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## **SOCIAL INCLUSION, SUSTAINABLE DEVELOPMENT AND EVOLUTION OF RURAL POVERTY IN ROMANIA**

### **ABSTRACT**

This paper aims at providing a radiography on rural poverty in Romania in the context of achieving the EU strategic objectives in terms of social inclusion and sustainable development.

In Romania, 9.1 millions of inhabitants (46%) of the country's population are living in the rural area, where almost three quarters of the country's poor population is found. About 38.8% of the total population was at risk of poverty or social exclusion in Romania in the year 2016, Romania being surpassed only by Bulgaria, with 40.4%, while the EU-28 average stood at 23.5%. Poverty in rural areas is mainly due to the low agricultural productivity and low employment opportunities in other non-agricultural sectors. Rural area development and alleviation of the high poverty level in the countryside can be achieved through stimulating and supporting programs of rural social economy and human capital development.

**Key words:** rural poverty, social exclusion, sustainable development, people at poverty risk, strategic directions.

**JEL Classification:** I25, I32, J21, J48, O15.

### **1. INTRODUCTION**

Poverty has become one of the most carefully investigated issues by the specialty literature in Romania. The studies on poverty have had a significant amplitude, mainly since 1995. These studies highlight the dynamics, size, depth and profile of poverty, as well as its structural, individual or regional factors (Moldoveanu et al., 2015).

At present, Romania continues to be known as “the most rural country in Europe” (NSI – Social trends, 2016). Statistics show that almost half of the country's population is represented by the rural population, namely 9.171 million persons (46%).

Romania is a country where the rural area is almost equal, in population terms, to the urban area. In its entire modern history, Romania has been a country with a predominantly rural population. Even though the migration of the rural

population to towns was a consistent phenomenon and will also continue in the next dozens of years, the rural issue will continue to be critical issue for our country.

Most rural people are working in the agriculture, forestry and fisheries sector (41.3 %), while only 32.6 % are employed in the secondary sector and 26.1%, in the tertiary sector. Most people who are working in agriculture are self-employed, and the number of employees in agriculture represents only 5.45 % of the total number of employees in the country's economy (Raicov et al., 2016).

Worldwide, the development of rural areas focuses the attention and resources not only of national authorities, but also of the international community. Rural development is a field of interest not only for the countries with a numerous rural population, but also for the economically developed countries, where things are not only driven by the differences in the living standard of the different population categories. For instance, the old countries of the European Union have gone beyond the rural area situation in the first years when they established the Common Agricultural Policy foundations. At present, the living standard in the rural areas is comparable to that in the urban areas, and the incomes obtained here are comparable to the urban incomes, while the profits from the economic activities in the rural area are quite similar to those from other industries (Doltu, 2011).

## 2. MATERIAL AND METHOD

For the elaboration of this paper, the following methods were used: analysis, synthesis, comparison, deduction and induction. The data were taken over from the Eurostat statistics and the national statistics, as well as from various national and international publications, on the basis of which we made our own calculations and interpretations. The indicators used for determining the poverty level in the rural area are the following:

1. Volume of the economically active population, *which reflects the size of the labour force recruitment pool, including all the persons who have a job or who are looking for a job.*

2. *Rural population's employment rate*, calculated as ratio of employed population to total population, highlights the risk of not having an occupation and thus of not benefiting from incomes or other revenues to satisfy the existence needs.

3. *Unemployment rate*, calculated as share of the unemployed in the active population, expresses the active population's vulnerability to unemployment, indicating the directions in which the employment programs should be oriented.

4. *The unemployed structure by training level* reflects the risk of being unemployed by educational level and shows which are the most vulnerable educational categories that need corrective interventions through training, qualification and re-training courses that increase the chances of access to a job.

5. *The persons at risk of poverty after social transfers* represent the percentage of persons with equivalized disposable incomes below 60% of the median equivalized disposable income after social transfers (Burns, 2013).

