



Statistical Analysis On Poverty In European Union. A Case Study For Romania

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Abstract : The main objective of this article is to provide a statistical analysis on poverty in European Union based on a case study for Romania. Official statistics provide a apparently different framework in developed countries compared to emerging countries in terms of poverty and social exclusion. The global challenges of the poverty reduction in European Union are growing considering the constantly changing economic environment. The poverty alleviation across member states represents a fundamental objective considering the importance of achieving greater convergence, sustainable economic growth and social cohesion in terms of the European Union.

Keywords : poverty, social exclusion, economic growth, globalization

1. Introduction

This article aims to investigate an issue of great current interest such as the poverty in European Union. The progress of poverty reduction policies did not reach a sufficient level in previous decades so this phenomenon to be reduced at satisfactory limits. Thus, in some european countries, the poverty level is still very high so that the reform process is disrupted due tue several influential factors. Beyond the inherent implications, the social economic framework provides a different perspective of a changing reality. The concept of poverty achieve different meanings considering the heterogeneity that characterizes the statistical results on poverty in European Union. In literature are highlighted numerous definitions of poverty as theoretical approach. This article provides an overview of the term poverty based on certain dimensions achieved in different specific circumstances. Combating poverty is a pressing problem for the European Union. The role of social assistance in Europe is very important and should be intensified in future periods. Moreover, it is fundamental to reveal that certain european countries are more effective as respects poverty reduction that others.

European Union (28) includes the following countries : Austria, Italy, Belgium, Latvia, Bulgaria, Lithuania, Croatia, Luxembourg, Cyprus, Malta, Czech Republic, Netherlands, Denmark, Poland, Estonia, Portugal, Finland, Romania, France, Slovak Republic, Germany, Slovenia, Greece, Spain, Hungary, Sweden, Ireland, United Kingdom. According to FTSE Country Classification as at September 2014 which is the most recent official report, there are mentioned the following four categories of countries, ie developed, advanced emerging,



secondary emerging and frontier. Developed countries comprise (in alphabetical order) : Australia, **Austria**, **Belgium/Luxembourg**, Canada, **Denmark**, **Finland**, **France**, **Germany**, **Greece**, Hong Kong, **Ireland**, Israel, **Italy**, Japan, **Netherlands**, New Zealand, Norway, **Portugal**, Singapore, South Korea, **Spain**, **Sweden**, Switzerland, **United Kingdom (UK)**, USA. Advanced emerging countries include : Brazil, **Czech Republic**, **Hungary**, Malaysia, Mexico, **Poland**, South Africa, Taiwan, Thailand, Turkey. On the other hand, secondary emerging countries include : Chile, China, Colombia, Egypt, India, Indonesia, Pakistan, Peru, Philippines, Russia, UAE. Frontier countries cover : Bahrain, Bangladesh, Botswana, **Bulgaria**, Côte D'ivoire, **Croatia**, Cyprus, **Estonia**, Ghana, Jordan, Kenya, **Lithuania**, Macedonia, Malta, Morocco, Mauritius, Nigeria, Oman, Qatar, **Romania**, Serbia, Slovakia, **Slovenia**, Sri Lanka, Tunisia and Vietnam. Moreover, Standard & Poor's Financial Services provides the global classification of markets which includes the following subcategories : developed, emerging and frontier.

According to UNESCO, the most commonly approach suggest that poverty is defined in either relative or absolute terms. Absolute poverty measures poverty in relation to the amount of money necessary to meet basic needs such as food, clothing, and shelter. The concept of absolute poverty is not concerned with broader quality of life issues or with the overall level of inequality in society. The concept therefore fails to recognise that individuals have important social and cultural needs. This, and similar criticisms, led to the development of the concept of relative poverty. Moreover, UNESCO highlights that relative poverty defines poverty in relation to the economic status of other members of the society: people are poor if they fall below prevailing standards of living in a given societal context. An important criticism of both concepts is that they are largely concerned with income and consumption.

