

## VULNERABLE GROUPS OF POPULATION IN ROMANIA

ADINA MIHĂILESCU

*The majority of Romanian households have a consumption centered on satisfying the basic needs. The predominantly low level of income of the population has not allowed for savings in the years of economic growth before the crisis, which has caused more degradation in the living conditions during the crisis – degradation far below the decent minimal consumption, in all the categories of households. In this study we analyze changes in the Romanian landscape of household incomes and the impact of wage and child allowance from the living standard of population, in July 2015.*

*Keywords: vulnerable group, average wage, minimum wage, child allowance, pension, consumer basket.*

### INTRODUCTION

During the '90s, but also after 2000, most of the Romanian households, and especially those in rural areas, achieved a consume centered on meeting the basic needs. The low level of income of the population has not allowed for savings in the years of economic growth before the crisis, which has caused exacerbated degradation in the living conditions during the crisis – degradation far below the decent minimal consumption and subsistence minimal consumption, in all categories of households. The normative method (Stanciu et al., 2014) identifies segments of the population in need. They need state intervention, with special measures of social protection.

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#### **The analysis of revenues and expenses in data survey of the National Institute of Statistics**

The data survey of the National Institute of Statistics on the income and consumption of the population was obtained through Household Budget Survey

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(HBS). The investigation collects the necessary information to characterize the living standards of the population in Romania until 2013.

In 2013, the total consumption expenditure or cost of living in Romania was 1,670.04 lei<sup>1</sup>. The average of household was: 2,076.30 lei for employees; 1,308.31 lei farmers; unemployed, 1,403.24 lei; retired, 1,427.32 lei. The average money income per household represented 2,559.05 lei. In 2013, the average monthly incomes per household<sup>2</sup> were: employees – 3,419.13 lei; farmers – 2,098.10 lei; unemployed – 1,689.99 lei; pensioners – 2,072.58 lei. In terms of the level and structure of consumption expenditures by category of households in urban and rural areas, see the table: the cost of living for families of employees, farmers and pensioners as well as the expenditures have been calculated by the NIS method (*Table no. 1*).

*Table no. 1*

**The structure of total consumption expenditure of households,  
in urban and rural areas, NIS method**

Households	NIS				
	Total households	Employees	Farmers	Unemployed	Retired
Total consumption expenditure – % – <b>in 2013</b>	1,670.04	2,076.30	1,308.31	1,403.24	1,427.32
1. Food products and non-alcoholic beverages	41.4	37.4	54.0	46.2	43.1
2. Alcoholic beverages, tobacco	7.8	8.2	9.5	8.2	7.0
3. Clothing/ Footwear	5.2	6.3	4.6	3.7	4.1
4. Housing, water, electricity, gas and other fuels	16.7	16.3	12.1	17.7	18.2
5. Furniture, household equipment	3.9	4.1	3.1	2.8	4.0
6. Health	4.5	2.7	2.0	2.7	7.7
7. Transport	5.9	7.4	5.0	5.1	4.2
8. Communications	4.7	5.4	3.2	5.0	4.1
9. Recreation and culture	4.1	4.6	2.7	3.9	3.6
10. Education	0.5	0.7	0.3	0.2	0.2
11. Hotels, bars, restaurants	1.5	2.2	1.3	1.3	0.6
12. Miscellaneous goods and services	3.8	4.7	2.2	3.2	3.2

*Source:* Romanian Statistical Yearbook 2014, NIS, București, Table 4.23, pg. 210.

**The perception of the actual cost of living in the Diagnosis of quality of life research, June 2010, RIQL**

The coverage of the basic necessary products is a problem for more than half of the sample: diagnosis of quality of life, in 2010. It seems that, in terms of the appreciation of life, and its cost, families living in rural areas, whose head household

<sup>1</sup> NIS, Romanian Statistical Yearbook, 2014, Tab. 4.1/pg. 168.

