Worldwide Image of Poverty and In-work Poverty for Total and Young Population in Romania

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Abstract

The paper focuses on a rather controversial topic related to both the poverty and the labour market, referring to the common indicator: in-work poverty. This paper represents a picture of the situation of people who, despite having a job, thicken the ranks of the poor. These groups have high poverty incidence, and they must be targeted through the action plans, especially at national level, for increasing their quality of life - a major objective of national and international strategies. These people must be the subject of employment policies, so that their employment income won’t place them below the poverty line. At the same time, they must also be the subject of poverty alleviation strategies, as if their income is reduced, then they will surely be under the poverty threshold and will constitute a target group of social protection policies. Many young people are facing high poverty rates, and, moreover, if the household have children or inactive people, they faced high poverty and they constitute a more vulnerable target group. All indicators are analyzed in dynamics for 33 countries of the panel, which reports to Eurostat common indicators on poverty and social inclusion. This feedback, by analyzing poverty and in-work poverty indicators, should be an alarm signal for decision-makers, because it emphasizes that having a job is not necessarily a unique and safe protection against poverty.

Keywords: Poverty; in-work poverty; poverty & employment; dynamics & worldwide; young people.

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1. Introduction

This paper focuses on a rather controversial topic related to both poverty and the labour market, referring to the common indicator of “in-work-at-risk-of-poverty”. The controversy is generated by the fact that it has often been said that the poor are those who have no jobs, that poverty is only associated to unemployment, thus having a job represents the only safe way to reduce poverty, but statistics have shown that these are only desiderata and that, in reality, even if a person has a job, it is possible that his/her income from employment to be found below the poverty threshold.

The indicators analyzed in this paper are part of the portfolio of poverty and social inclusion indicators and highlight the particularly important and interconnected issues related to both poverty incidence and employment, through the component regarding the work income.

By bringing together these common indicators that address both poverty reduction and employment at the same time, we are focusing on the image of poverty from the perspective of persons whose work income places them below the poverty line. In other words, for these people, having a job doesn’t help them to step outside the poverty sphere, and even if policies, action lines, and poverty reduction strategies mostly refer to vulnerable groups, stakeholders must acknowledge that having a job does not always provide safe protection to overcome poverty.

2. Problem Statement

Numerous international and national strategic documents address the two important dimensions - poverty reduction and employment, but a small number of strategies, policies and documents target in the same time the two dimensions of people who, although in employment, are facing poverty. Among the main strategic documents, we mention: The 2003 Millennium Development Goals Report [10], Lisbon Agenda 2000 [4], Europe 2020 Strategy [5], etc. All these strategies set important targets to reduce poverty and to promote social inclusion. In 2011, International Labour Office discusses some estimates of the number of employed persons situated below the poverty line [8]. The first annual Work and Social Evolution Review in Europe, Employment and Social Developments in Europe [6], concluded that a combination of employment and social policies is needed to provide a significant recovery of jobs in the long-term, in the current fiscal consolidation climate and under rather uncertain economic prospects. In addition, this document has examined some models of poverty
and social exclusion in Europe, and also the phenomenon of poverty generated by the low-paid work. The 2011 Annual Report mentions that in-work poverty is a serious issue for the EU and it is a first real example of the necessity for an approach that combines and integrates both social and employment policy solutions in the same time. Subsequently, these reports continued every year to focus on the analysis of poverty and social exclusion, but also on working age poverty (ESDE 2014).

Some research highlights in-work poverty by analyzing and structuring this indicator in some household contexts or by associating it with certain types of employment contracts, or linking it to other indicators such as the minimum wage. Thus, at the national level, at the end of 2016, the Ministry of Labour and Social Justice, following the implementation of a national interest study on the minimum wage (study of the National Scientific Research Institute for Labour and Social Protection), concluded that in 2015, 20.2% of employed people placed below the poverty line [9].

In analyzing the indicator of in-work poverty considering employment forms, other authors also suggested that in-work poverty should be seen in both individual and household contexts [1]. In addition, the family context influences in-work poverty, considering factors such as the existence of a single income in the household, the number of children in the household, the presence of elderly, inactive or unemployed, and so on. Public welfare also influences in-work poverty from a household’s perspective in terms of reduced levels of transfers and family benefits.

