

RESEARCH ON RURAL POVERTY IN ROMANIA

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ABSTRACT

One of the European Union's priorities for the programming period of 2014-2020 consists of inclusive favourable growth. This means promoting an economy with a high rate of employment, to ensure economic, social and territorial cohesion such that the benefits of economic growth and jobs to be distributed fairly, and people experiencing poverty and social exclusion to be given the opportunity to have a decent life and to play an active role in the society. The achievement of stated strategic objective requires a special attention on rural areas, both at EU level, as at each Member State level. In Romania, 45.0% of the country population is concentrated in rural areas, where there are living almost three quarters (71.3%) of the country's poor population. The percentage of persons at risk of poverty or social exclusion at national level in 2012 was 41.7% of the total population, Romania being surpassed only by Bulgaria, with 49.3%, while the EU average stood at 24.8%. Poverty in rural areas is due mainly to the low agricultural productivity and low employment opportunities in other areas outside the agricultural sector. Rural areas development and reduction of the high level of poverty in these areas can be achieved through stimulating and supporting programs of development for rural social economy, human capital development and increasing the social protection level in rural areas.

Keywords: rural poverty, social exclusion, people at-risk-of-poverty, material deprivation

INTRODUCTION

European Union priorities for the period of 2014-2020, formulated in the Europe Strategy 2020 document prepared by the European Commission, is based on a "smart, sustainable and inclusive growth", able to find ways to create new jobs and to ensure better living conditions (EC, 2010). Thus, it aims to promote social inclusion, in particular through "poverty reduction, aiming to eliminate the risk of poverty and exclusion for at least 20 million people" (EC, 2012).

Romania's objective in this regard is to reduce the number of people at risk of poverty or social exclusion by 580,000 people by 2020 (EC, Europe 2020 targets), which represents a reduction of about 15.0% compared to 2008.

MATERIAL AND METHOD

The methodological path followed in this study has two research directions. The first line of research aims at identifying the factors underlying poverty in rural areas. Of the multitude of factors determining rural poverty, education and employment play a key role. The indicators used to determine the incidence of these two factors on poverty are:

1. The size of population economically active, reflecting the size of the pool of workforce recruitment including all persons who have a job or are looking for a job.
2. Activity rate, calculated as a percentage of the active population in the working age population, measures the relative availability of working age population to be involved in economic activities.

3. The employment rate of rural population, calculated as the ratio between employed population and total population, highlights the risk of not having a job and therefore not being eligible for incomes or other benefits to meet the existential needs.
4. The unemployment rate, calculated as the share of unemployed in the active population, expressing the vulnerability to unemployment for the active population and indicates the directions that are needed to be targeted the employment programs.
5. The structure of the unemployed by level of education (the share of unemployed with the educational level x in the total number of unemployed) reflects the risk of being unemployed based on the level of education and shows which are the most vulnerable categories that require corrective interventions through training and retraining courses to increase the opportunities for applying to a job.
6. The distribution of employed population in the rural area by economy sectors, is the share of employed population in the formal sector, the informal sector and household sector.

The second methodological approach includes the presentation of indicators on poverty measurement. According to the Eurostat methodology, in order to measure poverty, there are used three indicators: 1) people at-risk-of-poverty after social transfers, 2) severely materially deprived people and 3) people living in households with very low work intensity.

1. People at-risk-of-poverty after social transfers represents the percentage of people who have an equivalised disposable income below 60.0% of the national median equivalised disposable income after social transfers.
2. Material deprivation covers indicators relating to economic strain and durables. Severely materially deprived persons live in conditions greatly constrained by a lack of resources and cannot afford at least four of the following: to pay rent or utility bills; to keep home adequately warm; to pay unexpected expenses; to eat meat, fish or a protein equivalent every second day; a week's holiday away from home; a car; a washing machine; a colour TV; or a telephone.
3. Persons living in households with very low work intensity represent the persons who are aged 0-59 and the working age members in the household worked less than 20.0% of their potential during the past year.

RESULTS

Determinant factors of poverty

The causes of rural poverty are complex and multidimensional. They involve, among other things, culture, climate, gender, markets, and public policy (MAHMOOD, 2001).