Nelson (2004) investigated the mechanisms of poverty alleviation: anti-poverty effects of non-means-tested and means-tested benefits in five welfare states, ie Canada, Germany, Sweden, the United Kingdom and the United States. The author also argued that “the structure of non-means-tested benefits is more important than that of meanstested benefits in explaining differences in poverty alleviation across countries”. On the other hand, Caminada and Goudswaard (2009) investigated the effectiveness of poverty reduction in the EU based on a descriptive analysis and suggested that there is “a quite strong negative relationship between the level of social expenditure and poverty among OECD countries, but for EU-countries this relationship is weaker”.

2. A quantitative approach to poverty measurement

Official statistics of European Commission reveal the existence of a relatively high number that exceeds 120 million people in the EU which are at risk of poverty or social exclusion. Moreover, the statistics from 2011 provided by the European Commission highlighted certain very concerning issues regarding the fact that 24% of all the EU population, ie over 120 million people, are at risk of poverty or social exclusion – this includes 27% of all children in Europe, 20.5% of those over 65, and 9% of those with a job. The European Commission also revealed that as in 2011, 17% of Europeans live on less than 60% of their country's average



household income, 9% of all Europeans live in severe material deprivation and 10% of Europeans live in households where no one in the family has a job.

The World Bank provides the following classification of countries for the current fiscal year (2015) based on the World Bank Atlas method, using as a criterion the GNI per capita level (2013) : low-income economies (\$1,045 or less), middle-income economies (more than \$1,045 but less than \$12,746), and high-income economies (\$12,746 or more). In addition, lower-middle-income and upper-middle-income economies are differentiated at a GNI per capita of \$4,125. In addition, the concept of developing (emerging) countries includes low- and middle-income countries considering the fact that practically not every country in this category have the same level of development.

**Table 1 At-risk-of-poverty rate by poverty threshold, age and sex
- Percentage of total population (%) -**

Period	2005	2006	2007	2008	2009	2010	2011
Belgium	14,8	14,7	15,2	14,7	14,6	14,6	15,3
Bulgaria	14	18,4	22,0	21,4	21,8	20,7	22,2
Czech Republic	10,4	9,9	9,6	9,0	8,6	9,0	9,8
Denmark	11,8	11,7	11,7	11,8	13,1	13,3	13,0
Austria	13,0	12,6	12,6	12,0	15,2	14,5	14,7
Germany	12,2	12,5	15,2	15,2	15,5	15,6	15,8
Estonia	18,3	18,3	19,4	19,5	19,7	15,8	17,5
Ireland	19,7	18,5	17,2	15,5	15,0	15,2	15,2
Greece	19,6	20,5	20,3	20,1	19,7	20,1	21,4
Spain	20,1	20,3	19,7	20,8	20,1	21,4	22,2
France	13,0	13,2	13,1	12,5	12,9	13,3	14,0
Croatia	18	17	18	17,3	17,9	20,6	20,9
Italy	18,9	19,6	19,8	18,7	18,4	18,2	19,6
Cyprus	16,1	15,6	15,5	15,9	15,8	15,6	14,8
Latvia	19,4	23,5	21,2	25,9	26,4	20,9	19,0
Hungary	13,5	15,9	12,3	12,4	12,4	12,3	13,8
Poland	20,5	19,1	17,3	16,9	17,1	17,6	17,7
Portugal	19,4	18,5	18,1	18,5	17,9	17,9	18,0
Romania	-	-	24,8	23,4	22,4	21,1	22,2
Slovenia	12,2	11,6	11,5	12,3	11,3	12,7	13,6
Slovakia	13,3	11,6	10,6	10,9	11,0	12,0	13,0
Finland	11,7	12,6	13,0	13,6	13,8	13,1	13,7
Sweden	9,5	12,3	10,5	12,2	13,3	12,9	14,0
United Kingdom	19,0	19,0	18,6	18,7	17,3	17,1	16,2
Iceland	9,7	9,6	10,1	10,1	10,2	9,8	9,2
Norway	11,4	12,3	11,9	11,4	11,7	11,2	10,5

