

## POVERTY IN ROMANIA DURING THE PERIOD 2007-2013. DESCRIPTIVE ANALYSIS

UREAN CLAUDIA ANDREEA

PHD STUDENT, BABEȘ-BOLYAI UNIVERSITY, FACULTY OF ECONOMICS AND BUSINESS  
ADMINISTRATION, CLUJ-NAPOCA,  
e-mail: andreea\_urean@yahoo.com

### Abstract

*This paper presents a descriptive analysis of poverty in Romania during the period 2007-2013. Combating poverty and social exclusion involves identifying the most vulnerable individuals or groups, which is why we will try to build a profile of poverty, outlining the population groups most affected by poverty, based on the following statement: under certain conditions, any person, regardless of her/his particular situation, may become poor for a longer or shorter time. For some people, however, the risk of being “trapped” by poverty is always greater and almost inevitable.*

*We shall use the descriptive analysis as research methodology. The variable analyzed is the relative poverty rate: a. by regions; b. by type of households; c. by age group; d. by employment status and correlation variable: the unemployment rate.*

**Key words:** relative poverty rate, absolute poverty rate, regional disparities, unemployment rate

**Clasificare JEL:** D63, E03, E64, G28, I32, I3.

### 1. Introduction and the context of the study

Poverty, this socio-economic phenomenon that has accompanied human history over hundreds of years is a reality, a growing problem that, despite reduction efforts, continues to affect the world, a considerable number of people.

The National Institute of Statistics shows that in 2013 the number of poor people in Romania is 4,777,000 persons. Calculated based on total available revenues, the relative poverty rate was 22.4% in 2013. In other words, one in five Romanians is facing poverty due to insufficient income and much of persistent poverty is based on income, three quarters of the poor being in this situation for at least three years. A third of the population is affected by severe material deprivation, cannot afford purchasing articles considered desirable or even necessary for a decent living, in Romania of 2015 there are still children who never went to school, and the percentage of young people without a proper education is high, many people are inactive or unemployed with legal forms.

According to the targets set in the National Plan for Reform within Strategy Europe 2020, Romania intends to reduce the number of persons at risk of poverty and social exclusion by 580,000 people, from 5.01 million in 2008 to 4.43 million in 2020.

### 2. Relative poverty rate versus absolute poverty rate in Romania during the period 2007-2013.

The *relative poverty rate* in the period 2007-2013 shows a sinusoidal evolution, with a downward trend between 2007-2010, reaching a minimum in 2010 for the entire period analyzed, of 21.1%. It should be noted that the 2010 value was lower than in 2009 due to reducing the poverty threshold from RON 512.5 in 2009 to RON 503.5 in 2010; the main cause of this phenomenon was the reduction of wages in the context of the economic crisis, particularly in the public sector, where salaries were reduced by 25%. In 2011 and 2012 the trend is growing, so that in 2013 recorded a slight decrease in the relative poverty rate, from 22.6% in 2012 to 22.4% in 2013.

Comparing data from 2008, when the economic crisis hit, to those from 2013, we notice that the relative poverty decreased in 2013 compared to 2008, from 23.4% in 2008 to 22.4% in 2013. These data indicate a paradox: although Romania has taken significant steps to reduce relative poverty in absolute terms, the population is poorer than a few years ago. The main reason is that the income of better-positioned households dropped because of the economic crisis, while some of the poor people have received more support.

