

## REDUCING POVERTY FOR SUSTAINABLE ECONOMIC GROWTH

**IRINA-ELENA CHIRTOC**

*LECTURER. PHD. "CONSTANTIN BRANCUSI" UNIVERSITY OF TARGU JIU, ROMANIA*

e-mail: irynavoica@yahoo.com

**LUCIAN-ION MEDAR**

*PROFESSOR PHD. "CONSTANTIN BRANCUSI" UNIVERSITY OF TARGU JIU, ROMANIA*

e-mail: lucian\_iunie@yahoo.com

**Abstract:** *From the perspective of human progress, the most important issue is economic growth. States thrive when significant economic growth performance is recorded. Economic growth is desirable in any country because it allows the population to consume more goods and services and at the same time contributes to ensuring a greater quantity of social goods and services, such as health, education, thus leading to the real improvement of living standards. of the population. All the countries of the European Union want a sustainable economic growth. Particular attention is paid to sustainable economic growth, as the general welfare of the society depends on its level. One of the most invoked and disputed arguments, which the theories of economic growth and development place on the basis of the recent models of policies, is the investments in the formation of human capital - a component part of national wealth. In this paper we focus on poverty reduction measures based on the Europe 2020 strategy. Combating poverty and social exclusion is one of the specific objectives of the EU and its Member States in the field of social policy. We will present the measures pursued by Romania to reduce poverty and the place that Romania occupies between the member states of the European Union regarding GDP per capita and poverty rate in 2018.*

**Keywords:** *sustainable economic growth, poverty rate, quality of life, social exclusion*

**Jel classification:** *I31, O52*

### INTRODUCTION

The phenomenon of economic growth has been analyzed in the literature, some of the economists have concluded that the locomotive of economic growth "rests on four wheels no matter how rich or poor a country is". These wheels or factors of economic growth are: human resources (labor supply, discipline, education, motivation), natural resources (earth, minerals, fuels, environmental quality), capital formation (machines, factories, roads), technology (science, engineering, management, entrepreneurial spirit).

Occupation of the available active population plays an important role in the action that the human actor exerts in the process of economic growth. Although the increase in the demand for work is associated with the economic growth, among the specialists there are many opinions regarding the nature and meaning of this dependence. Although theoretically increasing employment rates by creating new jobs favors economic growth, there are opinions that employment expansion is a consequence, not a premise, of the process of economic growth and is due to the training effect that the increase of the GDP would have it on the investments.

If the investments made in the material resources result in the formation and development of the physical (technical) capital, the investments made in the education, growth and professional training of the human resources generate human capital. It is represented by the professional knowledge, skills, abilities, discipline and health that can lead any person to increase his creative capacity and, implicitly, the expected income to be obtained in the future, as a capacity of people to effectively produce goods. and services.

Economic growth is a complex process of increasing the dimensions of the national economy based on the combination and increasingly efficient use of production factors, dimensions expressed in the form of gross domestic product or national income per inhabitant. Beyond the quantitative side, an important aspect in the sustainable development of a country is represented by the qualitative side and the structural changes produced along with the economic growth.

## POVERTY REDUCTION MEASURES AND THE PLACE OCCUPIED BY ROMANIA IN THE EUROPEAN UNION

In the context of the Europe 2020 Strategy, the objective of sustainable economic growth is pursued by the flagship initiative "A resource efficient Europe, which sets out a set of actions relevant to promoting the green economy" and is closely linked to other flagship initiatives, such as " Industrial policy, Innovation Union, Digital Agenda and Agenda for new skills and new jobs ". Thus, five major targets have been set to be reached by 2020 at the latest:

- increasing at least 75% of the percentage of the population aged between 20 and 64 who has a job;
- investing 3% of the gross domestic product in research and development;
- reducing by at least 20% the greenhouse gas emissions, increasing the percentage of renewable energies to 20% and increasing the energy efficiency by 20%;
- reducing the dropout rate to less than 10% and increasing the percentage of higher education diplomas to at least 40%;
- reducing by 20 million the number of people threatened with poverty or social exclusion.

The comparison of living standards between countries is often based on the gross domestic product (GDP) per capita, which expresses in monetary terms the degree of wealth of one country relative to another country.

