8th LUMEN International Scientific Conference Rethinking Social Action.
Core Values in Practice | RSACVP 2017 | 6-9 April 2017 |
Suceava – Romania

Rethinking Social Action.

Core Values in Practice

Incidence of Poverty among Large Households and the Alleviating Effects of the Guaranteed Minimum Income in Romania

Cristina STROE *, Silvia-Florina COJANU

https://doi.org/10.18662/lumproc.rsacvp2017.79

How to cite: Stroe, C. & Cojanu, S. F. (2017), Incidence of Poverty among Large Households and the Alleviating Effects of the Guaranteed Minimum Income in Romania. In C. Ignatescu, A. Sandu, & T. Ciulei (eds.), *Rethinking Social Action. Core Values in Practice* (pp. 864-875). Suceava, Romania: LUMEN Proceedings https://doi.org/10.18662/lumproc.rsacvp2017.79

© The Authors, LUMEN Conference Center & LUMEN Proceedings.
Selection and peer-review under responsibility of the Organizing Committee of the conference

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited

©LUMEN Proceedings

8th LUMEN International Scientific Conference
Rethinking Social Action. Core Values in Practice |
RSACVP 2017 | 6-9 April 2017 | Suceava – Romania

Incidence of Poverty among Large Households and the Alleviating Effects of the Guaranteed Minimum Income in Romania

Cristina STROE[1]*, Silvia-Florina COJANU[2]

Abstract

Studies show that large households are a vulnerable category, faced with high rates of relative and severe poverty. The most vulnerable to the risk of poverty and its extreme forms are the households with many children, those that, besides children, have inactive or unemployed members, persons that are employed but gain low incomes, or single parent families with children, and so on. To reduce poverty and its extreme forms, the guaranteed minimum income was established in 2002 as a measure to prevent and alleviate poverty and social exclusion among families and single persons in difficulty. In this paper we analyze the poverty reducing effects of this social benefit for large households. As a contribution to the knowledge development of the area related to poverty and social action, we estimated the guaranteed minimum income impact on relative poverty, calculated at the 60% of median income per equivalent adult, in dynamics, for large households. Methodologically, for highlighting the guaranteed minimum income benefit's effects, the rates of relative and severe poverty were simulated, including or not including this type of social support in the disposable income of people in the households and, by subtraction, we assessed the guaranteed minimum income contribution to poverty reduction for the large households. Results show that although the guaranteed minimum income has a positive effect, reducing the relative and severe poverty among large households, these households are still facing high poverty, even in the presence of this social support.

Keywords: Poverty, guaranteed minimum income, large households, impact, simulation.

[1] National Scientific Research Institute for Labour and Social Protection, Bucharest, Romania, cristinaradu@incsmps.ro.
[2] National Scientific Research Institute for Labour and Social Protection, Bucharest, Romania, silvia.cojanu@yahoo.com.

https://doi.org/10.18662/lumproc.rsacvp2017.79
Corresponding Author: Cristina STROE
Selection and peer-review under responsibility of the Organizing Committee of the conference

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited

1. Introduction

Reducing poverty and its extreme forms represents a major challenge for the European Union, for the present and the future. It is also a challenge at national level, and European and national strategies provide major objectives for 2020.

In recent years, poverty has taken on a rather large scale, affecting a large mass of people and households, which means also involving a sustained effort on the part of the state through specific forms of protection and social assistance.

More and more serious signals are being drawn to reduce poverty among vulnerable groups, which means knowing and continually analyzing these contingents, finding solutions to improve social protection and social assistance systems, to reduce poverty and its extreme forms, to promote social inclusion and ensure solidarity and equal opportunities for all, actions that respond more and more effectively to the current economic and social challenges in line with the dynamics of the social environment. This dynamic has multiplied the tensions for which social protection and social protection systems have to cope, which multiplies the need for adequate, coherent and effective social programs.

Some of the most vulnerable categories of the population with risk of poverty were, among others, large households, those with many dependent children or those who, besides children, also have inactive or unemployed people, single-parent with one or more children, etc.; these large households have always been faced with high rates of poverty and severe poverty, values that, over time, were situated well above the poverty and severe poverty levels registered for the total population.

Thus, the size and structure of households with one and more persons, especially those with dependent children, are one of the main characteristics directly linked to the risk of poverty.