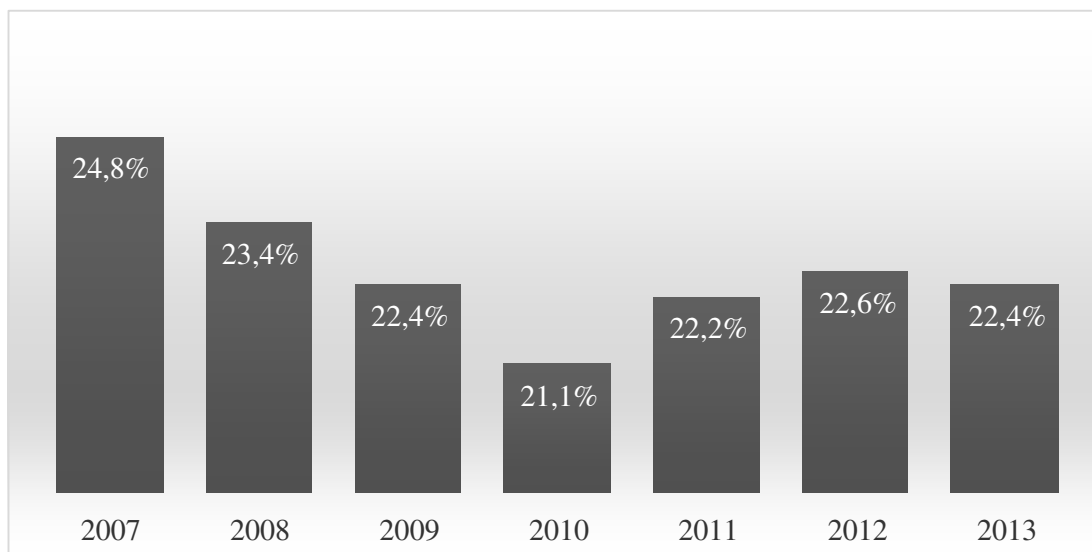


Chart no. 1. Evolution of the relative poverty rate in Romania during the period 2007-2013 (Source: author's processing based on information provided by the National Institute of Statistics)

In absolute terms, we notice a significant decline in the 2007-2009 period: while in 2007 the absolute poverty rate was of 7.7%, in 2008 it dropped to 4.2%, and the downward trend continued in 2009. However, as a result of the economic crisis, absolute poverty rate changed its downward trend recorded until 2009, and in 2010 recorded a slight increase (3.5%) and at the end of the review period, 2013, recorded a minimum of 2.9%.

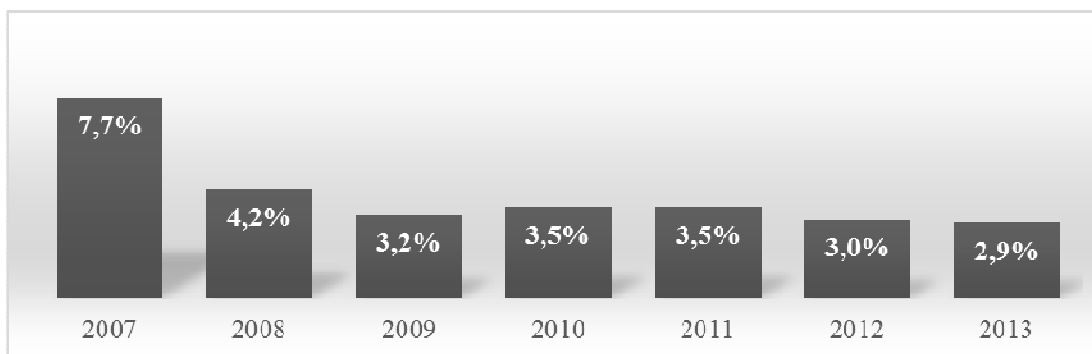


Chart no. 2. Evolution of absolute poverty rate in Romania during the period 2007-2013 (Source: author's processing based on information provided by the Ministry of Labour, Family and Social Protection for the Elderly)

### 3. Relative poverty rate in Romania during the period 2007-2013. Descriptive analysis

#### 3. 1. The relative poverty rate evolution by romanian development regions during 2007-2013

Poverty has an uneven geographical size. An analysis by regions allows us to observe that there are large regional disparities in terms of poverty level. In 2013, the relative poverty rate was almost 9 times higher in the Moldavia Region and almost 8 times Oltenia and Dobrogea Regions than in the capital city region, where the poverty rate was 3.9% in 2013, compared to 33.5 % in the Northeast, 32% in the Southeast, 30.1% in the South-West-Oltenia. In Romania, the Northeastern Region records the highest poverty rate, all six counties in the region are at high risk of poverty. Moreover, the Southern Region is heterogeneous, comprising counties with high rates of poverty, such as Călărași and Teleorman, and counties with relatively low rates, such as Prahova. Cluj County ranks second after Bucharest from the point of view of the low value of the poverty rate in Romania, and the neighboring counties of Cluj

in the North-West Region (Bistrița–Năsăud, Maramureș, Sălaj and Satu Mare) have a higher poverty level than the average of Romania.

