Dimension of Severe Poverty in Romania – a Dynamic Picture of Social Cohesion

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Abstract

The paper presents the dynamics of severe poverty, as a minimum threshold of poverty calculated at 40% of median income per equivalent adult. This severe form of poverty is affecting a relatively large mass of population and represents a step towards material deprivation and social exclusion. The severe poverty is an important indicator, along with the common set of European indicators on poverty and social exclusion, developed and quantified by all European countries. To capture as much of this diagnosis of severe poverty as possible, the analyses in dynamics take into account a multitude of features such as the residence, gender, household size or number of people in the household, age of household head, etc. These assessments capture the dynamic evolution of severe poverty incidence during 2008-2013/2014, expressed by severe poverty rates. Because the own-consumption size is an important element especially for poor households, or in rural areas, this component was included in determining the disposable income per equivalent adult, when the severe poverty rates were estimated. Databases belong to the Household Budget Survey, conducted by the National Institute of Statistics, Romania, during that period. Shaping this complex picture of severe poverty, especially through the analysis of those determinants, represents a first step toward knowledge of an important dimension of social cohesion. Highlighting the dynamics of this dimension is significant for the analysis of how the severe poverty has evolved over time and contributes, even indirectly, to offering an important feedback in the light of the Europe 2020 Strategy.

Key Words: Poverty; severe poverty; assessment; dynamics; determinants.
1 Introduction

The paper is focused on the severe poverty that represents one of the most aggravating forms of poverty faced by the most vulnerable populations segments. The main aim of the paper is to conduct some research and provide some results regarding this extreme form of poverty which still shows high incidence and affects a large contingent of population. A particularly important objective present both in Europe 2020 Strategy (The Europe Strategy 2020, www.ec.europa.eu) and in the National Strategy on Social Inclusion and Poverty Reduction 2015-2020 (Government Decision no. 383/2015) refers to reducing poverty, especially one of its extreme form, namely severe poverty which still affects a large number of individuals, families, households. The aim of reducing poverty represents an ex-ante conditionality laid down by the European Commission to Romania in order to access structural funds for the period 2015-2020, which shows once again that the reduction of poverty and its severe forms by year 2020 is a challenging mission, with an equally challenging target, both as objectives and as a deadline. Along with the targeted indicator included in these strategies (standard poverty rate), the severe poverty must be paid attention to, as it still affects a large number of people.

These people called "the poorest of the poor people" are among vulnerable groups characterized by poor living conditions, being beyond the bounds of decency and even human dignity, close to the threshold of survival. Another important aspect is that for a person who once came into this vicious circle of severe or extreme poverty, it is difficult or almost impossible to overcome the poverty threshold by one’s own, which determines a permanent type of extreme poverty for that individual and a placement of this person for a longer time under the poverty line. In addition, our analysis, as well as other analyses, show that the most vulnerable categories of the population placed at risk of poverty and social exclusion have always been and are still now, among others, households with many people, or those households who have more dependent children, or those who, in addition to children, also count young people, inactive or unemployed persons, or single parents who have one or more dependent children, households in rural areas, or households that include any combination of these determinants, or other similar, etc. (Marginean&Precupetu, 2010, p. 36; World Bank Group, 2015, p. 4; Crai, 2009, pp. 8-10). As such, the support of those particularly vulnerable groups represents an elementary sample of dignity of any society, and it is also a national priority, because these vulnerable groups should be considered with priority in the national target for reducing poverty and its extreme forms. Therefore these quotas should be known in terms of numbers, of their socio-economic characteristics posed by various structures, to act more directly against them with specific, more efficient and effective policies.

Thus, the main purpose of the paper is to achieve the profile of severe poverty in Romania and to analyse this picture in dynamic, to see how much the national level of poverty was reduced in the light of common European strategic objectives with this short deadline of 2020. To achieve this purpose, the main objectives of this paper are to analyse the dynamic evolution of severe poverty incidence, by severe poverty rates, from the perspective of its main determinants: area of residence, household size, age of household head, etc., since it was found that these determinants, along with education level, generate the highest incidence values of poverty and its severe and extreme forms.

