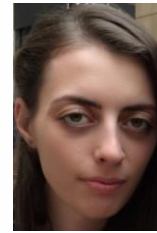


CHARACTERISTICS OF IN-WORKING POVERTY IN ROMANIA

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Abstract

The present paper reveals recent insights since 2017 on the topics of in-working poverty and on the determinant factors that influence it, analyzing quality of work correlated with the perception of social tension between groups. The study covers a set of indicators that serve to monitor the labour market reforms in Romania. The results show that the in-working poverty rate in Romania is almost double than the average of the European Union. In this context, an efficient system of measures is needed in order to have a significant increase in the employment rate, which is the key to the reduction of poverty. On the other hand, hiring unemployed people corroborates with the increase in soft skills of the individuals, and contributes to the increase in participation rate on the labour market.

Keywords: *in-work poverty; poverty rate; activation turn; soft skill*

1. Introduction

A job is the best way to get rid of poverty, says Daniel Seikel in a recent paper by Social Europe (Social Europe, 2017). It mentions the fact that Europe's concern over labour market reforms has recently shifted focus on job creation. Social investments at European level are the principles behind Europe guiding its labour market policies as the source of other national reforms. Thus, job growth should be achieved by implementing measures to stimulate and develop the economic environment both in terms of quantity and quality. In this respect, economic stimulation of innovation is a first step in sustainable economic development.

In order to insert unpaid individuals in the labour market, pressure has to be exerted on this segment to look for and accept a suitable job. For an unemployed person to reject a job offer because it is below standards, qualification and training was more difficult and thus sanctioned. From the paradigm of inserting people in the labour market, who are not employed, social benefits are seen as negative attempts to increase participation in the labour market. Therefore, the time and generosity of the social benefits of the unemployed has been reduced and the eligible criteria for granting these benefits have increased. Thus, the economic pressure on this segment has increased even more. On the other hand, active labour market policy measures - vocational training, basic skills and soft skills development - have been promoted extensively to increase employment for the unemployed. In the specialized economic literature, this development is characterized as an "activation turn".

In Romania, several studies by Ghența (2017) identify the factors that influence labour poverty but do not analyze the quality of work and the perception of social tension be-

tween groups. The present study aims to bring to the fore the trend of the social tensions observed in the society between certain groups.

2. Literature review

Poverty is a major problem in the member countries of the European Union which varies greatly between countries. In Romania, for the year 2017, about 17.1% of those who work are poor. Surprisingly, the poverty rate in Romania is about twice as high as the European Union average. At the opposite end, Finland is the country with the lowest poverty rate in the workplace, where only 2.7% are considered to be poor workers. We can conclude that an increase in the minimum wage can significantly contribute to a decrease in work poverty. According to the National Strategy on Social Inclusion and Poverty Reduction (2014-2020), "one in five Romanians are facing poverty due to insufficient income, and much of the income-based poverty is persistent, with three quarters of the poor, in this situation for at least three years "(Government of Romania, 2014).

The draft strategy also states that there are still many inactive or legally unemployed people, who have very little chance of having early access to the labour market. Among the observations that appear in the strategy project, one of them draws particular attention. "There is a significant number of disadvantaged communities in which these problems accumulate, making it almost impossible to interrupt the exclusion cycle without its members being supported and integrated by external interventions" (Government of Romania, 2014). This strategy presents a set of measures to ensure the achievement of the objectives of the Europe 2020 Strategy and Romania's assumption. This set of measures "will allow Romania to make considerable progress in reducing poverty and promoting social inclusion for vulnerable people, groups and families" (Government of Romania, 2014). They are aimed at reducing child poverty, reducing Roma discrimination, and integrating poor and marginalized communities. Age problems in finding a new job can be partly determined by the need to pay seniority and labour market barriers, such as age discrimination.

Recent studies conducted by the EU (2012, 2017) and Eurofound (2017a) for Europe indicate the existence of three factors that influence how people are affected by workplace poverty and stress the need for skills and inclusion. The first factor is personal characteristics (age, education, gender). The second factor consists of the characteristics of the work placement (full-time employment or part-time employment), professional status, form of employment contract (undetermined, determined duration). The third factor is the single parenthood, with or without dependent children.

3. Data and research methodology

In the first part, in order to highlight the relationship between work poverty and the main factors influencing its persistence, an analysis is carried out on data accessed from Eurostat's online database. The analysis is based on the main indicator that measures in-work at-risk-of-poverty rates. This indicator is calculated for those aged 18-64 who are employed and at risk of poverty (Eurostat, 2010).

Another source of data, which this study uses in the analysis, is the European Quality of Life Survey (EQLS) from 2015. The survey is conducted by Eurofound once every four years and collects information on the quality of life, society and public services.

