost - collection of social benefits and taxes	583,00 lei	13.945.360,00 lei		
			TOTAL COSTS FOR THE STATE (3 YEARS)	474,07 lei	11.339.754,40 lei	TOTAL BENEFITS FOR THE STATE (3 YEARS)	963,50 lei	20.296.120,00 lei	8.956.365,60 lei
	Employers	Costs related to the apprentice's salary.	1.440,00 lei	34.444.800,00 lei	Received subsidy.	300,00 lei	7.176.000,00 lei		
		Costs related to vocational training.	45,15 lei	1.079.988,00 lei	Benefits from the apprentices' activity	1.032,00 lei	24.685.440,00 lei		
		Administrative costs	57,04 lei	1.083.686,34 lei	Productivity gain	120,50 lei	2.882.360,00 lei		
		Costs related to the salaries of the apprenticeship coordinators.	357,00 lei	8.539.440,00 lei					
			TOTAL COSTS FOR THE EMPLOYERS (3 YEARS)	1.899,19 lei	45.147.914,34 lei	TOTAL BENEFITS FOR THE EMPLOYERS (3 YEARS)	1.452,50 lei	34.743.800,00 lei	-10.404.114,34 lei
	Apprentices	Transportation costs	50,00 lei	1.196.000,00 lei	Collected salary	857,00 lei	20.499.440,00 lei		
		Costs related to the apprenticeship file	46,00 lei	84.640,00 lei	Right to social benefits	463,00 lei	11.074.960,00 lei		
		Opportunity costs - the salary that would have been obtained as unskilled worker	724,00 lei	17.318.080,00 lei	Qualification.	45,00 lei	1.076.400,00 lei		
			TOTAL COSTS FOR THE APPRENTICES (3 YEARS)	820,00 lei	18.598.720,00 lei	TOTAL BENEFITS FOR THE APPRENTICES (3 YEARS)	1.365,00 lei	32.650.800,00 lei	14.052.080,00 lei
	Vocational training providers	Costs related to trainers, materials	150,70 lei	3.604.744,00 lei	Proceeds from vocational training.	180,00 lei	4.305.600,00 lei		
			TOTAL COSTS FOR THE PROVIDERS (3 YEARS)	150,70 lei	3.604.744,00 lei	TOTAL BENEFITS FOR THE PROVIDERS (3 YEARS)	180,00 lei	4.305.600,00 lei	700.856,00 lei
ALTERNATIVE option - Increasing the incentives granted to employers and apprentices in the current system	State	Higher subsidy granted to the employers	1.000,00 lei	425.000.000,00 lei	Opportunity cost - exemption from paying the unemployment indemnity	150,50 lei	63.962.500,00 lei		
		Administrative costs for NEA/CEA.	174,07 lei	73.979.750,00 lei	Opportunity cost - exemption from paying the minimum guaranteed income (MGI)	230,00 lei	48.875.000,00 lei		
		Costs related to the information campaigns (for employers and potential apprentices).	15.166,67 lei	182.000,00 lei	Opportunity cost - collection of social benefits and taxes	583,00 lei	247.775.000,00 lei		
				TOTAL COSTS FOR THE STATE (3 YEARS)	16.340,74 lei	499.161.750,00 lei	TOTAL BENEFITS FOR THE STATE (3 YEARS)	963,50 lei	360.612.500,00 lei
	Employers	Costs related to the apprentice's salary.	1.440,00 lei	612.000.000,00 lei	Higher subsidy	1.000,00 lei	425.000.000,00 lei		
		Costs related to vocational training.	45,15 lei	19.188.750,00 lei	Benefits from the apprentices' activity	1.032,00 lei	438.600.000,00 lei		
		Administrative costs.	54,30 lei	20.782.394,79 lei	Productivity gain	120,50 lei	51.212.500,00 lei		
		Costs related to the salaries of the apprenticeship coordinators.	357,00 lei	151.725.000,00 lei					
			TOTAL COSTS FOR THE EMPLOYERS (3 YEARS)	1.896,45 lei	803.696.144,79 lei	TOTAL BENEFITS FOR THE EMPLOYERS (3 YEARS)	2.152,50 lei	914.812.500,00 lei	111.116.355,21 lei
