

ISSUES CONCERNING THE STANDARD OF LIVING IN ROMANIA

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Abstract:

At the present time, the quality of life has decreased in EU Member States mainly because of the economic crisis that these countries had to undergo. Moreover, the standard of living in Romania is quite low compared with the average in the European Union, while the risk of poverty is the highest in the area.

In this context, the present paper aims to present the current situation in our country in terms of living standards and to identify a number of directions of action that will lead, in the shortest time, to improving the socio-economic situation.

Key words: standard of living, welfare, reduction of poverty, vulnerable group

JEL Classification: I31, I38

1. Standard of living, welfare, poverty

The standard of living reflects the economic and non-economic conditions as a whole, the social, cultural and political conditions provided by the society to its members, and also the capacity and skills of individuals to meet their needs with regard to their income in a beneficial way. The defining aspects of the standard of living are related to: the level and the evolution of income; the level and the evolution of prices of goods and services supplied for the population; the level and the structure of the consumption of goods and services; working conditions and leisure; living conditions; health and access to insurance services, etc. [4]

Welfare is an essential component of the human situation; it reflects a set of needs, in line with the economic and social context which integrates every citizen, from the perspective of ownership, level of consumption, material-financial status, social hierarchy and culture. Thus, welfare appears as an optimal state to which every individual aspires through their way of producing, saving and consuming. Social welfare, beginning with the 20th century, became a fundamental criterion for assessing the effectiveness of any social system and it is the hard core of the social market economy. Creation of social welfare is an important goal of the social market economy, because it is a prerequisite to the existence of an equitable social-economic and stable system. [4]

Poverty means a life devoid of chances to have certain minimum material possessions or money. This standard differs from one country to another or from one region to another. The World Health Organisation (WHO) within the UN Organization defines poverty as an index resulted from the ratio between the average income in the world per capita and the average income (average wage) per capita of the country in question. Other benchmarks for determining the limit of poverty is insufficient income to cover the expenditure necessary to ensure regular supplies or clothing, heating and other necessities. This poverty entails cultural deficiencies, lack of skill and an increase in illiteracy. [5]

2. Groups with high vulnerability to poverty

The term vulnerable group is often used by official documents, legislative documents or research reports as being similar in meaning with underprivileged group, marginalized, outcast or risk group; all these concepts are related to the broad aspect of poverty.

Vulnerable groups are groups lacking support, which are often in a state of chronic poverty, being incapable of taking advantage of opportunities or to defend themselves in case problems may arise. Examples in this respect are people with disabilities, abandoned children, HIV-infected persons, the elderly, ethnic minorities, single parents etc. They represent a category that entails risks on all aspects of life, unable to cope with difficulties. An alternative meaning of vulnerability refers to exposure to risks that may lead to a level of good condition which is below the threshold of what society considers acceptable/desirable. According to this wider approach groups like women during child caring, young graduates on the labor market, persons who migrate for work, etc. Can also be considered vulnerable.

In Romania the groups most affected by poverty are:

➤ Children, young people, families with many children. The large number of members increases the risk of poverty. Families with 3 or more children present an extremely high rate of poverty. The increased risk of poverty in this group leads

to a significant reduction of the “chances of life” on a long term, or to the probability of dropping out of school in the case of children from households on the verge of poverty. Since a low level of school teachings is usually associated with a disadvantage on the labor market and with a low standard of living, the vicious circle of poverty is practically closed. This phenomenon is becoming worryingly not only from the perspective of individuals but also from that of the community, who will have to deal with generations of poorly educated youngsters and poorly integrated in the social and professional environment, with high risk of dependency on the financial support of the State.

➤ Single-parent families and the unemployed pose a high degree of vulnerability. It is worth mentioning the households composed of one woman, especially if she is located in the countryside and the families where the father, the sole supporter, is unemployed.

➤ Families of retired people. Contrary to current estimates these households do not present a high risk of poverty as compared to other categories. But the big share of retirees within the total population makes this category weigh a lot among the poor, and it is most noticeable when compared to other groups at risk. One must not, however, ignore the risks associated with age. Although statistics are based on monetary indicators such as consumption or income, they show a relatively low incidence of poverty among the retired and the elderly in general; these groups face problems that the mere measuring of the level of income conceals them. One of the major risks associated with this group is the degradation of health status. Purchasing the necessary drugs or medications, tightens the budgets of the elderly.