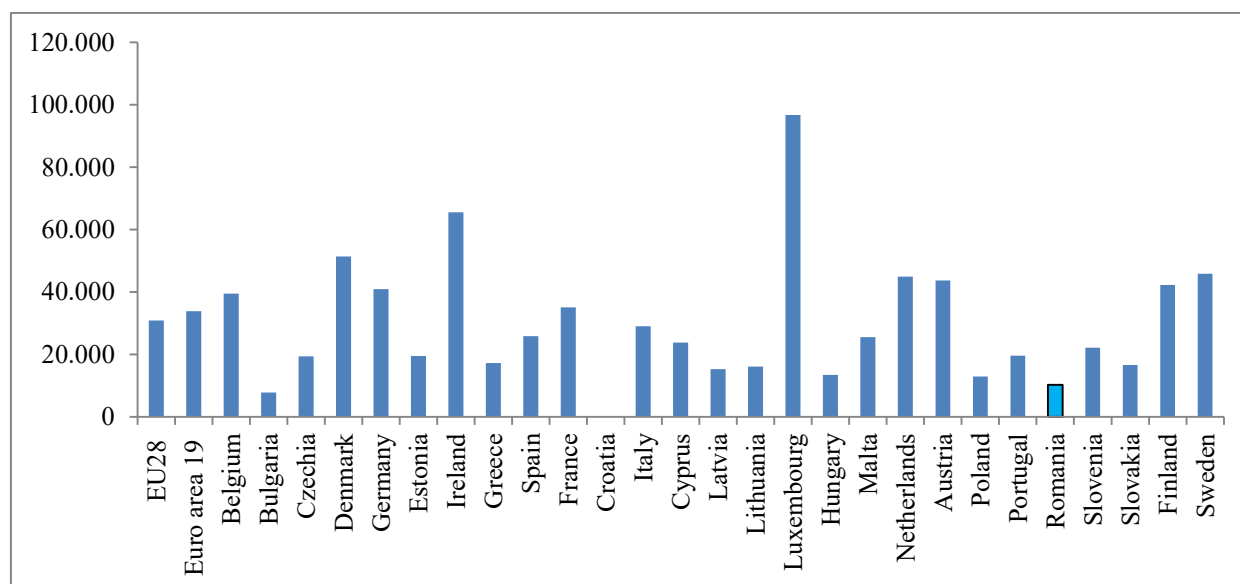


Figura no.1 GDP euro per capita 2018

Source: Eurostat

Although during the period 2009-2018 GDP per capita increased from 6,100 euros to 10,300 euros, according to data from the previous figure, in 2018 Romania retains its 27th place held since 2009, followed by Bulgaria with 7,800 euro. As for the growth indicator, we are below the European Union average at a very large distance of 20,600 euros / person.

However, this key indicator reflects very little the aspects of income distribution within a country and, in addition, does not provide information related to non-monetary factors, which can play a significant role in determining the quality of life of the population.

Quality of life (QoL) is higher than economic performance and living standards. It includes the full range of factors that influence what people value in life beyond its material aspects. Factors that can affect the quality of our life vary from work and health status to social relationships, security and governance.

One of the major innovations of the Europe 2020 Strategy for smart, sustainable and inclusive growth, adopted in 2010, was the establishment of a new common target in the fight against poverty and social exclusion: 25% reduction in the number of people living below the national threshold. of poverty and the removal of poverty of over 20 million people.

A person is at risk of poverty or social exclusion if they are in at least one of the following situations:

- is below the poverty line (60% of the median income available per equivalent adult)
- is in severe material deprivation
- lives in a household with very little work intensity

Poverty among the population means not only the lack of basic resources necessary for survival, but also the lack of access to civic, social and cultural activities, as well as the deprivation of opportunities for political employment and social mobility.

The objective of Romania is for all citizens to have equal opportunities to participate in society, to be appreciated and valued, to live in dignity, and their basic needs to be met and the differences respected. In this context, the social inclusion of vulnerable groups and the reduction of the number of people exposed to the risk of poverty or social exclusion by 580,000, by 2020, compared to 2008, is the target assumed by Romania. In 2017, the number of people at risk of poverty decreased compared to 2008 with 2,074,000 people.