Therefore, assessments and monitoring of poverty must always be taken into account, especially because these vulnerable households often have children; high rates of poverty have been recorded among children. In addition, these large households hold significant shares in the total households of the population; these aspects correlated with the high poverty rates recorded among large households require that these vulnerable groups be placed permanently in the priorities of the social action agenda.

2. Problem Statement

Reducing poverty and its extreme forms represents a major challenge for the European Union and our country, for the present and the future, and the Europe 2020 Strategy [3], the Recommendations for Romania [1] and the National Strategy on Social Inclusion and Poverty Reduction (GD no. 383/2015) [9] expressly provide major specific targets for 2020.

Permanently the pulse of poverty in Romania is being taken, and many studies and reports show this concern. One of the major concerns about poverty is the one of the World Bank, which made in 2003 a Report [13] (a previous analysis of the World Bank was conducted in 1997), in which it analyzed and presented a picture of poverty, its profile, the link between the benefits of social assistance and poverty, the degree of coverage of these programs, and also the impact of these social benefits on the poverty incidence. Since then, there has been the issue of extending the minimum guaranteed income scheme, but also improving the targeting, coverage and suitability of this program. Another World Bank Report conducted in 2007 [12] was structured as a program of analytical assistance and counseling and focused on poverty and economic growth in Romania. The next World Bank Report in conducted in 2015 [14] substantiated the National Strategy on social inclusion and poverty reduction for 2015-2020. This particularly complex study is focusing on the poorer and vulnerable groups and on an analysis of the policies addressed to the population, focusing on a structured set of policy measures aimed at poverty reducing and social inclusion promoting. At the same time, a rapid assessment of the impact of the economic crisis on poverty was carried out by UNICEF and the World Bank [11], taking into account the years 2008 and 2009.

The Ministry of Labor, Family, Social Protection and the Elderly conducted 2 studies highlighting the impact of the minimum guaranteed income measures in 2011 and 2012 [8], taking into account the absolute and the relative poverty. These 2 reports of the ministry focused on the number and share of social aid beneficiaries faced with poverty, considering certain characteristics (residence, gender, and nationality). Another study of the same ministry, conducted under the aegis of the Romanian Government, focused on the socio-economic analysis for the programming of European funds 2014-2020 [7], and analyzed the program on minimum guaranteed income GIM and its impact on absolute poverty (based on expenditure) for the total population but also for children, noting that GIM beneficiaries remain among citizens with indecently low incomes, as almost one in three live in absolute poverty even after receiving this social aid.

Other recent studies also focused on vulnerable groups facing poverty, highlighting the social policy intervention to support them, and assessing the effectiveness of social transfers in poverty reduction. The 2016 Romania Country Report [4] also mentions that social transfers have a limited impact on poverty reduction and poverty rates, even if rates have declined, yet a large number of people face the risk of poverty. Also, other studies analyzed and evaluated the program on minimum guaranteed income and determined poverty rates before and after social transfers, assessing the adequacy of GIM levels and poverty reduction effectiveness [6].

Other studies have analyzed the minimum guaranteed income program as a main poverty alleviation tool, considering the situation and characteristics of beneficiaries of this social benefit, the poverty profile and beneficiaries in Romania, as well as the analysis of minimum guaranteed income mechanisms at European level. Poverty analyzes are carried out frequently and comparatively across European countries. In the literature there are many studies and we mention the attention paid to the analysis of the anti-poverty impact of the national social assistance programs. The results indicated that „social assistance programmes achieve only limited poverty reduction, while spending a significant amount of their resources on the non-poor. The more extensive and generous programmes achieve higher effectiveness in reducing poverty" [10].

Other studies have also focused on good practice experience analyzes across EU countries regarding the minimum guaranteed income schemes [2]. The study shows that guaranteed minimum income GIM as a tool and anti-poverty policy has a very good national targeting (81.5%) among the poorest 20% of the population, but a reduced coverage (14.2%) among the first quintile, the most poor.

A recent study conducted by the European Commission focused on minimum guaranteed income schemes as a study of national policies, analyzing comparatively the characteristics of these schemes for 35 countries. The conclusion was that these minimum income schemes across Europe play a vital role in reducing poverty and social exclusion in many of the countries, and for many countries the contribution is still very limited, and since 2009 no significant progress has been made [5].