Causes of poverty in rural areas, which are most often discussed in the literature, include low income, lack of employment, the high costs of new housing construction, poor quality of housing (leading to higher costs for heating), poor health and lack of healthcare within a reasonable traveling distance, and low levels of education (BURNS, BRUCE, MARLIN, 2013). In Romania, the analysis of poverty risk shows that the determinant factors of this phenomenon are multiples, starting from demographic determinants, of employment, of incomes and expenses, of housing, heritage and properties, of education, health, social networking, to community factors (PARASCHIV, 2008). Among these factors, the most important are education and employment, which, moreover, are strongly correlated. An educational level and of higher professional qualification provides to individuals the opportunity to have access to a work place with a certain earning and getting a better

position on the labor market and, consequently, a better income, regular and safe, which is providing protection against poverty.

In Romania, in the year 2010, the active population from the rural areas was 4.4 million of people, the volume of the working population being on a downward trend, which means that a share increasingly higher of working age population thickens among economic inactivities, being excluded from the labor market. The total employed population numbered about 4.2 million people, following the same downward trend as the active population. In the working age population (15-64 years old), the employment rate was 60.9 %, declining in recent years in the context of the global financial crisis - *Table 1*.

Table 1. Indicators of workforce in rural areas from Romania

	2007	2010
Economically active population, thou. persons	4500	4427
Employment, thou. persons	4281	4208
Unemployed, thou. persons	219	219
Activity rate, %	65.1	64.4
Employment rate, %	61.5	60.9
Unemployment rate, %	4.9	5.0

Source: NIS, Romanian statistical yearbook, 2009 and 2011

At national level, the employment rate has a lower level compared to the European average (64.3%) and is still far from the national target of 70.0% assumed in the context of Europe Strategy 2020 (*Table 2*).

Table 2. The employment rate of working age population 20-64 years old (%)

	2002	2005	2008	2009	2010	2011	*Europa 2020 targets
RO	63.3	63.6	64.4	63.5	63.3	62.8	70.0
UE-27	66.7	68.0	70.3	69.0	68.6	68.6	75.0

Source: Eurostat; * EC, Europe 2020 targets

The occupation model from Romania is very different by residence areas (urban or rural), but also to the other Member States of the European Union. The share of employees is very low, about 67.0% (compared to 80.0% and more than this in most EU countries), with significant differences between urban and rural areas. In rural areas the share of employees from the employed population is very low, only 36.0% and the proportion of self-employed (including unpaid family workers) is extremely high, 64.0% (nationally, the proportion of self-employed is 33.0-35.0% to 15.0-16.0% of EU-27 average). This structure is associated with the importance of employment in the agricultural sector, especially in rural areas where farming population is 62.0%, compared to 33.0% nationally and 5.0% in the EU-27 average (NIS, 2011).

The educational level is another important determinant of occupational vulnerability, the reduced number of schooling years may be a prerequisite for occupational eliminating. In the total volume of unemployed, the majority are those who have previous occupational experiences, representing 86.2%. People who do not receive unemployment benefits are 47.4% of the total of unemployed. In the subgroup "unemployed with work experience" the highest share is for people with primary, secondary and vocational education: 60.7%; persons with higher education showed a significant share value of 9.9%. In the subgroup of "unemployed with no work experience", the highest share represents people who have a

consistent educational capital: 58.0% had completed secondary and post-secondary studies and 28.1% people who graduated higher education. People who do not have a job and not receiving unemployment benefits are mostly those who have completed primary, secondary and vocational school: 88.4%. The weight value decreases as the number of years of education is amplified: 8.6% have attended secondary and post-secondary schools and 3.0% are graduates of university education forms (Table 3).

Table 3. Educational structures of unemployment, 2010 (%)

	Unemployed with work experience *	Unemployed with no work experience *	Persons who do not receive un- employment benefits
Primary, secondary, vocational school	60.7	13.9	88.4
Secondary and post-secondary schools	29.4	58.0	8.6
Universitary	9.9	28.1	3.0

* unemployment benefit recipients

Source: NIS, Romanian statistical yearbook, 2011

In Romania, the informal employment is widespread (GOVERNMENT OF ROMANIA, MLFSPE, 2013). In 2011, a study funded by Sectoral Operational Programme Human Resources Development, implemented by the National Trade Union Bloc showed that in rural areas 65.0% of the total employed populations, including those from subsistence farming, are working in the informal sector. Although the majority consists of employment in the sector of own households (51.3%), nearly 5.7 million people are working as employees under a verbal agreement, with no employment contract, or are employed in unregistered economic units. As in other countries, a substantial proportion of households combines the subsistence agriculture with informal occasional works (mostly agricultural day laborer). The informal money incomes deepen the inequality so in the informal sector the rich become richer and the poor barely survive (STĂNCULESCU, POP, 2009).

