

Fighting Poverty and Social Exclusion in Romania:

Diana Roxana CAPĂȚĂ

Ministry of Labour, Family and Social Protection

George POEDE

Faculty of Philosophy and Social-Political Sciences, University Al. I. Cuza, Iasi

Introduction

Measuring poverty in Romania: origins and development

Romania's concerns on the fight against poverty started long before it became a member of the European Union in 2007. In 1995, the National Institute for Statistics (NIS) launched a programme for poverty analysis based on integrated household survey, and later on household budgets survey. In 1997, NIS proposed a measurement of relative poverty, as an indicator which was being used in the EU countries, anchored in time and used until 2000.

During 2003-2004 Romania undertook and adapted the set of Laeken indicators and drafted a specific national set of indicators, developing the legal framework for its support – Government's Decision 488 of 2005 regarding the national system of social inclusion indicators. According to the Decision, the national set of social inclusion indicators comprises of primary, secondary and tertiary indicators. The primary and some of the secondary and tertiary indicators are being calculated by the National Institute of Statistics (NIS), the rest of it going under the responsibility of the Ministry of Labour, Family and Social Protection, through the Directorate for Social Inclusion Programs.

Governmental Commitment

Social inclusion has been and shall still be on the Romanian Government's political agenda. On 20th of June 2005 the minister of labour family and equal opportunities signed the Joint Memorandum on Social Inclusion, a programmatic document which served as a reference for the elaboration of social policies. The strategic approach regarding the elimination of social exclusion includes any form of exclusion, whether of gender, age, ethnicity and focuses primarily on the identification of the most vulnerable people, groups, communities etc. Dealing with these problems can only be made in an integrated framework that ensures the intertwining of the economic and the social development.

Following this, the Romanian Government established a political agenda for implementing the priorities assumed by the Memorandum, mainly the significant poverty reduction, up to the complete drop of extreme poverty. Consequently, the Ministry of Labour, Family and Social Protection has the main role in promoting and evaluating social inclusion policies at national level.

Romania's participation in the Opened Method of Coordination has been prepared since 2006 through the National Strategic Report 2006-2008 and the following one for the period 2008-2010. Upon the drafting of the National Strategic Report, the Ministry of Labor, Family and Equal

Opportunities became responsible for monitoring its achievement and, in this framework, a series of actions related to strengthening the ministry's capacity in the field of social statistics and data collection were developed. Thus a cooperation protocol was concluded between the Ministry of Labor, Family and Equal Opportunities and NIS (the National Institute of Statistics) by which NIS shall provide the databases, and the Ministry shall calculate the secondary and tertiary indicators.

A multidimensional answer to the social need can only be given by means of a coordination of all levels involved. At the same time, coherent and integrated structures must be created in order to facilitate the monitoring and the assessment of national policies of social inclusion. There has been significant progress in this area, highlighting the active involvement of the responsible structures in the improvement of the citizens' standard of living.

Analysis of Indicators on Poverty

Methodology

In Romania there are two main measures of poverty which are currently used: relative and absolute poverty. The relative poverty measure is based on the methodology endorsed by the Laeken European Council in December 2001. This methodology was developed to allow the monitoring, in a comparable way, of Member States' progress towards the agreed EU objectives in the fight against poverty and social exclusion, and has two specific features: it uses an income-based welfare measure, and the threshold used to measure poverty is a relative threshold, fixed at 60 percent of the national annual median disposable income in each member state. In contrast, the absolute poverty measure is based on national methodology, developed in 2002 by a team including NIS and Government experts, researchers, and World Bank staff. This uses a consumption-based welfare indicator, and an absolute poverty line based on the cost of basic needs method.

For policy making purposes, the two poverty measures discussed in this report complement each other. The poverty profile built using the relative poverty line provides useful information about the relative position of various groups against the national standard of living in a society at a given point in time. Absolute poverty, on the other hand, measures the number of people who cannot afford a minimum consumption basket. The poverty profiles constructed using each of the two methods do not contradict each other. The vulnerable groups identified by the absolute poverty measure are consistent with the ones identified by the relative method. However, the interpretation of results is different, so the two methods are not substituting, but complementing each other.

