ROMANIA - BETWEEN THE RECOVERY OF GAPS AND THE AMPLIFICATION OF SOCIAL INEQUALITIES AND POVERTY

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Abstract: *There is a paradox of Romania's economic and social transition process: its more and more visible economic progress in recent years has been accompanied by a complex process of deepening intra-regional disparities but also of increasing poverty in some regions / counties of the country. For the time being, socio-economic consequences, which are becoming more and more complex, are not being assessed. This reinforces even more the idea that besides the fact that in the comparisons of living standards between countries GDP per capita has a major role, it says too little about how income is distributed among the population or about the existence of other non-monetary factors which can influence the quality of life of a population.*

Keywords: *cohesion, cooperation, cross-border, development territorial profile, disparity index, gross domestic product per capita, environment, gap, imbalance, monetary factors, poverty, region, social exclusion, the threshold of relative poverty, the poverty risk ratio*
JEL Classification: *Z13*

What is social inequality?

According to the Sociology Dictionary, social inequality is defined as "*a notion that highlights the differences between positions occupied by individuals or social groups on a hierarchical scale, attached to a social characteristic*"

which "*can be regarded as a particular aspect of social differentiation, its specific consisting in the fact that it requires a comparison of the hierarchical elements*" (Vlasceanu and Zamfir, 1998, p. 292).

Generally, the concept is used when "rankings on a scale can be interpreted in appreciative terms - favorable / unfavorable, desirable / undesirable etc., so when there is a possibility of a socially valuing appreciation."

It also should be emphasized the distinction that should be made between "natural and social hierarchies". If some of them are the consequences of the "innate factors," which hierarchizes the place of the individuals according to their physical or psychic nature etc, the others are established by "institutions, standars (moral and legal), values etc" (Vlasceanu and Zamfir, 1998, p.292-293).

Not only sociology provide a vast field of analysis to the concept of social inequality (sociology of social stratification and mobility, sociology of education, sociology of culture, etc.). Various conceptual aspects are also debated "in philosophical, ethical, political literature". This complicates the thematic approach by sociology who is warned in some way to note the existence of ideas and methods specific to these disciplines regarding the issue of social inequality (Vlasceanu and Zamfir, 1998, p. 293).

Generally, social inequality is addressed either through a qualitative assessment process, either through a quantitative evaluation process. This analysis puts a stronger emphasis on the second approach, analyzing Romania's place within the EU in terms of the latest data on poverty and social inequality.

Watching carefully the official data, we find that there is a paradox of Romania's economic and social transition process: its visible economic progress in recent years is accompanied by a complex process of deepening intra-regional disparities and increasing poverty in some regions of the country. This reinforces even more the idea that besides the fact that in the comparisons of living standards between countries GDP per capita has a major role, it says too little about how income is distributed among the population or about the existence of other non-monetary factors which can influence the quality of life of a population.

Sociology considered social inequality as the fundamental premise of social stratification. The problem of social inequality is not new. History records a multitude of approaches. "Stratification is universal and omnipresent", says Mohamed Cherkaoui, pointing out that in this situation have found the most simple and homogeneous societies, as well as those "more differentiated and heterogeneous", absolutely everything "being made up of vertical divisions

based on sex, age, family structure or on material wealth, power and prestige" (Boudon, 1992, p. 116).

According to him, there are four logical stages which describe the evolution of stratification theories:

- The first is pre-scientific and seeks a basis for stratification in "nature or transcendence",
- The second focuses on the "immanent origin of inequality",
- The third considers social processes as basic elements of social inequality;

The fourth presents an attempt to synthesize the whole issue "based on psycho sociological concepts considered as elementary and fundamental" (Boudon 1992, p. 117)**.**

In "*Discourse on the origin and basis of Inequality among men*" Jean-Jacques Rousseau (1712-1778) tried to explain the origin of inequalities exclusively through the "the dawn of birth of private property". Using in *The Discourse* in a personal key the two very popular concepts in the seventeenth and eighteenth centuries - "natural state" and "social contract", Rousseau suggested that in its evolution the society has undergone three stages:

a. "The natural State",
b. "The birth of the first human societies",
c. The emergence of human societies based on the property.