From the analysis of presented data, we can conclude that a significant part of the rural employed population has insecure jobs, seasonal or occasional ones, of which they are obtaining low and irregular incomes (often in kind) and are not covered by the social, health and unemployment insurance system, contributing to deepening of poverty in rural areas.

Poverty assessment indicators

Measuring poverty and social exclusion is difficult because it is a multidimensional concept. As household income is generally considered a key determinant of standard of living, the at-risk-of-poverty after social transfers indicator is a meaningful measure of poverty. However, other relevant barriers to full participation in society, such as access to the labour market and material deprivation, also need to be considered (EUROSTAT, 2011). The complex nature of social exclusion is one reason why the European Commission has adopted the broader "at risk-of-poverty-or-social-exclusion rate" indicator in its Europe 2020 Strategy. The at-risk-of-poverty-or-social-exclusion indicator is an aggregate of three sub-indicators important to the Europe 2020 Strategy: people at-risk-of-poverty after social transfers, severely materially deprived people and people living in households with very low work intensity. The strategy promotes social inclusion by aiming to lift at least 20 million people out of the risk of poverty and social exclusion. The indicator also plays an

important role in the Strategy's flagship initiative "European platform against poverty" to ensure social cohesion.

In Romania, in the year 2012, 12,430 thou people (41.7%) of the total population were on the brink of poverty or social exclusion, of which 4,824 thou people were at risk of poverty (with an income below 60.0% of average disposable income), 6,391 thou people were facing severe material deprivation and 1,215 thou people were living in households with very low work intensity. Poverty or social exclusion degree from Romania increased in 2012 compared to 2011, when this indicator was at 40.3%, but is decreasing compared to 2007, when poverty degree was 45.9%. This indicator places Romania on the first places in Europe, Romania being surpassed by Bulgaria only by 49.0%, while the EU average is around 25.0% (EUROSTAT).

Table 4. Indicators of poverty

Indicators	RO		EU-27	
	2007	2012	2007	2012
People at-risk-of-poverty or social exclusion, % of population	45.9	41.7	24.4	24.8
Risk of poverty after social transfers, % of population	24.8	22.6	16.5	16.9
Severely materially deprived people, % of population	36.5	29.9	9.1	9.9
Very low work intensity, % of population	8.4	7.4	9.7	10.3

Source: Eurostat, online data codes: tsdsc 100, tsdsc 280, tsdsc 270, tsdsc 310

The indicators of poverty in Romania followed a downward trend until 2011, following an increase in 2012 (*Table 4*). The economic downturn led to a discontinuation trend of reducing the risk of poverty or social exclusion both in Romania and in Bulgaria (EC, 2012).

The dominant form of poverty in Romania is severe material deprivation which affected 29.9% of the population in 2012, compared to 9.9% of EU27 average. Of the types of deprivation, prevalent is economic deprivation, which has increased starting with 2010. The lack of financial ways results in insufficient food, poor housing conditions, difficulty to deal with unexpected expenses, lack of annual holiday. The deprivation given by poor equipment with durable goods is primarily concerned of the lack of a car (NIS, 2010). European comparisons highlight the fact that Romania is significantly weaker positioned to all Member States except Bulgaria, in terms of forced absence (due to insufficient funds) of the following goods: computer and internet, eating meat or fish at least once every two days, replacing old and worn clothes with new ones, two good pairs of shoes, of which one for all seasons, and regular leisure activities (EC, EUROSTAT, 2012).

Population living in households with very low work intensity is 7.4% of the population (in 2012) compared to 10.3% EU27 average. However, about one in ten children and one in ten people aged 18-59 years are living in households where no member is an employed person (MLFSPE).