These remarks on in-work poverty, both from the individual’s perspective and from the household’s perspective, are also mentioned in the European Commission’s Report on In-work poverty in the EU [7].

Other significant reports focusing on gaining knowledge on the in-work poverty phenomenon in Romania [2] highlighted the national dynamics for 2000-2006. Thus, our paper presents the evolution of poverty and in-work poverty indicators for the next period, 2007-2015, for Romania, in comparison to other 33 European and non-European countries in the studied panel and to the European average for the analyzed indicators.

Other research studies focused on the study of in-work poverty within the EU, pointing out existing gaps at the level of 2007, from a comparative perspective, explaining the nature and extent of the in-work poverty phenomenon, and identifying some risk factors that generate and sustain in-work poverty, both individual factors (depending on personal or household characteristics) and institutional, societal or economic factors, etc. [3].
3. Research Questions/Aims of the research

The aim of the paper is to highlight the picture of poverty and in-work poverty for the total population and among young people in Romania, compared with other 33 countries of the EUROSTAT panel.

To achieve this goal, the main objectives of the paper are: Objective 1. Presenting the poverty rates in dynamic over the period 2007-2015 for the total population and among young people in Romania, compared with other countries; and Objective 2. Knowing and presenting in-work poverty rates in dynamic over the period 2007-2015 for the total population and among young people in Romania, compared with other countries of the panel.

Contribution of the research: By highlighting the pictures of poverty and in-work poverty, we want to present those situations where the incidences of poverty and in-work poverty are high, for example among young people, to show some alarm signs, especially where the depth of poverty and in-work poverty and the persistence over time of these forms of poverty are found.

The importance of research: After analysing the specific literature, it was found that from one year to the other, in-work poverty is more and more prevalent at national level, but also in many developed countries. On the other hand, having a job is no longer the only way to get out of poverty. In addition, highlighting these alarm signals should be considered in improving specific policies regarding poverty alleviation, employment policies or policies for youth, and for vulnerable groups face with poverty, even they have a job.

Thus, the current national strategies, for example National Strategy on Social Inclusion and Poverty Reduction for the period 2015-2020 and the Strategic Action Plan for the period 2015-2020 (GD 383/2015)], the National Strategy for Employment 2014-2020 and the Action Plan for 2014-2020 for the implementation of the National Strategy (GD 1071/2013), the National Strategy for Youth Policy for the period 2015-2020 (GD 24/2015) should aim to improve the situation of young people and of the general population in Romania, both in terms of poverty and in-work poverty reduction.

4. Research Methods

The method used in the paper is based on the analysis of data sources. This is a statistical, descriptive analyse, pursued in dynamics and
based on the statistical data provided by Eurostat, covering the 2007-2015 period.

The two quantitative indicators analysed in the paper are: relative poverty rate and in-work poverty rate, being studied in dynamics both for Romania and compared to the other 33 European and non-European countries included in the analysed panel. Relative poverty rate is calculated according to the average income, so that the threshold varies from one country to another and from one year to another.

According to Eurostat indicators glossary, the relative poverty rate represents the share of people with an equalized disposable income, after social transfers, lower than the poverty threshold. This threshold is fixed at 60% of median disposable income per adult equivalent, according to EUROSTAT methodology. The poverty rate is the main component of Headline indicators from Europe 2020 indicators, section Poverty and social exclusion. The second indicator analyzed in the paper is in-work poverty rate; this indicator represents the share of employed persons of 18 years and over with a disposable income per adult equivalent lower than the poverty threshold fixed at 60% of median disposable income per adult equivalent.

Both indicators, relative poverty (or standard poverty) and in-work poverty rate, will be analyzed in the paper by the total population as well as in the structure that follows the 15-24 age group. We mention that within the age group, the structure is extremely extensive, and in the case of young people, the literature generally states that the age group for youth is 15-29 years old. However, because of the analyzes of both age groups (15-24 years and 15-29 years), it was found that the incidence of poverty is higher for the younger group, so we focus on the age group of 15-24 years for young people.