Although the literature is generous enough, both nationally and internationally, both for Romania and other European countries, regarding the analysis and evaluation of this important benefit of social assistance as the main tool for poverty reduction among of the population's vulnerable categories, the present paper brings more insight by evaluating the impact of this program of the minimum guaranteed income on poverty reduction for large households. In other words, we analyzed how poverty rates have been

influenced by taking or not taking into account in the incomes of the social aid. These dynamic simulations add value to the integrating picture of poverty, to better knowing this important social assistance benefit, and these analysis and conclusions provide an alarm signal on the magnitude of poverty reduction over time in the presence of this social support designed with main purpose to reduce poverty and its severe and extreme forms. The added value of the paper consists in profiling the large households experiencing poverty and in analyzing the dynamics of poverty rates with and without the minimum guaranteed income for these large vulnerable households that have been faced with poverty over time.

3. Research Questions/Aims of the research

The purpose of the paper is to analyze how much the guaranteed minimum income program contributes to the poverty reduction in the case of large households. To achieve the goal of assessing this impact, research objectives consisted in evaluation of the poverty rates for large households based on household income that includes the guaranteed minimum income, and then in simulation the poverty rates when this social aid benefit is excluded from disposable income. By the differences between the two poverty rates, the assessed and the simulated ones, this impact will be obtained, i.e. it will be possible to estimate how much this important social benefit contributes to reducing poverty among these large households.

At the same time, the analysis of poverty rates in dynamics over the period under review will show the magnitude of poverty faced by these vulnerable large households despite the increase in eligibility thresholds for benefiting from this important social support specifically and directly designed to reduce poverty and its severe and extreme forms.

These households with many members, often children, are quite numerous in the total population; they are also among the poorest households, facing high poverty rates. These alarm signals should be in the attention of the decision makers.

In addition, for some households that are composed of 3 and more persons, poverty rates are rising from one year to the next in the analyzed period, so the picture of poverty is acute and anti-poverty measures have not had the expected poverty-reduction response among these large vulnerable households.

4. Research Methods

To measure the impact of the guaranteed minimum income, the relative poverty rates will be analyzed by available incomes at the 60% threshold of the median income per adult equivalent, with the modified OECD scale; data will be based on Family Budget Survey, conducted by the National Institute of Statistics, in the 2008-2013 period.

First, poverty rates will include the minimum guaranteed income, then, in the simulations, the guaranteed minimum income component will be excluded from the household's available income.

Thus, two bases are obtained: Base 0 - the baseline database, prior to the application of the social assistance benefit on guaranteed minimum income and Base 1 - the database, when taking into account the social aid benefit within the available income of the household. The following steps are: the simulation in Base 0 (when the minimum guaranteed income/social aid benefit is not taken into account, then the simulation in Base1 (when taking into account the social aid in the available income of households).

Dynamic relative poverty rates will be determined, over the period 2008-2013, for both databases, subject to the inclusion or exclusion of the minimum guaranteed income in the household income, according to the planned characteristics, i.e. the size of the household (1, 2, 3 persons, etc., 6 and more people) and then the differences in poverty rates will be calculated in order to estimate the impact of this social benefit on poverty reduction. These differences will serve to analyze the reduction of relative poverty in the presence of the program regarding the guaranteed minim income, and conclusive aspects of the impact of this social support on the poverty incidence, defined by relative poverty rates, will be highlighted.

In the present paper, the self-consumption component (the equivalent of consumption from own resources) is included within the available incomes. Poverty rates were determined at individual level. In terms of relative poverty, while household income was taken into account, the expenses of the household were not.

5. Analysis and simulations

5.1. Size and structure of the households

According to the data from the last 3 Censuses of the Population and Housing conducted in Romania by the National Institute of Statistics, in 1992, 2002 and 2011, the number of households with many members (more than 3 persons), although decreasing in these years of investigation, has an

important share in the total number of households. Most households consists of 2 persons (26-28% of the total), followed by those with 3 persons (21-23%), then the households with one member (17-26%) and with 4 people (14-19%). Households with 5 members represent between 6-9%, and those with 6 and more people are between 5-8%.

