LEGAL AND ACCOUNTING ASPECTS REGARDING SUBSIDIES RECEIVED FOR HIRING STUDENTS AND GRADUATES OF EDUCATIONAL INSTITUTIONS

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Romanian legislation stimulates company management to practice a estimative management of work positions, by granting them public aid for sustaining the effort to train and adapt personnel to the complexity of work tasks. Within the present paper we have proposed to approach legal and accounting aspects regarding public aid awarded to companies for hiring students and graduates of educational institutions. For this purpose, we have analyzed legal texts which regulate the aspects of the theme of the paper and we have solved actual cases inspired by the activity of Romanian commercial companies.

Key words: employer, incentive, financial, subsidies, accounting.

Legal aspects regarding subsidies received for hiring students

According to the provisions of Law no. 72 of March 26th 2007 regarding the stimulation of integrating students in the labor market „The employer hiring students during their vacation time benefit from a monthly financial incentive equal to 50% of the national gross minimum wage guaranteed, for each student”.

The financial stimulus is awarded by employer request from the unemployment insurance budget, for a period of 60 working days within a calendar year.

According to the methodological norms for the application of the provisions of Law no. 72/2007 regarding the incentive for hiring students, approved by Government Decision 726 of July 4th 2007, in order for the employer to benefit from the monthly incentive he must fulfill the following criteria:

a) To conclude for each student, throughout the holiday period: a) an individual labor contract for a predetermined period, full-time or, as the case may be, part-time; or b) a temporary labor contract only if the duration of the temporary work mission is equal to or smaller than the period of school vacation.

b) To conclude a convention with the county workforce agency, or the Bucharest workforce agency, within 30 days of the date the students on vacation were hired. The template for this convention is included in the methodological norms.

In order to benefit from the monthly amount, the employers have the obligation of forwarding the following documents to the agency:

a) The monthly statement regarding the nominal evidence of the insured persons and the payment obligations to the unemployment insurance budget corresponding to the respective month, in original and in facsimile.

b) The nominal table elaborated according to the model outlined in the Norms.

c) Working time and payroll, in facsimile.

The deadline for turning in these documents is the 25th of the month following that for which the monthly incentive is requested.

Accounting of financial incentives received for hiring students

The financial incentive is awarded to the employers, monthly, for each student, proportionate with the actual time worked by the students in question throughout their vacation period for that month, without exceeding the number of hours corresponding to the normal work program.

The amount representing the financial incentive is deducted by the employer from the contribution for unemployment insurance which he is obligated, in accordance with the law, to transfer monthly to the unemployment insurance budget account.
In case the amount due representing the financial incentive is larger, then the difference is paid through the county workforce agency, or that in Bucharest, from the unemployment insurance budget, within 5 working days of the date the documents were forwarded to the entity: 1.monthly statement regarding the nominal evidence of the ensured and of the payment obligations to the unemployment insurance budget corresponding to the respective month, in original and facsimile; 3. working time; 4. copy of the payroll.

Example: at the beginning of 2008 an economic entity has 50 employees who are entitled to monthly salaries in the total amount of 41,000 RON. In February 2008, 4 temporary labor contracts have been concluded, with 4 students, each of the students with a salary of 600 RON. Each student has a time sheet of 5 working days, with 8 hours a day; the month of February has 21 working days.

Solution:

According to the valid legislation:

a) the total salary fund is equal to 41,000 RON + 4 students x 600 RON/21 working days in the month x 5 days worked for each student = 41,571 RON;

b) for salaries awarded to the 54 graduate employees the company does not owe a contribution to the unemployment fund, and therefore the contribution of the employer to the unemployment fund is: 1% x 41,571 RON = 416 RON

c) company benefits from subsidies in the amount of 238 RON, i.e.:

500 RON/21 working days x 5 days of work x 4 students x 50% = 238 RON

Where 500 RON represents a gross minimum base salary for the economy, during 01.01-06.30.2008.

d) the amount of 238 RON will be retrieved through deduction from the employer's contribution to the unemployment fund.