6. *Material deprivation* covers indicators regarding the economic constraints and the purchase of durable goods. The “severely disadvantaged people in terms of material resources” are living in extreme conditions constrained by the lack of resources and cannot afford at least four of the following: payment of utilities and living expenses in due time (mainly utility expenditures); payment of one vacation per year, far from home; consumption of meat, chicken, fish (or protein equivalent) at least every two days; the possibility to cover some extra payments from own resources; owning a mobile phone (or a fixed telephone line); owning a color TV; owning a washing machine; owning a personal car; ensuring proper heating on the dwelling.

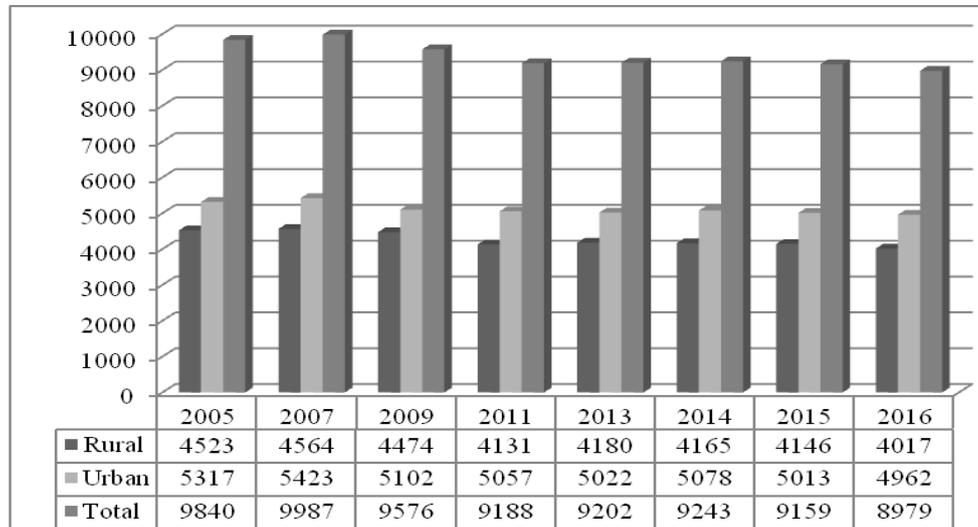
7. *The people living in households with low work intensity* are defined as people aged 0–59 years who are living in households where the members of working age worked less than 20% of their total potential in the last year (Eurostat, 2012).

### 3. RESULTS AND DISCUSSIONS

The indicators used for poverty degree determination are multiple: from demographic factors, employment, incomes and expenses, dwelling, heritage and properties, education and health, social networks, up to community factors (Paraschiv, 2008). Among these, the most important ones are education and employment, which are strongly correlated. A higher educational and vocational training level gives people the chance of access to a paid job and to obtain a better position on the labor market, and, implicitly, a better, regular and secure income that provides protection against poverty.

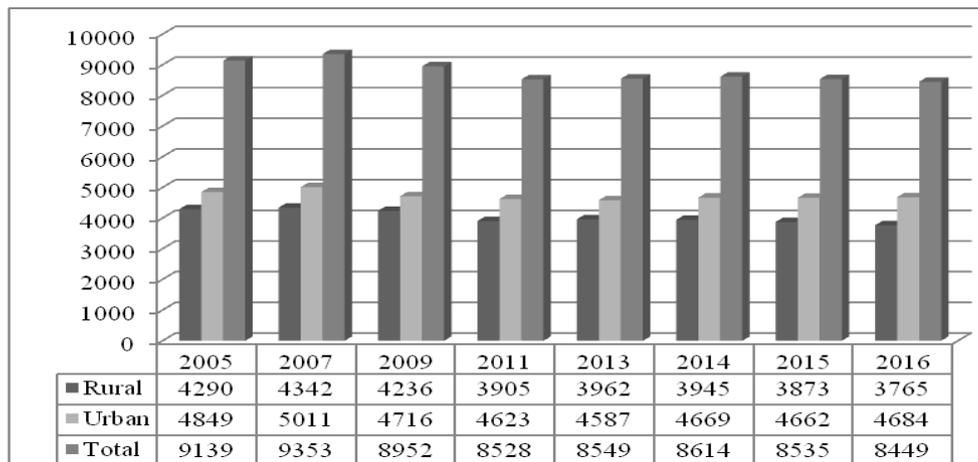
In the year 2016, the active population in Romania totalled 8.9 million people, out of which 4 million were persons coming from the rural area, down in the investigated period, which means that an increasingly high share of the population of working age falls in the category of inactive people, being excluded from the labor market (Figure 1).