This picture of severe poverty, identified in the paper by severe poverty rate, can be highlighted using EUROSTAT data (which are based on EU-SILC Survey) or using data from Household Budget...
Survey. As these two national surveys conducted by the National Institute of Statistics have different methodologies and samples, data on poverty/severe poverty are also different. The Ministry of Labour, Family, Social Protection and Elderly drafted Reports regarding the analysis of social inclusion indicators (Statistical data analysis of social inclusion indicators in 2011; Social inclusion report for 2010-2013), which include poverty and severe poverty indicators, but they are based on the concept of absolute poverty; the relative poverty is used in EUROSTAT statistics for comparative analyses at international level. There are some differences between absolute poverty and relative poverty, based on different concepts and assessment methodologies, so the data are different.

Data obtained from the estimations regarding the severe poverty rates presented in this paper, especially for the entire population, could be different from those presented in EUROSTAT statistics (Income, social inclusion and living conditions, Monetary poverty indicators, 2007-2014), or in the Reports of the Ministry of Labour, Family, Social Protection and Elderly (Statistical data analysis of social inclusion indicators in 2011; Social inclusion report for 2010-2013). This is possible because the methodologies are different, also the samples and micro-data from these both used surveys, as we mentioned. But comparing all these severe poverty rates, the differences are not so significant to create some special debates.

In the present paper we analyse severe poverty rates based on HBS data, with the relative concept of poverty at its core, in order to achieve some international comparisons that put Romania along with other 30-33 European and non-European countries reporting to EUROSTAT indicators of poverty and social inclusion (GuvernulRomaniei/Romanian Government, 2014, p. 109; Eurostat, 2016; Eurostat, 2015); these analysis showed that Romania is generally placed on the last position in relation to poverty and severe poverty as total population and also large families with many dependent children and young people are concerned, etc.

2 Materials and Methods

The severe poverty picture was shaped based on the incidence of severe poverty indicator. The difference from the standard considered poverty refers to the calculation of the threshold; the severe poverty is applied to the 40% threshold of median income per equivalent adult, as defined in the specialized documentation (Methodology – Social inclusion indicators system; www.statistici.insse.ro). The calculation of this ratio to the threshold of 40% of median income was achieved per person and on the basis of disposable income including the own-consumption; estimations are based on the Household Budget Survey results, conducted by the National Statistics Institute. Since the own-consumption size is an important element, especially in poor households, or in rural areas, etc., this component was included in determining of the disposable income per equivalent adult when severe poverty rates were calculated. Available data on severe poverty rate at the entire population covered the period 2000-2014 and in structure, data were available only for the period 2010-2013. The available structure for dynamic analysis of severe poverty rates was the following: gender, area of residence, household size, age of the household head. Even if the incidence of severe poverty is not a directly strategic indicator in the list of common indicators monitored at international level (Income, social inclusion and living conditions, Monetary poverty indicators, 2007-2014), it must be still considered in
the light of the main objectives of national and international strategies about reducing poverty and its extreme forms (severe poverty, material deprivation, marginalization and social exclusion).

Given the existence of certain size restrictions of the paper, we will not analyse the common indicators presented in EUROSTAT statistics which highlight the benchmarking in terms of poverty and severe poverty, through a variety of aspects of its main determinants, emphasized by specific indicators regarding the Romania’s position compared to other 30-33 European and non-European countries from these statistics (Income, social inclusion and living conditions, Monetary poverty indicators, 2007-2014) which provided an important documentary support.

3 Results

At risk of severe poverty rate – total population

The analysis showed that the severe poverty rate per person, at the total population, calculated at the 40% of median income, increased considerably during 2000-2008 (from 5.11% in 2000 to 6.1% in 2008), and afterwards it entered on an important descending path until 2012 (from 6.1% in 2008 to 4.98% in 2012). After years of decline, in the past two years the severe poverty increased again and then it slightly decreased to 5.37% (in 2014). The rate of severe poverty presents an oscillating trend (Fig. 1), alternating the periods of growth (during 2000-2008) with decrease ones (during 2009-2014).

![Fig. 1. At-risk of severe poverty rate, calculated at 40% of median equivalised income, between 2000-2014 (%); Source: estimations based on Household Budget Survey results, National Institute of Statistics](image)

In the present paper, considering the existence of certain size restrictions, only three of the most important determinants will be deeply analysed, namely the area of residence, the household size and the age of the household head, because it is known that the poverty and also the severe poverty have the highest incidence of the rates in these situations.