The absolute poverty measure is appropriate to monitor and evaluate policies and programs aiming to alleviate the lack of resources to meet basic needs, while the relative poverty measure is appropriate to monitor and evaluate policies aiming at reducing inequality.

The poverty indicators are calculated based on the data of Households Budgets Survey (HBS) carried out by NIS. For 2008, the HBS was based on the evaluation of 31,743 households (76,250 persons), representative for 7,383,896 households (21,516,535 persons) at national level.

The absolute poverty line is measured by adding to a food basket an allowance for essential non-foods and services. The food component is determined as the cost of a food basket necessary for covering 2,550 calories/day, preferred by the individuals from the second and third deciles.

The complementarities of the two poverty measures constitute a good argument for including them both in the future Poverty and Social Inclusion Monitoring set of indicators. As Romania joined the EU, the National Commission for Social Inclusion is aiming to revise the Poverty and Social Inclusion Monitoring System, to better respond to the monitoring needs of social inclusion priorities identified in the Joint Inclusion Memorandum and subsequent policy documents.

Various factors are correlated to poverty that can be captured in fuller, multivariate analysis. Location (urban/rural areas) continues to be highly significant in determining poverty risk. The gender of the household head also is a significant determinant, along with the composition of the household. Belonging to the Roma population remains a significant determinant of poverty risk. The relationship between education and welfare became stronger since 2006. The employment status and activity sector of the household head are significantly related to welfare.

Characteristics and evolution of poverty in Romania

The period of rapid growth in Romania since 2000 together with the social policies have caused a big decline in absolute poverty, from 35.9% in 2000 to 9.8% in 2007. At the same time, relative poverty reached 18.5%, while the poverty rate before social transfers, including pensions was 42.5% which proved that social protection measures contribute significantly to reducing social inequality.

The two poverty measures show different trends in the period 2000-2006. The poverty trend based on the Laeken methodology for the period 2000-2007 shows almost no change in poverty, while the absolute poverty measure shows a considerable decrease in poverty. The trend of the Laeken poverty indicator might seem puzzling, especially since beginning in 2000, after a period of severe recession, economic growth of Romania started to accelerate, reaching an annual average of 5-6 percent. As expected, both the income and consumption of the population experienced growth in real terms. Consequently, one would have expected this growth to be reflected in declining poverty rates. According to the EU poverty indicator, however, the share of population at risk of poverty remained almost unchanged at around 18 percent since 2004. The unchanging trend of the EU indicator is a direct effect of the methodology used. Since the poverty line is calculated each year as a percentage of the median disposable income, the standard of living

Throughout the process, Romania has maintained a moderate level of inequality by international standards. The relative poverty trend shows a rather small increase when comparing 2007 to 2000. This trend in relative poverty actually means that inequality has changed little since 2000. The small change in relative poverty over the years suggests that the gains from growth are evenly distributed among income groups. In contrast to the Laeken measure, absolute consumption poverty has declined significantly in Romania since 2000.

Furthermore, poverty in Romania is overwhelmingly rural, and sensitive to changes in agricultural policies. In addition to the regional differences in living conditions and employment status, another aspect of poverty in Romania is a significant ethnic dimension. On the other hand, children (0-14 years old) and youth (15-24 years old) face the highest risk of poverty. As

compared with 2003 their poverty rate decreased by more than 30 percent, but their relative poverty risk continued to increase. About 75 percent of the poor children are located in rural areas, where the poverty risk of a child is three times higher compared with a child living in urban areas. As in the past years, education is one of the most powerful correlates of welfare status. The risk of poverty drops substantially with more education, being near zero for the adults with higher education.

Monitoring and evaluation of social policies for reducing poverty and social exclusion

The national mechanism for the promotion of the social inclusion

Romania has adopted numerous strategies to combat poverty and social exclusion over the last several years including the National Antipoverty and Social Inclusion Plan (2004) and the Joint Inclusion Memorandum.

