

Expenditure on services indicator of quality of life assessment

Abstract

The disparities between urban and rural regarding the structure of the employed population according to the professional status represent the reflection of the structure of the types of jobs and economic activities corresponding to each of the two areas of residence; in cities most worked in non-agricultural activities, in villages in agricultural activities. Poverty trends in Romania have begun to decline, regardless of the assessment methods used. After 2010-2011, the general interest in assessing absolute poverty, severe / extreme poverty and food poverty decreased massively, at European level but also in Romania, following another indicator closer to relative poverty, called the risk of poverty and social exclusion. The lack of financial resources of the Romanian labor force determined a large part of the households not to be able to pay the consumption of utilities on time. The share of households that used savings to cover current expenses was 6.8%, those that borrowed from relatives, friends or others 6.1%, and those that needed financial aid, without the obligation to return, from relatives, friends or other persons was 11.5%. An additional work to obtain the necessary resources to cover current expenses was provided by 9.3% of households. The statistical research „Living conditions of the population in Romania”, in 2019, reveals that for one in five households the current expenses do not pose special problems, these being exceeded quite easily, easily or even very easily.

Keywords: labor force, decent minimum expenditures, service expenditures, households.

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The Romanian labor force, in the time horizon 2015-2019

At the level of 2019, the analysis of the national economy shows a concentration of the labor force mainly on 3 branches: wholesale and retail trade (23.0%), manufacturing industry (19.4%) as well as agriculture, forestry and fishing (19.0%). 9.3% of people working in an economic and social activity worked in construction. Almost half (48.5%) of the urban population worked in manufacturing and trade, while more than a third (36.3%) of the rural population was employed in agriculture, forestry and fishing.¹

The fields of activity, in 2019, where the employed female population worked in a much higher proportion than that of men were: health and social assistance (81.5%), education (74.7%) and respectively in hotels and restaurants (59.7%). The highest shares of men were found in the following sectors: construction (93.6%), production and distribution of electricity and heat, gas and water (81.4%), public administration and defense (58.5%).

The disparities between urban and rural regarding the structure of the employed population according to the professional status represent the reflection of the structure of the types of jobs and economic activities corresponding to each of the two areas of residence; in cities most worked in non-agricultural activities, in villages in agricultural activities. Therefore, employees and self-employed workers (including employers) had balanced shares in rural areas, but the proportion of urban employees was 1.6 times higher than in rural areas in 2019 compared to 2.5 times higher in rural areas. urban compared to rural, in 2015. According to the size of the unit, it is found that 32.3% of the employed population worked in small socio-economic units (1-10 people) in 2019 compared to 37.4% in 2015; 27.2% in units with 11-19 people in 2019 compared to 21.9% in 2015; 15.5% in units of 20-49 people in 2019 compared to 14.0% in 2015 and 25.0% in large units, with 50 people and over in 2019 compared to 26.7% in 2015.

In 2019, the areas of activity where the employed female population worked in a much higher proportion than that of men were: health and social assistance (77.6%), education (71.7%) and professional, scientific and social activities. technical (52.1%). The highest shares of men were found in the following sectors: construction (93.1%), agriculture, forestry and fishing (63.7%) and in public administration and defense (59.5%). The majority professional status was that of employee (77.2% of employed persons in 2019 and 71.8% in 2015) followed by that of self-employed worker (including employer), in proportion of 19.9%, compared to 23, 1% in 2015. If we analyze the distributions of the employed population in the two areas of residence by the group of occupations in which they operate in 2015, we find that the urban employed population is mainly concentrated in the group of specialists in various fields of activity (23, 6%), in the group of skilled and assimilated workers (19.6%), as well as in the category of operative workers in the field of services (18.2%). 41.0% of those employed in rural areas fall into the group of agricultural occupations, almost a quarter of the employed rural population worked unskilled, and about one in six had a skilled and assimilated worker.

Another subject pursued by the investigation in terms of working conditions was the existence of an employment contract for employees. Carrying out the activity based on an employment contract concluded with the employer represents the guarantee of observance of some rights in the field of labor legislation: payment of contributions to social insurance funds, observance of the number of working hours, the number of days off or days off, etc. According to the Survey on the quality of life in 2015, 97.6% of employees worked on the basis of an employment contract for an indefinite period, the share being slightly lower in rural areas than in urban areas. Employees working without an employment contract focused mainly on three groups of occupations: skilled and assimilated workers, other categories of occupations (consisting mainly of unskilled occupations) and specialists.²

Decent minimum consumption expenditure per household calculated by the Research Institute for Quality of Life (RIQL) and the National Institute of Statistics (NIS)

In October 2015, according to ICCV data, for total households, the expenditures on different types of families were: for the families of employees 2,287 lei; to farmers of 1,843 lei; and pensioner families of 1,420 lei.