5. Findings

5.1. The risk of relative poverty for age group of 18 years and over

The relative poverty rate is an indicator of the poverty incidence and represents the share of households with a equalised disposable income (including or excluding the consumption of own resources) lower than the poverty line. This indicator is usually determined for the 60% of the national equalised median income. The indicator is also useful in characterizing poverty dynamics and for international comparisons. Relative poverty is calculated based on the average income per economy, so the threshold varies from one country to another and from one year to the other.
According to Eurostat databases, this indicator of poverty is structured on several levels. In order to highlight a national and international profile, but also a comparative profile also considering in-work poverty, these structures will be analyzed by the age group of 18 years and over.

The poverty rates for the age group 18+ are lower by 1.2-2.4% compared to the poverty rates for total population, but these small differences do not change the position of Romania compared to the other 33 countries. During the last decade, 2007-2016, Romania is ranked on the second position in the hierarchy of countries with the highest rates of poverty (Figure 1).

Figure 1. Poverty rate - total population aged 18+ years, 2007-2015 (%)

In Europe, according to the latest Eurostat data, during 2007-2015, the lowest poverty rates for people aged 18+ years were registered in Iceland (10.4-10.7%), The Czech Republic (13.0-14.6%), Sweden (13.6-17.0%), Norway (13.9-16.7%), the Netherlands (14.5-16.3%), Finland (16.7-18.4%). These poverty rates are well below the EU27 average, which has varied between 22.5-24% over the past 9 years for people aged 18 and over.

According to Eurostat data, the countries with the highest rates of relative poverty, which are well above the European average of 22.5-24.0% for people aged 18+, during 2007-2016, are: United Kingdom, Portugal, Spain (with rising poverty rates), Poland (with declining values), Ireland, Cyprus, Italy, Croatia, etc. But Bulgaria, followed by Romania, has the “supremacy” with the highest relative poverty rates, far above all these countries.

Thus, during this decade, the highest poverty rates were recorded in Bulgaria (39.1-60.7%, with the highest values being registered during the
2007-2013 period, decreasing strongly in the last 3 years of analysis (2014-2016) at the 39.1-40.8% threshold. The evolution of the poverty reduction phenomenon in this country is interesting, as it recorded a very high poverty rate, the highest compared to all other countries (record level of approx. 61%) and the efforts to reduce poverty were successful in a short time, so the poverty rate dropped by more than 20 pp. in only 9 years.

Unfortunately, out of the 34 countries considered, Romania ranks 2nd position of the poorest countries, with the poverty rate for people aged 18 and over between 35.2-45.8%. In the last three years (2014-2016), national values, although in decline, varied between 35.2-37.9%, but still remained high and placed our country in the second position after Bulgaria in the top of the poorest of the 34 countries included in the analyzed panel.

Despite the action directions set out in the poverty alleviation Strategy (GD no. 383/2015), we note that poverty incidence remains at high levels.

5.2. In-work poverty rate for age group of 18 years and over

In-work at-risk-of-poverty rate is defined as the percentage of persons in the total population who declared to be at work (employed or self-employed) who are at risk of poverty, i.e. for which the equivalised disposable income is below the risk of poverty threshold, set at 60% of the national equivalised median income, after social transfers.

According to the European Commission's Portfolio of Poverty and Social Exclusion Indicators, this indicator refers to individuals who are characterized as having a job and as being in poverty at the same time, because his work income is under the poverty threshold. This indicator needs to be analyzed in accordance to personal, occupational and household characteristics. It is also necessary to analyze this indicator in comparison to the risk of poverty associated to unemployment and inactivity. People are classified as employed according to the definition of the most frequent activity status, defined as the status that the individual declares to have for more than half of the number of months in a year (all these concepts and definitions are explained extensively in the Eurostat statistics).

For the group of 18+ years, the in-work poverty rate at European level varied over the last decade, 2007-2015, between 8.3-9.5%. (Figure 2).
Figure 2. In-work poverty for population 18 years or over, 2007-2015 (%)

For the group of 18 years and over, the in-work poverty rate at European level varied over the last decade (2007-2015) in a fairly narrow range, between 8.3-9.5%. (Figure 2). Many countries have low poverty rates, well below this average, such as Belgium, Finland, the Czech Republic, Malta, the Netherlands, Norway, Ireland, and Slovakia. Countries with relatively high in-work poverty rates, above the European average, but well below the Romanian level are Italy, Luxembourg, Spain, Poland, and Greece. Romania has a significantly higher value compared to other 33 countries over time.