Rousseau deliberately considered the concept of "natural state" as a "necessary supposition", which rather "supports the genetic explanation of social life" being fully aware by the "hypothetical character of this idea". Rousseau argues that in their natural state people are free, equal and without property (emphasizing the existence of objective laws, as fuels necessary for the emergence and development of society), thus placing himself in a contrary position to Aristotle (for Aristotle the sociability is the "innate part of the man") (The Discourse, Wikipedia, 2018).

In the second part of *The Discourse* Rousseau described the emergence of the private property on a Utopian background, where the primitive man, yet individualist ("although cooperation is profitable") will be forced by the historical context (climate, demographic growth, fluctuations in consumer goods, etc.) to become a consumer of several ways of life (hunting and fishing weapons also appear).

Even if we can imagine that sedentary life can generate comparisons or envy, it is not a determinant impulse to trigger the process of creating social inequalities. Cooperation and the accumulation of goods, says Rousseau, will gradually alter the primitive state of equality and will build the irreversible road of the emergence of property and division of labor, emphasizing the existence of a clear relationship between "ownership, division of labor and inequality".

It must also be added that for Rousseau the right to property is not interpreted in a key of natural law, "it does not derive from the natural law". People have accepted, they are the ones who gave their consent, the right to property being a convention, practically a "creation of positive law" (Boudon 1992, p. 117-121).

The theory of Jean-Jacques Rousseau, which describes the property as the consequence of a convention that is connected with the state institution is so close to the Thomas Hobbes theory (1588-1679) (Thomas Hobbes, Wikipedia), for which man chooses himself and artificially to become a social being. Even if the social status is not the natural state of the man, it is more advantageous for him, the man accepting by a social contract to have restricted his freedom for their own protection or safety. „Homo homini lupus," says Hobbes, the interests and selfishness of the powerful, permanently building a threat to the balance of a natural world more and more exposed to the entropy, a situation in which the social contract becomes the best solution. There had been a time when, according to Hobbes, the freedoms, rights and duties of each of us had to be established conventionally.

Generally, the 18th century will be modeled by John Locke's (1632-1704) (John Locke, Wikipedia) theory of natural property law and the 19th century will be, especially for economists and liberals, the century of the theory of the utility of Jeremy Bentham (1748-1832) (Jeremy Bentham, Wikipedia), by popularizing the *Principles of Civil Code* (theory „already drafted" by David Hume (1711-1776) David Hume, Wikipedia, in "*Essay on Justice*"). Obviously, for „socialist and utopian traditions", Rousseau's theory will remain an „inexhaustible source of inspiration" (Boudon, 1992, p. 117-121).

Sociology proposes a broader approach to the phenomenon, underlining that society is more complex. Society is not only differentiated but also hierarchical, they say. Society is made up of groups, social classes, communities, which in turn are differentiated by wealth and power.

Without claiming to have an exhaustive conceptual description, that is, in our view, the main significant sociological theories that have brought attention to the phenomenon:

– The functionalism - social inequality is the logical consequence of differentiating social functions held by the individuals or classes, categories or social classes (Talcott Parsons, Ralph Dahrendorf, Kingsley Davis, Wilbert Moore);
– Conflict theory - inequality is seen as a consequence of the unequal distribution of material goods (Karl Marx, Friedrich Engels);
– The triple dimension of stratification in Max Weber's theory - inequality is seen as a consequence of inherent differentiations related to the economic, statutory and political criterion (there is beyond the economic order and the statutory or political order, which each generates social inequality);
– Power theories - social inequality is seen as possible because always a small political elite governed the great social mass (Vilfredo Pareto, Gaetano Mosca, Robert Michels);
– Supply and demand theories - inequality is seen as a natural consequence of market economy rules, the incomes and status of individuals depend on the supply-demand relationship for each type of occupation;
– The evolutionary theory of Gerherd and Jean Lenski - attempts to unify the functionalism with the conflict theory.

All theories emphasize that the social stratification occurs with the emergence of differentiation, integration, hierarchy, conflict or social inequality. But what are the limits of the individual and social supportability concerning the inequality? Are there such limits?

2. The Relative Poverty Threshold in Romania

According to the National Institute of Statistics (2018)," The Relative Poverty Threshold represents "the available income per adult - equivalent in relation to which one person, with a lower income can be considered poor". The threshold level is determined at a fraction of 60% of the median of the distribution of the individuals in a sample, based on the adult equivalent income available. Sometimes it is called the "poverty line" (Statistici.insse. ro, 2018).