Source of data: Eurostat

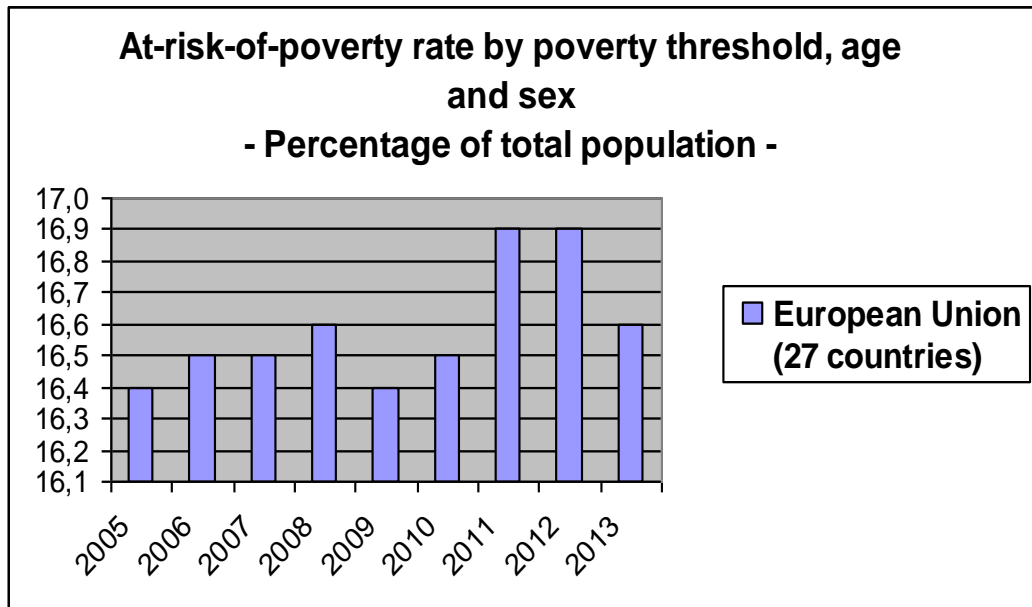


Fig. 1 At-risk-of-poverty rate by poverty threshold, age and sex in case of European Union (27)

Source of data: Eurostat

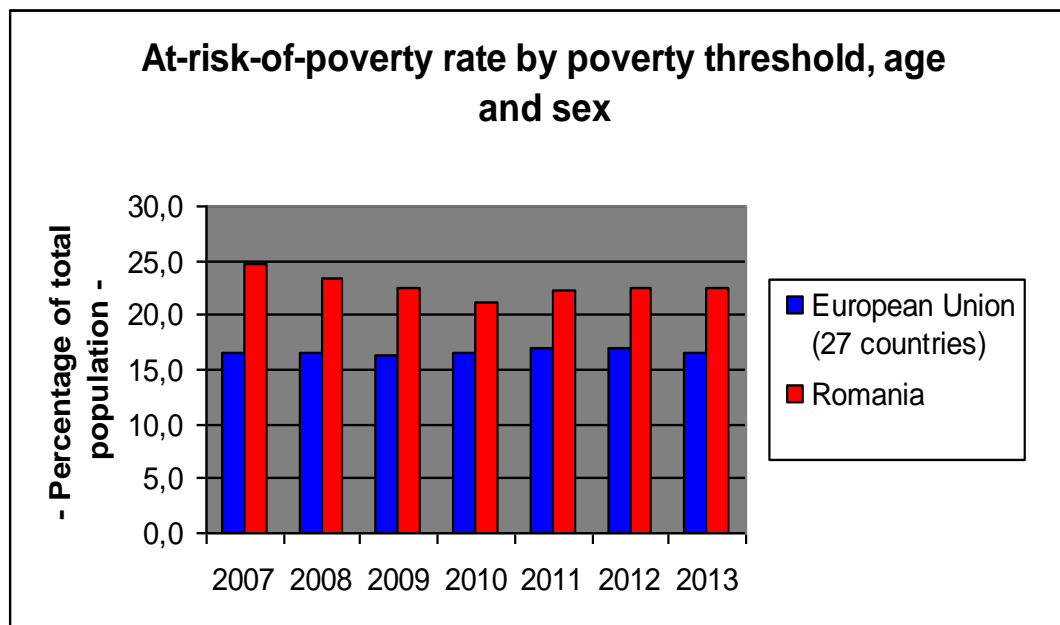


Fig. 2 At-risk-of-poverty rate by poverty threshold, age and sex – A comparative analysis between European Union (27) and Romania -

