

TWO DECADES OF POVERTY DISPARITIES IN ROMANIA

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Abstract: *The past two decades of economic and social evolution in Romania can be split in three distinct periods: the market economy transition, the pre-accession to EU and the EU integration. Since systemic enhancement was expected along the analysed time period the indicators regarding the poverty and the risk of poverty including along with the income source, nature and volume are used in the present paper to pinpoint the recorded evolution and indicate changes with fixed or volatile reference base. The secondary datasets for the historic evolution at the regional level allow geographic trends to be compared among the regions and checked for internal or external disruptive factors. The levels of income originating in agriculture and sector related activities are positively high, particularly when compared to the freelance and self-employment activities designating the rural areas as a stability generating environment in terms of economic and social indicators although possibly different form the general expectations in terms of living standard. The wide discrepancies among the regions in terms of poverty rates or exclusion risks become even stiffer when addressing neighbouring regions. The observed outcomes and economic impact can be coupled with certain general determinants as transversal to all the national territory yet more accented in certain regions, eventually supplemented by the migration phenomena. The concluding remarks point out several shortcomings of the evolution and present situation regarding the mid- and long-term regional development in terms of balance and reasonability. Presently the local or spotted interventions output significantly high levels of return proving interest and commitment to the future development yet the systemic adjustments in terms of public policy fall behind the expectations of the concerned actors.*

Key words: *poverty, relative poverty, social exclusion risk, income, regional disparities*

INTRODUCTION

Poverty and inequity are a global issue of the contemporary society and has deep and old roots in our national or regional economies and sets of rules [7]. Ten percent of the poorest Romanians only account for 2% of the total national income, with a crowd of 1.5 million people under the threshold of 3 EUR/day [2,8]. In 2017, Romania accounted 41.7% of children under 18 years at risk of poverty and social exclusion [2,8]. In analysing the disparities, the regional level appears highly relevant for absorbing most bias factors in terms of income, expenditure, poverty, or exposure to risks, such as the social exclusion. For this purpose, the current analysis operates at regional level in Romania and favours the individual levels of factors rather than the household level considering the differences in terms of number of people per household and type of incomes. Although the shared prosperity index [11] increased by factor ten in 2015, the regional and local disparities are still high [16].

The inequity drivers targeted in this paper aim mainly at domestic policies [1], income inequality [9] and structural drivers [13] and barriers [6]. Theoretically it is possible to have: (1) no relative income poverty (income < 60% median income) but high inequality (high concentration of income among a small group of very rich households); high relative income poverty but low inequality (very low dispersion of income above the median) but in practise this is rarely observed [4].

MATERIALS AND METHODS

The analysis relies on secondary data originating in official statistics for the entire period and complies with the suitability of the approach. The findings and observations are interpreted within the specific national and regional context for coherence and highlights the differences and their meaning in terms of development eventually related to connected factors.

RESEARCH RESULTS

The choice of analysis relies on the two northern regions of Romania, respectively the North-West and the North-East region as qualifying for most of the analysed elements the two extremes [14,15]. The best performing region is the North-West Region [5] with systematically the best results of the analysed sets of data while the least performing region, for most sets is the North-East Region [13], maintained along the entire analysis for the uniformity and comparability. The general income-expenditure patterns were represented together for both regions and allows the observation of divergent evolution for the first five analysed years and an emerging convergence over the last four years of the series. For a more illustrative situation the income and expenditure of the farmers is presented in the Figure 1 as the evolution is less linear and the variations of the less favourable agricultural years is more visible. Aside from the difference of level and the irregular growth there are shifts over 2013-2016 where the average expenditure levels exceeded the average income.