At risk of severe poverty rate – by area of residence

As with the standard poverty, when the rural poverty was alarmingly high (well above the standard poverty rate in the total population), concerning the severe poverty we are also facing with high rates, well above the severe poverty line (exceeding it almost twice), that represents a warning signal, and special measures should be directed mainly to reduce rural poverty and severe forms of poverty the rural population is facing.

While in urban areas, severe poverty varies around 2.5% threshold, the rural severe poverty has high levels, being over the 10% threshold. Thus, rural poverty was and remains still a problem to be prioritized within the lines of action for poverty reduction, considering the European and national
strategic common goals. In rural areas we also noticed a permanent presence of severe poverty (Fig. 2), so this extreme form of poverty has reached alarming values for a long period of time (the paper covered only the period 2010-2013, but in the previous years the rural severe poverty had significant values, too).

![Fig. 2. At-risk of severe poverty rate, calculated at 40% of median equivalised income, by residence, between 2010-2013 (%); Source: estimations based on Household Budget Survey results, National Institute of Statistics](image)

**At risk of severe poverty rate – by household size**

Regarding the household size, we are considering the number of people who live in the household and not necessarily the number of children in the household. It is an important issue because both poverty and its severe form registered among these numerous households are important, but both forms of child poverty are particularly significant, too.

For households consisting of 5 persons, severe poverty rate increased significantly, reaching to 8%, well above the total rate of severe poverty. Regarding households with 6 and over 6 members, severe poverty rates were and are still now particularly high, ranging between 13-14% in this period, well above the total severe poverty rate. These values are particularly significant for large households, with many members, showing not only that such households are poor, but also that the permanent poverty and severe poverty are particularly acute for them (Fig. 3).

![Fig. 3. At-risk of severe poverty rate, calculated at 40% of median equivalised income, by the household size, 2010-2013 (%); Source: estimations based on Household Budget Survey results, National Institute of Statistics](image)

Because the severe poverty rates for these large household have high value over time, that means that large households, with many people, but especially dependent children, need a special support to be taken out of poverty and severe poverty lines. These high rates in the case of households with many members, especially with children, must always be a priority in the social policy regarding the protection of the families with children, to reduce poverty and its extreme forms for these vulnerable groups.
At risk of severe poverty rate – by age of the household head

By the age of the household head, the highest rates of severe poverty are found in households headed by adults, aged 30–44 years, reaching rates range between 7-8% over this period (Fig. 4).

![Fig. 4. At-risk of severe poverty rate, calculated at 40% of median equivalised income, by the age of the household head, 2010-2013 (%); Source: estimations based on Household Budget Survey results, National Institute of Statistics](image)

Young people less than 30 years old, and persons aged 45–59 years continue to register high rates of severe poverty, close enough values for both these segments of population, severe poverty ranging between 5-8% during 2010-2013. Instead, households headed by retirees (aged over 60 years) recorded the lowest rates of severe poverty, which ranged between 2-3%, far below the severe poverty rates (5-5.5%).

4 Discussion

In conclusion, outlining a profile of severe poverty, the following elements were recorded during 2010-2013 (data of Household Budget Survey, conducted by the National Institute of Statistics):

- by area of residence, it can be concluded that in the urban area, approx. 10% are below the severe poverty rate (nearly 2 times the rate of severe poverty), which represents a warning signal, and special measures should be directed mainly to reduce rural poverty, severe forms and the extreme poverty, the population in these rural areas are facing.

- by the composition of the household, those with several people, constantly face high severe poverty rates and because the rates of severe poverty are still reaching high values (almost 8% for households consisting of 6 people and nearly 15% for households consisting of 6 members and over), this means that large households, consisting of many people, especially of dependent children, need an increased support to be taken out of poverty and severe poverty lines, especially as the history of these households is one of permanent, severe and profound poverty, over time.

- by the age of the household head, the dynamic analyses show that the poorest of the poor households are headed by persons aged 30–44 years, which placed high severe poverty rates in the range between 6-8%, over the severe poverty line recorded in this period. Households headed by retirees do not register a risk of severe poverty; these rates recorded the lowest values that varied within the range of 2-3%, far below the severe poverty rates (5-5.5%).