➤ The Roma population. Among all ethnic groups, the Roma present an extreme vulnerability to poverty. This group constitutes a special case: that of a group exposed to social exclusion and extreme poverty. Compared to the national average, the risk of poverty is almost triple. High vulnerability to poverty of the Roma is due to a complex of factors: low level of education and professional qualification, marginal position on the labor market, lack of material possessions which is transmitted from generation to generation (housing, land), involvement in the informal economy (which may represent a solution to the lack of opportunities, as well as a trap to impede overcoming marginalization), the number of children within a family, negative stereotypes of other ethnic groups and discrimination. There are frequent cases in which Roma were/are the first ones to be fired from restructuring enterprises. In many cities of the country the Roma are practically isolated in ghettos, and their conditions of living are far below national standards. The risk of dropping out of school is significantly higher compared to the average of the whole population. Peculiarities of the Roma population sometimes limit their access to social benefits. In the case of Roma groups with different degrees of nomadism, the system of social protection has no practical ability to provide any form of support.

➤ Young people excluded from the labor market and deprived of benefits. For various reasons, as time passes by, generations of youngsters are faced with unemployment after graduation.

If within households without dependent children the relative rate of poverty has declined slowly over the past few years, in families with children the rate of poverty has increased. Of these, single-parent families and families with three or more children have a risk of poverty of 1.5 to 2 times higher. Moreover, the deprivation of material possessions of these households is very acute.

At the level of the working age population, unemployment is the main cause of poverty. The risk of poverty for the unemployed is nearly six times higher than for employees and it is growing. However, work is not always a way out of poverty. Self-employed workers in agriculture have a risk of poverty even higher than that of the unemployed.

In addition, in the case of the active population, the risk of poverty is strongly correlated with the level of education. A low level of education is translated into difficult access and marginal position on the labor market, i.e. casual and insecure work and poorly paid. As a result, the low-income can only cover the minimum needs, especially when the family comprises many children and/or economically dependent persons. Thus, the relative poverty risk of individuals who have graduated secondary school at most is almost two times higher than that of the people with professional training and 12 times greater than that of college graduates. [1]

3. Romanian Standard of Living

As regards the standard of living, Romania is located at the bottom of Europe: the lowest purchasing power, the highest expenditure in the family budget for food and the lowest payments for health and personal items.

Despite the positive economic developments in recent years, the standard of living and thus the standard of living in Romania continues to be among the lowest in Europe. A study conducted by GfK a Consultancy and Market Research Company has ranked our country 32nd out of 40 States in terms of purchasing power, and among the last from the point of view of the national minimum wage.

Currently, one in five Romanians is facing poverty caused by insufficient income, and much of the income-based poverty is persistent, three quarters of the poor people being in this situation for at least three years. One-third of the population is affected by severe material deprivation, in the sense that they can't afford to purchase goods that are considered desirable or even necessary to live a decent life. There are still children in Romania who have never been to school, and the percentage of young people without a proper education is high. Many people are still unemployed or inactive, with small chances to gain access to the labor market. There are inequalities in terms of providing basic medical services. There is a significant number of disadvantaged communities in which these problems cumulate, making it almost

impossible to interrupt of the cycle of exclusion, without its members being supported and integrated through external intervention.

At the same time, Romania ranks, according to Eurostat, among the last in terms of gross domestic product per capita, but it remains among the top countries with the highest rates of economic growth both regionally and at the level of Europe.

The dominant form of poverty in Romania is severe deprivation of material possessions which affected over 29% of the population of the country in 2011, compared to the EU-27 average of 8.1%. At regional level, significantly higher shares of persons facing the risk of social exclusion or poverty are located in rural areas and small towns, especially in the Northeast, Southeast, South-West, Oltenia and South-Muntenia (over 71% of the poor population from Romania lives in rural localities). [1]

The poverty map for Romania, drawn by the World Bank in 2013, indicates that the Northern region presents the highest rates of poverty, all six of its counties having a high risk of poverty. By comparison, the southern region is heterogeneous, comprising counties with very high rates of poverty such as Teleorman and Calarasi, and also other counties with poverty rates relatively low such as Prahova. In addition, these maps of poverty indicate that the areas where the level of poverty is high and those presenting the highest number of poor people are not necessarily the same. The very poor areas can be sparsely populated, while larger cities tend to have reduced levels of poverty, but a high number of poor people because of the large population.

The labor market in our country is suffering, in turn, a number of vulnerabilities which contribute decisively to the standard of living of the population.