In the model of calculating the cost of living from a real perspective, we find from the data of the Statistical Yearbook of Romania 2016, that through the answers received by respondents are evaluated the expenditures made by the population to purchase food, and services produced in households). The total consumption expenses or the cost of living, in 2015,³ were of 1,702.87 lei, for an average family consisting of „2,7 people”. For the other households of employees, farmers and pensioners, the data are presented as follows: employees 2,129.53 lei; farmers 1,386.88 lei; pensioners 1,397.00 lei.

The low level of income for some families, at the level of 2015, put in the situation that many families could not pay various current expenses on time. Current expenditures such as: housing maintenance, loan installments, payment of utilities, etc., speaking for themselves about the economic precariousness of many Romanian households (Table 1).⁴ In 2015, about a third of households (32.2%) had repeated arrears on bills, due to unsatisfactory financial situation (Iagăr, 2015). The most frequent arrears were recorded for the payment of electricity, radio subscription (54.6% of households with arrears), home maintenance (53.2%) and telephone subscription (34.1%).

Unemployed households usually go through the most difficult economic situations, the share of those who could not pay their debts on time being 49.3%. The phenomenon of arrears was more frequent in households with children, especially in single parents (48.8%), but also in households with 3 or more children (46.0%) (Iagăr, 2015). Due to the precarious level of income of the majority population in the long run, in 2015, relatively few Romanian households - only 9% - resorted to bank loans. To solve some needs such as: buying in installments of some cars, electronic equipment (43.6%), for repairing or renovating the house (41.6%). Loans for other purposes are even lower in weight: (4.9%) for health care, (4.2%) for some investments, (3.4%) for children's education. Urban households are more likely to borrow (11.9%) than rural households (5.4%), as well as men (10.4%) compared to women (5.8%).⁴

However, after 2000, poverty trends in Romania began to decline, regardless of the assessment methods used. As a result, after 2010-2011, the general interest in assessing absolute poverty, severe / extreme poverty and food poverty decreased massively, at European level but also in Romania, following another indicator closer to relative poverty, called the risk of poverty and social exclusion. The lack of financial resources has determined a large part of households not to be able to pay on time for the consumption of utilities. Thus, 36.0% of all these households, 29.1% of urban and 37.8% of rural were not able to pay on time for services related to housing maintenance.

The share of unemployed households that could not cope with the expenses with the net income realized, in 2015, was 69.3%, of which 35.3% could not pay on time the services related to home maintenance, this figure amounting to 38.5% in urban areas. The electricity consumption bill could not be paid on time by 16.7% of households, their share being 14.0% in urban areas and 19.4% in rural

areas, the radio and television subscription could not be paid at the time of 6.6% of households, and the telephone bill of 6.4%.

The share of households that used savings to cover current expenses was 6.8%, those that borrowed from relatives, friends or others 6.1%, and those that needed financial aid, without the obligation to return, from relatives, friends or other persons was 11.5%. An additional work to obtain the necessary resources to cover current expenses was provided by 9.3% of households. The total average monthly incomes represented in 2019, in nominal terms, 4,790 lei per household and 1,853 lei per person, increasing by 12.7%, respectively by 13.6% compared to 2018 lei. The total expenditures of the population in 2019 were, on average, 4,092 lei per month per household, respectively 1,583 lei per person lei.⁵

More than a third of the households in Romania (34.1%) bear with difficulty or with great difficulty the current expenses of life, and if we take into account those that declare a certain difficulty in covering the daily expenses, it reaches 77, 2% of all households, according to a survey by the National Institute of Statistics (NIS). More than half of the households consider that the income necessary to cover the current expenses should be higher than 3,000 lei per month, he transmits.⁶ The statistical research “Living conditions of the population in Romania”, in 2019, also reveals that for one in five households the current expenses do not pose special problems, they being exceeded quite easily, easily or even very easily.

Among the types of households that have difficulty or with great difficulty coping with current expenditures are those run by women (44.6%) or people aged 65 and over (40.3%), as well as households consisting of two adults with three or more dependent children (50.3%). Also, in this situation are found 69% of the households whose head has the occupational status of unemployed, 48.3% of those run by a farmer and 60.6% of those run by another status. “The estimation by households of the minimum level of income that would allow them to cover current expenditure is directly related to the extent to which they cope with the expenditure imposed by daily life. From this point of view, there are clear differences, generated by the characteristics of households”, reveals the research. Thus, almost one in five households consider that they can make current expenses with a minimum monthly net income between 1,001 lei and 2,000 lei, and over a quarter of households need a monthly net income between 2,001 and 3,000 lei to cover monthly expenses. More than half of the households consider that the income necessary to cover current expenses should be even higher than 3,000 lei per month.

In general, the trend is to increase the share of households that consider that they need a growing income to meet expenses. “The assessment of the needs of households in terms of money clearly demonstrates the large differences between the living conditions of households in the two areas of residence, especially in the area of extreme income groups considered necessary. Thus, if in rural areas more than 5% of households fall into the first income range (amounts up to 1,000 lei), in the urban environment, this group is considered appropriate in a percentage of over 1% of households “, mention the authors of the research. Among the urban households, over 86% state that they would need for the current expenses amounts exceeding 2,000 lei per month. Incomes of up to 2,000 lei are considered more frequently needed by households run by women, by those in the age group 65 and over, by those with the occupational status of farmer, as well as by households that do not have dependent children.