In family households made up of one family nucleus, with one and more people with children, most of them have dependent children (couples with children or single-parent with children). At the level of 2011, according to data from the latest Population and Housing Census, family households made up of a single family nucleus of 3 persons are represented by couples with children in a proportion of 73.8% (78.5% at the previous Census, 2002), while single parents with children were 13.8% (11.8% at the 2002 Census). For households made up of 4 and more people, family households of a single family nucleus made up of couple with children and single parents with children are found in a proportion of approx. 97%, which means that these households that have children are very numerous among family households compared to couples that do not have children.

Therefore, a fairly large number of households have dependent children, whether they are single parents or couples (spouses or partners). And, as it is well known, the presence of dependent children contributes to increasing of consumption, without providing additional and adequate income sources. By implication, when the number of children living in the family increases (or members of the households), this is often associated to increase in poverty incidence, so that large households have faced and still face high poverty rates, which are higher when the number of household members is higher. And the problem is all the more acute as these people in the household could be inactive, housewives, without a job and without income.

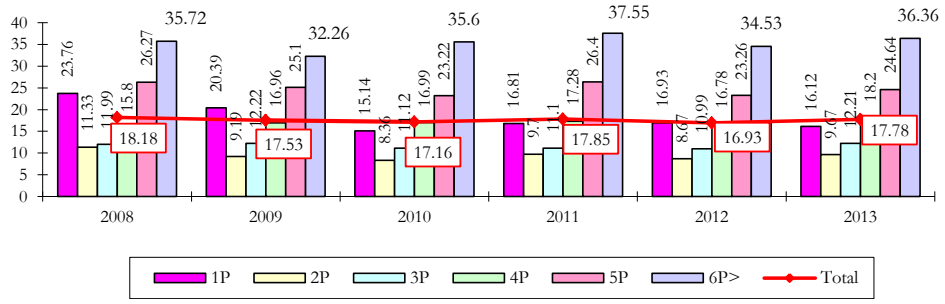
5.2. Dynamics of poverty rates for large households

In terms of household size, it is the number of people living together in the household and not necessarily the number of children in the household. It is an important aspect, as poverty among many households is also important, but also child poverty is particularly significant.

It is well-known that the poverty for single-person households is high, the poverty rate oscillated between 15.14% (in 2010) and 23.76% (in 2008); in 2013 it reached 16.12%.

Thus, in the period under review, a trend would generally be to reduce poverty amongst single people, but the rate also remains high in recent years, at 16-17%.

Figure 1. Dynamic of the poverty rates for large households, 2008-2013 (%)

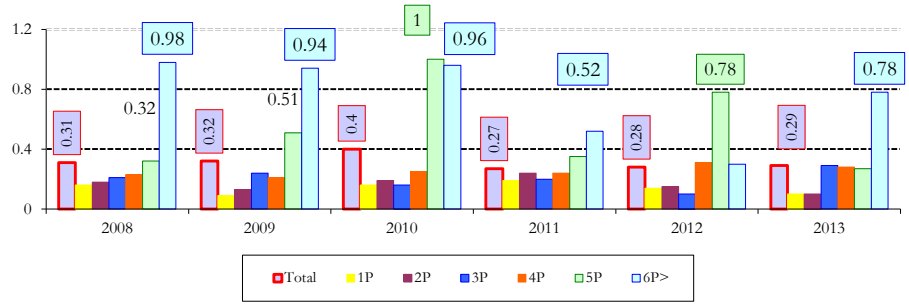


Source: Household Budget Survey, National Institute of Statistics, 2008-2013.

For households with 2-3 people, poverty was lower than for single-person households, with rates ranging between 9-12% in 2008-2013. For these households, the poverty rates are the lowest compared to the rates for other households, analyzed by their composition. If the household is made up of 2 employees (or persons that obtain income), or even an employee and a child, or 2 employees and one child, then it is more than likely that the poverty of these households is not alarming. Also, households with 4 members are confronted to poverty, with rates steadily rising since 2008 till now (15.80% in 2008 and 18.20% in 2013). Instead, when the number of members living in the household is higher than 4, the poverty is more evident in these households. For these large households, poverty rates were and are particularly high, so for households made up of 5 people the poverty rate ranges between 23-26% in the analyzed period, while for households with 6 persons and more, the poverty rate varies between 32-38%.