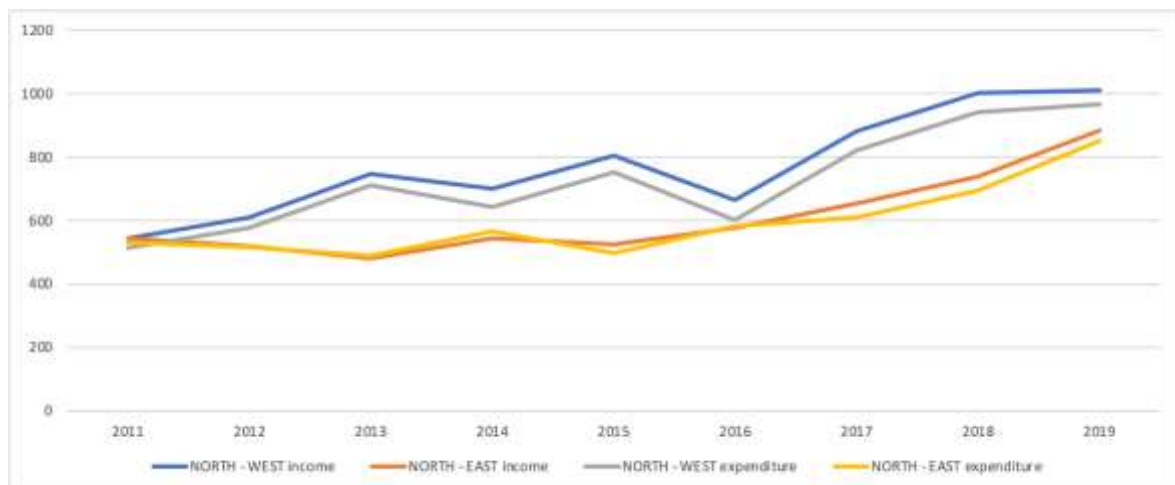


Figure 1. Evolution of income and expenditure for farmers in selected regions (ROL/person)

Source: National Institute for Statistics [10]

With the purpose of having a deeper look into the income-expenditure shifts for the North-East Region the differences were expressed as shares of the average income (Fig.2) indicating at a larger scale those evolutions. The presumable explanation for negative budgets during the respective three years originates in the remittances as large number of people from the region temporarily or permanently reside and work in other EU countries.

The difference between the two regions in terms of expenditure remains significant as the North-East region household expenditure level represents only 75% form the best performing region, the North-West, that translated into currency amounts 1,118.57 ROL as for 2019 [10].

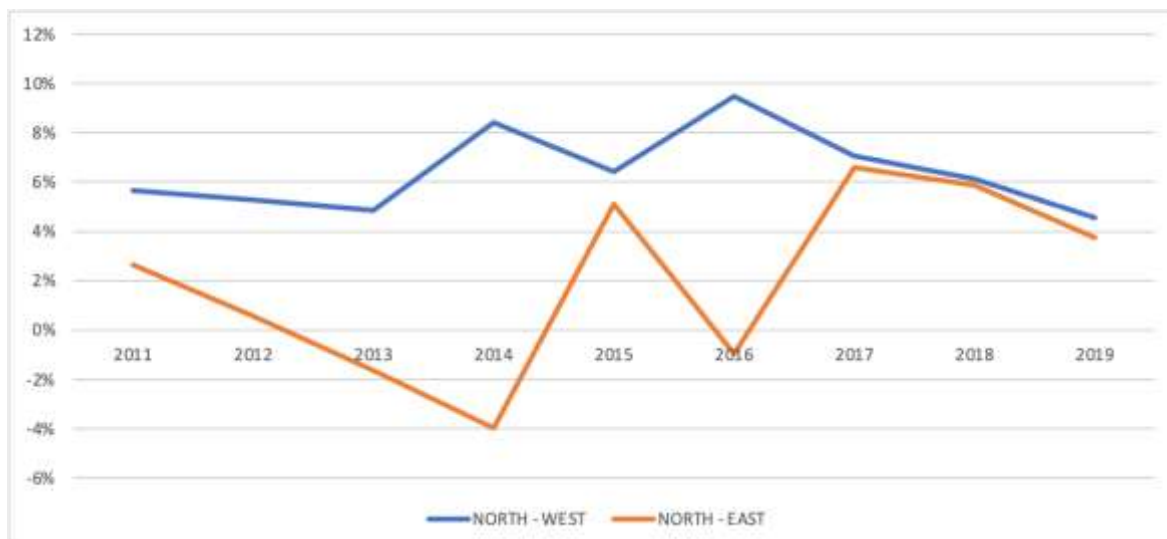


Figure 2. Income/expenditure difference expressed as share of income (shares %)

Source: Own calculations based on data from the National Institute for Statistics [10]