Also, the dataset of this study uses redacted indicators from 2012-2017.

4. Employment and the quality of employment in working poverty reduction – Tension perceived by different social groups

At first glance, for Romania, the main question is how the problem of work poverty may be effectively monitored. Even though Romania has a low unemployment rate (4.9% in 2017), we are facing a high rate of poverty among people employed, the highest in the EU, as shown by the figure below (Figure 1). An increased rate of employed people is a characteristic for Romania over the past 10 years, according to Eurostat data. Thus, it is plausible to suppose that an increase in employment would further reduce the level of poverty.

Among the factors that could contribute to the poverty rate of employed persons we can list: low productivity, low employment rate, officially declared labour force or low labour demand in the whole economy. In fact, it is important to note that the poverty of the employed in Romania is mainly concentrated in rural areas, especially in the agricultural sector (Government of Romania, 2014).

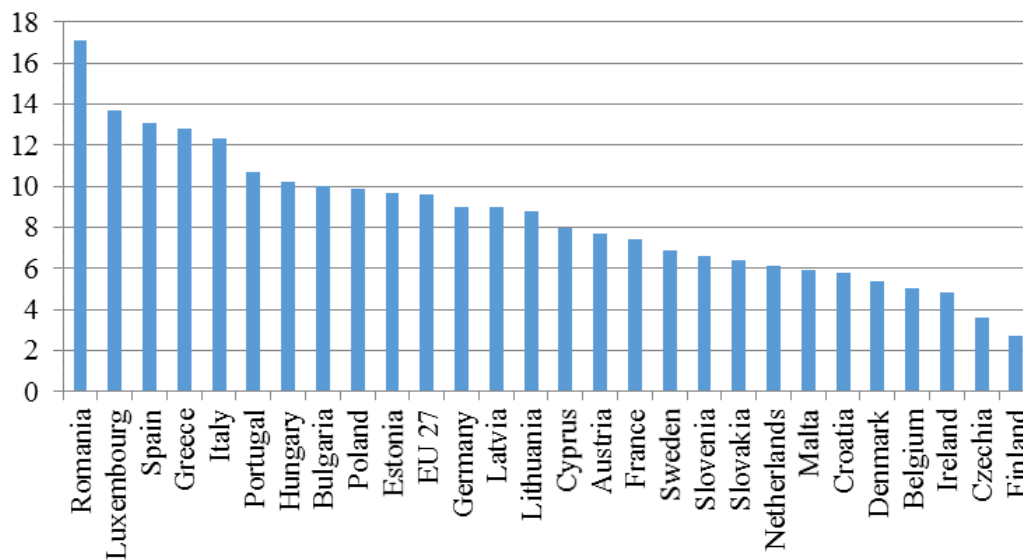


Figure 1. In-work at-risk-of-poverty rate in EU 27, % from the employed people of 18 to 64 years of age, in 2017

Data source: Eurostat (ilc_iw01); data values for Ireland are from 2016; EU27 - EU without UK; author modelling

If employment is the best way to get rid of poverty, including labour poverty, then, logically, the proportion of working poor should at least not increase if we have a significant increase in employment. The combination of employment increase and rising work poverty suggests that policies for activating undeclared people need to make it less complicated for the people or poor households to become employed or households with a job. It is necessary to take into account and analyze the effect of different labour market policies on work poverty on both long term and short term.

Further, looking on what the Figure 2 presents, the following conclusions can be drawn. Compared to Romania, the in-work poverty rate is higher in Europe among the employed with a permanent job (5.8%) and among employed with a temporary job (16.3%). The percent of in-working poverty in Romania, for permanent working employees, is with 0.8 percentage points less than the mean of EU 27. Further, looking into the in-working poverty

among the employed with temporary work, the mean recorded for the EU 27 is with 3.4 percentage points higher than in Romania. On the other hand, analysing the in-working poverty in the traditional full time work segment, the rate for Romania is with 5.3% higher than the rate recorded for EU 27.

