



## **Weekly Briefing**

### **Romania social briefing:**

### **The state of the poverty in Romania and measures for tackling it**

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## **The state of the poverty in Romania and measures for tackling it**

*Romania is the second country in the European Union with the largest part of the population, reaching almost one third, at risk of poverty or social exclusion and the 32<sup>nd</sup> among 42 European countries when comparing the purchasing power. Even though policy measures and efforts were carried out in the last 10 years for restoring the situation and convergence with the EU average could be noticed, the process is too slow and the disparities continue to be very high. The causes are rooted in regional gaps, unemployment, low level of education and incapacity to overcome poverty from one generation to the other. Although Romania has a National Strategy for the Sustainable Development since November 2018, the action plan for the implementation of the 2030 Agenda is expected to be finalized and launched by the end of the year.*

Each year, there is a special day in October dedicated to raising awareness upon poverty and the fight against all its dimensions and forms: the 17<sup>th</sup> of October is the International Day for the Eradication of Poverty. The phenomenon of poverty drew even more attention this year as the most important recognition for work in Economics, the Nobel Prize, was granted to three researchers for their efforts in investigating the best ways to fight global poverty.

Romania is one of the EU countries most affected by poverty, being rated with the second-highest rate of population at risk of poverty or social exclusion in 2018, after Bulgaria, according to the recent release of Eurostat regarding the social conditions of the population. This situation affects 32.5% of the population, which represents almost six and a half million persons. The share is well above the EU average of 21.7% and worse than in countries in Central and Eastern Europe with which Romania shared a common political background before 1990 and stepped the process of economic transition, such as the Czech Republic (with a share of 12.2% – the lowest in EU), Slovenia (16.2%), Slovakia (16.3%), Hungary (19.6%) or Poland (18.9%), all of them in the first half of the ranking.

Disentangling based on the components of the risk of poverty or social exclusion rate, Romania's picture shows that:

- 23.5% of population is at-risk-of-poverty after social transfers, the highest share in the EU and almost at the same level as 10 years ago (23.6% in 2008);

- 16.8% of population represents persons severely materially deprived, the second highest level in the EU, but almost half of the level registered in 2008 (32.7%);
- 7.4% of total persons aged 0-59 are living in households with very low work intensity (19<sup>th</sup> highest level, lower than the EU average of 9%, and decreasing from 8.5% in 2008).

The European Semester Country Report for 2019 completes the picture, pointing that 4 out of 10 children (41.7%) are living in poverty or social deprivation, one of the highest shares in the EU, and Romania has the highest rate of in-work poverty in the EU (17.4%).

The observations following the EU statistics are further supported by a study launched by the market research firm GfK on the purchasing power. The study indicates that the average purchasing power per capita in Romania is EUR 5,881, 60% lower than the European average of 14,739 euro per capita in 2019. Romania is ranked the 32<sup>nd</sup> among 42 European countries. There are high disparities among the regions and the counties. While people in Bucharest have the highest average purchasing power per capita, of EUR 10,452, the lowest amount belongs to those in the North Eastern part of the country, with only EUR 3,706. Such a situation indicates that 78% more money is concentrated in Bucharest than in the rest of the country.

Reports of specialized institutions concluded that the high level of poverty is usually caused by unemployment, low level of education, regional disparities and high intergenerational transmission of poverty. The findings suggest some specific factors which nurture the vicious circle of poverty and that could worsen the situation if not stopped in time:

- The poverty rate of the employed people is five times higher among the workers with a low level of education than among the university graduates. However, Romania still confronts a high wave of early leavers from education and training. The rate of people (aged between 18 and 24) who have left early the education and vocational training system remains one of the highest in the EU, reaching 16.4% in 2019. In rural areas, the rate is even higher, hitting 27.1%, while among the Roma population it scores 77%.
- Rural-urban inequalities in terms of development opportunities are maintained at a high level, despite the measures taken by the authorities to reduce them, and affect areas such as access to basic services (health, education, social protection), specialized quality services, living conditions (including access to utilities), income level and the areas of activity in which adults work.
- Children living in poverty are more prone to stay poor in their adult lives because of unequal opportunities.

- A higher rate of inactivity among women.

The poverty and social inequality situation continues to be paradoxical, as in the last years the economic growth in Romania surpassed the EU average growth, the minimum wage and the pensions were increased several times and some categories of employees in the public sectors have seen rises of their earnings. At the beginning of this month, the World Bank increased the forecasts for the growth of the Romanian economy to 4.2% in 2019, as compared to 3.6 previously, but warns that fiscal policy is enhancing poverty. Therefore, even if the labour market has strengthened, unemployment reached historical low values, the increases in wages and pensions continued and lead to a strong increase in the distribution of income, the international institution points that inequality indicators have worsened due to the fact that, although the fiscal policy of 2019 supports redistribution, it raises poverty rates because direct cash transfers to poor households are not large enough to offset the taxes paid.

In addition, one of the problems that make policy measures such as the increase of wage ineffective is the large gap between the urban and the rural areas as regards the endowment with infrastructure, the access to education and the opportunities for jobs. At present, the level of poverty and social exclusion in rural areas is more than twice that of cities. Moreover, there are significant differences between large cities and the rest of the country. Large cities are more prone to benefit from public or European funds which further contribute to their development. Public policies measures should be better focused on the development of poorer areas, according to analysts.

In fact, Romania implemented measures for reducing poverty and social inequalities and managed to record significant progresses. For example, according to the same Eurostat release, Romania had the second largest decrease (11.7 percentage points) as compared to 2008 (when it hit 44.2% of population) in the share of persons at risk of poverty or social exclusion, pointing to a convergence process in the area of social welfare, as expected. Still, public policy measures targeting social inclusion are accused of not gathering a holistic vision in which employment measures to be merged with those aiming the improvement of health and education, according to the World Vision Foundation in Romania report.

There is a National Strategy for Employment 2014-2020 and an appropriate action plan, a National Strategy and a Strategic action plan on social inclusion and poverty reduction for 2015-2020 with 47 specific measures, while the Youth Guarantee lead to the decrease of the

young people who are no longer in the education system and are not working or being trained for work. In addition, the National Strategy for the Sustainable Development of Romania, in charge with providing the main directions of action for the implementation of the 2030 Agenda which targets the 17 Sustainable Development Goals, was adopted in November 2018. The Strategy is developed around three essential pillars, targeting the economic development, the social equity and the environment.

A recent debated organized by the World Vision Foundation in Romania and the National Anti-Poverty and Social Inclusion Network took place in October for analysing the objectives established through the National Strategy for the Sustainable Development as compared to the real situation in 2019 and the needed measures for reaching the assumed goals. Among the objectives of the strategy, there is the aim to eradicate extreme poverty for all citizens by 2030, to reduce by at least half the number of citizens living in relative poverty or to reduce the rate of early leaving the education system. However, given the present situation, the organizers of the conference warned that the targets for 2030 seem hard to be accomplished at this point. There is high scepticism related to the achievements of the aims established for 2020. The main problem is that many of the measures proposed until now could have a limited and delayed impact. One of the reasons is the postponement in the effective use of financing, as many of the projects for fighting poverty are supported through European funds, where they are confronted with administrative and bureaucratic issues.

What is expected to be done in the very short term and is strongly requested by the civil society is the launch of a clear plan for the implementation of the 2030 Agenda. The representatives of the Department for Sustainable Development inside the Government stated that the plan kicks off by the end of this year, and revealed that the partnership between the state, the civil society and the private environment is essential for the implementation of the Agenda.