In terms of at-risk of poverty or social exclusion the two regions have a relative similar evolution for the first ten analysed years to divert visibly for the last four years. More importantly than the slope trends are the relative values for the two indicators as while the relative poverty in North-West starts from 20% in 2007 and uncertainly moves towards 15% in 2019, the North-East is moving from little under 40% in 2007 to over 40% in 2019 after being as low as almost 30% in 2010 (Fig.3). Even more relevant, while the North-West Region drops from nearly 40% rate of at-risk of poverty in 2007 to less than 20% in 2019, the North-East Region comes from almost 60% in 2007 towards 50% in 2019. While rates under 20% for the North-West are still subject of further programming and coping with the respective challenges the North-East has almost every second citizen in relative poverty, at-risk of poverty or social exclusion in 2019!

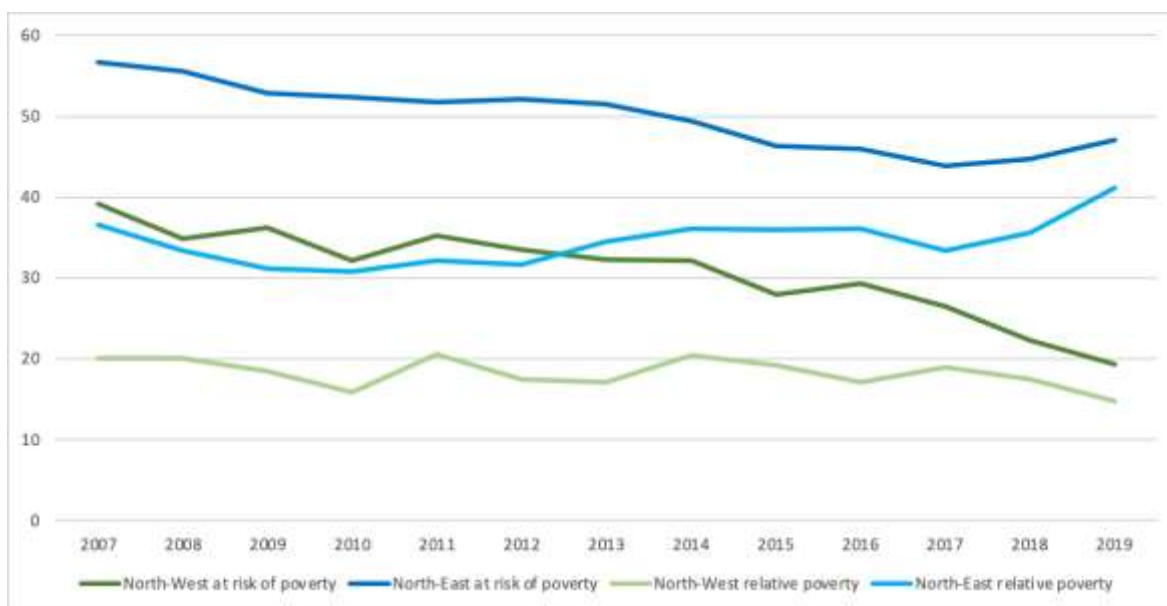


Figure 3. At risk of poverty and relative poverty in selected regions (shares %)

Source: National Institute for Statistics [10]

Another observation relates to the fact that for neither one of the analysed indicators the worst-off in the North-West Region is never even equalled by the best-off

from the North-East Region adding to the fact that the most recent evolution, the last three years, the trend is divergent, therefore widening away the difference among the regions.

Although the thirteen-year evolution of severe material deprivation rate seem to present a similar trend with slight variations in pattern the difference in levels and amplitude is still worrisome [2]. While the North-West Region drops from 30% to less than 10% over the analysed period, the North-East Region manages to move down from almost 45% towards little over 20% (Fig.4). Still the translation of the situation into real life means that every fifth citizen suffers in present of one form of (severe) material deprivation.

