

Changes in the structure of objective indicators of the quality of life during the COVID19 pandemic

Abstract

Alleviating poverty in a society produces lasting consequences in the sphere of human development. The methods used to measure poverty start from the definition of a demarcation line between the poorest and the least poor. Individuals or families benefiting from a standard of living located below this demarcation line, conventionally called the poverty line, are considered poor. A standard of living lower than a socially acceptable minimum implies a reduction of the individual's independence in the society of which he is a part and his inability to overcome the respective situation, at which point the state must intervene through public policies to help the individual and his family to get out from that situation. Also, not covering the minimum standard of living accepted in the respective society leads to the social exclusion of those people, increasing the risk of falling into poverty.

Keywords: poverty, risk, human development, normative method

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Introduction

Alleviating poverty in a society produces lasting consequences in the sphere of human development. The methods used to measure poverty start from the definition of a demarcation line between the poorest and the least poor. Individuals or families benefiting from a standard of living located below this demarcation line, conventionally called the poverty line, are considered poor. A standard of living lower than a socially acceptable minimum implies a reduction of the individual's independence in the society of which he is a part and his inability to overcome the respective situation, at which point the state must intervene through public policies to help the individual and his family to get out from that situation. Also, not covering the minimum standard of living accepted in the respective society leads to the social exclusion of those people, increasing the risk of falling into poverty. That is why it is important that social protection programs take into account not only the population below the poverty line, but also the population located in an area of economic insecurity or socio-economic risk.

An essential chapter in people's existence, consumption requires a thorough analysis as it results from the data of the National Institute of Statistics (NIS). According to the data provided by the NIS regarding the socio-occupational categories of Romania, the most affected by poverty, throughout the thirty years of analysis, were the following: in the 1st income decile were the families of the unemployed and those of farmers; in the following deciles 2, 3, 4 were placed the families of unemployed, farmers and pensioners who live from a single average social insurance pension or from one or two minimum guaranteed pensions (the minimum social pension was granted starting in 2010). In the middle of the income evaluation scale are the families of pensioners, but also those of employees who live on the minimum wage in the economy. The 6th and 7th deciles of the self-assessment scale of the well-being of the Romanian population are the families of retirees, who live on two state social insurance pensions, but also the employees paid above the level of the minimum wage in the economy. The last deciles of income, i.e. 8, 9 and 10, are occupied by the rich blanket of Romanian society, respectively employees paid at the level and above the level of the average salary in the economy, freelancers, employers, specialized people on the labor market who work in international corporations, banks, insurance companies, other specialists working at the top level.

It must be said that the incomes of the population in our country felt the effects of the international financial crisis, which began in 2010, then the health crisis triggered at the end of 2019 and then the economic crisis, a consequence of the health crisis (Covid19). The total incomes of households decreased compared to previous years.

Throughout the period 1989-2021, the ratio between the average salary¹ and the minimum² was maintained between the values of 25.8 and 25.9%, the lowest values reached in the years 2000, respectively 1996 and 65.3% in 1989, respectively 58, 6% in 1990. In the rest, the values of the ratio were positioned between 30-40% (Figure 1).

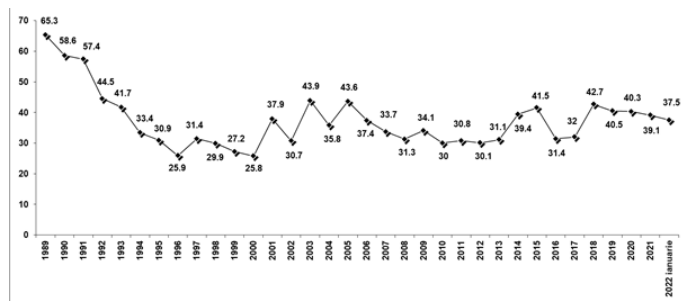


Figure 1 Analysis of the standard of living: income and expenses from the minimum basket of decent consumption and subsistence of a family of wage earners with children, from urban and rural areas, in the year 2021, during the COVID19 pandemic, as presented in the database RIQL. Data source: RIQL database.³ Calculations performed by Dr. Adina Mihăilescu.

Method used in RIQL

The calculation of the living wage results from the study of human needs: biological, hygiene, education, health, culture of people. The complexity of this consumption minimum stems from the multitude and variety of elements, which compete to satisfy people's individual and family consumption needs, but also from the close relationship between these needs and the economic-social framework in which they manifest and develop. The relativity of the minimum standard of living stems from the fact that it is not given forever, but changes according to several factors, among which the most important would be: the level of economic development achieved by the country, the social and professional environment, the climatic conditions and geographical, civilization and culture level, income level, family size, traditions and customs.³

The minimum basket of decent living⁴ involves the calculation of the necessary resources for current consumption: food, clothing, shoes, housing, services, completed with an education and professional training component that favors the affirmation of the person and with a social status component that allows development and participation the individual in society.