These current features/vulnerabilities of the labor market can be summarized as follows:

- Demographic ageing: young people under 15 years of age represent a very small percentage with a long-term effect upon the demographic structure of the labor market and on the sustainability of the social system; the sharp and continuous decrease of births;
- Female individuals experience fewer employment availabilities; they are found usually in the informal labor sector; they favor temporary and circulatory migration;
- Low levels of education lead to insufficient employment opportunities for the workforce and, consequently, to a higher unemployment; people with low levels of training can be found mainly on the black labor market and they favor temporary and circular migration;
- Illegal employment is very much present in Romania as compared to the European Union average. It can mostly be found among people with low levels of information, in activities such as agriculture, construction, domestic services.

However, one should bear in mind that not all individuals affected by poverty at some point will remain in this state for a long time. For many poor people it is only a momentary episode, due to shocks such as loss of income sources, temporary illness etc. For others, getting out of the state of poverty is almost impossible; the risk that this condition will become permanent is high. The difference between temporary and permanent poor people is given specifically by the existence of the means of outgrowing poverty; those who lack the ability to adapt to the changing social economic environment have a high risk of being poor for good. According to this criterion, the category of the permanent poor people also comprises those who are unable to find work, the elderly deprived of insurance or those with very low pensions, who are basically unable to ever produce an acceptable income and families with many children (three or more). The chronic unemployed have also a high risk of becoming poor for good.

The lack of employment opportunities and the low incomes from work are closely correlated with poverty. Demographic changes in Romania in the following period will dramatically affect the labor market, because it is estimated that the number of active people of working age will decrease by 4.5%, while the number of senior citizens is likely to increase by 13%. Thus, Romania will have to mobilize all potential workers and to invest in their education and skills to make them more productive.

4. The guaranteed minimum income

The guaranteed minimum income is a form of social protection which is based on the principle of social solidarity. It consists of monthly payments of a certain amount allocated from local budgets and from the allowances received from the state budget. The main beneficiaries are families and single persons without income or with low income; the purpose for which it is granted is to ensure a guaranteed minimum income to beneficiaries so that they could increase the lowest incomes.

The guaranteed minimum income is the most important means of support of people lacking the necessary mechanisms to recover from poverty and it is regulated by the Law No. 416/2001, with amendments and supplements.

Analysis of the Romanian population over the age of 18 shows that recipients of GMI have a very low level of education as the vast majority has attended only primary or secondary schools. With regard to the occupational status, the categories with the highest risk of poverty are most likely to get the GMI: self-employed workers in agriculture, the unemployed, housewives and self-employed workers from non-agricultural sectors. A high number of recipients can be found among persons who are not fit for work (people with disabilities, in particular). In terms of ethnicity, Roma people are more likely to get the guaranteed minimum income compared to other ethnic groups.

According to the survey called Supply and demand of social economy in Romania, 39.60% of the recipients of GMI say they have never worked. The main reason for leaving their last job is staff cut downs followed by health reasons, and child-raising (e.g. single-parent families with low incomes). 44% of the beneficiaries of GMI say they are looking for a job, especially as non-qualified workers in agriculture or the food industry.

In 2016, a quarter of a million people were getting the guaranteed minimum income, i.e. social benefits granted by the state to those who do not have sufficient income to live on. According to the Ministry of Labor by May 2016, 248,987 Romanian citizens will have received social benefits. The total number of inhabitants, according to records of the Ministry of Labor, shows that 1.17% of the entire population receives this guaranteed minimum income. [7]