Practically, "the poverty threshold, poverty limit or poverty line is the minimum level of income deemed adequate in a particular country" (Ravallion, 1992, p. 25).

The table below describes the evolution in Romania of The Relative Poverty Threshold for the 2007-2017 period, practically a period of accelerated recovery of the gap compared to the EU in terms of GDP per capita (compared to the European average, reached a level of 63%).

Table 1. The Threshold of Relative Poverty

CN	THE YEAR	GDP per capita (USD / YEAR)	The Threshold of Relative Poverty (TRP) / USD / YEAR	TRP / GDP per capita	GDP per capita in PPS
1.	2007	8424, 74	1392,8	16,53%	44%
2.	2008	10400,54	1553,76	14,94%	51%
3.	2009	8474, 87	1575,37	18,59%	51%
4.	2010	8231, 31	1628,72	19,79%	51%
5.	2011	9150,87	1733,88	18,95%	52%
6.	2012	8558, 40	1501,84	17,55%	54%
7.	2013	9585,27	1620,54	16,91%	54%
8.	2014	10020,28	1706,03	17,02%	55%
9.	2015	8978,39	1540, 61	17,16%	56%
10.	2016	9.532,17	1609,61	16,88%	58%
11.	2017	10.813,72	1823,43	16,86%	63%

Source: The author

What does it tell us Table 1?

– In the last few years, the rate of gap recovery is very high - 5% in one year (from 58% in 2016 to 63% in 2017, relative to the European average of GDP per capita);
– The relative poverty threshold reported to GDP / capita was in Romania over the eleven years, between 14.94% (2008) and 19.79% (2010);
– This means, for example, that in 2008 the monthly average of the GDP / capita was 6.7 times higher than the average level of the relative poverty threshold, while in 2010 it was 5.05 times higher;
– In 2017 the poverty line accounted for 16.86% of GDP per capita ($ 1823.43 / year). More precisely, according to the National Institute of Statistic, a Romanian citizen could have been declared poor in 2017

if his monthly income was below the threshold of $ 151.95 per month (about 615.66 lei at an average of one dollar of 4.0517 lei).
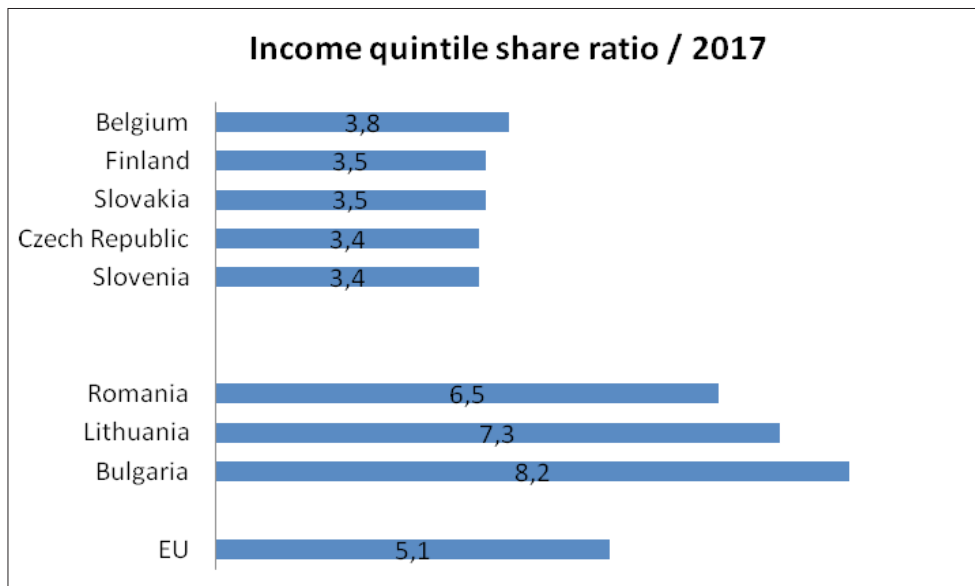
In this context, it should be stressed that because the distribution of economic resources may have a direct bearing on the extent and depth of poverty, data on economic inequality become particularly important for estimating relative poverty.