The minimum subsistence basket⁵ provides for aspects related to a person's survival, under the conditions of a short-term public aid, in order to reintegrate that person into society. It is different from the decent minimum precisely because of the elements of development and social affirmation of a person, which do not exist in survival. The two baskets are updated monthly with the inflation rate taken from the NIS.⁶

In the socio-economic context of Romania and the phenomena that will manifest in the future, among the problems of great importance that need to be solved is the problem of poverty. This calculation of the living wage can be done by several methods, such as: the normative method, the structural method and the subjective method, based on the observations and perceptions of the subjects.

Among the listed methods, the normative one is also applied in the Research Institute for Quality of Life. Among the arguments that plead for the priority use of the normative method are:

- 1) In previous years, but also currently, the food consumption recorded in the Family Budgets, currently in the Integrated Household Survey is marked by difficulties in procuring some products and substituting them with others.
- 2) Prices and tariffs for goods and services intended for personal or family consumption experienced increases in large and different proportions, causing changes in the share of various groups of expenses from the Family Budgets and the Integrated Household Survey; in situations of great imbalance between demand and supply for certain goods and services, the budgets do not provide an equally accurate picture of what the population would consume under conditions of constraint, which is a limitation of the method.

- 3) The state of uncertainty caused by economic changes, by the instability of the economic-social situation has consequences on the rigor and estimates made by the interviewed subjects, regarding their living conditions.
- 4) The indicators quite often used to describe the extent and intensity of poverty start from income and consumption. The incomes achieved by various types of consumers: individual, family, household in relation to consumption reflect the real purchasing power of goods and services on the market.
- 5) The Research Institute for Quality of Life (RIQL) uses the normative method as a method for determining poverty and its extent. It starts from the consumption of the population and is based on norms appreciated by specialists regarding the development and manifestation of the person and his family. Within the RIQL, two minimums were calculated using this method: the decent minimum and the subsistence minimum. In order to be able to compare the consumption needs of family members, the equivalence scale or the consumption per equivalent adult is used. The calculation of consumption per equivalent adult starts from the needs of the first active adult in the household, who receives the value 1; continues with the second adult in the household, it is assumed the wife of the head of the household, who has a consumption of 0.9 of what is needed by the first adult, i.e. the husband. The expenses for the first child represent 0.7 of the expenses of the first adult in the household, i.e. the child's father. The second child consumes 0.5 of the consumption of his father, the first adult in the household. In total, the equivalence scale for the family of two active adults with two dependent children is 3.1 (1+0.9+0.7+0.5).

Structure of the basket calculated in RIQL and that calculated by NIS, at the level of November 2021.

The basket for employees: from the urban and rural areas (Tables 1&2).

Coverage of the minimum consumption basket of different types of income, in the years October 2018, October 2020 and January 2022 (Tables 3–8).

Table 1 The RIQL-NIS decent minimum basket for families of employees, who pay installments for the purchase of housing

Total consumption expenses November 2021	Family of 2 employees with 2 dependent children RIQL	
	Urban Decent Minimum Basket Lei %	Rural Decent Minimum Basket Lei %
1. food and drinks	1 152.3 27.6	906.9 25.1
2. clothing, footwear	150.3 3.6	220.4 6.1
3. home maintenance, water, electricity, gas and other fuels	325.7 7.8	177.1 4.9
4. housing rate (first house)	1 436.2 34.4	1 423.5 39.4
5. furniture, housing equipment	154.5 3.7	173.4 4.8
6. health	141.9 3.4	122.8 3.4
7. transport	175.4 4.2	104.8 2.9
8. post and telecommunications	20.9 0.5	14.5 0.4
9. education, recreation and culture	58.4 1.4	36.1 1.0
10. various products and services	141.9 3.4	72.2 2.0
11. hotels, cafes, restaurants		-
12. safety fund and savings	417.5 10.0	361.3 10.0
Total 2021 with installment at the bank for the purchase of the house	4 175 100.0	3 613 100.0

Table 2 The RIQL minimum decent basket for wage-earning families, who have private homes