<sup>2</sup> NIS, Romanian Statistical Yearbook, 2014, Tab. 4.23/pg. 210.

is farmer (34.6%), retired person (26.0%) and active person (16.0%) are doing poorly, not having the enough revenue “for the strictly necessary”. Parents aged between 30 and 60, as the elderly over 60 years spend their income hardest and this is not able to cover the basic needs (*Table no. 2*).

*Table no. 2*

**Estimated total income for the needs of families. Diagnosis Quality of life Research, June 2010**

<b>How do you estimate the total income in relation to the needs of your family?</b>	<b>Responses from a sample of 1,161 people (%)</b>
1. It does not cover the basic needs.	30,6
2. It covers only the essential needs.	33,8
3. It provides us a decent living, but we cannot afford something more expensive.	25,7
4. We manage to buy some more expensive items, but with effort.	9,5
5. We can afford everything we need, without much effort.	0,5
Total	100,0

*Source:* Author’s analyze on Diagnosis of quality of life database, 2010 (Mărginean and Precupețu, (eds.), 2010).

The coverage of basic necessities products is a problem for more than half of the sample respondents in the Diagnosis *Quality of life* in 2010. The first position where there is no strictly minimum household income are summarized covered with nearly a third of households 30.6%. The other third is positioned at the second level, where only households cover their basic necessities of earnings. Virtually, **65% of these families are living at survival level, they are living in poverty**. Placing on the third level of the rating scale, where it reaches a minimum decent living without being able to buy goods more expensive is a quarter of the families in the study (25.7%). The last two levels of living, which does **not raise any obstacle in purchasing products on the market** are positioned at only **10% of the sample households**.

If we want to achieve a **subjective profile of respondents who are doing their hard earnings**, falling short of them even for the strictly necessary, we have: farmer aged 30–60 years who have a minimum degree of education, school later than, and pensioners who have worked for low-skilled activities and retired with relatively low pensions, not cover under present conditions.

The **profile threads of those who do best** are: workers who work highly skilled, technicians, and people with higher education, aged between 30–60 years, as a part of the pensioners, who conducted work well paid, highly skilled or had higher education. The pensioners have the opportunity to buy also “some more expensive items” or “fail to have everything they need”.

Regarding the additional income households to purchase certain goods, respondents have declined wishes for the following: food supplemented with still so in as currently consumes; yet so as they have, and more, and would like

clothes/footwear and health category; about as much as they currently consuming on housing, cultural and recreational activities. These results can be seen in *Table no. 3*.

*Table no. 3*

**The structure of the household monthly expenditure  
in the Diagnosis Quality of life, June 2010**

Type of expenditure	The structure of household expenditure	The structure of additional expenditure declared by the population
1. Food	34.6	33.7
2. Beverages	5.5	2.4
3. Clothing/ footwear	8.1	14.6
4. Dwelling	26.6	20.5
5. Transport	5.7	3.1
6. Health	8.5	10.5
7. Culture	2.7	3.4
8. Pensii alimentare	0.3	0.4
9. Other expenditure	8.0	11.4
10. Total expenditure	100.0	100.0

*Source:* Author's analyze on Diagnosis of quality of life database, 2010 (Mărginean and Precupețu, (ed.), 2010).

**WAGE POLICY MEASURES AND THEIR IMPACT ON THE LIVING STANDARDS  
OF THE POPULATION IN ROMANIA, SINCE JULY 2015**

The Government Decision no. 1091/2014 (Government Decision no. 1091/2014, Monitorul Oficial 902/2014) brings an increase in the minimum wage in 2015, from 975 lei to 1 050 lei (from 1 July 2015). In *Figure 1* we can see the evolution of both the net minimum wage and the average wage in the economy, since 1989, up to the level of July 2015.