For the coordination of the strategic process on social inclusion, Romania has adopted Government Decision no. 1217/2006 on the creation of the national mechanism for the promotion of the social inclusion in Romania. The mechanism for social inclusion is an institutional mechanism of coordination and follow up of the social inclusion policies. It is created with the objective of improving and better understanding the situations of social exclusion so as to establish priorities in the sectorial policies, to improve inclusion and to create a frame for the development of joint policies in different areas. This mechanism allows the articulation of national social inclusion policies with the local ones.

The National Commission for Social Inclusion acts as a strategic body for the decision making in terms of what are the main priorities to be established, in terms of achieving better social cohesion and social inclusion, what will be the resources available and to identify what can be done for increasing social cohesion and social inclusion in terms of sectorial policies, transversal policies and which can be done in joint actions. They are the ones in charge of transferring the priorities established to their institution and make sure that they will be taken in account when designing policies. The National Commission involves 10 ministries, 11 if we include the Ministry of Labour, Family and Social Protection in its role of coordinator of the commission and other 10 institutions - agencies, national authorities, in total a commission involves 21 participants.

The second commission is the county commission that involves all the representatives of the central administration at local level plus the local authorities and the NGOs in the field of social inclusion. County Social Inclusion has a consultative role, which is to set the priorities in terms of increasing social inclusion and fight against poverty and exclusion and adapt the National Action Plans to the territorial situation. Their main purpose is to coordinate the action in this field.

The ministries with responsibilities in social inclusion have created the Social Inclusion Units and all the Ministries have a unit on public policies. Ministry of Labour, Family and Social Protection plays an important role in the design, coordination and monitoring and evaluation of the social inclusion policies implementation. Different departments of it, such as the ones in charge of employment, pensions, social services, benefits, are deeply involved, especially in the design of sectorial policies. The main role, in terms of coordination is played by the Directorate for Social Inclusion Programs, in the Ministry of Labour, Family and Social Protection.

The Social Observatory

Despite these initiatives, and impressive progress towards stability and sustained growth over the last several years, the country still faces an unfinished social agenda. With a view to improving the process of analysis of the poverty and social exclusion situation, in Romania, the efforts focused on the establishment of the Social Observatory. The main mission of the Social Observatory is to provide information on the poverty and social exclusion situation existing in Romania. The Observatory will become a barometer of the social needs, a base for the development of the strategic planning in the field of social protection and social inclusion. As it was designed, the Observatory shall submit periodical reports regarding the existing situation and evolution of the poverty and social exclusion, shall submit proposals and recommendations with respect to the manner in which the situation of the vulnerable groups may be improved. The Observatory shall support the Ministry of Labour, Family and Social Protection and the Government in the drafting and subsequently in the monitoring of the National Action Plan for Social Inclusion, and at the same time it shall be able to contribute to the clarification and detailing of the role and activity incumbent on the National Commission for Social Inclusion with respect to the monitoring and implementation of the National Action Plan regarding the Social Inclusion.

The social observatory will be in charge, basically of developing a set of indicators that will increase and be updated within the time in order to be able to describe and analyse at national and at county level, the situation of poverty and social exclusion. With the information produce the SO will be able to make a prognosis of the trends and the emergent situations being able to make recommendations in term of development of preventive policies. At same time it would be able to settle a data collection process in order to detect factors of inclusion with the main objective of making proposals and recommendation for better achieve social inclusion and for the design of effective, active and participative social inclusion policies.

The following stage the accent shall fall on the modernisation of the social inclusion mechanism that will enable the coordination of the national policies with the local and regional ones and on the adoption of the measures proposed for the actual needs of the citizens, observing the proximity principle. The cooperation capacity of different institutions involved in the social inclusion process will be strengthened in order to have a broad perspective, a joint understanding, in order to find joint solutions, to ensure the decentralisation of the responsibilities and efficient distribution of the resources required for the implementation of the local policies. In order to be efficient and sustainable, the social inclusion policies must be integrated and transversal; they may have the same vision/a joint understanding of the problems; they must promote a general agreement with respect to the observance of the diversity and differences, equality in the exercise of the rights and joint liability undertaking in decision-making.