Source of data: Eurostat



The World Bank revealed that in 2011, 17 % of people in the developing world lived at or below \$1.25 a day which is a form of extreme poverty. Statistically, in 2011, just over one billion people lived on less than \$1.25 a day, compared with 1.91 billion in 1990, and 1.93 billion in 1981. Consequently, the prospect is not very encouraging considering previous results.

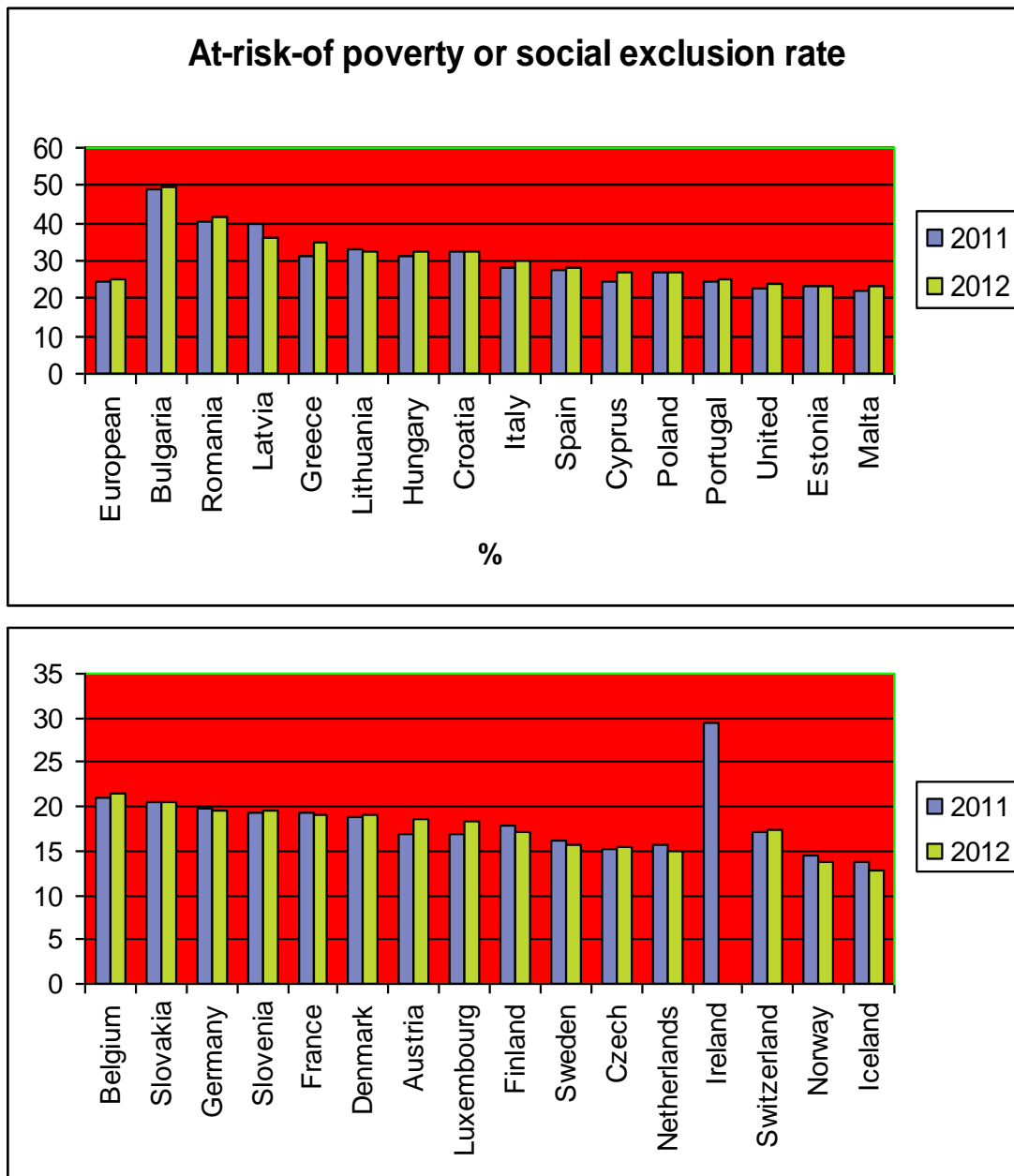


Fig. 3 At-risk-of poverty or social exclusion rate

Source of data: Eurostat

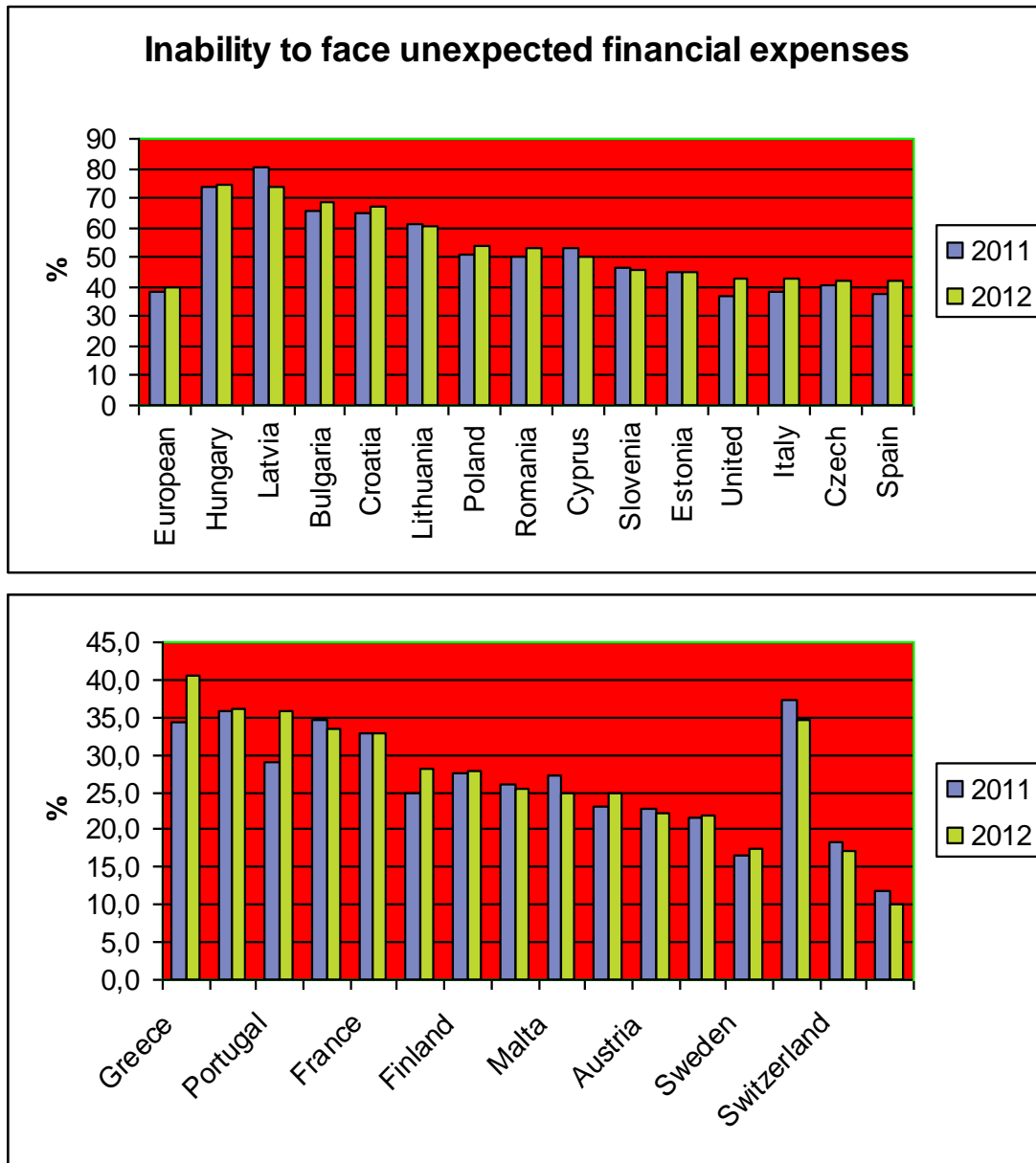


Fig.4 Inability to face unexpected financial expenses

Source of data: Eurostat

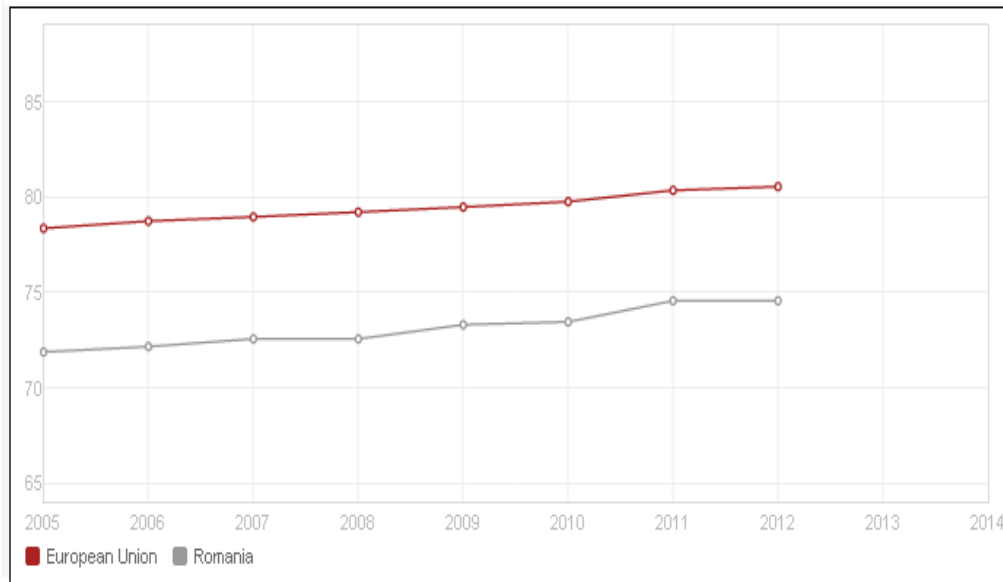


Fig. 5 Life expectancy at birth – A comparative analysis between European Union and Romania