The total employed population in the rural area amounted to about 3.8 million persons in the year 2016, down by about 525 thousand persons compared to the year 2005 (Figure 2). In the population of working age (15–64 years old), the employment rate was 61.7% in the rural area and 61.3% in the urban area, declining in the recent years.



Source: Tempo Online, National Institute of Statistics.

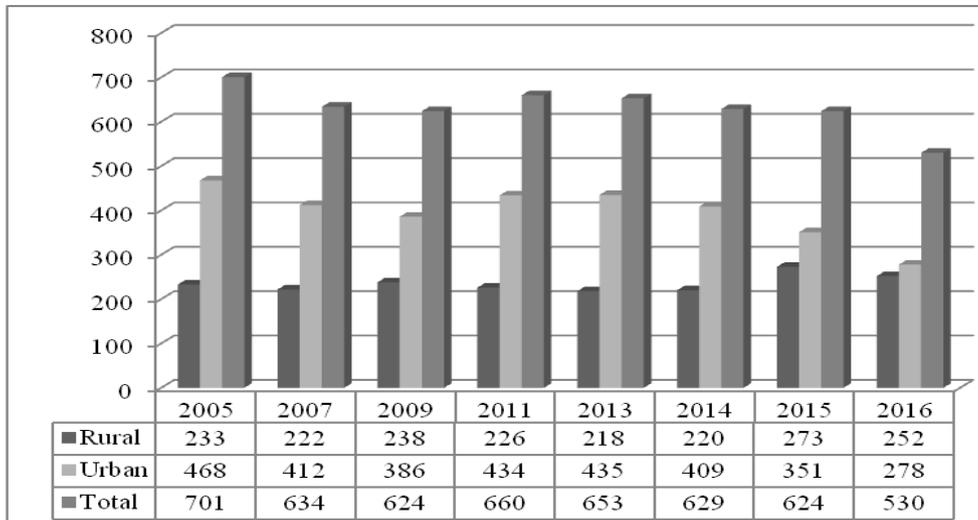
Figure 1. Active population (thousand persons).



Source: Tempo Online, National Institute of Statistics.

Figure 2. Employed population (thousand persons).

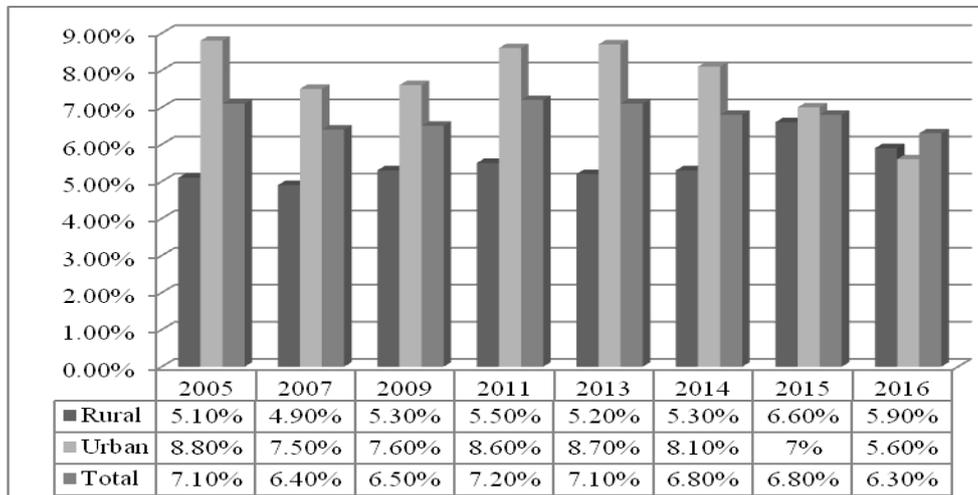
The number of unemployed persons in the rural area is on the rise. In the year 2005, 233,000 unemployed people were registered, while in the year 2016 their number increased to 252,000 (Figure 3). The number of the unemployed people decreased instead in the urban area in the investigated period.