*Table no.1. The rate of relative poverty by Romania’s development regions in 2007-2013 (%)*

<b>Development Regions</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
NORTH-WEST Region	21,3	18,9	18,7	14,6	20,0	15,9	15,9
CENTRAL Region	17,8	19,9	19,4	19,4	18,0	18,6	15,9
NORTH-EAST Region	36,5	32,4	31,5	29,5	32,4	33,7	33,5
SOUTH-EAST Region	29,3	28,2	22,5	26,3	28,0	29,7	32,0
SOUTH-MUNTENIA Region	26,6	22,3	23,0	22,2	21,6	22,1	22,4
BUCHAREST – ILFOV Region	7,3	6,5	6,4	3,1	3,4	2,7	3,9
SOUTH-WEST OLTENIA Region	36,3	36,9	37,4	30,7	28,9	29,9	30,1
WEST Region	11,1	15,9	15,4	17,6	18,8	20,5	22,9

*(Source: National Institute of Statistics)*

### **3.2. Evolution of relative poverty rate by type of households in Romania during the period 2007-2013**

Household structure is one of the most significant determinants of poverty as the number of people with an income and dependents depends on the consumer needs, and the ability to meet them. It was noted all over the world that the higher the poverty rate, the bigger the family is or with a greater number of children.

The most affected by poverty are large families consisting of 2 adults with 3 or more children. The poverty rate reaches the maximum of 60.6% in 2013 and a minimum value of 54.7% in 2011. These are followed by single-parent families where the relative poverty rate reached the maximum value of 42.5% in 2007, and a minimum of 31.3% at the end of the review period, 2013.

On the opposite side there are the families with three or more adults without dependent children, in this case the relative poverty rate is 10-17% lower than the national average.

*Table no. 2. Relative poverty rate by type of household in Romania between 2007-2013 (%)*

<b>Type of household</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Households without dependent children	22,0	18,4	16,5	14,3	14,1	14,3	15,4
Male singles	25,8	23,8	21,4	21,5	17,2	21,2	22,6
Female singles	41,8	37,7	32,9	29,5	26,7	26,8	26,9
Single people aged under 65 years	27,2	24,3	24,6	24,5	21,1	21,8	23,6
Single people aged 65 and over	44,2	39,4	32,4	28,3	25,4	26,9	26,8
2 adults aged under 65 years	17,0	13,8	13,1	13,5	13,3	13,8	14,4
2 adults, of which 1 aged 65 years and above	25,8	20,0	14,5	11,3	9,6	8,7	8,2
3 and more adults without dependent children	16,8	12,7	13,1	10,3	12,4	11,6	14,8
Households with dependent children	26,5	26,3	26,2	25,3	27,4	29,2	27,2
Single parent with at least one child (single parent family)	42,5	39,9	35,3	31,9	40,0	39,8	31,3
2 adults and 1 child	14,9	14,1	14,9	16,4	18,2	18,7	15,2
2 adults with 2 children	22,4	24,0	24,3	26,7	26,7	27,2	22,8
2 adults and 3 children	54,8	57,3	56,3	0,4	4,7	9,8	60,6
3 and more adults with children	26,7	25,7	25,2	2,4	7,1	9,2	28,2

*(Source: National Institute of Statistics)*

### 3.3. The relative poverty rate evolution by age group in Romania during the period 2007-2013

Who are the poorest: the children, the elderly or the adults? It is noted that, by age groups, those facing the greatest risk of poverty are children. This is due to the high dependency rate in this age group and higher number of children in poor families. Among children and youth aged 0-17 years old, the relative poverty rate has a value approximately 10% higher than the national average.

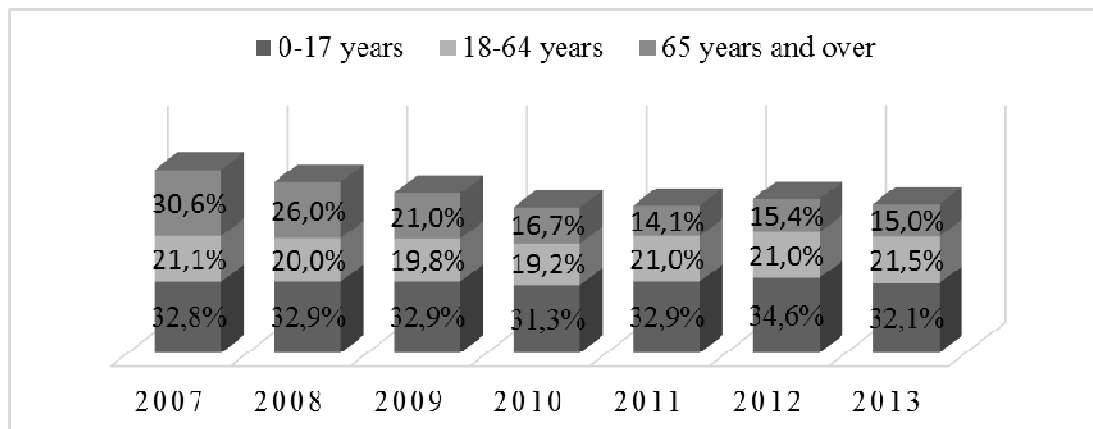


Chart no.3. The evolution of the relative poverty rate by age group in Romania in 2007-2013 (Source: author's processing based on information provided by the National Institute of Statistics)