To analyze the impact of the guaranteed minimum income on poverty reduction, poverty rates have also been simulated in the absence of this social benefit from disposable income, and then differences have been calculated between the 2 poverty rates, the real and the simulated ones, for each type of household. The analyzes show that the influence of the guaranteed minimum income is quite low, so that, in the conditions of the total poverty rate decreasing, the differences between the poverty rates with and without this social benefit are reduced. The poverty rate calculated without taking into account the guaranteed minimum income was higher by 0.27 pp. in 2011 and 0.40 pp. in 2010 - extreme values recorded over the analyzed period 2008-2013. The maximum impact has been registered in 2011, when the poverty rate difference increased by only 0.40 pp. However, this impact is quite low, being below 1 pp. over the analyzed period, regardless of the household characteristics.

Figure 2. The impact of the guaranteed minimum income on the poverty reduction for large households, 2008-2013 (pp.)



Sources: Estimations based on the Household Budget Survey, National Institute of Statistics, 2008-2013.

However, the most affected are households with 6 and more persons (0.78 pp. in 2013, 0.98 pp. in 2008, 0.94 pp. in 2009, and 0.96 pp. in 2010). Thus, only for these large households, the presence of the guaranteed minimum income is easily felt in incomes, which makes the poverty slightly declining in the presence of this social aid program for these households.

6. Discussions

Like any simulation model, it has its limitations, when taking into account several aspects. First of all, it is about the use of statistical data sources (Household Budget Survey), a selective research that involves high costs, which is why we stopped the analysis in 2013. Analysis could be important after this year and until now, but we consider that the picture would not have changed significantly, although starting in 2012, the relative poverty rate for the total population was on a continuously increasing trend, increasing by almost 2 pp. during 2012-2014. Using exhaustive administrative data sources would provide a more realistic picture; de facto beneficiaries of this social assistance benefit would have given a much more complete picture and would have eliminated the disadvantages of selective research. However, the model of impact assessing of the guaranteed minimum income on poverty rates used in this paper manages to outline a rather expressive profile of the influence that this important social assistance benefit has on the poverty incidence.

7. Conclusions

The present paper is an iteration of the relationship between the guaranteed minimum income and the incidence of poverty, focusing on the dynamics of poverty rates and simulated poverty rates, whether or not taking into account this social support, over the period 2008-2013. Even though the poverty rates for households with 2 and 3 persons are the lowest, compared to the other types of households analyzed, these households are the most numerous, accounting for between a quarter and a third of the total number of households. In contrast, for households of 6 or more members, even if their number is much lower (only about 8% of households), these households have many dependent children and, implicitly, poverty rates are rising at a fair rate as the size of the household increases. Thus, for households with 6 and more people, couples with children represent 90.5%, according to data from the last Population and Housing Census, 2011.

In terms of poverty, many households face high poverty and the fact that poverty rates are still at high levels in 2013 (25% for households of 5 and more members and 36% for 6 and more members), this means that large households, with more persons, and especially children, need increased support to get out of poverty.

In order to reduce poverty and its severe forms, one of the major social assistance programs for disadvantaged groups of the population facing this risk, as well as for the prevention of aggravation and persistence of poverty, is the guaranteed minimum income. Through simulations, it is noticed that this social benefit has no significant impact on reducing the relative poverty determined at the 60% threshold, but it could have a more pronounced impact on the reduction of severe poverty, calculated at 40% of the available income. So, it can be said that the poverty incidence is not much affected as a result of the elimination of the guaranteed minimum income from the available income in the case of relative poverty, because even in the initial situation when these households received this social aid, they also were below the severe poverty line. It would be possible however, that some of the households in the vicinity of the severe poverty line would slip below this threshold if they did not receive the social aid.

At the same time, there is a persistence of poverty among large households. For these households with many members, poverty rates have been high over time, and, even though at a certain moment, they recorded slightly lower values, then they continued the upward trend and they presently reached high thresholds. That represents an alarm signal and establishes priorities for action directions. As such, the support of these extremely vulnerable groups, which constitute an elementary testament to

the dignity of any society, is also a national priority, and these vulnerable groups must be considered first and foremost in national targets to reduce poverty and its extreme forms.

These impact assessments are particularly important in monitoring and assessing the social assistance system, but also in monitoring and evaluating poverty reduction (this impact assessment model may also be applied to other social benefits) and need to be carried out on an ongoing basis, to constantly provide a rigorous and realistic analysis of its components, in order to better understand the extent of the poverty incidence. These analyzes are useful in directing efficient and effective policies on target groups, such as large families, families with many children, young or old people - categories that over time have faced high poverty rates. That is why the pulse of poverty must be permanently taken, especially for vulnerable categories of people, so that they are actively supported to overcome the poverty or multiple disadvantages they face.