From this perspective we notice that within the EU, there were wide inequalities in the distribution of income in 2017. According to the Eurostat data:

– A population-weighted average of national figures for each of the individual EU Member States shows that the top 20% of the population (with the highest equivalised disposable income) received 5.1 times as much income as the bottom 20% (with the lowest equivalised disposable income);

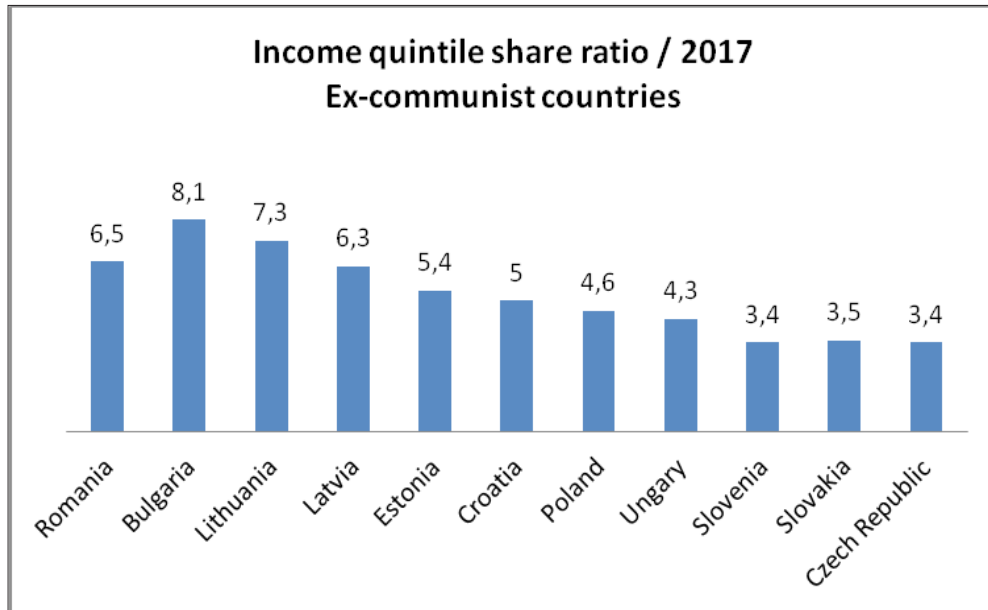– The ratio varied from 3.4 in the Czech Republic and Slovenia to 8,2 in Bulgaria.

The quintile share ratio for Romania was 6,5 (Ec.europa.eu, 2018a).

Figure 1. Inequality of income distribution
(Income quintile share ratio) / 2017

Source: Author

Figure 2. Inequality of income distribution (Income quintile share ratio) / 2017 / Ex-communist countries
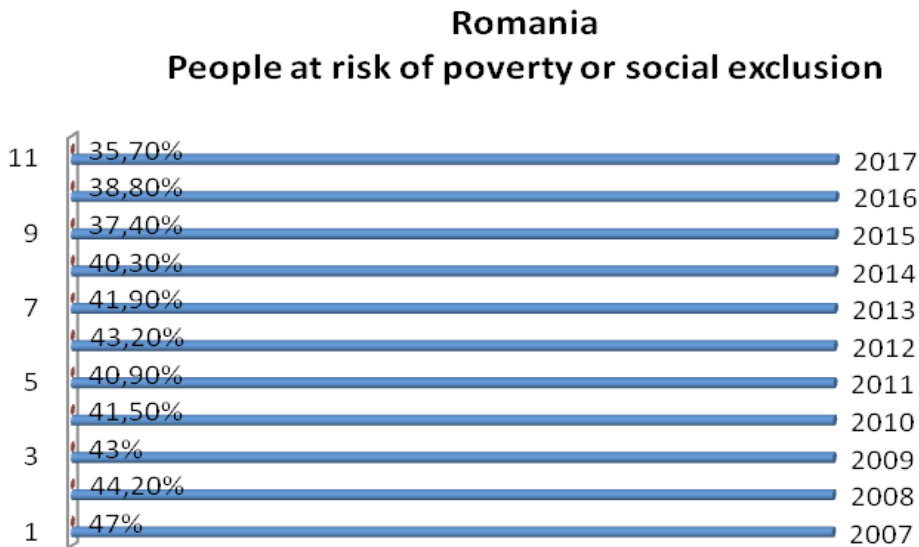