Source: Tempo Online, National Institute of Statistics.

Figure 3. Unemployed population (thousand persons).

Even though the unemployment rate is lower in the rural area, according to statistics, there are lower opportunities to find jobs here, because of the weaker economic activity compared to the urban area. In reality the unemployment rate in the rural area is much higher, as a significant number of unemployed people are not registered at the National Employment Agency.



Source: Tempo Online, National Institute of Statistics.

Figure 4. Unemployment rate (%).

Unemployment rate in Romania is lower compared to other countries in the region, as well as to the European Union average. The living standard in rural Romania is much lower both compared to the countries in the region (maybe except for Bulgaria), and mainly to that of the rural regions in the EU Old Member States.

Table 1

Unemployment rate in the European Union (%)

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bulgaria	6.9	5.6	6.8	10.3	11.3	12.3	13.0	11.4	9.2	7.6
Germany	8.5	7.4	7.6	7.0	5.8	5.4	5.2	5.0	4.6	4.1
France	8.0	7.4	9.1	9.3	9.2	9.8	10.3	10.3	10.4	10.1
Hungary	7.4	7.8	10.0	11.2	11.0	11.0	10.2	7.7	6.8	5.1
Poland	9.6	7.1	8.1	9.7	9.7	10.1	10.3	9.0	7.5	6.2
Romania	6.4	5.6	6.5	7.0	7.2	6.8	7.1	6.8	6.8	5.9
EU-28	7.2	7.0	9.0	9.6	9.7	10.5	10.9	10.2	9.4	8.5

Source: Eurostat, online database: une\_rt\_a, 2017.

In the year 2008, the labor force employed in Romania's agriculture accounted for 28.4% of the employed population, and it decreased to 23.5% by the year 2015. The labor force employed in agriculture decreased with Romania's accession to the EU. A significant part of this labor force migrated to the countries from Western Europe. Another reason of this decline would be the continued mechanization of agriculture and farmland consolidation.

Romania ranks 1<sup>st</sup> in the EU as percentage of the labor force employed in agriculture. The EU-28 average is 5%, in Germany this value is 1.5%, in France 2.8%, only Bulgaria having around 19% of its population employed in agriculture.

Table 2

Active population employment rate in agriculture in the European Union (%)

Country	2008	2009	2010	2011	2012	2013	2014
Bulgaria	19.3	19.7	19.7	19.6	18.9	19.2	19.4
Germany	1.6	1.6	1.6	1.6	1.6	1.5	1.5
France	2.9	2.9	2.8	2.8	2.8	2.8	2.8
Hungary	7.1	7.1	7.2	6.9	7.2	6.9	6.7
Poland	14.0	13.3	13.0	12.9	12.6	12.0	11.5
Romania	28.4	28.2	29.1	27.6	28.1	27.8	26.8
EU-28	5.4	5.4	5.4	5.2	5.1	5.0	5.0

Source: Eurostat, online database: lfsi\_grt\_a, 2017.

Following the analysis of the indicators presented above, we can say that a significant part of the rural population has unsecure, seasonal jobs, from which they gain low and irregular incomes, which do not cover the health and unemployment insurances, thus deepening poverty.