The proposals of key interventions of Romania to reduce poverty and promote social inclusion have the following directions [3]:

*- Employment*

This directive aims to: increase funding for employment policies, include unemployed and inactive people in personalized employment services, support vulnerable young people, use European funds to strengthen the capacities for implementation, monitoring and evaluation of policies employment assets, improvement of vocational training for workers in small and medium-sized farms, promotion of vocational conversion and lifelong learning

*- Social transfers*

The proposed strategy aims to: introduce a formula that encourages work, addresses obstacles to access to social assistance and social services benefits, simplifies the access of people with disabilities to the social protection system, develops reform options for the development of provisions that provide reasonable incomes for elderly people in rural areas who do not currently have social insurance pensions.

*- Social services*

The measures proposed in this directive are: the complementarity of the public funds available for the social services sector with the financing from the European Union; strengthening and improving social services at community level; development of community integrated intervention teams for the provision of social education, employment, health and social intermediation and facilitation programs at community level, especially in the poor and marginalized, rural and urban, Roma and non-Roma areas; strengthening the social services of child protection.

*- Education*

Measures are foreseen: expanding the kindergarten and nursery network to give access to all children, developing and implementing a national program focused on children at risk of school dropout and for those not enrolled in primary and secondary education, improving the availability

of type programs the second chance in the rural area and after the lower secondary education and the allocation of resources to support the disadvantaged groups attending the second programs, improving the access to quality education of the children with special educational requirements, ensuring equal opportunities of access for all children, redesigning the educational system providing incentives to participate and increase the quality of education for poor and vulnerable groups.

- *Health*

It aims at this directive: increasing the coverage with community primary health care services at national level, developing health promotion interventions, along with the implementation, monitoring and evaluation of these programs, as well as improving the national program to include social support and targeted interventions that it addresses the poor and vulnerable population.

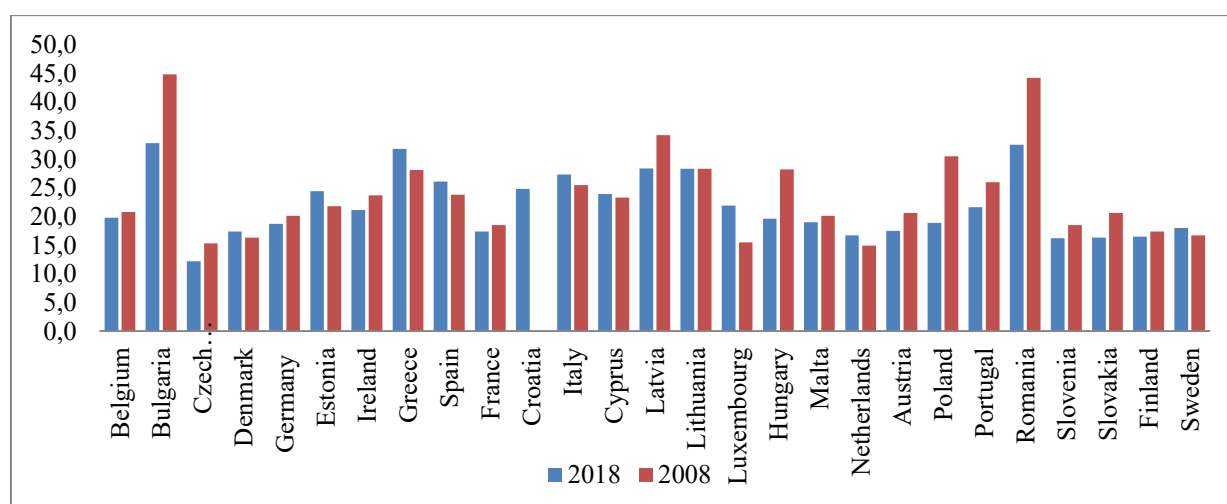
- *Living*

The measures in this area provide: the elaboration and financing of a social housing program for vulnerable groups who cannot afford to pay the rent, the introduction of a housing component for families living in social housing, the gradual passage in the area of reducing homelessness .

- *Social* participation through public awareness campaigns to promote diversity and by encouraging social participation and volunteering.

- *Zonal policies* by: stimulating the territorial development of rural, sub-urban and peri-urban areas around urban growth engines, especially large dynamic cities and growth poles; continuing investments in infrastructure expansion and modernization in rural areas - roads and basic utilities (mainly water, sewerage and natural gas); providing vocational training and facilitating access by local authorities to various programs to reduce poverty and social exclusion in rural areas, develop new tools or validate existing ones to identify poor localities and marginalized communities, reduce concentrated and persistent poverty in marginalized communities.

