

Romania and EU standards, 1990–2022

Abstract

European statistics provide a clear picture of Romania's dynamics in relation to European standards. The data use very relevant indicators for the diagnosis of the standard of living of the Romanian population in relation to other European countries: GDP per person, calculated at purchasing power (PPS). In 1990, for the former socialist countries, showed that they were at considerable distances from the standards of advanced European countries. The biggest gap was registered by: Romania, followed by Bulgaria and Poland and the smallest gap was recorded by the Czech Republic and Slovenia. The first 10 years of transition (2000) were extremely difficult for Romania and Bulgaria, which represents a massive impoverishment of the population. The Czech Republic also faced problems as a result of the process of separation from Slovakia. Slovenia was the country that achieved the smallest gap. The highest level of living standard, by GDP/inhabitant, is presented by the Czech Republic, Slovenia followed closely by Slovakia. Romania, after a dramatic decline in the 90s, later recorded an important increase, but still maintaining approximately half of the advanced European standard, from 30.9% to 52%.

Keywords: GDP/capita, purchasing power, salary, income, expense, household

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Introduction

In the data provided by European statistics, very relevant indicators are used, such as: GDP per person calculated at purchasing power (PPS) (see Table 1), in order to have a clear picture of the diagnosis of the standard of living of Romanian households in relation to households in other European countries.

At the beginning of the transition process -1990- the former socialist countries were at considerable distances from the standards of advanced European countries. The largest gap was registered by: Romania (30.9%), followed by Bulgaria (30.6%) and Poland (34.3%), and the smallest was registered by the Czech Republic (71.3%) and Slovenia (67, 5%). In the period 1990-2000, a massive impoverishment of the population occurred for Romania and Bulgaria, Romania recorded - 21.9% impoverished population, and Bulgaria - 24.2%. The highest level of living standards (GDP/capita) was recorded by the Czech Republic (79.6%), Slovenia (76.7%) followed closely by Slovakia (72%).¹ A close level is also presented by Poland (from 34.3% to 63.5% of the level of developed European countries) and somewhat more modestly by Hungary (from 43.8% to 63.5%). And Romania, after a dramatic decrease in the 90s, later recorded an important increase, but maintaining about half of the advanced European standard, from 30.9% to 52% (Table 1).

Table 1 GDP at current prices per person (PPS, EU-15 = 100)

	1990	2000	2000/1990	2015	2015/1990
Romania	30,9	21,9	70,9%	52,0	168,3%
Bulgaria	30,6	24,2	79,1%	43,7	142,8%
Hungary	43,8	46,1	105,2%	63,5	144,9%
Poland	34,3	40,5	118,1%	63,5	185,1%
Slovenia	67,5	68,2	101,0%	76,7	113,6%
Slovakia	35,3	42,5	120,4%	72,0	204,0%
Czech Republic	71,3	62,0	87,0%	79,6	111,6%

Source: Statistical annex of European economy.¹

If we take into account only the member countries of the European Union, we have the second lowest gross and net salary, only the

Bulgarians having lower remunerations. However, at the European level, Romania ranks 30th out of 45 countries, both in terms of the average gross salary (1,151 Euros) and in terms of the average net salary (708 Euros). We are over the countries of Eastern and South-Eastern Europe - Montenegro, Bosnia and Herzegovina, Serbia, Macedonia, Albania, Kosovo, Belarus, Georgia, Armenia, Azerbaijan, Moldova and Ukraine. We are above the Russian Federation and above Bulgaria (the only EU country below us). At the same time, we are quite close to Central European countries such as Slovakia, Hungary, Latvia and Croatia.²

Romania ranks last in the EU for the median income of its citizens expressed in euros, according to data published by Eurostat, with an annual median income of 4,267 euros and a monthly median of 356 euros. Disposable adult-equivalent income is a household's total income, after taxes and other deductions, that is available for spending or saving, divided by the number of household members converted to equalized adults; household members are equalized or age-weighted using an OECD equivalence scale. As seen in the table below, Romania has a median annual income about 4 times lower than the EU average/year and a median monthly income about 4 times lower than the EU average/month. (Romania, the last place in the EU for the median income (in euros) of citizens.³

Since entering the EU (Table 2), Romania's GDP/capita in current prices has risen from 6.1 euros to 10.4 GDP/capita (in euros), according to the data communicated by Eurostat. The European average of GDP/capita increased by 18.4%, between 2007 and 2018, from 26.1 euros to 30.9 euros. If we compare Romania to the European average, the GDP/capita gap between us and the EU average increased slightly, from 20.0 euros in 2007 to 20.5 euros in 2018, respectively by 2.5% (Figure 1).