As regards the educational level of the unemployed in the rural area, we can notice that most of them graduated primary, secondary and vocational schools (51.67%); those who graduated high school represent about 42.79%, while 3.59% are higher education graduates, as against the unemployed in the urban area, who represent 10.57%.

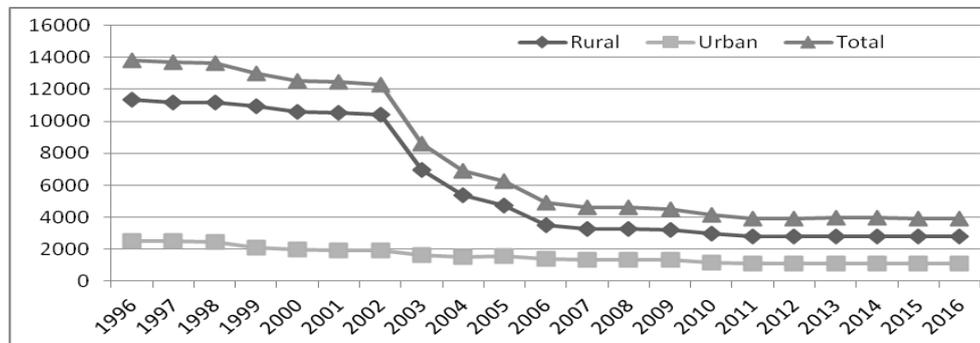
Table 3

The educational structures of the unemployed, 2016

	Rural		Urban		Total	
	No.	%	No.	%	No.	%
No school graduated	2744	1.09	3589	1.29	6333	1.20
Primary	12208	4.85	8610	3.10	20818	3.93
Secondary	72193	28.68	43811	15.75	116004	21.89
Vocational	45661	18.14	40233	14.46	85894	16.21
High school	107720	42.79	128814	46.31	232534	43.89
Post-high school	2155	0.86	10111	3.64	12266	2.31
Higher education	9038	3.59	46983	16.89	56021	10.57
Total	251719	100	278151	100	529869	100

Source: Tempo Online, National Institute of Statistics.

The transformations that took place in the Romanian society after 1989 also involved a deep reform of the education system. The education reform in Romania went through several stages and also targeted the schools in the rural area.



Source: Tempo Online, National Institute of Statistics.

Figure 4. Evolution of the number of primary and secondary schools.

In the period 1996–2016, the number of primary and secondary schools decreased, mainly in the rural area, from 11,330 in the year 1996 to 2,787 in the year 2016. This was mainly due to birth rate decrease after 1989 and to the increasingly precarious economic situation in the rural areas. Another cause is the population's migration from village to town, as well as the closing down of many

education units because of the low number of pupils and their moving to other school units.

Table 4

Poverty indicators

Indicators	RO				EU-28			
	2007	2012	2015	2016	2007	2012	2015	2016
People at risk of poverty or social exclusion, % of the population	47.0	43.2	37.4	38.8	24.5	24.8	23.8	23.5
Persons at risk of poverty after social transfers, % of the population	24.6	22.9	25.4	25.3	16.6	16.8	17.3	17.3
Persons subjected to severe material deprivation, % of the population	38.0	31.1	22.7	23.8	9.2	9.9	8.1	7.5
Persons living in households with low work intensity, % of population	9.9	7.9	7.9	8.2	9.8	10.6	10.7	10.5

Source: Eurostat, online database: tsdsc 100, tsdsc 280, tsdsc 270, tsdsc 310.

In the year 2016, in Romania, 7,694 thousand persons (38.8%) of total population were at risk of poverty or social exclusion, out of which 5,006 thousand persons were at risk of poverty (with an income lower than 60% of the average disposable income), 4,707 thousand persons were facing severe lack of material resources and 1,230 thousand persons were living in households with very low work intensity. The level of poverty or social exclusion in Romania decreased in the investigated period from 47% in the year 2007 to 38.8% in 2016. This indicator places Romania on the first place in the European Union.