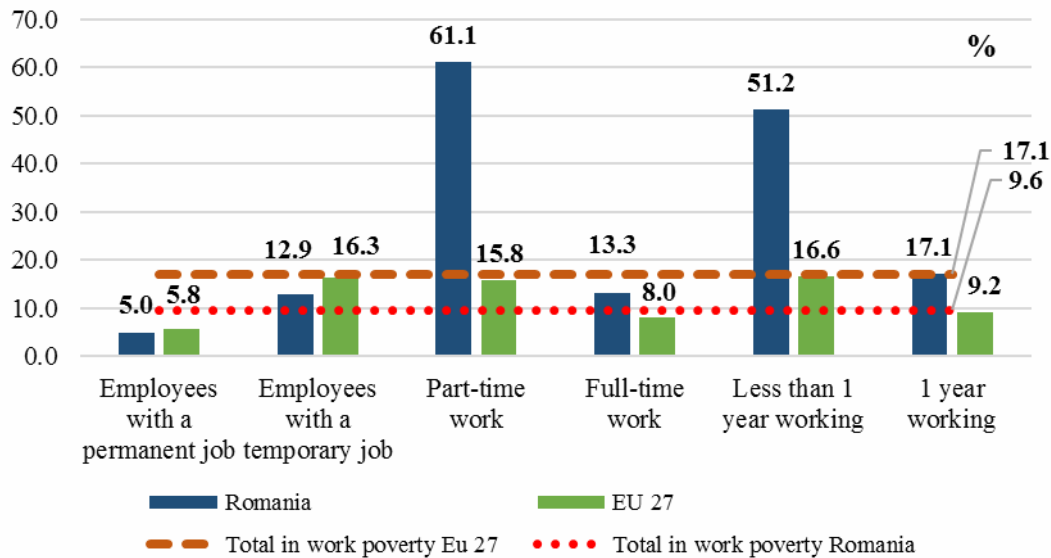


Figure 2. In-work poverty by job characteristics in 2017 (%)

Data source: Eurostat (ilc_iw01, ilc_iw05, ilc_iw07, ilc_iw06); EU27 - EU without UK, author modelling

The percentage is even higher among those, which have a part time job. As shown in the above figure (Figure 2), the in-working poverty among part time workers is almost three times bigger in Romania than the one observed in for EU 27. It can be observed also that the difference between in-working poverty among part time and full time employment segments is recorded higher in the first segment for both Romania and EU 27. In EU 27 it is observed that the in-working poverty in the case of part time workers is with 7.8 percent points higher than the one reached in the segment of the full time employees. In the case of Romania, this difference is approximately 6 times higher than the same difference in EU27. Large differences persist when looking into the in-working poverty comparison between those that work less than 1 year and those that have completed a year of working. However, in this case, for Romania the difference is still extremely high.

The "European Quality of Life Survey 2016" by Eurofound (European Foundation for the Improvement of Living and Working Conditions) provides an insight into social trust and tension amongst Europeans. In the chart below, Romania places itself in the middle top countries where individuals report that there is a high perceived tension between the poor and the rich, and between management and workers. With 42% of women who believe that there is a high perceived tension between poor and rich, our country is overtaken by Lithuania (53%) and Hungary, which has the highest score of 61%.

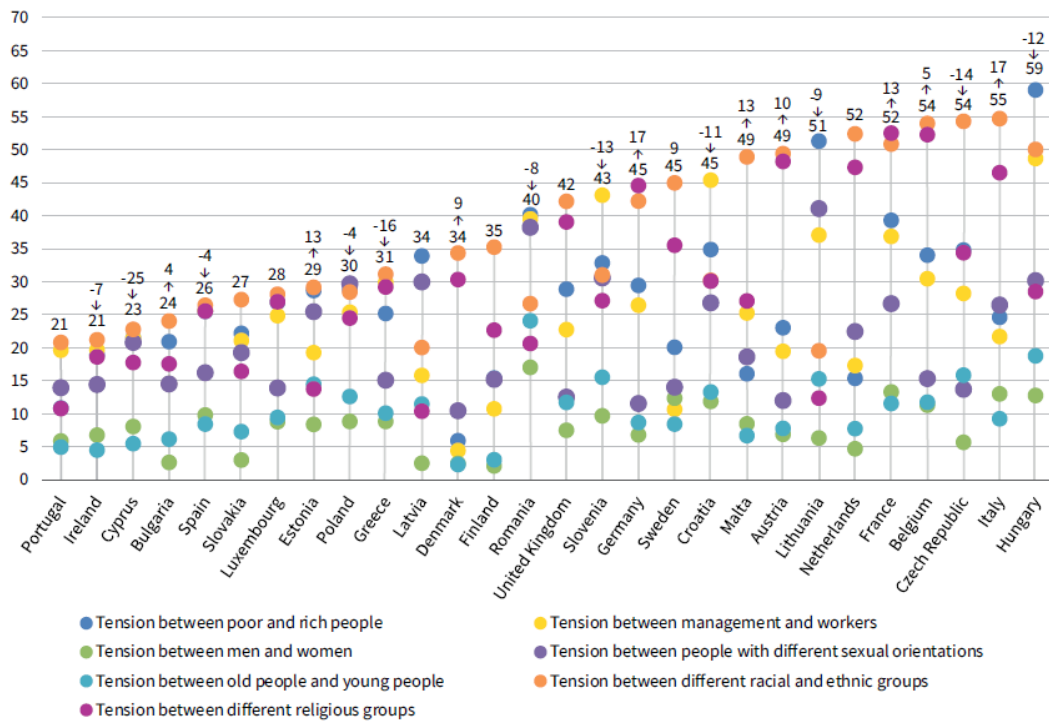


Figure 3. Perceptions of tensions between different social groups, by country, in 2016 (%)