With an increase in GDP/capita (in euros) Romania had the most spectacular growth (+70%) since integration in 2007, until 2017; above the one achieved by Poland (+57%) and significantly above the results from the Czech Republic (+45%) and Hungary (+32%) (Figure 2).

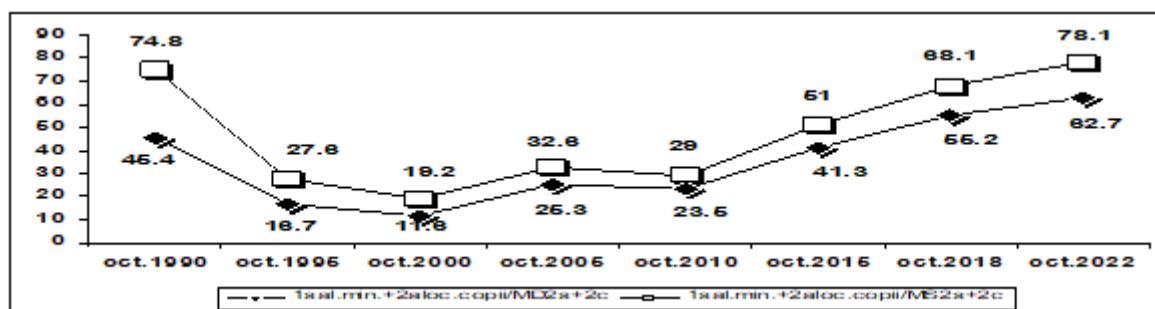


Figure 1 The ratio between a minimum net salary plus two child allowances and the value of the minimum decent consumption basket/urban subsistence basket, for the family of two adults with two dependent children.

Source: Calculations performed by the author based on the values of the minimum wage per economy and child allowances from the website of the Ministry of Labor and Social Solidarity and the values of the decent consumption and subsistence baskets, calculated by the author, using the normative method, within the RIQL.

Anul	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
DE	31,0	31,7	30,6	32,1	33,7	34,3	35,0	36,0	37,3	38,4	39,6	40,8
Dif.	24,9	24,6	24,5	25,9	27,2	27,7	27,8	28,4	29,2	29,8	30,0	30,4
RO	6,1	7,1	6,1	6,2	6,5	6,6	7,2	7,6	8,1	8,6	9,6	10,4
UE	26,1	26,1	24,5	25,5	26,2	26,6	26,8	27,7	29,1	29,3	30,0	30,9
Dif.	20,0	19,0	18,4	19,3	19,7	20,0	19,6	20,1	21,0	20,7	20,4	20,5

Figure 2 The evolution of GDP/capita, 2007-2018, in Romania, Germany and the EU average in thousands of euros.

Source: Romania, the last place in the EU in terms of the median income (in euros) of citizens (cursdeguvernare.ro).³

The standard of living in Romania and the EU

The shock caused by the COVID-19 pandemic and the war in Ukraine have exposed the structural vulnerabilities of the economy, including persistent poverty and disparities in economic opportunities across regions and between urban and rural areas, structural rigidities in the labor market, weak fiscal policy and constraints significant institutional that affect the efficient use of resources. Poor and vulnerable households have been disproportionately affected by rising food and energy prices, despite capping gas and electricity prices at reduced levels until March 2023 for households with lower average monthly consumption. The solid recovery of the economy contributed to the decrease of the share of Romanians living on less than 6.85 dollars a day at purchasing power parity (PPP) from 2017, to 11.7% in 2022, from 12.1% in 2021.⁴

World Bank. The pandemic was a turning point after decades of poverty reduction.⁴

- 1) In 2020, an additional 71 million people worldwide lived in extreme poverty.
- 2) This means that 719 million people – or about 9.3% of the world’s population – lived on just \$2.15 a day, and the current war and rising food and energy prices threaten to slow down efforts to reduce poverty
- 3) The World Bank estimates that 574 million people, or about 7% of the world’s population, will survive on just \$2.15 a day by 2030, especially in Africa.

The Europe 2020 strategy had an essential role in the review of child protection policies, through the proposed target of reducing by at least 20 million the number of people affected by poverty or social exclusion.

- 1) In 2012, approximately 125 million European citizens lived in poverty or social exclusion, and children represented more than a quarter of the total, being more affected than the adult population in most countries.
- 2) This Strategy proposes, in a complementary way, the decrease by 250,000 by 2020 of the number of children affected by relative poverty, the proposed target being no more than 1,106,000 poor children in 2020.⁵
- 3) In this context, Romania assumed the reduction in the period 2008-2020 by more than half a million (580,000) of the number of people affected by relative poverty, until reaching the target of 4,408 thousand people.