Source of data : World Bank

According to World Bank definition, life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

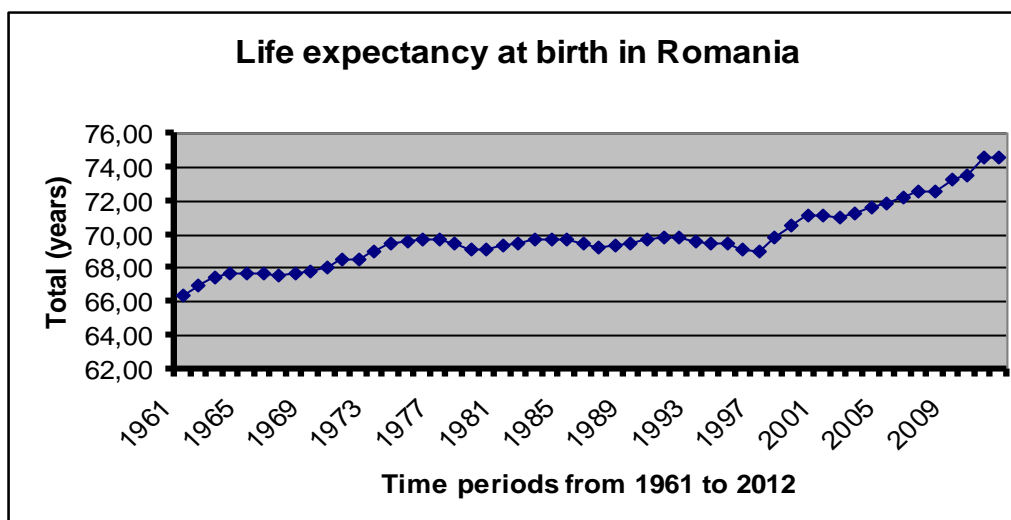


Fig.6 Life expectancy at birth in Romania

Source of data : World Bank



Fig.7 GDP growth (annual %) – A comparative analysis between European Union and Romania -