The authors of the research specify that in order to characterize the economic situation of the households, the self-assessment of the

households regarding the extent to which they can cope with the current expenses was taken into account, using a scale of values ranging from lower level “with great difficulty” to upper level. Easy”. Analysis of the structure of total consumption expenditures to cover the minimum

decent living basket (MDLB), for the families of two employees with two dependent children and comparison of these expenditures with those of a family with a head of household presented in NIS data, from urban and rural areas is presented in Table 2.

Table 1 Situation of Romanian households that could not pay on time certain current expenses in 2015 (%)

Household size	Households that made all the expenses	Households that could not make some expenses on time	Of which:			
			Home maintenance (water, gas, heat, etc.)	Electricity, radio subscription	Subscription	Telephone loan rates (other than for the purchase of a home)
TOTAL	67,8	67,8	32,2	53,2	54,6	34,1
1 person	67,3	67,3	32,7	55,5	59,7	29,8
2 persons	69,9	69,9	30,1	55,9	50,7	35,3
3 persons	70,5	70,5	29,5	51,9	49,9	32,8
4 persons	67,2	67,2	32,8	52,2	48,8	35,0
5 persons	63,4	63,4	36,6	35,2	56,5	38,6
6 persons and more	57,3	57,3	42,7	62,1	71,2	44,6

Source: Iagăr Elena Mihaela (ed.coord.), 2015, Living conditions ..., NIS, Bucharest.⁴

Table 2 Structure of total consumption expenditure for the decent minimum basket (ICCV), for families of employees and farmers and comparison with INS data, 2019 (%)

Total consumption expenditures 2019	Family of 2 employees with 2 dependent children RIQL				Average expenditures	
	Urban Area MDLB		Rural Area MDLB		NIS	
	Lei	%	Lei	%	Lei	%
1. food and drink	1,082.9	27.6	859.2	25.1	1,665.5	40.7
2. clothing, footwear	140.9	3.6	208.8	6.1	331.5	8.1
3. home maintenance, water, electricity, gas and other fuels	307.7	7.8	167.7	4.9	658.8	16.1
4. housing rate (first house)	1,350	34.4	1,349	39.4	-	-
4. furniture, endowment of the house	145.6	3.7	164.3	4.8	249.6	6.1
5. health	133.9	3.4	116.4	3.4	204.6	5.0
6. transport	166.8	4.2	99.2	2.9	290.5	7.1
7. post and telecommunications	21.1	0.5	13.7	0.4	192.3	4.7
8. education, recreation and culture	54.0	1.4	34.2	1.0	188.2	4.6
9. various products and services	133.9	3.4	68.5	2.0	225.1	5.5
10. hotels, cafes, restaurants	-	-	-	-	85.9	2.1
11. safety fund and savings	392	10.0	342	10.0	-	-
Total 2019	3,922	100.0	3,423	100.0	4,092	100.0

Source: https://insse.ro/cms/sites/default/files/com_presa/com_pdf/abf_2019r.pdf, Press release no. 145/5 June 2020, INSSE, Bucharest.⁵

Caption: MDLB, minimum decent living basket; RIQL, research institute for quality of life; NIS, national institute of statistics

The structure of the consumption basket calculated by the ICCV method, for the family of two employees with two dependent children and the average monthly consumption registered by INS, for the same type of family, at the level of 2019 highlights the fact that the value of the decent minimum in the urban environment was 3,922 lei, from rural areas was 3,423 lei, compared to the average monthly consumption of 4,092 lei. 95.8% represents the value of the standard basket calculated in the Quality of Life Research Institute from the value of the basket calculated by the National Institute of Statistics. The family of two active farmers with two dependent children had a consumption basket of 3,423 lei calculated according to the normative method in the ICCV. 83.7% represents the value of the basket calculated by the normative method in the Quality of Life Research Institute from the value of the basket calculated by the National Institute of Statistics.

Conclusions

At the beginning of the analysis period, in 2015, the lack of financial resources of the Romanian labor force determined a large part of the households not to be able to pay the consumption of utilities

on time. The additional work to obtain the necessary resources to cover the current expenses was performed by about one tenth of the Romanian population. Over a third of households in Romania have great difficulty with the current expenses of living.

Households that are struggling to meet current expenses include those run by women or people aged 65 and over, as well as households with two adults with three or more dependent children, households whose head has the occupational status of the unemployed, farmer or another status. The share of households that consider that they need more and more income to meet their expenses is increasing, and in terms of household needs, there are clear differences between the living conditions of households in the two areas of residence urban/rural, especially with extreme income groups. After 2019, more than half of the households consider that the income necessary to cover current expenses should be even higher than 3,000 lei per month.

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None.

Conflicts of interest

The author declares no conflicts of interest.

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