Total consumption expenses November 2021	Family of 2 employees with 2 dependent children RIQL		The level and structure of total consumption expenses, in the third quarter of 2021*	
	Urban Decent Minimum Basket	Rural Decent Minimum Basket	Structure	Total consumption expenses
	Lei %	Lei %		Lei %
1. Food and drinks	1 211.9 42.9	1 065.8 47.1	1.1. Agri-food products and non-alcoholic beverages + 1.2. Alcoholic beverages, tobacco Total	988.49 32.4 245.35 8.1 1233.84 40.5
2. Clothing, footwear	152.6 5.4	280.6 12.4	2. Clothing and footwear	235.76 7.7
3. Home maintenance, water, electricity, gas and other fuels	440.7 15.6	162.9 7.2	3. Housing, water, electricity, gas and other fuels	477.03 15.7
4. Furniture, housing equipment	144.1 5.1	38.5 1.7	4. Furniture, equipment and home maintenance	187.35 6.1
5. Health	234.4 8.3	149.4 6.6	5. Health	174.43 5.7
6. Transportation	22.6 0.8	74.7 3.3	6. Transportation	203.72 6.7
7. Post and telecommunications	59.3 2.1	61.1 2.7	7. Information and Communications	155.6 5.1
8. Education, recreation and culture	144.1 5.1	67.9 3.0	8.1. Recreation, sport and culture 8.2. Education 8. Total	147.99 4.9 6.09 0.2 154,08 5.1
9. Various products and services	132.8 4.7	135.8 6.0	9. Personal care, social protection and miscellaneous	160.57 5.3
10. Hotels, cafes, restaurants			10. Hotels, cafes and restaurants	49.09 1.6
11. Safety fund and savings	282.5 10.0	226.3 10.0	11. Insurance and financial services	14.5 0.5
Total expenses November 2021	2 825 100.0	2 263 100.0	Total consumption expenditure	3045.97 100.0

Press release No. January 7 / 11, 2022, NIS, Romania.⁶

Table 3 Family of two employees with two dependent children, to cover the minimum basket for two adults and two children, where they earn: Two average salaries and child allowances could cover twice the minimum decent basket of products and services, in the years 2018-2022, and three times the survival basket

Income/Years	Oct-18	Oct-20	Jan-22
2 average wages and 2 child allowances/ Minimum Decent Basket for two active adults with two dependent children	228.2	269.7	273
2 average wages and 2 child allowances/Minimum Subsistence Basket for two active adults with two dependent children	283.4	335.4	340.2

Table 4 An average wage, a minimum wage and child benefits could cover twice the minimum survival basket and one and a half times the decent one in the 2018-2022 timeframe

Income/Years	Oct-18	Oct-20	Jan-22
1 average wage, 1 minimum wage and 2 child allowances/Minimum Decent Basket for two active adults with two dependent children	164.8	193.4	192.9
1 average salary, 1 minimum salary and 2 child allowances /Minimum Subsistence Basket for two active adults with two dependent children	204.6	240.4	240.4

Table 5 Two minimum wages and child allowances were able to cover the minimum decent basket in its entirety, and once more by a quarter, up to over 40%, above the survival rate, in the 2018-2022 time frame

Income/Years	Oct-18	Oct-20	Jan-22
2 minimum wages and 2 child allowances / Minimum Decent Basket for two active adults with two dependent children	101.4	117	112.9
2 minimum wages and 2 child allowances / Minimum Subsistence Basket for two active adults with two dependent children	125.9	145.5	140.6

Table 6 An average salary and two child allowances could cover 140-170% of the minimum survival basket and 114-136% of the decent one in the analyzed interval

Income/Years	Oct-18	Oct-20	Jan-22
I average salary and 2 child allowances / Minimum Decent Basket for two working adults with two dependent children	114.1	134.9	136.5
I average salary and 2 child allowances / Minimum Subsistence Basket for two active adults with two dependent children	141.7	167.7	170.1

Table 7 A minimum wage and child allowances could cover half of the minimum decent basket and between 60 and 70% of the subsistence basket, in the 2018-2022 timeframe

Income/Years	Oct-18	Oct-20	Jan-22
I minimum wage and 2 child allowances / Minimum Decent Basket for two working adults with two dependent children	50.7	58.5	56.4
I minimum wage and 2 child allowances / Minimum Subsistence Basket for two active adults with two dependent children	63	72.8	70.3

Table 8 The guaranteed minimum income for the single-parent family and child allowances could cover a little over 10% of the decent basket and 15% of the subsistence basket in 2018; the situation improves in January 2022 when the same income covered 73% of the minimum survival basket and 58% of the decent one

Income/Years	Oct-18	Oct-20	Jan-22
I Guaranteed Minimum Income and 2 child allowances/Minimum Decent Basket for two working adults with two dependent children	12.6	60	58.4
I Guaranteed Minimum Income and 2 child allowances /Minimum Subsistence Basket for two active adults with two dependent children	15.7	74.6	72.8

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None.

Conflicts of interest

There are no conflicting interests declared by the authors.

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