

Romania – social transfers as tool for reducing poverty

~ Ph. D. Student **Ion Badea** (Valahia University of Targoviste, Romania)

E-mail: badea_ion_68@yahoo.com

~ Ph. D. Student **Mair Amza** (Valahia University of Targoviste, Romania)

E-mail: amzamair@gmail.com

~ Ph. D. Student **Bogdan Vătase** (Valahia University of Targoviste, Romania)

E-mail: boganel_vatase@yahoo.com

Abstract: *In order to battle poverty and promote social inclusion for vulnerable groups and other disadvantaged and disadvantaged families, Romania is able to make progress in these areas thanks to the present strategy for social inclusion and poverty alleviation. Fighting poverty and social isolation needs to be a lifetime endeavor. Offering developmental opportunities to individuals under the age of 17 is the approach, regardless of their upbringing. Youngsters who are raised in diverse settings where poverty is a possibility are more likely to drop out of school. The purpose of this article is to identify the main opportunities offered to vulnerable groups to participate in the social, economic, and cultural life of Romania.*

Key words: Poverty, social exclusion, health, education, social services, regional policy, regional inequities

JEL: I32, D63, B55, A13

1. Introduction

Numerous social programs and initiatives are in place in Romania to address poverty and social exclusion, and in recent years, expertise and resources for identifying those who are disadvantaged have grown. Policies and intervention initiatives must be coordinated in order to yield a higher return (Wagle, 2023). Positive results necessitate a set of social policies for people to facilitate access to work in order to give financial support, as there is a strong correlation between social exclusion and poverty rates (Bodislav, 2015).

A crucial component of putting social inclusion policies into practice is determining the needs of marginalized and disadvantaged populations (Đurić, Simin and Glavaš-Trbić, 2023). The state wants to build tailored services to improve social and economic participation because vulnerable groups have issues for which policies could not offer effective answers.

The proper distribution of resources across the nation's area is one of the strategy's main issues. About half of Romanians reside in rural areas, where some face economic and infrastructural disadvantages. Reducing the disparities between rural and urban communities is the goal of the government (Balasubramanian, Burchi and Malerba, 2023).

Social transfers are predicated on introducing a formula that promotes employment, removing barriers to social services and assistance, streamlining the social protection system's accessibility for individuals with disabilities, and exploring ways to create provisions that guarantee a living wage for elderly residents of rural areas without pensions (Tselios and Rodríguez-Pose, 2022).

The plan is structured on a review of recent trends in poverty and social exclusion, along with a forecast for the years ahead. Sectoral policies that target both the places affected by poverty and those impacted by this issue are presented in the second section (Bergstrom, 2022). The major concerns in fields like health, education, social services, regional policy, and regional inequities are presented in this part along with an analysis of social transfers and employment policies (Samiyeva, 2022). At the conclusion of the strategy, several projects that will help to lessen poverty and encourage social inclusion are presented (Sompolska-Rzechuła and Kurdyś-Kujawska, 2022).

2. People who are vulnerable to social marginalization and poverty

Two prerequisites must be met in order to assess poverty using a one-dimensional approach:

- an indicator that represents each household's resources or welfare level;
- a poverty threshold that compares each household's welfare level such that those with a level below that threshold are classified as impoverished.

Over the years, several approaches to assessing poverty in Romania have been tried and tested, and they have suggested variations on these two components. The principal ones are (Jianu, Dobre, Bodislav, Radulescu and Burlacu, 2019):

- The national method for calculating absolute poverty was approved by the government in 2005 and was developed by World Bank experts, the Anti-Poverty and Social Inclusion Commission, and the National Institute of Statistics. Its goal is to identify households that are

unable to meet their basic needs for food, services, and non-food items. It uses consumption expenditure as a welfare indicator rather than income, which more accurately reflects the living standards of Romanian households.

- The relative poverty calculation method developed and computed by Eurostat: this method computes the poverty line as 60% of the median of the adult income distribution and is used to track Romania's progress toward its national poverty reduction target. It does not indicate whether materially or materially deprived individuals can meet their basic financial needs (for instance, if a company's income doubles or falls short, it would be halved for all individuals in one year, the number of people in relative poverty would remain constant).