Source: Author

For Romania, the situation is not satisfactory either in terms of the risk of poverty or social exclusion. According to Eurostat data, in 2017 **35.7% of Romania's population was viewed as being at risk of poverty or social exclusion** (the EU average was 22.5%) as fallows:

– 36.5% of women, 34.9% of men (23,% - 21,6%, in EU);

– 41.7% of people under the age of 18 (24,5% - in EU);

– 33.2% of people aged 65 or over (18,1% in EU);

• 33.4% of families without children (21,9% in EU);

• 37.5% of families with children (23,0% in EU);

• 26.8% of the employed persons (12,3% in EU);

• 67.0% of the non-employed persons (64,7% in EU).

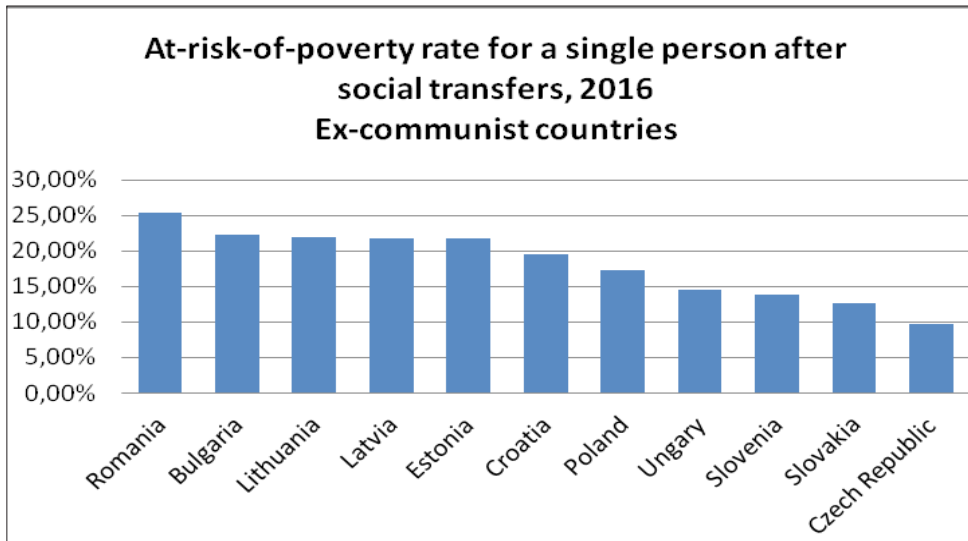Figure 3. People at risk of poverty or social exclusion / 2007-2017

Romania
People at risk of poverty or social exclusion

35,70%	2017
38,80%	2016
37,40%	2015
40,30%	2014
41,90%	2013
43,20%	2012
40,90%	2011
41,50%	2010
43%	2009
44,20%	2008
47%	2007

Source: Author

According to Eurostat data:

– In 2016, even if 118 million people (22.5% of the EU population) lived in households at risk of poverty or social exclusion, in reality only 17.3% of the EU population was at risk of poverty;
– The explanation for the relatively high percentage (17.3%) comes from the fact that in 2016 10.5% of the EU population, aged between 0 and 59, lived in households with very low labor intensity;
– It should also add that in 2016, 7.5% of the EU population suffered from severe material deprivation.

In 2016 Romania was at the top of the group of the eight poorest European states. **The at-risk-of-poverty-rate** who is the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold **was in Romania 25.30%** (Serbia, Turkey, Former Yugoslav Republic of Macedonia, both non-EU states, were also part of the group).

Figure 4. At-risk-of-poverty rate for a single person after social transfers, 2016

Source: Author

At the opposite pole, according to Eurostat data, there were Czech Republic (9.7%), Finland (11.6%), Denmark (11.9%), the Netherlands 12.7% and Slovakia (12.7%).

Iceland (8%) and Norway (12.2%), which are not members of the EU but are part of the Schengen group, joined the group of countries with the lowest exposure of the population to poverty. From the group of ex-communist states, Romania remains the country with the highest risk-of-poverty rate, a quarter of the country's population living under the poverty line (see Figure 2).