If most countries had in-work poverty rates around the European average, Romania had much higher values and during this decade the in-work poverty rate has risen from 17.4% to 19.8% (18.9% in 2016). These are the highest values of this indicator compared to the other 33 countries and represent more than the double of the European average. Unfortunately, even though there have been years with slight decreases compared to the previous year, in-work poverty rate is on a continuously rising trend.

Bulgaria has a specific situation: for the relative poverty indicator, Bulgaria ranked first in the hierarchy of the 34 countries in the past 10 years, with the highest relative poverty incidence (almost 2.5 times higher than the European average). Romania held the second position (with almost double values of the poverty rate compared to the EU27 average). In terms of in-work poverty, Bulgaria registers particularly low levels of the incidence of this indicator (5.8-9.2% in the period 2007-2015), just below the European average (8.3-9.5%) over the 9 years of reference.

Source: EUROSTAT [15], last update 30.05.2017, Extracted on 09.06.2017, link http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database
Because the poverty among young people has been particularly acute in our country, the in-work poverty for these younger contingents could be an interesting theme of study. These young people may be among the poor even if they are included in employment due to low work incomes compared to those with more experience and seniority in the workplace.

This is only a dashboard of the in-work poverty image that needs to be analyzed in their multiple structures, and to see the main causes and factors that contribute to the generating and to the perpetuation of in-work poverty.

5.3. The risk of relative poverty for young people aged 15-24 years

In the statistical data, age groups for both relative poverty and in-work poverty are quite diverse and succinctly structured. Although young people would be placed in the age group of 15-29 years, as poverty and in-work poverty rates are higher for the 15-24 years group than for the 15-29 age group, in this paper we analyzed the age group of 15-24.

The European average poverty rates for youth were situated between 20.6-23.9%, with rising values from one year to the other. Countries with higher rates than the average value are Bulgaria (only in the last 2 years), Denmark, Greece, Spain, Italy and Romania (the highest values). (Figure 3).

![Figure 3. Risk of poverty for population 15-24 years, 2007-2015 (%)](http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database)


Young Romanians have experienced particularly high relative poverty rates over the last decade (2007-2016). It is worrying that from year to year the incidence of poverty among young people is increasing, so in 2007 poverty was 23.8%, and it reached 37.3% in 2015 (with a slight
decrease by 3.3 pp. in 2016 - estimated value). Compared to the other 33 countries, Romania has the highest values, double than the European average during the analyzed and, unfortunately, these values are steadily increasing for our country.

5.4. In-work poverty for young people aged 15-24 years

At European level, in-work poverty among working young people aged 15-24 registered values between 9.9-12.9% in the period 2007-2015, increasing from year to year. Romania also has particularly high rates among working young people, which varied over the last decade between 22.4-35.2%, which means more than twice the European average. In addition, at national level, in-work poverty rates have been rising from year to year in a rather rapid rhythm, reaching 35% in 2016, which means that more than 1 of 3 young people face poverty, i.e. obtaining work income situated below the poverty threshold. However, these values increase annually and they are high enough to be alarming. In the same time, these working-poor young people have to be targeted both by the employment policies and by the poverty reduction policies. This is a convincing example that although these young people are in employment, they still face high levels of poverty (Figure 4).

**Figure 4. In-work poverty for population 15-24 years, 2007-2015 (%)**

![In-work poverty for population 15-24 years, 2007-2015 (%)](image)


There are countries with high in-work poverty for the 15-24 age group, but in Romania the relative poverty rate (23.8-37.3%) and the in-work poverty rate (22.4-35.6%) have been significantly higher over time.
among the young, thus our country ranked first in the top of the 34 countries analyzed.

With the highest rate of in-work poverty for young people, after Romania, Norway was second in our 34 countries hierarchy, but with significantly lower values compared to our country, with high in-work poverty rates for youth (18.6-26.8%) over the same period, while the poverty rates are quite impressive (26-32%). Denmark is third in the hierarchy with youth in-work poverty rates between 16.9-25.5%, while the relative poverty rate was placed between 26.1-30.5%. Also in this top, after these countries, there are Greece and Spain, which recorded relatively high values of relative poverty rates among young people (between 30-35%), while in-work poverty rates for young people, in the past 2-3 years, recorded values ranging from 18-25%.