The Romanian government measures social exclusion and poverty using a variety of metrics. Therefore, focusing on individuals at risk of poverty or social exclusion (AROPE) who are in at least one of the following three circumstances serves as the primary indicator for assessing the accomplishment of the EU aim for improving social inclusion:

- Even after receiving social payments, individuals remain vulnerable to relative poverty (AROP, or at-risk-of-poverty indicator). These are the people whose annual disposable income, as a percentage of the total number of equivalent adults, is less than 60% of the median income. The total income earned less all taxes (property or income), social contributions, and other expenses is the amount of revenue available.

- They reside in households with extremely low labor intensities, meaning that in the reference year, less than 20% of the members, aged 18 to 59, worked in their full capacity. In 2017, the percentage of Romanians under 60 who were under the age of 60 was only 7.4% (the EU average was 10.4%).

- Severe material deprivation affects people in families when at least four of the nine scenarios listed below apply:

- Not being able to afford rent, mortgage payments, or utility bills; not allowing themselves to keep their house warm enough; not being able to handle unforeseen expenses; not being able to eat meat or protein more than once every two days; not being able to afford a week away from home; not having a color television; not having a washing machine; not having a car; and not having a telephone.

3. Poverty-risk populations and social services and transfers in Romania

The two main issues facing Romania are corruption and poverty. With a relative poverty rate of 25.4%, Romania is ranked second in the European Union per Eurostat data for 2018. 8.5 million people in Romania are at danger of poverty or social exclusion, according to NIS data. Furthermore, a third of the population cannot afford the things that are thought to be required to live a decent life. Furthermore, Romania has by far the largest rate of wealth disparity in the European Union.

As the accompanying graph illustrates, Romania's poverty rate varied considerably from 2007 to 2007. Despite a 6.1% decrease in the poverty rate between 2007 and 2011, there was a rising tendency in 2012 and a subsequent declining trend by 2017. Consequently, there was a 9.6

percentage point decrease in poverty between 2007 and 2015, which lifted 2,605,000 people out of poverty.

Social protection's primary goal is to assist those who are members of vulnerable groups, old, disabled, or otherwise unable to work and who need to be guaranteed a minimum income (Krugman, 2009). Over the past few years, Romania's social assistance system has undergone a number of modifications to improve it. The primary goals are on raising administrative efficiency through cost-cutting measures, enhancing the training and caliber of services rendered by social assistance workers, enhancing the system's equity, and lowering fraud and mistake rates (Lakner, Mahler, Negre and Prydz, 2022).

There are three primary sources of help within Romania's system of care for individuals with disabilities. Individuals who have lost their capacity to work while they were employed receive rehabilitative assistance and an invalidity pension. Enrolled individuals with severe or environmental disabilities receive monetary incentives, such as free or heavily discounted equipment, to guarantee their social involvement. Furthermore, there is an institutionalized care system that receives funding from the state budget and serves roughly 17,000 individuals.

Romania's population is aging rapidly due to declining birth rates and a continuous rise in life expectancy. The age distribution of society is significantly altered by these processes. The public pension system and health care services will face significant financial strain due to demographic shifts, and income taxes will rise. Healthcare services will rise as a result of the growing senior population, both in absolute terms and as a share of the overall population (Friedman, 2005). However, economic production may also experience a decline in headcount and slow economic growth. The state must take action to reduce these hazards associated with an aging population. Some of these actions include making sure the elderly who are capable of working have jobs, reviewing laws pertaining to early retirement and retirement age, and examining social retirement benefit policies.

Public social support services are lacking in approximately one-third of rural areas and more than 10% of small towns (Stroe, 2022). Services for employment, health, education, and social protection are extremely uncommon. The areas' specialized services for the adult category are not well coordinated. In order to provide equal access to social services for all resident countries, the state is working to establish a national network for these services.

A series of activities known as social services are intended to address not only the requirements of the community but also the unique needs of a family or an individual to get through or avoid a challenging circumstance (Dinu, 2010). Even if the finances for social protection have increased, our nation receives insufficient funding from the European Union. Like the rest of Europe, Romania saw an increase in social benefit spending during the global financial crisis, while GDP was steadily allocated to goods and services at a rate of 4-5 percent, as opposed to the 8-10 percent (or over 10 percent, with an upward trend after 2008) average for the EU.