According to Eurostat, in the Visegrad Group, the risk-of-poverty rate is below the EU average (17.3%): Czech Republic - 9.7%, Slovakia - 12.7%, Hungary - 14.5%, Poland - 17,3%. It is also worth pointing out the homogeneity of the Baltic states in terms of risk-of-poverty rate, all three being close to the 22% threshold: Estonia - 21.7%, Latvia - 21.8% and Lithuania – 21,9%.

The distribution of the income of Romania's population. The Gini Coefficient

Any public policy that aims to combat poverty and social exclusion can not avoid a very serious analysis of inequalities within society, regardless of their economic or social nature. Generally, economic data is an important barometer for the estimation of relative poverty because the distribution of
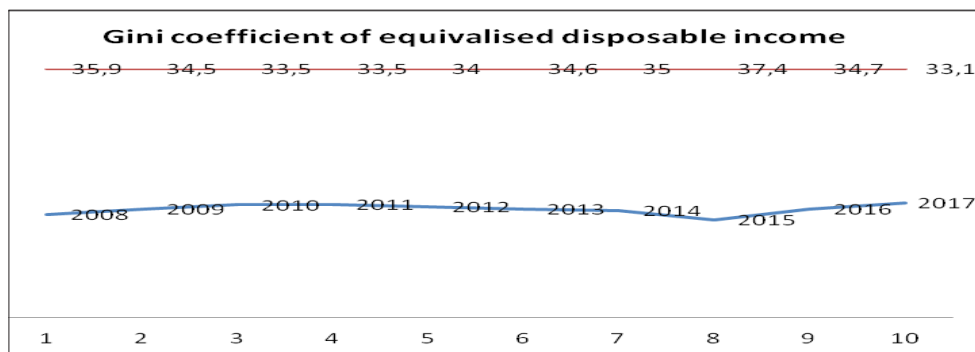
economic resources directly affects the depth of poverty. Eurostat data abounds in statistic data that reinforce the idea that there are still great inequalities in revenue distribution.

Very interesting is the analysis of the intensity of poverty (finding the answer to the question of "**how poor poverty is**"). This threshold is set at 60 % of the national median equivalised disposable income of all persons. Among the EU Member States, in 2017 **the relative median at-risk-of-poverty gap is widest in Romania - 36.2 %** (with gaps above 25.0 % also reported for Spain – 32,5%, Bulgaria – 30,5%, Greece – 30,3%) (Ec.europa.eu, 2018b). The lowest at-risk-of-poverty gap among the Member States was observed in Finland (13.9 %), Cyprus (15.1%), Czech Republic (16.6%), Hungary and Malta (16.7%), France (16.9%), Belgium (17.7%) and Netherlands (17.8%). But the most important indicator of measuring the income distribution inequality is the Gini coefficient.

According to the specialized dictionaries, the Gini coefficient is a „*measure of the statistical dispersion used to represent the distribution of a nation's population incomes, but especially to represent the disproportion in the distribution of income or wealth, being an indicator of inequality*" (Gini coefficient, 2018, Wikipedia, 2018).

Basically, it is an indicator that measures the inequality of available incomes of a population, values ranging from 0 to 100, where 0 reflects the perfect income equality and 100 the perfect inequality. Practically, the increase in the Gini coefficient reflects greater inequality in the distribution of incomes or wealth of a population. The Gini coefficient for Romania in 2017 was quite high (33.10%), Romania being seventh in EU (the podium is occupied by Bulgaria, with 40.20%).

Figure 5. Gini coefficient of equivalised disposable income (2008-2017)