	Apprentices	Transportation costs	50,00 lei	21.250.000,00 lei	Collected salary	857,00 lei	364.225.000,00 lei		
		Costs related to the apprenticeship file	46,00 lei	1.150.000,00 lei	Right to social benefits	463,00 lei	196.775.000,00 lei		
		Opportunity costs - the salary that would have been obtained as unskilled worker	724,00 lei	307.700.000,00 lei	Qualification.	45,00 lei	19.125.000,00 lei		
			TOTAL COSTS FOR THE APPRENTICES (3 YEARS)	820,00 lei	330.100.000,00 lei	TOTAL BENEFITS FOR THE APPRENTICES (3 YEARS)	1.365,00 lei	580.125.000,00 lei	250.025.000,00 lei
	Vocational training providers	Costs related to trainers, materials	150,70 lei	64.047.500,00 lei	Proceeds from vocational training.	180,00 lei	76.500.000,00 lei		
			TOTAL COSTS FOR THE PROVIDERS (3 YEARS)	150,70 lei	64.047.500,00 lei	TOTAL BENEFITS FOR THE PROVIDERS (3 YEARS)	180,00 lei	76.500.000,00 lei	12.452.500,00 lei
PREFERRED option - A more flexible apprenticeship system	State	Average subsidy granted to the employers (1 reference social indicator)	500,00 lei	165.000.000,00 lei	Opportunity cost - exemption from paying the unemployment indemnity	150,50 lei	49.665.000,00 lei		
		Vocational training costs borne by NEA/CEA.	45,15 lei	14.899.500,00 lei	Opportunity cost - exemption from paying the minimum guaranteed income (MGI)	230,00 lei	37.950.000,00 lei		
		Administrative costs borne by NEA/CEA	174,07 lei	57.443.100,00 lei	Opportunity cost - collection of social benefits and taxes	583,00 lei	192.390.000,00 lei		
		Costs related to the information campaigns (for employers and potential apprentices).	15.166,67 lei	182.000,00 lei					
			TOTAL COSTS FOR THE STATE (3 YEARS)	15.885,89 lei	237.524.600,00 lei	TOTAL BENEFITS FOR THE STATE (3 YEARS)	963,50 lei	280.005.000,00 lei	42.480.400,00 lei
	Employers	Costs related to the apprentice's salary.	1.440,00 lei	475.200.000,00 lei	Average subsidy	500,00 lei	165.000.000,00 lei		
		Administrative costs	58,17 lei	19.194.892,11 lei	Benefits from the apprentices' activity	1.032,00 lei	340.560.000,00 lei		
		Costs related to the salaries of the apprenticeship coordinators.	357,00 lei	117.810.000,00 lei	Productivity gain	120,50 lei	39.765.000,00 lei		
				TOTAL COSTS FOR THE EMPLOYERS (3 YEARS)	1.855,17 lei	612.204.892,11 lei	TOTAL BENEFITS FOR THE EMPLOYERS (3 YEARS)	1.652,50 lei	545.325.000,00 lei
	Apprentices	Transportation costs	50,00 lei	16.500.000,00 lei	Collected salary	857,00 lei	282.810.000,00 lei		
		Costs related to the apprenticeship file	46,00 lei	1.380.000,00 lei	Right to social benefits	463,00 lei	152.790.000,00 lei		
		Opportunity costs - the salary that would have been obtained as unskilled worker	724,00 lei	238.920.000,00 lei	Qualification.	45,00 lei	14.850.000,00 lei		
			TOTAL COSTS FOR THE APPRENTICES (3 YEARS)	820,00 lei	256.800.000,00 lei	TOTAL BENEFITS FOR THE APPRENTICES (3 YEARS)	1.365,00 lei	450.450.000,00 lei	193.650.000,00 lei
	Vocational training providers	Costs related to trainers, materials	150,70 lei	49.731.000,00 lei	Proceeds from vocational training.	180,00 lei	59.400.000,00 lei		
			TOTAL COSTS FOR THE PROVIDERS (3 YEARS)	150,70 lei	49.731.000,00 lei	TOTAL BENEFITS FOR THE PROVIDERS (3 YEARS)	180,00 lei	59.400.000,00 lei	9.669.000,00 lei