Statement: According to the dispositions of art. 17 letter a) of Law no. 387/2007 for the approval of the state social insurance budget for 2008 the contribution owed by employers to the unemployment insurance budget according to art. 26 of Law no. 76/2002, with modifications, is 1% during January-November and 0.5% starting with December.

Observation: For the payment of the contribution to the unemployment fund, the employer will perform a transfer of 178 RON, i.e. the difference after the monthly incentive is deducted.

**Accounting analysis**

<table>
<thead>
<tr>
<th>Explanation</th>
<th>Expenses with personnel salaries</th>
<th>Personnel-salaries owed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries owed to personnel:</td>
<td>41,571 RON</td>
<td>41,571 RON</td>
</tr>
<tr>
<td>The contribution of the unit to the</td>
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<tr>
<td>unemployment budget:</td>
<td>Expenses regarding the</td>
<td>Liabilities regarding</td>
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<td>contribution of the unit to the</td>
<td>the contribution of the</td>
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<td></td>
<td>unemployment aid</td>
<td>unit to the unemployment</td>
</tr>
<tr>
<td></td>
<td>416 RON</td>
<td>416 RON</td>
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<tr>
<td>The deduction of the monthly incentive:</td>
<td>Liabilities regarding the</td>
<td>Income from operational</td>
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<tr>
<td></td>
<td>contribution of the unit to the</td>
<td>subsidies for personnel</td>
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<tr>
<td></td>
<td>unemployment fund</td>
<td>payment</td>
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<tr>
<td></td>
<td>238 RON</td>
<td>238 RON</td>
</tr>
</tbody>
</table>

Statement: In the spirit of the disposition of art.8 of Government Decision no. 726 of July 4th 2007 for the approval of the Methodological Norms of applying the provisions of Law no. 72/2007 regarding the stimulation of hiring students “Establishing and ending the right of employers to benefit, according to the law, from monthly financial incentive contained by the law is made based on the decision issued by the executive director of the county workforce agency, or the Bucharest workforce agency.”.
Legal aspects regarding the subsidies received for hiring graduates of educational institutions

According to the provisions of art. 80 of Law 76/2002 regarding the unemployment insurance system and the stimulation of employment, employers which hire graduates of educational institutions for an undetermined period are exempted, throughout a period of 12 month, from paying the contribution owed to the unemployment insurance budget, corresponding to the hired graduates, and receive monthly, throughout this period, for each graduate:

a) 1 national gross minimum base salary, valid at the time the graduate was hired, for high school graduates or graduates of vocational schools;

b) 1.2 national gross minimum base salary, valid at the time the graduate was hired, for graduate of superior secondary educational institutions and post high school institutions;

c) 1.5 national gross minimum base salary, valid at the time the graduate was hired, for university graduates.

Provisions regarding subsidy grants are applied in case the employers hire, indefinitely, graduates of educational institutions, which, were not employed on the date of their graduation. Also, the subsidies are awarded for situations in which employers hire university graduates that did not pass third diploma examination.

In order to benefit from these subsidies, employers must sign a convention with the county workforce agency or with the Bucharest workforce agency. The convention is concluded annually for each generation of graduates.

According to legal provisions, graduates should be hired indefinitely only to cover a vacant position. Positions that have be recreated after less than 6 months since the date the work relation was terminated for personnel reduction purposes are not considered vacant positions.

The period for awarding subsidies has a duration of 12 months since the date the convention was concluded. The monthly amount is calculated proportionate with the actual time worked by graduates in the respective month. Employers benefiting from subsidies have the obligation to keep the persons for which they receive these subsidies for a period of at least 3 years since the date the labor contract was concluded.