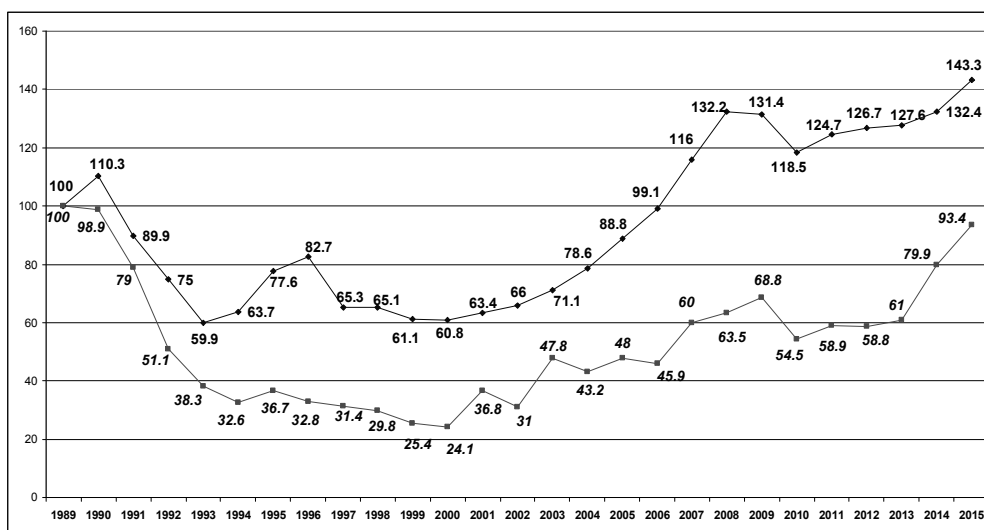
Often, times are difficult, even alarming, regarding the conditions that some persons or families live. These analyses will lead us to the identification of vulnerable population groups and profound social inequalities in Romanian society. To identify the type of person economically vulnerable will be analyzing the following types of persons and families, reporting their expenditure to the decent minimum basket, calculated by the normative method (Mihăilescu, 2012):

Based on the population structure in Romania, most families in our country living in cities, 56.8% in urban and 43.2% in rural areas; half of families with children have one child (54.5%) ([http://economie.hotnews.ro/stiri-finante\\_banci-17640626-douazeci-statistici-care-nu-stiai-despre-familiile-din-romania-nivelul-lor-trai.htm](http://economie.hotnews.ro/stiri-finante_banci-17640626-douazeci-statistici-care-nu-stiai-despre-familiile-din-romania-nivelul-lor-trai.htm)); families with more than four people were more numerous in urban than in rural areas, while those formed from 5–6 people and several were higher in rural areas. Most families do not have children (72.3%). Regarding couples with children,

the most numerous are those with one child (15.1%) and those with two children (9.7%). Only 1% has four or more than four children. Families with more than four children are more numerous in rural areas (1.8% versus 0.4% in urban areas), while families with one child are more numerous in urban areas (17.4% to 12%) (<http://www.romanalibera.ro/stil-de-viata/familie/radiografia-gospodariei-romanesti-cine-e-capul-familiei-si-cati-copii-mai-facem-342362>).

Figure 1

The dynamics of the real minimum and average wage, in the period October 1989 – July 2015



Source: Author's calculation, on data of Government Decision no.1091/2014 (Government Decision no. 1091/2014, Monitorul Oficial 902/11 december 2014) and the monthly calculation of the average wage in the economy NIS, (<http://www.insse.ro/cms/ro/content/castiguri-salariale-din-1991-serie-lunara>), (Mihăilescu, 2012).

### Single-parent with one, two or three dependent children

The revenues of different families with children receiving aid from the state social insurance budget – see social aid legislation, Law 61/1993, republished in 2012 – could not keep pace with rising prices for products and services on the market. This resulted in deterioration in the quality of life for families with children in Romania. We present the actual amounts for guaranteed minimum income (GMI) the number of people and support allowance family (Mărginean and Precupețu, (ed.), 2010).

**Single-parent with one, two or three dependent children** who have an income consisting of a guaranteed minimum income, a minimum wage, an average net salary in the economy and children's allowances is positioned away from what might be called a minimum basket for a decent life (Tables no. 4 to 6).