At the territorial level (*Figure 1*), significantly higher percentages of people at-risk-of-poverty or social exclusion are in rural areas and small towns, especially in the North-East, South East, South West and South- Muntenia. Over 71.0% of Romania's poor population lives in rural areas where, according to the INS, the risk of extreme poverty is four times higher compared to urban areas (8.8% vs. 2.2%).

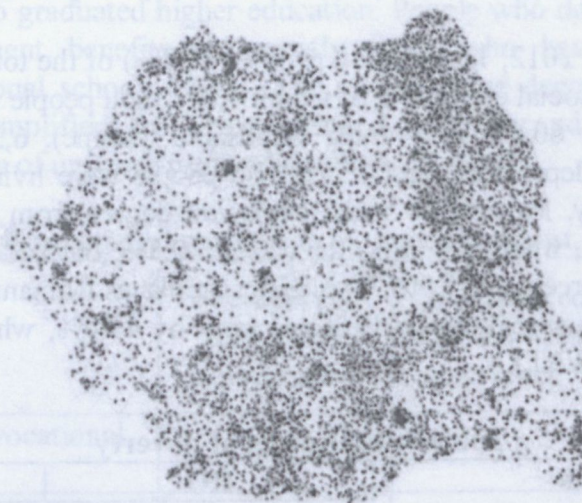


Figure 1. Distribution of poverty in Romania in 2011 (NUTS 3 level)

Each dot represents 400 people who live below the poverty

Source: Based on Census of Population and Housing 2011 and 2011 EU-SILC survey,

Retrieved on <http://www.capital.ro/harta-saraciei-in-romania-190643.html>

Urban areas affected by poverty include small towns experiencing population aging and depopulation, mono-industrial cities (eg. mining towns), agricultural towns or newly established cities. Small towns concentrate poverty because of poor physical infrastructure (transport, health, education), in addition, they were significantly affected by industrial restructuring and are very vulnerable to economic and industrial reform, whose main effect is a low rate of employment and therefore fragile and lower revenues.

Isolated settlements in mountainous areas or regions along the Danube corridor suffer the same negative trend as a result particularly of difficult geographical positioning and limitations concerning activities and employment. Poverty level is very high in these areas, requiring an integrated approach to meet their complex needs of development. Mapping poverty in rural and urban areas shows a lower risk of poverty in rural areas that are close to a big city. Within the areas where there are any urban centers or within the periphery of small or underdeveloped towns, the trend is of increasing poverty (MINISTRY OF EUROPEAN FUNDS, 2013).

The low living standard of the rural population associated with a reduced degree of growth and organization of food products market leads to a high percentage of self-consumption in total consumption of the population. In the current economic model of households in Romania, food consumption from own production and those received from extended family (parents, brothers) is one of the ways to cover the needs of food consumption, being in the same time a barometer of the economic development level (HURMUZACHE ET AL., 2013).

In order to reduce the incidence of poverty of Romanian rural, there are imposed two distinct sets of measures, one on short and medium term (horizon 2014-2020) and other on medium and long term (horizon 2020 to 2030), with specific strategic objectives of each stage. Thus, on short and medium term, the strategic objective consists in mitigating the negative effects of this phenomenon, and at the horizon of years 2020-2030 it aims attacking the root causes of the emergence and perpetuation of poverty (STERIU AND OTIMAN, 2013).

CONCLUSIONS

Europe Strategy 2020 sets out one of the priorities of the European Union for the period after 2013 as being the development of an economy with a high rate of employment, able to ensure economic, social and territorial cohesion.

A sustainable development can not be achieved without taking into account the spatial dimension of poverty. The percentage of persons at risk of poverty or social exclusion at national level in 2012 was 41.7% of the total population, Romania being surpassed only by Bulgaria, with 49.3%, while the EU average stood at 24.8%.

Poverty is significantly higher in rural areas where there are living almost three quarters (71.3%) of the country's poor population. Here, poverty and deprivation are combined in terms of housing, specifically concerning the underdevelopment of hygiene infrastructure (toilet, bathroom, running water).

In rural areas, the main problem is poverty of the traditional type, associated with the low level of modernization of the village and, in particular, of urban and social infrastructure development, namely economic life dominated by agriculture.

Rural areas development and reduction of high poverty level in these areas can be achieved through incentive programs and support for the development of social rural economy, human capital development and the increase of social protection level in rural areas.

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