In 2013, poverty incidence was higher among children and young people aged 0-17 years old, less than a third of them falling under the poverty threshold, well above the corresponding levels for adults. The highest share of the entire analyzed period was recorded in 2012 (34.6%), being in fact the highest value throughout the 2007-2013 period studied.

People aged 18-64 years old, in fact people of working age, recorded in 2013 a relative poverty rate of 21.5%, below the national average but slightly up compared to 2012 (21%). Unemployment remains the main source of poverty among people of working age, poverty is directly related to the employment rate. In the period under analysis, the unemployment rate is as follows:

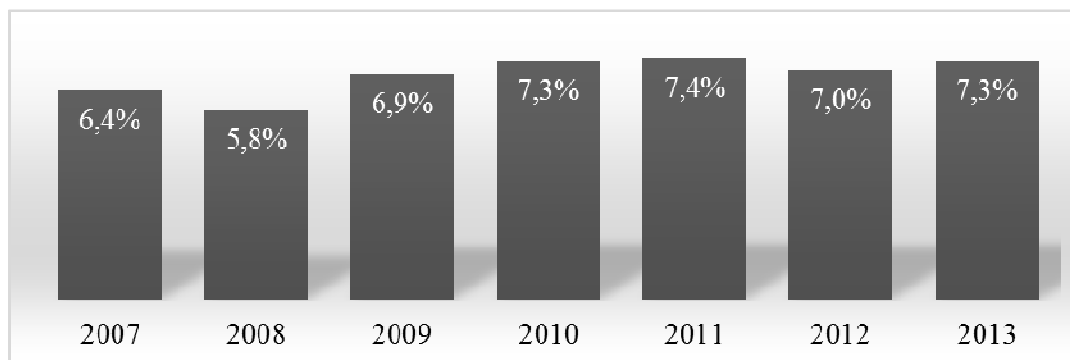


Chart no. 4. Development of unemployment rate in Romania during the period 2007-2013 (Source: author's processing based on information provided by the National Institute of Statistics)

While in most of the countries in the region the unemployment rate has exploded during the crisis, Romania is one country where the unemployment rate, despite several years of severe recession, increased slightly: from 6.4% in 2007 to 7.3% in 2013, an increase of 14.06%. Among the unemployed, the poverty rate was 46.4% in 2007 and for 2013 we mention a poverty rate higher by nearly 10.13% (51.1%).

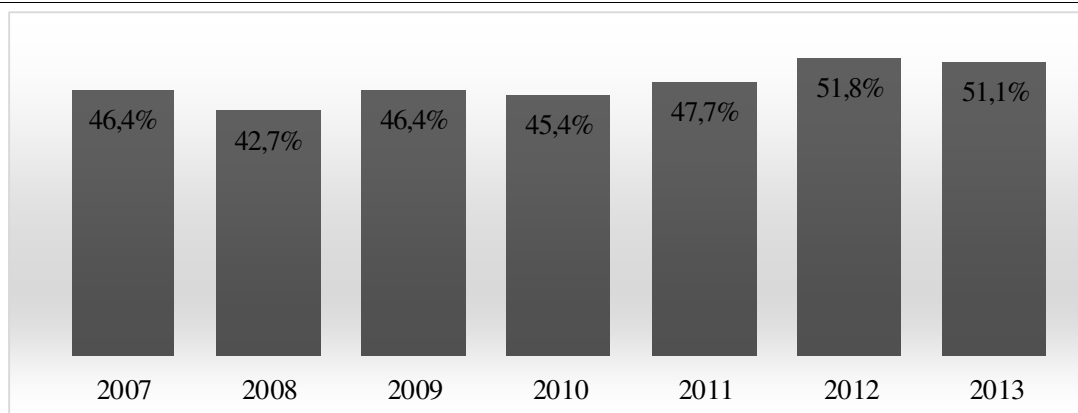


Chart No. 5. The evolution of poverty rate for the unemployed in Romania during the period 2007-2013  
(Source: author's processing based on data provided by Eurostat)