Source: The author

The Figure 5 reflects very well the dynamics of the Gini coefficient in the 2008-2017, a period when the inequality in revenue distribution decreasing, if we relate to the national average, with 2.8% +(the pulsation of 2015, when again reached a high value of the Gini coefficient - 37.4%, even higher than in 2008, warns that Romania does not yet have a clear strategy to mitigate the uneven distribution of income).
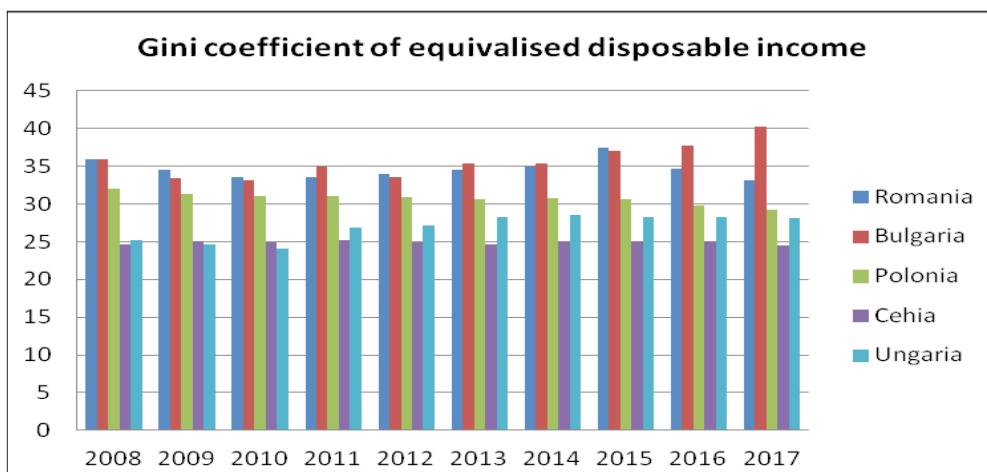
As can be seen from Table 2, compared to the Visegrad Group, Romania has one of the highest rates in terms of inequality in income distribution (the value of the Gini index for all four other Visegrad Group member states is below European average of 30.3%).

Table 2. Gini coefficient of equivalised disposable income - EU-SILC survey

	Romania	Bulgaria	Poland	Czechia	Hungary	UE 28
2008	35,9	35,9	32,0	24,7	25,2	30,1
2009	34,5	33,4	31,4	25,1	24,7	30,6
2010	33,5	33,2	31,1	24,9	24,1	30,5
2011	33,5	35,0	31,1	25,2	26,9	30,8
2012	34,0	33,6	30,9	24,9	27,2	30,5
2013	34,6	35,4	30,7	24,6	28,3	30,5
2014	35,0	35,4	30,8	25,1	28,6	31,0
2015	37,4	37,0	30,6	25,0	28,2	31,0
2016	34,7	37,7	29,8	25,1	28,2	30,8
2017	33,1	40,2	29,2	24,5	28,1	30,3

Source: The author

Figure 6. Gini coefficient of equivalised disposable income - EU-SILC survey

Source: The author

According to Eurostat, the countries with the lowest Gini coefficient are Slovakia (23.2%), Slovenia (23.77%), Czech Republic (24.5%), Finland (25.3%) and Belgium (26.0%). On the other hand, with the exception of Bulgaria (40.2%), the countries with the highest Gini coefficient are Lithuania (37.0%), Latvia (34.5%), Spain (34.1% and Greece 33.4%).

Conclusions

- Beyond the visible efforts to recover economic disparities (63% of GDP / capita from the EU average in 2017), **Romania remains a country with a very poor population and serious regional disparities**;
- According to the National Institute of Statistic **a Romanian citizen could have been declared poor in 2017 if his monthly income was below the threshold of $ 151.95 per month** (about 615.66 lei at an average of one dollar of 4.0517 lei).
- According to Eurostat data, **35.7% of Romania's population was viewed in 2017 as being at risk of poverty or social exclusion** (for the same year the European average was of 22.5%);
  – According to Eurostat data, the most affected cohort was for young people - **41.7% of people under the age of 18 was viewed as being at risk of poverty or social exclusion in 2017**;
- Moreover, in 2016 Romania was at the top of the group of the eight poorest European states. **The at-risk-of-poverty-rate** who is the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, **was in Romania 25.30%** (17.3% was the EU average);
- In terms of poverty intensity (how poor poverty is) Romania ranks first in Europe. Among the EU Member States, in 2017 **the relative median at-risk-of-poverty gap is widest in Romania - 36.2 %** (with gaps above 25.0 % also reported for Spain – 32,5%, Bulgaria – 30,5%, Greece – 30,3%)
- **The Gini coefficient**, **which measures inequality in the distribution of income or wealth of a population, was high in 2017 - 33.10%** (Romania ranks the seventh in the EU, while Bulgaria ranks first with a Gini coefficient of 40, 20%);
- It is a rather complicated equation for Romania's economic development, because **the lack of the middle class will certainly influence the process of economic development as well as social cohesion**.

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