The law states the penalty for the employer that decides to terminate the labor relation prior to the three year term. The penalty consists of the employer's obligation to return in whole to the workforce agency the amounts received for each graduate, plus the corresponding interest, calculated at the level of that awarded by the state treasury for the unemployment insurance budget.

These dispositions have the role of preventing downsizing for reasons that cannot be attributed to the employee.

It is necessary to mention that graduates may be eligible for obtaining subsidies only once for each form of education, within 12 months of the date they graduated their studies.

The accounting of subsidies received for hiring graduates of an educational institution

In order to establish the monthly amount, employers have the obligation of handing the county workforce agency or the Bucharest workforce agency, along with the monthly statement regarding payment obligations to the unemployment insurance budget, a nominal table elaborated according to the requirements stated by the Methodological Norms.

Example: At the beginning of 2008, an economic entity has 50 employees, who are entitled to monthly salaries in the total amount of 41,000 RON. In the month of February, 4 labor contracts were concluded, indefinitely, with 4 university graduates, each graduate with a salary of 1,000 RON.

Solution:

According to the valid legislation:

a) the total salary fund is equal to 41,000 RON + 4 x 1,000 RON = 45,000 RON ;
b) for the salaries given to the 4 graduates, the company does not owe a contribution to the unemployment fund, therefore the contribution of the employer to the unemployment fund is:
\[ 1\% \times 41,000 \text{ RON} = 410 \text{ RON}; \]
c) the company benefits from subsidies in the amount of 3,000 RON, i.e.:
\[ 500 \text{ RON} \times 1.5 \times 4 \text{ employees} = 3,000 \text{ RON} \]

Where 500 RON represents a gross minimum base salary for the economy, during 01.01-06.30.2008.
The amount of 3,000 RON will be retrieved as follows:
   a) 410 RON by deduction from the employer's contribution to the unemployment fund;
   b) 2,590 RON from the unemployment insurance budget.

Total 3,000 RON

Accounting analysis:

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<td>45,000 RON</td>
<td>45,000 RON</td>
</tr>
<tr>
<td>The contribution of the unit to the unemployment fund:</td>
<td>Expenses regarding the contribution of the unit to the unemployment aid</td>
<td>Liabilities regarding the contribution of the unit to the unemployment fund</td>
</tr>
<tr>
<td></td>
<td>410 RON</td>
<td>410 RON</td>
</tr>
<tr>
<td>The deduction of the monthly incentive:</td>
<td>Liabilities regarding the contribution of the unit to the unemployment fund</td>
<td>Income from operational subsidies for personnel payment</td>
</tr>
<tr>
<td></td>
<td>410 RON</td>
<td>410 RON</td>
</tr>
<tr>
<td>Receivables for the difference to be retrieved:</td>
<td>Other amounts to be received similar to subsidies</td>
<td>Income from operational subsidies for personnel payment</td>
</tr>
<tr>
<td></td>
<td>2,590 RON</td>
<td>2,590 RON</td>
</tr>
</tbody>
</table>

Observation: In this case, the employer benefits from the following two facilities: 1) exemption from the contribution to the unemployment insurance, corresponding to the hired graduates; 2) the partial retrieval of the salaries granted to the graduate.

In case students and graduates are hired the economic entity receives a single financial stimulant, materialized in the partial recovery of the salaries of the hired students and graduates.

**Legal provisions regarding the accounting of operational subsidies for the payment of personnel**

According to no. 1752/2005 subsidies may be classified in two major categories: subsidies corresponding to assets and subsidies corresponding to income. The subsidies analyzed within the present paper are part of the second category, i.e. subsidies corresponding to operational revenue.

Within the Romanian accounting system these subsidies are the object of records in the credit side of account 7414 “Income from operational subsidies for the payment of personnel” and are reported in the "Profit and loss account” with the minus symbol, in the Personnel Expenditure position.

In conclusion, the analyzed subsidies appear as a form of compensation for the personnel expenses paid for in a previous accounting period.
Bibliography