- *Strengthening the institutional capacity to reduce poverty and promote social inclusion:* establishing cross-sectoral functional coordination policies and improving cooperation between central and local authorities, in order to develop an integrated anti-poverty approach and promote social inclusion policies.

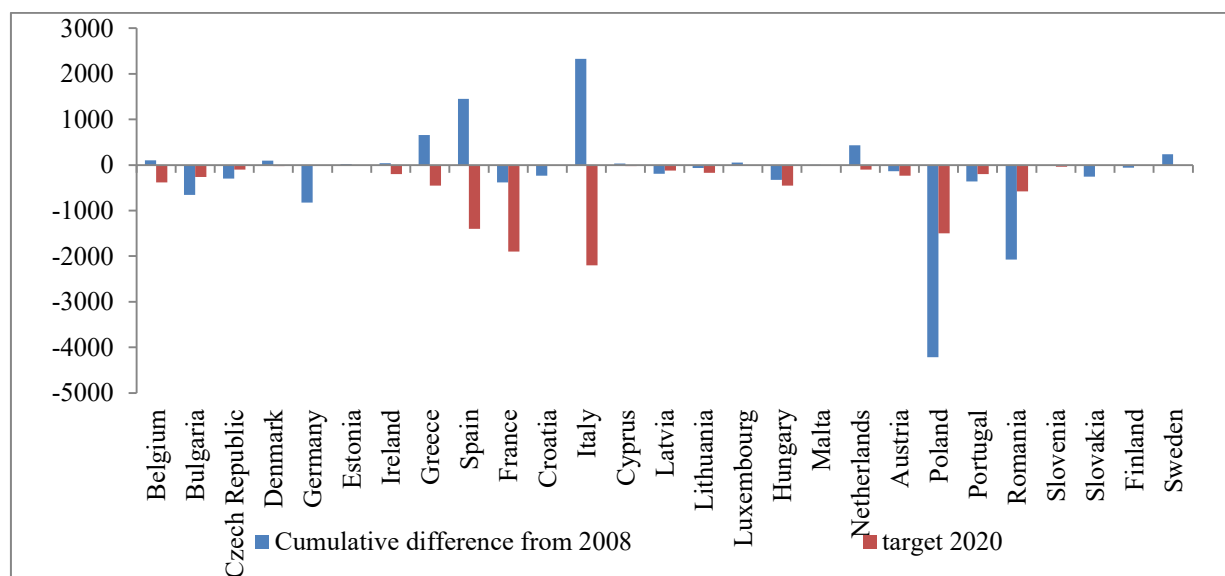


**Figure no.2 % people at risk of poverty from the total population (poverty rate) -2018**

Source: Eurostat

If we analyze the poverty rate in the member countries of the European Union, we find that in 2018 the country with the highest poverty rate is Bulgaria with 32.8%, followed by Romania

with 32.5% and Greece is followed by a very small difference ( 31.8%). The countries with the lowest poverty rate are the Czech Republic (12.2%), Slovenia (16.2), Slovakia (16.3%). The average of the European Union in 2018 was 21.9%. The greatest efforts to reduce the poverty rate compared to 2008 were made in Bulgaria (-12%), Romania (-11.7%) and Poland (-11.6%). The countries with the highest increase in poverty rate in 2018 compared to 2008 are Luxembourg (+ 6.4%) and Greece (-3.7%).



**Figure no.3 People at risk of poverty - Cumulative difference from 2008, in thousands**

Source: Eurostat

According to the data analyzed in figure 3 it can be observed that Romania through the implemented strategy reduced the number of people at risk of poverty compared to 2008 by 2,074,000 pesos. The target for 2020 was 580,000 people. Among the states that did not reach the proposed target were Italy, Spain, Greece, the Netherlands.

## CONCLUSIONS

Although it is considered a necessary condition for the development of a state, the growth of GDP does not actually show how well people live. Ensuring a sustainable economic growth is fractured in Romania by performances under the aspirations of citizens regarding the standard of living. In order to ensure sustainable economic growth that will allow convergence to the standard of living in the EU, Romania will have to undertake a series of changes. As Romania has used the access to EU markets and institutions to accelerate economic growth, so will it have to use these markets and institutions to reduce the gap between the developing population and those left behind.

In establishing social protection systems and policies against poverty, Romania must take into account new challenges, such as population aging, changing family structures, new migration flows, and changing forms and conditions of employment.

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