- it can be noted a permanent severe poverty for certain determinants. Thus, severe poverty rates recorded significant values all the time, both for rural households, large households, young people, and children. For these households, the rates of severe poverty had over time large values and even at one
moment they recorded a minimum rate, then it recovered, continuing the upward trend and reaching thresholds that must be considered as a warning signal and priorities for special targeted measures.

- in the recent years, certain efforts to reduce poverty and severe poverty has been visible; so, severe poverty rates decreased in the recent years compared to those recorded at the beginning of analyzed period (2006-2008, when the maximum threshold of 6% has been reached), regardless of its determinants, and even for the total population – this represented an important step, but actions should focus, in the future, on these vulnerable groups, because the values of poverty and severe poverty rates still remain high for some types of households, despite the efforts to reduce poverty and its severe and extreme forms.

For these reasons, the profile of the target group facing poverty and severe poverty must be permanent known more deeply, to act more targeted towards the common goals to reducing poverty and its extreme forms. The analyses showed that, always the most vulnerable categories of the population placed at risk of poverty and social exclusion were, among others, large households, those who have dependent children or those who, besides children, have also young people who are not in education and not in employment, or inactive or unemployed person, or single parent having one or more dependent children, households in rural areas, etc.

Thus, the size and the structure of households with many people, especially those who have several children, must be considered a priority for targeted special measures to reduce poverty and its extreme forms. In addition, for these large households, any combination of such determinants as education level, age, employment situation correlated with low income, health status and other variables such as gender, area of residence, etc., contribute to the fact that poverty and its severe or extreme forms become even more amplified in these vulnerable households.

5 Conclusion

Such continual assessments and monitoring of poverty and its severe and extreme forms should always be carried through, especially because these households that are vulnerable to poverty often include dependent children or even young people, these households being quite representative of the poor population and total population. Moreover, the presence of children in a household contributes to the increase of consumption without bringing additional and adequate income resources. Thus, children, as well as young people, will continue to be one of the most at risk of poverty categories, as long as these population categories are not targeted by more efficient support programs. Such measures are necessary to prevent the risk of perpetuating poverty and its extreme forms, the transmission of these forms of poverty to the next generation, given that, for young people and especially for children, poverty also means multiple risks related to health and physical development, to the participation in education, with further implications on their future capacity to work, on employment and obtaining proper earnings to ensure their future, for a decent standard of living i.e. to ensure a better quality of life for them and their families, and thus to no longer be in the social protection net and exit the status of permanent social-assisted persons.

The substantiation of such social policies and the instruments needed for their implementation involve, in the first place, the quantification of poverty and severe poverty. These analyzes are
particularly important as they allow accurate knowledge of the size of poverty and severe poverty in different structures, by its main determinants, that also constitute important forerunners for further analyses, but also to highlight those warning signals that must become major concerns and efforts to improve more pronounced and consistent the action directions for reducing poverty and its severe and extreme forms.

This trinomial relationship regarding the concrete diagnosis of poverty and severe poverty (performed by analyses of statistical data from national surveys in multiple structures, as well as benchmarking), along with the analyses of the main social benefits with direct or indirect role in poverty reduction, as well as the impact evaluating of these programs / policies on reducing poverty and severe poverty represent an essential triangle based on which these policies can be better targeted, more efficiently and effectively.

While this paper focuses on one of these three aspects, that is the highlighting of severe poverty, research may continue with the analysis of these social benefits with the aim of reducing poverty, but also the impact analyses of these benefits on poverty, ex-post and ex-ante impact assessment; these recommendations for further research regarding the impact assessments could lead to highlighting some main lines of action for reducing poverty and its extreme forms, as a targeted answer of common strategic objectives.

Because poverty and its severe and extreme forms, marginalization and social exclusion, constitute a significant coordinate of social ethics and social responsibility, reduction of these poverty forms must be regarded as a central and permanent objective of social policy, which should be correlated at the same time with a coherent social protection system, to prevent poverty by providing adequate replacement income, to support the vulnerable groups of the population, while encouraging the return on the labour market - as an important tool for reducing poverty and its extreme forms.

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