In 2017, social services, additional health care services, risk reduction, and unemployment assistance accounted for a mere 0.8% of the nation's GDP. The majority of social service expenses—as opposed to medical costs—go toward lowering hazards to individuals and disability-related problems.

Enhancing the financial framework requires taking steps like finalizing and assessing social service financing systems, organizing funding mechanisms, and enhancing and raising the transparency of national procedures (Miežienė and Krutulienė, 2019).

The costs associated with establishing and running Community Integrated Intervention Teams must be carefully estimated, and a suitable budget must then be set aside to meet these expenses. The goal of the government is to create a complete financial plan that incorporates all relevant budget lines from other sectors, European funds, and any other forms of external support, together with a minimum budget for social assistance (Rădulescu, Bodislav and Burlacu, 2018).

4. Major projects suggested for the years 2015–2025

The government suggests the following measures, which are anticipated to have the most effects on reducing poverty and fostering social inclusion, and are to be put into action between 2015 and 2025:

- Promote employment among vulnerable and low-income populations by implementing tailored workforce activation initiatives - poverty is made worse by the fact that more than 25% of the impoverished population is unemployed and does not attend school. The government wants to spend more money on job services and labor activation initiatives for others who are in similar circumstances. Therefore, the execution, oversight, and assessment of active employment strategies will be reinforced with the assistance of EU funds.

- Creation of community-based integrated social services - the government proposes to develop protocols to govern the work of these community workers in various sectors, including clear guidelines for reporting, information sharing, and documentation; to define functional links between community worker teams and other service providers (such as family doctors, nurses, and NGOs); and to establish functional relationships between community worker teams and higher management levels to ensure professional coordination, supervision, training, and re-training, among other things. The goal is to improve the basic services provided by social workers and community workers while also maximizing cost efficiency.

- Enhance the methods for locating underprivileged schools so that all kids can take advantage of equal possibilities - because of the plan it has suggested to remove barriers to education and allow all children from low-income households the opportunity to attend school and learn the skills they will need in the real world, this step is crucial in the fight against poverty (Sultanovich, 2023). However, many underprivileged institutions also have significant budgetary issues. Some of these schools might be able to become sustainable and stay open with the help of a more equitable financial structure that takes social factors into account when calculating per capita funding. Therefore, in order to better allocate funds to children in need and guarantee that funds are utilized for efficient interventions that will expand educational opportunities and raise educational standards for disadvantaged populations, the government has proposed to amend the financing mechanism.

- Creating a method to identify impoverished villages and marginalized rural communities - in order to address these regions, it is necessary to first identify them as soon as feasible and

then to make certain social services available to their citizens. In order to ensure the effectiveness of interventions, case studies will be conducted in these areas to validate the preliminary methodology and simplify it for use by local authorities. This will help them create a typology of marginalized rural communities and centralize a list of the areas most affected, from which they can target interventions. In order to efficiently prioritize the required expenditures, an index for rural development will also be created (eg in water supply, gas or social services).

- Fortify coordination mechanisms and establish a system of monitoring and evaluation - this will encompass enhancing the ability to oversee the family budget and quality of life surveys, optimizing the gathering and application of administrative data, and gaining access to EU funds to conduct program assessments of several representative projects. To make sure that important components of poverty reduction, inclusion and social participation, and an integrated approach to social services are reflected in national and local policies, the government will gather data on the creation of a national social inclusion monitoring system.

5. Conclusions

Policies focused on people should be effective in as many contexts as feasible. Employment policy should, first and foremost, aim to lower unemployment and increase the number of members of disadvantaged groups who are employed. Social transfers are meant to support individuals who are going through a tough period in their lives, and there needs to be a guarantee of a minimum income. Social services are helpful in ensuring that everyone who is struggling, or a member of a vulnerable group has a minimal standard of living.

The two main issues facing Romania are corruption and poverty. In terms of relative poverty rate, Romania is among the top nations in the EU in 2017 according to Eurostat data, with Serbia and Bulgaria surpassing it at 28.3%.

Roughly one-third of kids are living in poverty. In rural areas, one in two children is living in relative poverty. Compared to just 17% of children in metropolitan areas, almost 50% of children in rural areas were living in poverty in 2017.