### 3.4. Evolution of poverty rate by gender in Romania during the period 2007-2013

Analysis of relative poverty rate by gender during the period 2007-2013, found that women's poverty rates were once again above the poverty rates for men:

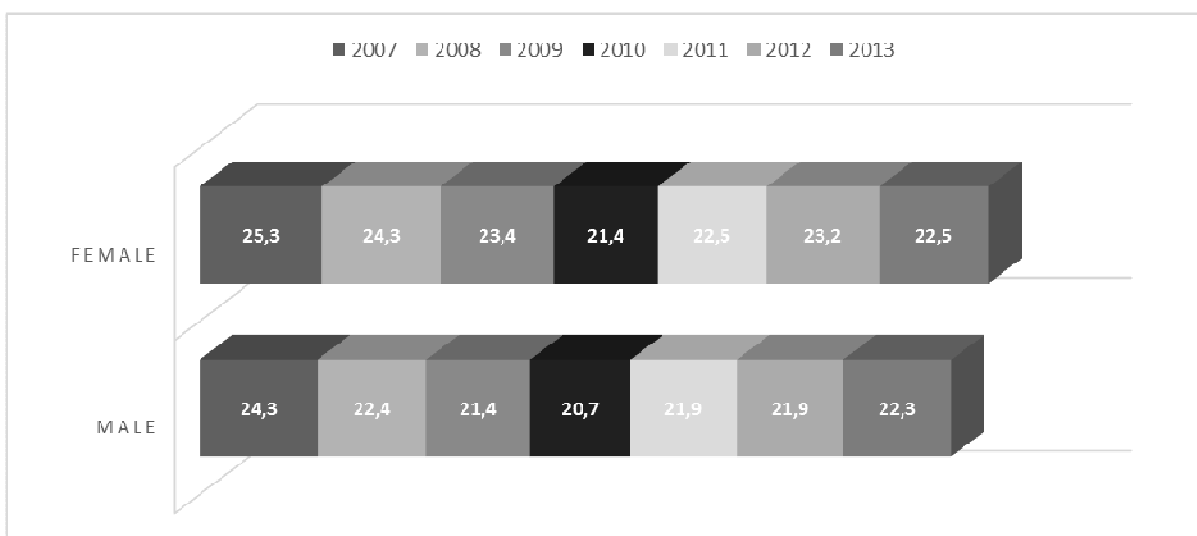


Chart No. 6. The evolution of poverty rate by gender in Romania during the period 2007-2013 (Source: author's processing based on data provided by the National Institute of Statistics)

In most societies, gender inequality makes women to be poorer than the man because women have to face more obstacles than men in the labor market, women receive lower wages for the same type of work, many laws still make it difficult for women to fully participate in economic life in Romania (including increased difficulty in getting a job or starting a business), women have limited presence in public decision making.

According to the World Bank, Romania has made significant progress in improving gender equity but serious challenges still remain.

### 3.5. Evolution of poverty rate by occupational status in Romania during the period 2007-2013

Job loss is another situation where the risk of becoming poor is much higher, almost inevitable. Employed persons are safer from poverty than unemployed or inactive persons.

*Table no. 3. Evolution of poverty rate by occupational status of people in Romania for the period 2007-2013 (%)*

Occupational status	2007	2008	2009	2010	2011	2012	2013
Employed persons	18,3	17,5	17,6	17,2	18,9	19,1	18,0
Inactive persons	27,9	24,7	22,3	20,5	20,8	22,0	22,7
Unemployed	46,4	42,7	46,4	45,4	47,7	51,8	51,1
Pensioners	22,9	19,0	15,7	12,8	11,1	11,2	12,0
Other inactive persons	33,1	31,8	30,7	29,8	32,9	34,9	36,0

(Source: author's processing based on data provided by Eurostat)