Table no. 4

**Single-parent with one, two or three dependent children**

Persons	Income person/ family in July 2015 (lei)	Decent minimum basket in July 2015 (lei)	The difference between income and expenses	The difference between income and expenses (%)
One person receiving guaranteed minimum income	370	739	- 369	- 99.7% (would need another 370 lei to cover basic necessities)
Two persons, parent with a child	$225 + 45 + 84 = 354$	1 256	- 902	- 254.8% (would require 2.5 times the income enjoyed decent living for minimum coverage)
Three persons, parent with two children	$315 + 90 + 84 + 84 = 573$	1 626	- 1 053	- 183.8% (almost 2 times would need to cover income enjoyed decent minimum basket)
Four persons, parent with three children	$390 + 84 + 84 + 84 = 642$	1 995	- 1 353	- 210.7% (over 2 times would need to cover income enjoyed decent minimum basket)

Table no. 5

**Single-parent with one, two or three dependent children**

Persons	Income person/ family in July 2015 (lei)	Decent minimum 'basket' in July 2015 (lei)	The difference between income and expenses	The difference between income and expenses (%)
One parent receiving net minimum wage employee at the level of July 2015	777	739	+38	+4.9% (lows covers minimum of necessities)
Two persons in which the second person is a child, who also has an allowance	$777 + 84 = 861$	1 256	- 395	-45.9% (would need a half from the actual income enjoyed decent living minimum)
Three persons, the second and the third person are children	$777 + 84 + 84 = 945$	1 626	-681	-72.1% (would need a third from actual income to cover the decent minimum 'basket')
Four people, the second, the third and the fourth person of all are children	$777 + 84 + 84 + 84 = 1 029$	1 995	-966	-93.9% (would need almost the actual income for basic needs)

Table no. 6

**Single-parent with one, two or three dependent children**

Persons	Income person/ family in July 2015 (lei)	Decent minimum 'basket' in July 2015 (lei)	The difference between income and expenses	The difference between income and expenses (%)
One person employee payed with the net average wage on the economy month July 2015	1 829	739	+1.090	+59.6% (a surplus of income)
Two persons, one employee payed with the net average wage on the economy month July 2015 and one child	$1.829 + 84 = 1\ 913$	1 256	+657	+34.3%
Three persons, one employee payed with the net average wage on the economy month July 2015 and two children	$1.829 + 84 + 84 = 1\ 997$	1 626	+371	+18.6%
Four persons, one employee payed with the net average wage on the economy month July 2015 and three children	$1\ 829 + 84 + 84 + 84 = 2\ 081$	1 995	+86	+4.1%

In the case of the family where the parent is employee and he is paid with the minimum net wage, and he has an increasing number of dependent children, their income grows in direct proportion with their basic needs (an adult with a child  $-45.9\%$ ;  $-72.1\%$  adult with two children, an adult with three children has an income deficit of  $-94\%$ ).

**The family with two parents, and one, two or three dependent children (Tables no. 7–9)**

Table no. 7

**The family with two parents and one, two or three dependent children**

Persons	Income person/ family in July 2015 (lei)	Decent minimum 'basket' in July 2015 (lei)	The difference between income and expenses	The difference between income and expenses
Two persons (parents) receiving guaranteed minimum income	225	1 403	-1 178	-5.2 or (a deficit of income)
- with one child	$315 + 84 = 399$	1 919	-1 520	-3.8 or (a deficit of income)
- with two children	$315 + 84 + 84 = 483$	2 286	-1 803	-3.7 or (a deficit of income)
- with three children	$315 + 84 + 84 + 84 = 567$	2 693	-2 126	-3.8 or (a deficit of income)

Parents with children have problems with social assistance to cover the minimum standard of living, as shown in the table above (*Table no. 7*).

### Family of employees

- One person, employee;
- Two persons, employee;
- Third person child, allowance contributing to the family budget;
- Fourth person, child also contributes to the allowance and;
- The fifth person in the family has child with allowance.

It's difficult for the parents which are paid with the minimum wages to cover the deficit for a decent minimum basket if they must support one or two children, especially families with three children. It is noted in the table above as their income is not satisfactory in meeting the needs decent minimum basket (from –17% to –49%) (*Table no. 8*).