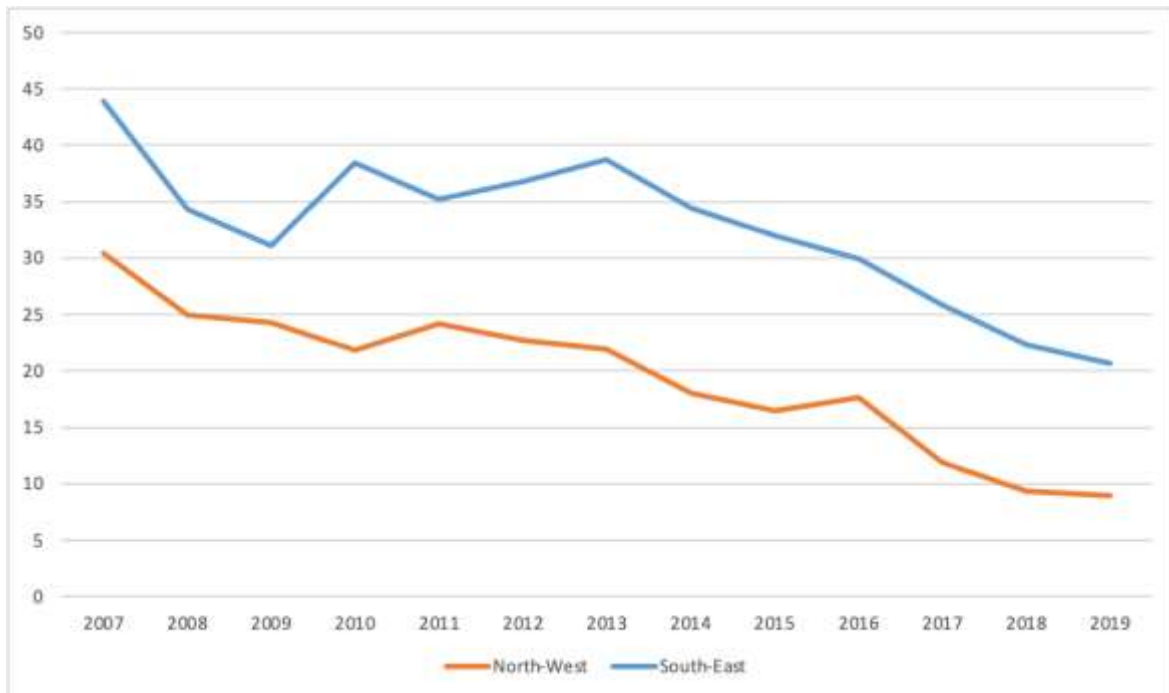


Figure 4. Severe material deprivation rate in selected regions (shares %)

Source: National Institute for Statistics [10]

One factor potentially linked to the high rates of relative poverty and the large disparities in terms of poverty risk or social exclusion could originate in education reason for which the analysis of the sector was approached [3]. The evolution of the school units comprising all types of education including the special facilities and going to the highest available level revealed a dramatic fall for the first observed period (1996-2006) as introduced in Figure 5. Although the slight decline continued after the marked year of 2006 the situation appear less dramatic as during the first period.

The serious drop in terms of number of school units (all levels and types included) that reached a relatively stable plateau phase in 2006 represent a reduction in absolute figures from 29,815 schools in 1996 to 7.001 schools in 2019. This downward evolution was paralleled by a reduction in enrolled pupils and students from over 4.7 million (4,703,277 pupils) in 1996 to little over 3.5 million (3,526,189 pupils) in 2019, difference representing one third from the current scholar population [10]. In plain, while every fourth school was closed, one fourth from the school population diminished. Within the different age clusters and levels of education the evolution over the past three decades had the most spectacular growth for the students (Fig.6). Currently still under 80% of enrolment partially influenced by the immediate younger category (15-18 years) still dropping after the 2008 peak. One of the strangest and yet difficult to explain situation is recorded for the

group 11-14 years where in only five years the drop reaches almost 20% before recovering to stabilise later around 90%.