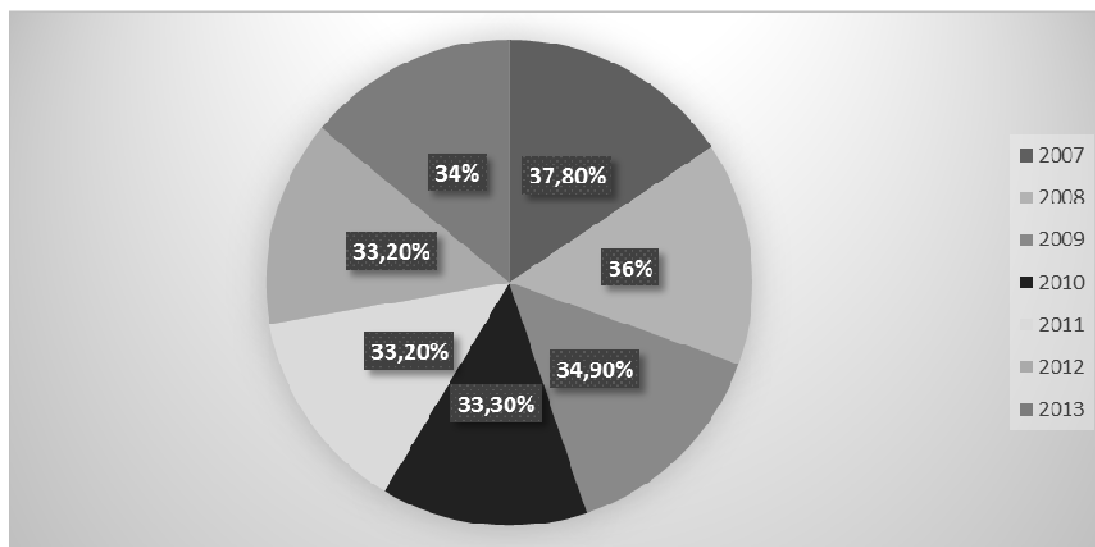
In 2013, of all people who had a job, 18% were below the poverty threshold (approximately 5% less than the persons who did not carry out any economic and social activity). Regarding the unemployed, we highlight the unemployed whose poverty rate is very high throughout the period analyzed.

### 3.6. Gini Index in Romania during the period 2007-2013

Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution.

In Romania, inequalities have been driven by a complex of historical, economic and social factors. The communist past has left enduring marks on the country's development, while transition shaped long lasting inequalities. During the process of post-communist transformation, Romania has been through a severe economic decline accompanied by an important rise in poverty and inequality. (Precupetu&Precupetu 2013).

According to Precupet&Precupet , in 2010, Romania ranked fifth highest in EU in regard to income inequality. While in 1990 the value of the Gini coefficient placed this country at the level of Sweden, by 2007 Romania had become the most unequal country in Europe according to this measure.



*Chart No. 6. The evolution of Gini Index in Romania during the period 2007-2013 (Source: author's processing based on data provided by Eurostat)*

## 4. Conclusions

Despite the strategies for combating poverty and social exclusion adopted by Romania in recent years, initiatives for stability and growth, attention that “receives” this “topic” among researchers and policy makers, Romania is at the top of EU ladder in terms of relative poverty rate, with a percentage of 24.8% in 2013.

The relative poverty rate:

- has uneven geographic dimension;
- it is much higher: among large families, children and youth as well as among people without a job.

## 5. Bibliography

- [1] **The World Bank, the Ministry of Labor, Family and Equal Opportunities, the National Statistics Institute, Romania**, Poverty Assessment Report. Analytical and advisory assistance program, the first phase report, fiscal year 2007, Bucharest, 2007
- [2] **Chirilă A.**, Dimensiuni spațiale ale sărăciei și precarității financiare, Romanian Statistical Review, no. 1/2013, p. 31-42.
- [3] **European Commission**, Poverty and Social Exclusion in Rural Areas, 2008.
- [4] **Law 292/2011**- Social Assistance Law
- [5] **Ministry of Labour, Family and Social Protection**, National Strategy on Social Inclusion and Poverty Reduction 2015-2020, Bucharest 2015.
- [6] **Molnar, M., Poenaru, M.**, Sisteme de protecție socială, Bren Publishing House, 2007.
- [7] **Molnar, M.**, Sărăcia și protecția socială, România de Mâine Foundation Publishing House, 1999.
- [8] **Molnar M.**, Development and poverty in Romania, MegaByte, vol. 6, issue 1, 2010, p. 103-109.
- [9] **Precupețu I., Precupețu M.**, Growing inequalities and their impacts in Romania. Country report for Romania, 2013.
- [10] **Virjan Daniela**, Economia și protecția socială în relație cu sărăcia: date și opinii, Journal of Social Economics, vol. II, nr. 3, p. 115-127.

## Acknowledgement

This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/187/1.5/S/155656 “Help for doctoral researchers in economic sciences in Romania”.