In 2017, 81% of those in relative poverty were persistently impoverished. Poverty is three times more common in rural than in urban settings. In 2017, 38% of persons in rural areas and 11% of people living in urban areas were at risk of poverty. The problem is that after the COVID-19 pandemic and the economic inefficiency timeframe that started in 2022, the poverty levels are at all-time highs, surpassing 40% in the rural areas and 15% in the urban areas.

The most vulnerable populations in Romania include the impoverished, children and young people without parental guidance and assistance, old persons living alone or with dependents, Roma people, etc.

In order to facilitate the creation and execution of policies to address poverty and social exclusion, the government seeks to build institutional capacities at all levels. It also seeks to create a framework for tracking and assessing social inclusion and tracking the advancement of the stated goals through indicators. Through this system, national and municipal policies will be made to reflect the essential components of poverty reduction, inclusion and social involvement, and the integrated approach to social services.

Creating policies to fight poverty and promote social inclusion requires building policy-making capacity at all levels, but today's government lacks efficiency and the necessary social transfers to reduce the disparities.

REFERENCES:

1. Balasubramanian, P., Burchi, F., & Malerba, D. (2023). Does economic growth reduce multidimensional poverty? Evidence from low-and middle-income countries. *World Development*, 161, 106119.
2. Bergstrom, K. (2022). The role of income inequality for poverty reduction. *The World Bank Economic Review*, 36(3), 583-604.
3. Bodislav, D. A. (2015). Transferring Business Intelligence and Big Data analysis from Corporations to Governments as a hybrid leading indicator, *Theoretical and Applied Economics*, vol. 22, no. 1, pp. 255 – 264.
4. Dinu, M. (2010) *Economia de dicționar. Exerciții de îndemânare epistemică*, Economica Publishing, Bucharest, RO.
5. Đurić, K., Simin, M. T., & Glavaš-Trbić, D. (2023). Strategies for Reducing Rural Poverty in Developing Countries. *J Agron Technol Eng Manag*, 6, 885-892.
6. Friedman, T. (2005). *The World is Flat*, Farrar, Straus and Giroux Publishing, New York, 2005.
7. Jianu, I., Dobre, I., Bodislav, D. A., Radulescu, C. V., & Burlacu, S. (2019). The implications of institutional specificities on the income inequalities drivers in European Union. *Economic Computation and Economic Cybernetics Studies and Research*, 53(2), 59-76.
8. Krugman, P. (2009). *A Country Is Not a Company*, Editura Harvard Business Review Classics, Cambridge, MA.
9. Lakner, C., Mahler, D. G., Negre, M., & Prydz, E. B. (2022). How much does reducing inequality matter for global poverty? *The Journal of Economic Inequality*, 20(3), 559-585.
10. Miežienė, R., & Krutulienė, S. (2019). The impact of social transfers on poverty reduction in EU countries. *TalTech Journal of European Studies*, 9(1), 157-175.
11. Rădulescu, C. V., Bodislav, D. A., & Burlacu, S. (2018). Demographic explosion and its governance in public institutions. *Managerial Challenges of the Contemporary Society. Proceedings*, 11(1), 18.
12. Samiyeva, G. T. (2022). Concepts of Poverty, Inequality and Social Exclusion. *International Journal on Economics, Finance and Sustainable Development*, 4(3), 122-126.
13. Sompolska-Rzechuła, A., & Kurdyś-Kujawska, A. (2022). Assessment of the Development of Poverty in EU Countries. *International Journal of Environmental Research and Public Health*, 19(7), 3950.
14. Stroe, C. (2022). The guaranteed minimum income in Romania-Tool to support resilience to poverty and increase social inclusion & employment among beneficiaries. *Journal of Economic and Social Development*, 9(2), 1-10.
15. Sultanovich, M. D. (2023). The main directions of poverty reduction in our country. *Galaxy International Interdisciplinary Research Journal*, 11(2), 164-171.
16. Tselios, V., & Rodríguez-Pose, A. (2022). Can decentralization help address poverty and social exclusion in Europe?. *Territory, Politics, Governance*, 1-24.
17. Wagle, U. R. (2023). Social protection, poverty, and inequality: global patterns and changes. *Chapters*, 323-349.