Notes: the percentage shows the highest type of tension in each country, between social groups. The numbers at the top of each column shows changes in statistically significant percentage points for the highest type of tension between 2011 and 2016. Question Q34 of the EQLS 2016, response category: EU data -28.

Data source: reprinted from European Foundation for the Improvement of Living and Working Conditions, (2017b)

In terms of tensions between different ethnic groups, our country has one of the lowest values, but higher than Bulgaria, Latvia and Lithuania.

When the tension between old and young people is analysed, Romania scores the highest values. Otherwise, the tension perceived between different religious groups is small in the case of Latvia, Lithuania and Romania. Looking into the situation of the perceived tension between men and women, it is observed that Romania records the highest value amongst all the countries in this study. With all of these said, this value is in the same time, for Romania, the lowest from all the 7 tension categories presented.

Table 1. Evolution of selected indicators in Romania between 2012 and 2017

	2012	2013	2014	2015	2016	2017	Evolution
Employment rate as a proportion in total employment (20-64 years) (%)	64.8	64.7	65.7	66.0	66.3	68.8	
Total at risk of poverty rate (%)	22.9	23.0	25.1	25.4	25.3	23.6	
In-work poverty rate	18.9	18.1	19.7	18.6	18.6	17.1	
Monthly minimum wage as a proportion of average monthly earnings*) (%)	34.2	35.8	38.4	40.4	42.4	44.6	
Minimum wages (EUR/month)	161.9	157.5	190.1	217.5	232.1	275.4	

Data source: Eurostat; *) Industry, construction and services; author modelling

Table 1 presents the evolution of the selected indicators in Romania in the most recent period 2012-2017. In 2017, Romania has not yet reached the required national target of 70% for the employment rate (20-64 years) for 2020, but there is a noticeable increase of 2.5 percentage points compared with 2016. Analysing the two indicators that present the evolution of poverty rates, one may conclude that the in-working poverty contribution to the total poverty rate is visibly much higher.

In addition, between 2013 and 2017 the positive evolution of minimum wages indicates a decrease in in-work poverty rate. The same interpretation can draw one analyses the proportion of monthly minimum wage in the average of monthly earnings.

5. Conclusions and recommendations

The results of the statistical analysis show an inefficient employment structure and a less coherent policy to reduce the number of in-work poverty individuals. The growth of the Romanian economy did not produce sufficient reduction of the in-work poverty, these differences being more visible in the rural and less industrialized areas. In this respect, a series of measures to increase employment are needed, which may also be effective to decrease the migration level that is affecting these areas.

However, Romania faces a high employment rate in the agricultural sector, about one quarter of the total employed population (23.7%), comparing it to the average of the European Union, of only 4.5%. Toma and Mirica (2018) pointed out in their study that most of the agricultural holdings in Romania are very small and without legal personality, thus ensuring only the necessary supplies for the land owners.

Having these said, my proposal is that regions that rely largely on such agricultural holdings and unspecialized producers of raw agricultural products, as being the major employers, should develop economic policies to further sustain high-value product development and production around the these areas. In order for these products to reach the shelves of the Romanian consumers and to the export, correlated fiscal facilities should be introduced as policies and offered to the economic entities that process raw-agricultural matter from the short-chain supply of such regions.

Furthermore, Andrei et al. (2011) reveals that the agricultural sector, having an increased share of employed population has a high importance in Romania. Ladaru and Beciu (2014) identified that promoting authentic Romanian products also increase visibility of other products made in Romania. Addressing such challenge gives an opportunity to identify the made-in-Romania brand and to develop specific facilities for the products of this economic sector that comply and increase the added value of it. On the long term run, if there is movement from agricultural sector to industry or services sectors in these agricultural areas, this shift may contribute to the decrease in poverty and to the increase in the effective available jobs quality.

Education is one of the most important factors determining the earnings of an individual. A large number of studies have evaluated the impact that education has on the wage earnings, including the studies of Card (1999) and Dickson (2009). Thus increasing the number of employed people with high level of education reduces the working poverty because of the high-value products that they produce.

Such measures constitute a starting base to lay a favourable perspective of change in reducing the in-working poverty seen in Romania.

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