*Table no. 8*

**The family of employees with one, two or three dependent children**

Persons	Income person/ family in July 2015 (lei)	Decent minimum 'basket' in July 2015 (lei)	The difference between income and expenses	The difference between income and expenses
One parent receiving net minimum wage employee at the level of July 2015	777	739	+38	+4.9%
Two persons receiving net minimum wage employee at the level of July 2015	1 554	1 403	+151	+9.7%
Three persons, two parents receiving net minimum wage employee at the level of July 2015, and one child	1 638	1 919	–281	–17.2%
Four persons, two parents receiving net minimum wage employee at the level of July 2015, and two children	1 722	2 286	–564	–32.8%
Two parents receiving net minimum wage employee at the level of July 2015, and three children	1 806	2 693	–887	–49.1%

These types of families have no problems to cover the minimum acceptable standard of living per month (see *Table no. 9*).



Table no. 9

**Family of employees with one, two or three dependent children**

Persons	Income person/ family in July 2015 (lei)	Decent minimum 'basket' in July 2015 (lei)	The difference between income and expenses	The difference between income and expenses
One person employee pays with the net average wage on the economy at the level of July 2015	1 829	739	+ 1 090	+ 59.6%
Two person's employee payed with the net average wage on the economy at the level of July 2015	3 658	1 403	+ 2 255	+ 63.2%
Two person's employee payed with the net average wage on the economy at the level of July 2015 with one child	3 742	1 919	+ 1 823	+ 48.7%
Two person's employee payed with the net average wage on the economy at the level of July 2015 with 2 children	3 826	2 286	+ 1 540	+ 40.3%
Two person's employee payed with the net average wage on the economy at the level of July 2015 with three children	3 910	2 693	+ 1 217	+ 31.1%

**A family of two pensioners** net beneficiary of an average pension of state social insurance or social security net two pensions, and if a minimum social pension (see *Table no. 10*).

Table no. 10

**The family of pensioners**

Persons	Income person/ family in April 2015 (lei)	Decent minimum 'basket' in April 2015 (lei)	The difference between income and expenses	The difference between income and expenses
One pensioner benefits of a social minimum pension	350	768	-418	-119.4%
One pensioner benefits of a social average net pension	886	768	+118	+13.3%
Two pensioners benefit by a minimum social pension and another by a social average net pension	$886 + 350 = 1\,236$	1 459	-223	- 18.0%
Two pensioners benefit of a social average net pension	$886 + 886 = 1\,772$	1 459	+313	+17.7%

The family with one pensioner with an income consisting of a minimum pension of 350 lei is in a precarious economic situation, in April 2015. Practically, he would need twice the same income to cover the basic needs.

Family from urban area, with two average insurance pensions covers the minimum decent 'basket' for two pensioners, in the month of April 2015.

### CONCLUSIONS

1. A family consisting of a single parent with one, two or three children in urban area is positioned away from what might be called a minimum 'basket' for a decent life, especially families which benefitate of social assistance.

2. The families from urban area, two adults, with one, two or three dependent children, with an income consisting of two minimum salaries and allowances for children are in an extremely difficult economic situation.

3. The family, from urban area, consisting of a pensioner with an income: a minimum pension of 350 lei is in a precarious economic situation. On short and medium term this family would need once more current income to cover the minimum subsistence, and a quarter much more to cover the minimum standard of living.

4. In urban areas families with two pensioners have reached their standard of minimum living in July 2015.

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**M**area masă a gospodăriilor românești au realizat un consum centrat pe satisfacerea trebuințelor de bază. Nivelul preponderent scăzut al veniturilor populației nu a permis realizarea unor economii în anii de creștere economică înainte de criză, ceea ce a determinat degradarea accentuată a condițiilor de viață pe timpul crizei, degradare cu mult sub pragul consumului minim decent, aferent tuturor categoriilor de gospodării. În acest studiu au analizat modificările apărute în peisajul veniturilor populației din România și impactul creșterilor salariale și de alocație a copilului asupra nivelului de trai al populației, după luna iulie 2015.

**Cuvinte-cheie:** grup vulnerabil, salariu mediu, salariu minim, alocație copil, pensie, coșul de consum.