The draft of the National Strategy on social inclusion and poverty reduction (2014-2020) shows that:

- 1) One in five Romanians faces poverty caused by insufficient income, and a large part of the poverty caused by the low level of income is persistent;
- 2) Three quarters of poor people have been in this situation for at least three years;⁶
- 3) A third of the population cannot afford to purchase items considered desirable or even necessary for a decent living.
- 4) According to the same document, there are still children who have never gone to school, and the percentage of young people without adequate education is high.
- 5) The draft strategy 2014-2020 envisages the development of social housing provision programs, focusing on homeless people and other people who cannot afford housing, but also improving the quality of life in rural and small urban areas. The identification

of poor villages and marginalized communities will direct public interventions and investments (including from EU funds) towards these communities with greater precision.

Poverty is more common among people living in households with dependent children (dependent children are considered people aged between 0-17 years), (in 2020 it reached 25.4%), than in the case of those living in households without children (20.8% in the last year).

In 2020, the households most affected by poverty were those consisting of 2 adults with 3 or more dependent children (more than half); single-parent families with at least one dependent child (almost three out of ten); families consisting of 3 or more adults with dependent children (a little over a quarter); but also households consisting of 2 adults with 2 dependent children (almost a quarter). In comparison with these, households consisting of 2 adults and 1 dependent child were affected by poverty to a lesser extent (11.0%). Likewise, single people are more exposed to the risk of poverty, especially for women (40.8% compared to 25.6% for men).

Incomes households

The *income indicator* is decisive in sizing the quality of life of the population. But for some categories of the population, incomes have felt the effects of the current crises. Larger reductions of this indicator were borne by farmers' households, part of pensioners' households, but also those of the unemployed. The shortages were felt much more acutely in the countryside.

1. The total average monthly income of the Romanian population represented at the level of the III quarter of 2022⁷ the following values: per household: 6,668 lei, and per person: 2,662 lei.
2. More than 90% of the total income of Romanian households is of a monetary nature.
3. Cash income predominates in households where the head of the household is: salaried, unemployed and pensioner.

4. Farming families have monetary income predominantly from agriculture (39%), but also from wages (15.7%), from independent non-agricultural activities (5.4%) and from social benefits (almost 9%).
5. For unemployed families, half of the cash income comes from other wage rights, followed by those from social benefits (19.5%).
6. In the case of pensioner families, 63% of the money comes from social benefits, followed by other salary rights (almost 25%) from this type of income, which explains the fact that Romanian pensioners choose to work beyond the legal age limit, for the reason dissatisfaction with the pension obtained at retirement.

The total expenses of the population were at the level of the third quarter of 2022, on average 5,816 lei per household and 2,322 lei per person, representing 87.2% of the total income level. What is the destination of these expenses we see in the following: 1/3 of household consumption is spent on food products and non-alcoholic beverages; food and energy - have become more expensive than average, increasing the burden on the budgets of families in the country; 15.8% are intended for housing, water, electricity and gas expenses; investments hold a tiny percentage in the structure of total expenses.

Family of two adults with two dependent children. Urban families of two adults with two dependent children who had a minimum wage plus two child benefits experienced great economic difficulties – a situation that has persisted since the 1990s, both in terms of the subsistence basket and the minimum basket decent consumption (Figure 3).

Practically, such a family has systematically given up some consumer items (even at the level of the subsistence basket), including at the time of October 2022. A somewhat more balanced situation, although still on the border of poverty, is presented by the urban family of two adults with two dependent children, who had an average salary plus two allowances for the children (Figure 4).

Anul	2007	2018	Avans	2007	2017
	euro/locuitor			% din media UE pps	
România	6.100	10.400	+70%	44	63
Polonia	8.200	12.900	+57%	53	70
Cehia	13.400	19.400	+45%	82	89
Ungaria	10.200	13.500	+32%	60	68
Croația	10.200	11.900*	+17%	61	62

Figure 3 Median income in EU countries (in euro).