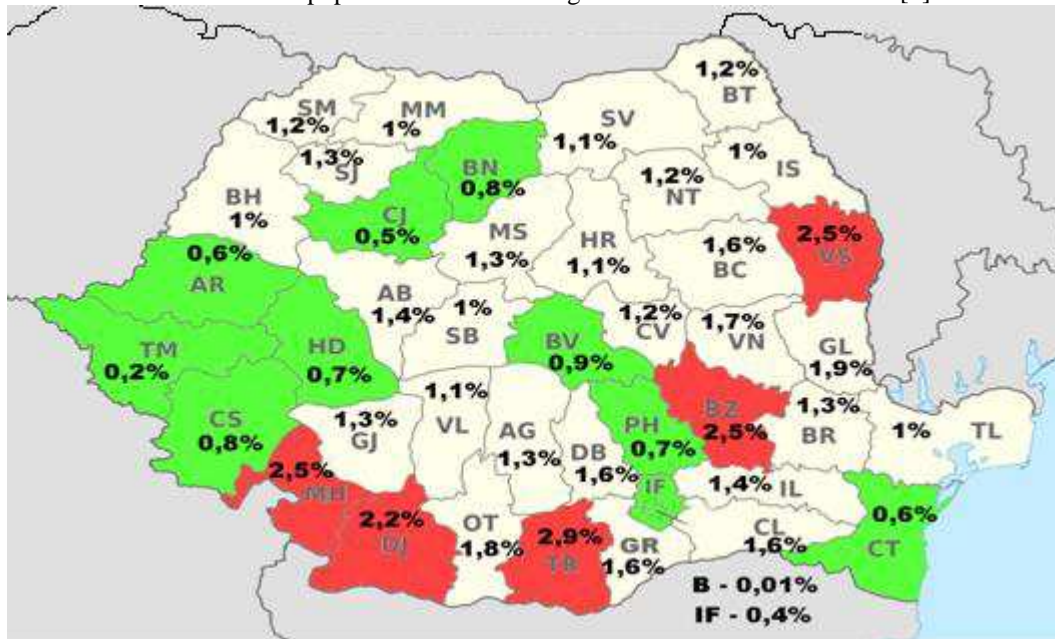


Figure no. 1 Beneficiaries Of The Guaranteed Minimum Income (percent of population)

Source: http://www.economica.net/harta-saraciei-un-sfert-de-million-de-romani-stau-cu-mana-intinsa-la-stat_123711.html#n

Although the GMI has a low rate, it has a considerable impact on reducing absolute poverty among the beneficiaries. However, beneficiaries remain amongst the citizens with very low incomes, living in absolute poverty even after receiving this social aid.

5. Active measures aimed at reducing poverty and increasing living standards

In order to improve the social economic situation of the population affected by poverty and to increase the living standards the following actions might have an important role:

1. Reducing illegal employment and reducing the imbalance between urban and rural areas. For this the following need to be taken into consideration: the stimulation and support of vocational training for owners of small and medium-sized agricultural exploitations by re-establishing some modern versions of agricultural training schools and through the development of agricultural operations; the creation of investment facilities for value-added activities of production of food or other economic agricultural activities; promoting the strengthening of subsistence farms with a view to increase productivity and their sustainability.

2. Reducing the rate of poverty of employees. Despite the relatively low unemployment rate, Romania has a very high poverty rate among employees, 17.3% of the employed workers living below the relative poverty line in 2010. Poverty of employees is a direct consequence of low productivity, of low degree of legal employment and of the reduced demand of labor within the economy. The poverty of workers is concentrated in rural areas, especially in the agricultural sector. In

order to reduce the intensity of this problem, one must consider the following: changing the method of granting aids on the basis of testing the means of living to increase legal employment incentives and expanding the coverage of these benefits towards households with a low intensity of labor; making continuous investments in the productivity of low-income workers, either through on the job training, or through lifelong learning; labor market regulation and social dialogue to support and develop the ability of workers to negotiate salaries according to productivity.

3. Increasing employment opportunities for women and other vulnerable groups. For many marginalized groups in Romania, including the Roma, people with disabilities and long-term unemployed, the rate of employment is smaller than for the general population. This is the case of women; the gap of employment between the sexes in Romania is 3.7% higher than in the EU-28. In order to include vulnerable groups on the labor market one should consider reducing discrimination against vulnerable groups, particularly against Romas or against persons with disabilities who are seeking employment; the development of support services to facilitate the employment of persons from vulnerable groups; extending access to housing and transport for long-term unemployed, especially for those in rural areas. However, in order to extend employment opportunities for vulnerable groups one must not overlook the role of social economy entities. Such NGOs should be encouraged to become more involved in these activities and also to be more active in accessing European funds.

4. Strengthening the institutional capacity and resources of institutions with responsibilities in the field of employment.

5. Increasing access to the learning and lifelong training for the disadvantaged youth and for the working age population. This could be possible by: improving consulting services relating to education and training for students in upper secondary education and higher education and by offering grants to unemployed people to allow them to continue their studies.

Conclusion

In order to reduce poverty and increase living standards, the actions taken at national and EU level, in accordance with the European platform for fighting poverty and social exclusion, aim at: improving access to jobs, social protection, basic services (health services, housing, etc.) and education; a higher degree of access to European funds which determine the economic and social development at local and regional levels; striking up new public-private partnerships etc.

Moreover, one should take into account the following:

- The stimulation of investments by accessing European funds and increasing their absorption degree;
- The creation of new jobs and retraining programs in order to reduce the number of unemployed persons;
- The increase of employment among the poor and the vulnerable population by extending activation programs on the labour market;
- The encouragement to support the benefits for the poor and the introduction of work incentives for labour program beneficiaries;
- Investments to improve the current IT system in order to build an efficient social assistance electronic system.

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