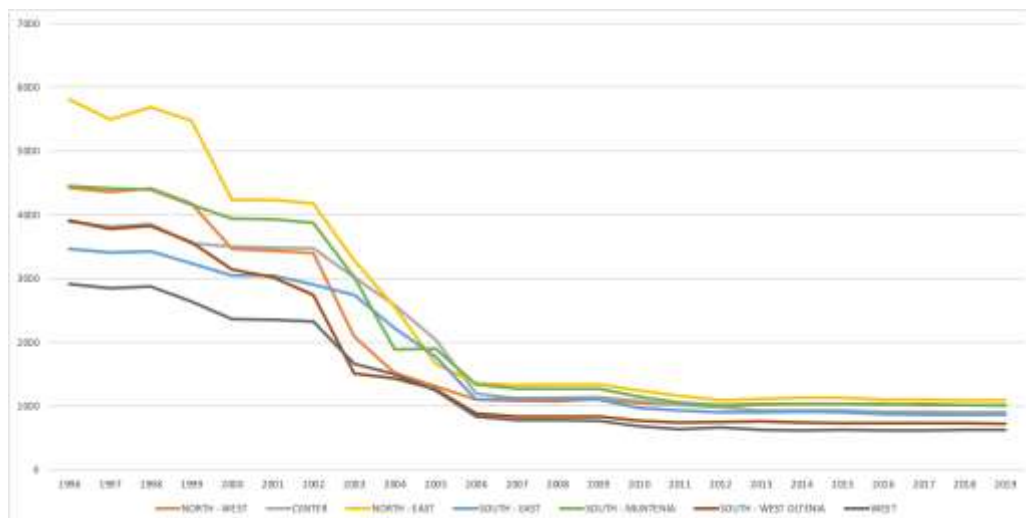


Figure 5. Education units' evolution (number)

Source: National Institute for Statistics [10]

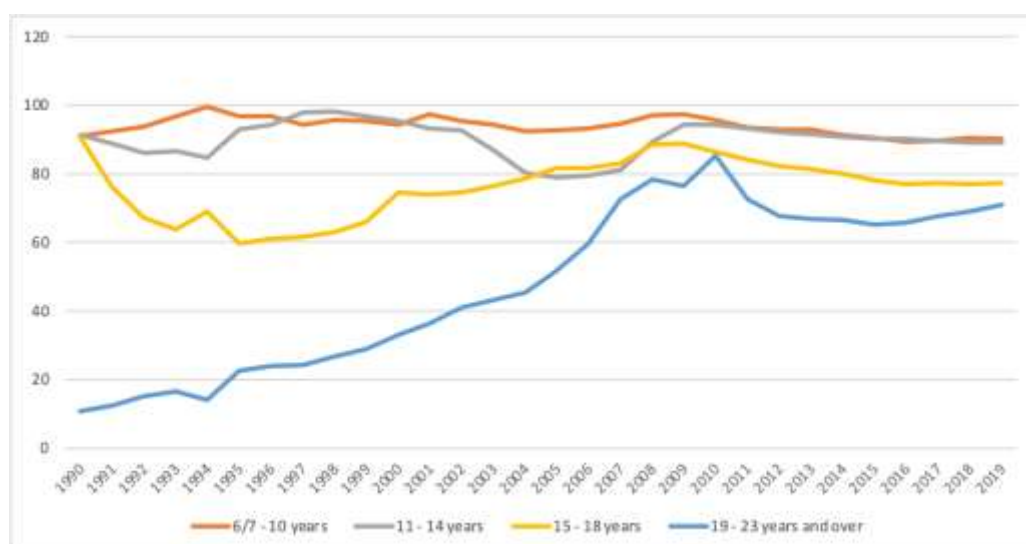


Figure 6. School-age population enrolment rate evolution in education (number)

Source: National Institute for Statistics [10]

CONCLUSIONS

The wide discrepancies among the regions in terms of poverty rates or exclusion risks become even stiffer when addressing neighbouring regions. Observed evolutions and differences of neighbouring regions, presenting divergent development trends can be coupled with certain general determinants as transversal to all the national territory yet more accentuated in certain regions, eventually supplemented by the migration phenomena (both inland and abroad).

The tremendous progress recoded over the two programming periods with amplified support input for the economic convergence and competitiveness failed to bring closer and narrow the development gaps between the regions

The concluding remarks point out several shortcomings of the evolution and present situation regarding the mid- and long-term regional development in terms of balance and reasonability. Presently the local or spotted interventions output significantly

high levels of return proving interest and commitment to the future development yet the systemic adjustments in terms of public policy fall behind the expectations of the concerned actors.

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