Source: Romania, the last place in the EU in terms of the median income (in euros) of citizens (cursdeguvernare.ro).³

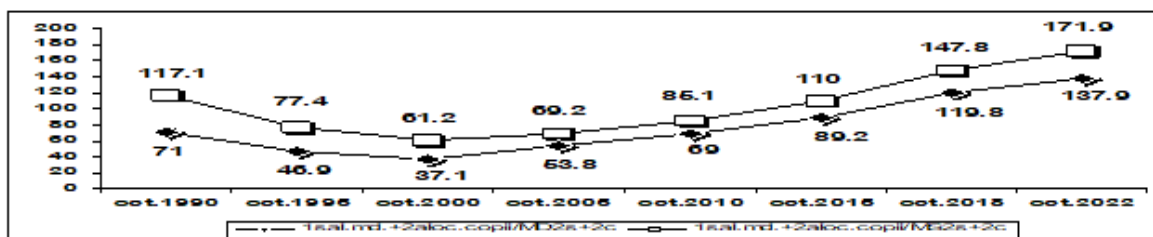


Figure 4 The ratio between an average net salary in the economy plus two child allowances and the value of the minimum decent consumption basket/urban subsistence basket, for the family of two adults with two dependent children.

Source: Calculations made by the author based on the values of the average net salary in the economy, price indices for goods and services on the market obtained from the Statistical Yearbooks 1990-2022, NIS and child allowances from the website of the Ministry of Labor and Social Solidarity and the values of decent consumption and subsistence baskets, calculated by the author, using the normative method within the RIQL.

Such a type of family managed to cover, through the incomes, the needs of the minimum decent consumption basket only since October 2018, and those of the subsistence basket, only since October 2015.

And the urban elderly family, which had an average state social

insurance pension, had a particularly hard time covering its needs at the level of the subsistence basket, and even more so with those of the minimum basket of decent consumption, throughout during the 1990s, until October 2022, but also after that (Figure 5).

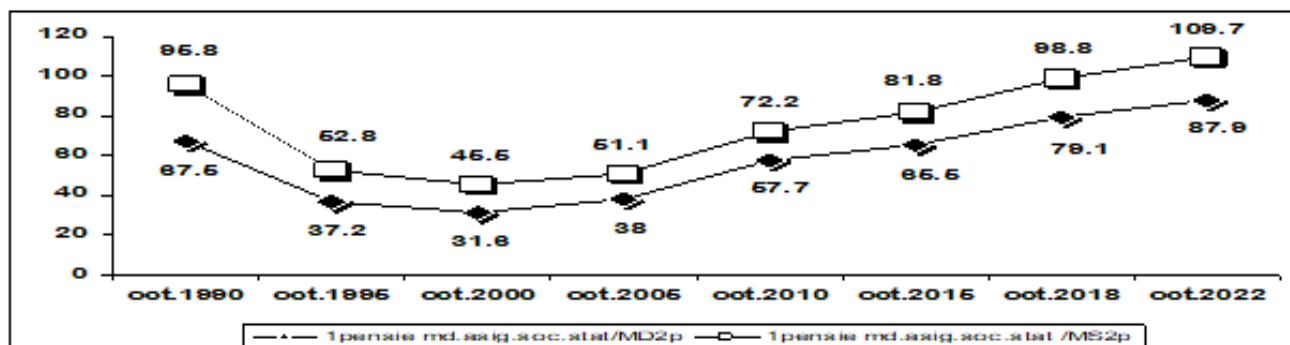


Figure 5 The ratio between an average state social security pension and the value of the minimum decent consumption basket/urban subsistence basket, for the urban family of two elderly people.

Source: Calculations made by the author based on the values of the average net state social security pension, price indices for goods and services on the market obtained from the Statistical Yearbooks 1990-2022, NIS and the values of decent consumption and subsistence baskets, calculated by author, through the normative method within the RIQL.

Conclusions

In the period 1990-2022, the economic situation of Romania went through various moments of balance, but also had some moments of recovery, depending on some stages of the reform of the transition to the market economy, but also as a result of various economic or social crises what happened during this interval, internationally. All this determined variations in the expansion of the social phenomenon of poverty, with the exit from poverty of certain categories of families, but also with the graffiti around the poverty threshold of other families. The most strongly affected by poverty turned out to be some categories of the population strongly disadvantaged on the labor market, such as people with a relatively low level of education, people who failed to integrate into work, families with children and certain households from rural.

Against such a background, there were also some categories of families that, throughout the 1990-2022 interval, failed to overcome their own economic status, leading a life at the level of the minimum consumption basket, and not infrequently, even below this limit. Of course, the types of families in such situations were not only those illustrated in graphs 1, 2 or 3, but there were also a large part of rural families - those with children, those who worked by the day, some families of pensioners. Therefore, the phenomenon of poverty in Romania proves quite resistant to the moments of economic recovery of the national economy, which raises the issue of the need to strengthen social protection institutions and especially those of social assistance.

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Conflicts of interest

The authors declare that they have no conflicts of interest related to the present work.

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None.

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