Source of data : World Bank

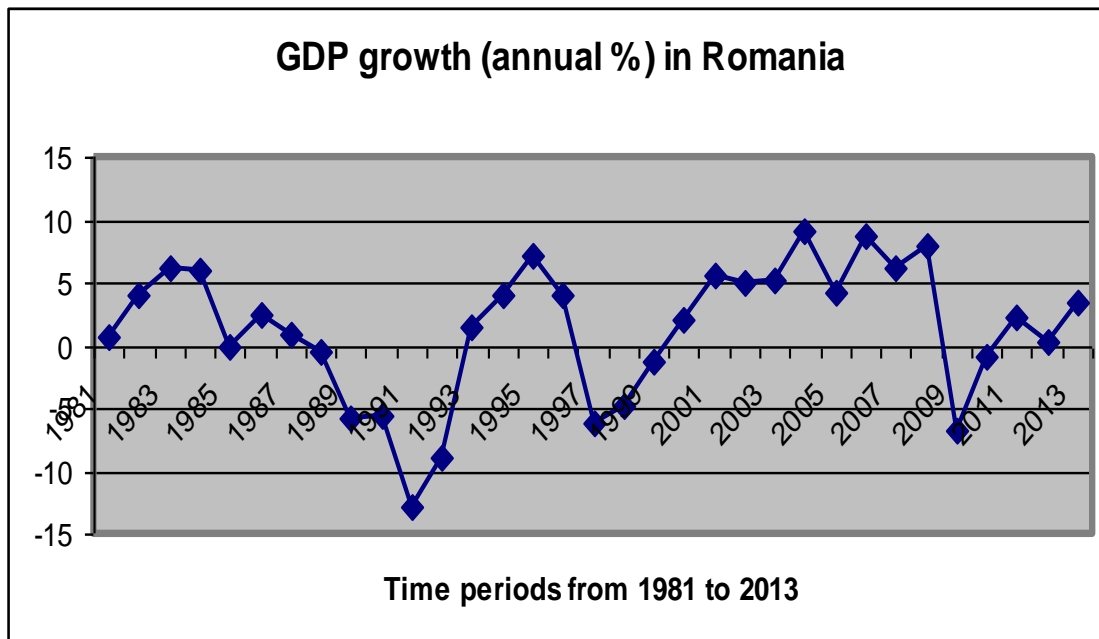


Fig.8 Annual percentage growth rate of GDP in Romania

Source of data : World Bank

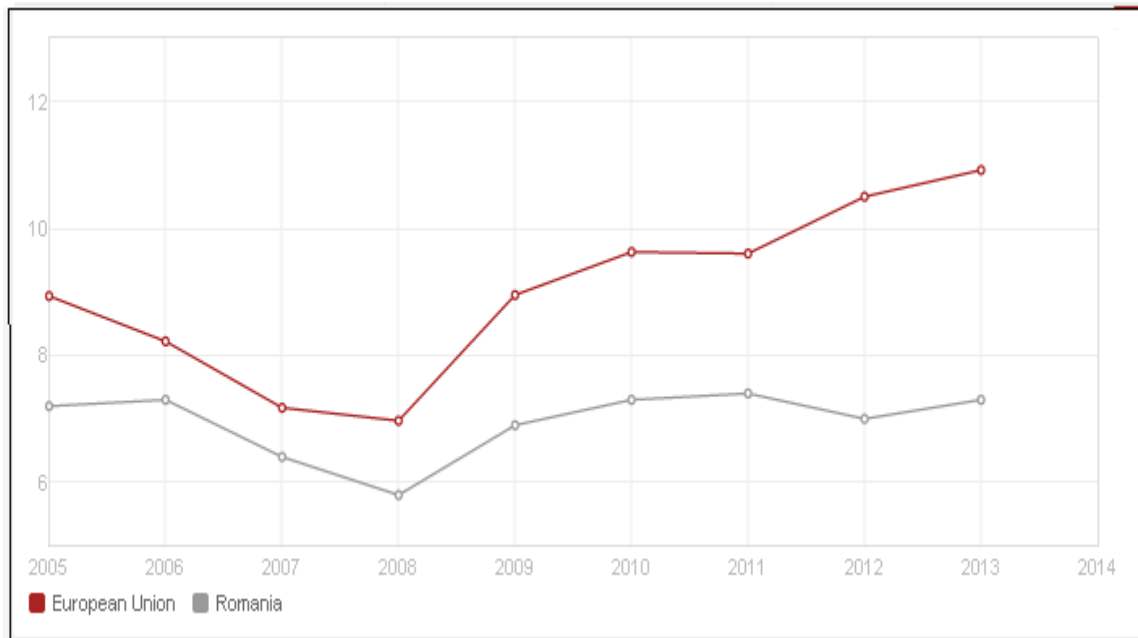


Fig.9 Unemployment - percentage of total labor force – A comparative analysis between European Union and Romania –

Source of data : World Bank, modeled ILO estimate

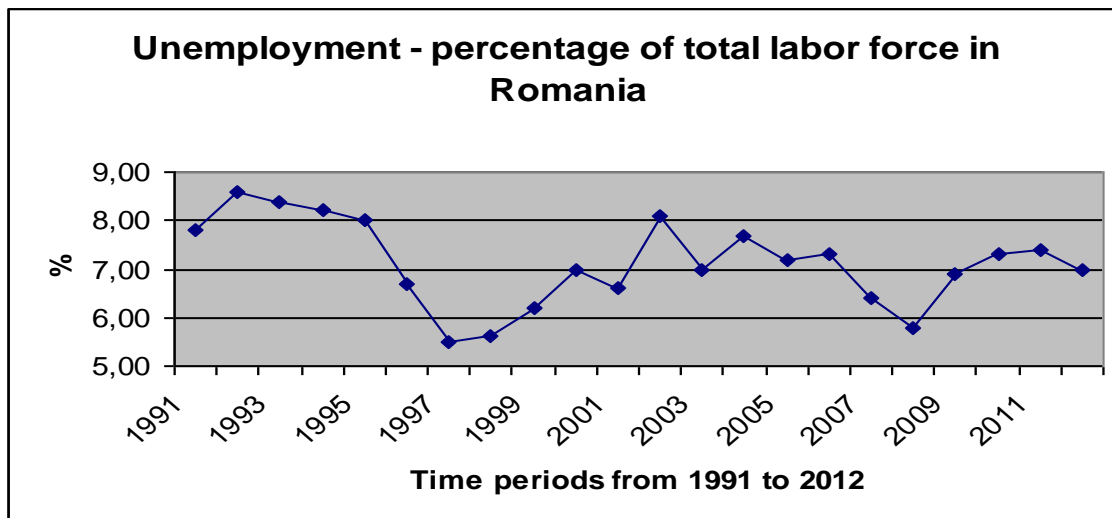


Fig.10 Unemployment - percentage of total labor force

Source of data : World Bank



Conclusions

This article represents an attempted to offer a quantitative perspective on poverty in European Union based on a case study for Romania. The economic and social conditions differ in a considerable proportion from one member state to another in European Union. Considering certain essential criteria, Romania is included in the frontier category ie it is perceived as a country with significant structural and institutional imbalances. In the last quarter century, Romania has undergone significant reform process from a socialist system to a market economy due to a very difficult transition period. The main efforts were focused on achieving sustainable growth and social cohesion, but poverty increased over this unstable transition period (since 1990). However, some fluctuations were caused by extreme events such as the global financial crisis that occurred in mid-August in the USA (subprime crisis).

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