References

[1] Council of the European Union, Council Recommendation on the 2016 National Reform Programme of Romania and delivering a Council opinion on the 2016 Convergence Programme of Romania, Brussels, 2016 06 13. Available from: http://data.consilium.europa.eu/doc/document/ST-9226-2016-INIT/en/pdf.

[2] EU-China Social Protection Reform Project, Component 3, Volume on 2015 Research Topics. Beijing: 2016 08. 390. Available form: http://www.euchinasprp.eu/images/documents/Component3/C3_Volume_on_2015_English/C3_Volume_on_2015_research_topics_EN_.pdf.

[3] European Commission, Europe 2020 Strategy. A strategy for smart, sustainable and inclusive growth, Brussels, 2010 03 03. Available from: http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf.

[4] European Commission. Country Report Romania 2016. Commission Staff Working Document. Brussels, 2016 02 26.83 (59). Available from: http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_romania_en.pdf.

[5] European Commission. Minimum Income Schemes in Europe, A study of national policies 2015. 2016 01. 62. Available from: file:///C:/Users/Cristina/Desktop/Downloadnet/KE-02-15-950-EN-N.pdf.

[6] Radu, M. Analysis of the situation in relation to minimum schemes in Romania, A Study of National Policies. 2009 04. 26. Available from: file:///C:/Users/Cristina/Desktop/Downloadnet/Romania_1_2009_EN%20(2).pdf.

[7] Ministerul Muncii, Familiei, Protectiei Sociale si Persoanelor Varstnice. Analiza socio-economica pentru programarea fondurilor europene 2014-2020 in domeniul afacerilor sociale si incluziune sociala. 75. Available from: http://www.mmuncii.ro/j33/images/Documente/Familie/MMFPSPV%20ANALIZA%20AFACERI%20SOCIALE%20SI%20INCLUZIUNE%20SOCIALA.pdf.

[8] Ministerul Muncii, Familiei si Protectiei Sociale. Studiu de impact asupra masurilor promovate prin Legea 416/2001 privind venitul minim garantat, la nivelul anului 2011 si anului2012. Available from: http://www.mmuncii.ro/pub/imagemanager/images/file/Domenii/Incluziune%20si%20asistenta%20sociala/raportari/Studiu_VMG_2011.pdf and http://www.mmuncii.ro/j33/images/Documente/Familie/DGAS/2014_Studiu_VMG_2012_concluzii_anexe.pdf.

[9] National Strategy on social inclusion and poverty reduction for 2015-2020 and the Strategic Action Plan, GD no. 383/2015, Available from: http://www.mmuncii.ro/j33/images/Documente/Legislatie/HG383-2015.pdf.

[10] Avram, S. Social assistance performance in Central and Eastern Europe: a pre-transfer post-transfer comparison. JESP – Journal of European Social Policy. 2016 12; 26: 428-441. Available from: http://dx.doi.org/10.1177/0958928716664296 .

[11] UNICEF si Banca Mondiala. Romania – O evaluare rapida a impactului crizei economice asupra saraciei. 2009. Available from: https://www.unicef.org/romania/ro/Impactul_crizei_2009.pdf.

[12] World Bank. Romania: Poverty Assessment, Analytical and Advisory Assistance Program: First Phase Report. Document published jointly by: Human Development Division, Europe and Ministry of Labor, Family and Equal Opportunities, and National Institute of Statistics. Report Nr. 40120-RO. 2007 11. 82. Available from: http://siteresources.worldbank.org/INTROMANIA/Resources/RO_Pov_AAA_Phase_1_November_2007.pdf.

[13] World Bank. Romania: Poverty Assessment, Volume I. Main Report. 2003 10. 78. Report No.: 26169-RO. Available from: http://documents.worldbank.org/curated/en/412501469672174886/pdf/261691RO1vol01.pdf.

[14] World Bank. Studiu de fundamentare pentru Strategia nationala privind incluziunea sociala si reducerea saraciei 2015-2020. Bucuresti: 2015. 431. Available from: http://documents.worldbank.org/curated/en/465051467995789896/pdf/103191-WP-P147269-Box394856B-PUBLIC-Background-Study-ROMANIAN.pdf.