It is obvious that young people aged 15-24 have always been facing high rates of in-work poverty. Households that also include other people with low income or no income, or people with certain characteristics such as low levels of education, poor health, disability, etc. are all the more confronted to the poverty risk. In addition, if those households have dependent children, their precariousness could be increasing, as it is known that the presence of children contributes to the increase of the household consumption without generating additional and adequate income.

The analyzes of in-work poverty in the EU present high differences according to the age dimension, but no uniform patterns exist across these countries with respect to this main characteristic of in-work poverty. Sometimes, young people are associated with people who do not have much experience on the labour market, which would also mean low work income, that place them among people experiencing in-work poverty.

6. Discussions

Of over 30 countries reporting in-work poverty indicators to Eurostat, 9 countries report the highest rates of in-work poverty in the last 4 years, above the European average (8.3-9.5%): Spain, Italy, Latvia and Lithuania (between 8-12%). In Greece, in-work poverty is 14%. The record values are owned by Romania (17-18.5%), with the highest threshold recorded in the last 4 years compared to all the countries reporting this indicator to Eurostat.

Most countries are situated under the EU average: Norway, Iceland, Sweden, Slovenia, Slovakia, Austria, Netherlands, and so on. The evolution of some countries is interesting, in terms of in-work poverty for people aged
18 years and over: United Kingdom, recorded high values in 2007-2008, above the European average, but recovered in the next 2 years, and the indicator placed UK with more than one percentage point below the European average. The Czech Republic maintains in-work poverty at the lowest rates of all countries (3.2-3.7%), as in the case of the relative poverty rate indicator (9-10%). A very interesting situation can be analysed in Bulgaria. For the relative poverty indicator, Bulgaria occupied the third place in the hierarchy in the last 4 years, in the descending order of the poverty incidence, while Romania recorded the highest values of the poverty incidence. On the other hand, in the case of the in-work poverty indicator, Bulgaria registers low values of the incidence of in-work poverty (7.5%), being positioned below the European average in the four reference years. Thus, the picture of in-work poverty in Bulgaria is interesting, as it has the highest relative poverty rate, while being positioned below the European average from the point of view of in-work poverty (in Bulgaria 5.8-9.2% between 2007-2015 for in-work poverty for people aged 18 years and over and 8.3-9.5% for European average).

The analyzes of poverty and in-work poverty incidence should be developed from individual or household perspective. The academic literature pays a great attention to these characteristics, considering them to be particularly important in generating and perpetuation of in-work poverty. From the individual and household side, we mention skills level, education, gender, age, size of work intensity in the household, presence of children or inactive people, or the type and form of the contract (full time vs part-time or temporary vs permanent). In the paper, from this multitude of determinants, the analyzes focused only on the age group, but also the other characteristics are particularly important, and also a correlated analyze is necessary.

7. Conclusions

Poverty and in-work poverty in Romania have been registering high values over time. Thus, if at the level of the European Union, 8-9.5% of working people are in poverty, at national level, 17-20% of the working people are facing the risk of poverty. It is true that in Romania, in-work poverty follows the trend of the European average, in terms of poverty reduction, but the values remain high at this moment. It is worrying that poverty among the working people remains high in Romania, about one fifth of these people are below the poverty threshold and the tendency of decrease for this indicator in 2007-2015 is almost insensible.
Generally, having a job continues to be an efficient protection against poverty and social exclusion, but it does not automatically exclude the risk of poverty for working people. At the European Union level, between 8-9.5% of working people face the risk of poverty (the so-called „working poor”). At the national level, poverty among working people is much higher, more than double compared to the European average. These alarm signals drawn up in this paper need to be known, as values for the poverty rates of working people are high, especially when policies to reduce poverty, but also those related to employment must be correlated to the current major common goals of national and international strategies in the field until the year 2020.

The problem of poverty among the working people is not only a matter of underemployment or employment with low income, which may be a consequence of several factors, other than those concerning the labour relationship of the working person.

Any change in these multiple aspects (both occupational and household characteristics) has a potential influence on the risk of poverty. Therefore, policies that address the issue of poverty risk, including in the occupational field, are difficult to formulate, but still rely on policies that address the labour market, social protection, fiscal measures or even combinations of these policy directions.

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