The prevailing poverty form in Romania is the severe material deprivation that affected 23.8% of the country's population in the year 2016, as against the EU-28 average of 7.5%. Among the deprivation types, the economic deprivation prevails, which has increased since 2010. The lack of financial resources leads to insufficient nutrition, living in precarious conditions, difficulty to deal with unexpected expenses, lack of annual holidays. The population living in households with very low work intensity accounted for 8.2% of the population in 2016, as compared to the EU-28 average of 10.5%. At national level, higher shares of persons at risk of poverty risk or social exclusion are found in the following regions: North-East, South-East and South-West Oltenia (Feher et al., 2014).

As poverty is mainly present in the rural area, the anti-poverty policies and programs promoted at national level, no matter how well-designed and efficient they are, they cannot solve the problem in the absence of a consistent support from

development programs and projects. The assumption of poverty as a priority issue by the authorities is therefore essential.

In this context, the development of rural entrepreneurship is an essential factor in poverty alleviation. In the next years for Romania, there is obviously a lot of “free space” here. A better capitalization of the existing opportunities in the rural areas can increase the profit rates of the economic activities.

A good opportunity for entrepreneurship development in the rural areas is represented by the European funds. The National Rural Development Program for the period 2014–2020 contains Measure 6 “Development of Farms and Enterprises”, with two sub-measures destined to the non-agricultural business development in the rural area. These sub-measures support investments in the non-agricultural sector, achieved by the newly-established enterprises and also by those already existing in the rural area.

Sub-measure 6.2. “Support for the creation of non-agricultural activities in the rural area” targets the diversification of economic activities towards new non-agricultural activities on the agricultural households, of micro-enterprises and small enterprises, and implicitly, through the creation of new jobs, alternative incomes for the rural population and the declining dependency on the agricultural sector. The eligible beneficiaries are the newly-established and the already existing enterprises, through the farmers or the members of agricultural households in the rural area, who diversify their activity by starting up a non-agricultural business. The public support is 100% non-refundable, with a value up to 70,000 euro in the case of productive activities, healthcare services, sanitary-veterinary services and agro-tourism, and 50,000 euro respectively in the case of other activities granted as a premium (lump sum) (Applicant’s Guide, sub-measure 6.2).

Sub-measure 6.4 “Support to investments in the creation and development of non-agricultural activities” aims to boost the business sector and increase the number of non-agricultural activities in the rural areas, to develop the existing non-agricultural activities, to create jobs and increase the rural population’s incomes.

The eligible beneficiaries are the newly-established and already existing enterprises, through the farmers or members of agricultural households who diversify their basic farming activity by the development of a non-agricultural activities in the rural area, on the already existing enterprise, which falls in the micro-enterprise and small enterprise category. The non-refundable public support is granted for a period of maximum three years and it will not exceed 200,000 euro/beneficiary over three fiscal years. The intensity of the public non-refundable support is 70%, but it can increase to 90% for the applicants developing production activities, healthcare services, sanitary-veterinary services and agro-tourism, as well as for the farmers who diversify their basic farming activity by developing non-agricultural businesses (Applicant’s Guide, sub-measure 6.4).

#### 4. CONCLUSIONS

Employment and education represent determining factors for poverty, regardless the residence area. Hence, any anti-poverty strategy should focus on the development and diversification of the labor market, on facilitating the access of disadvantaged groups to the labor market, as well as on the education improvement in Romania.

The rural area development cannot take place in the absence of the rural economy diversification and of education improvement in this area. Although the comparison at the level of young-aged people shows that the rural-urban disparity diminished, rural education and education in general are still considered key problems not only in relation to the anti-poverty policies, but also to the sustainable development of rural areas.

Rural education is facing major difficulties linked to investments in physical infrastructure, number of qualified teaching staff, teaching staff fluctuation, limited access to vocational training, as well as to the continuous training programs for the rural population.

Education enlargement and the professional career preparation in the sense of creating and maintaining certain businesses is an efficient way to maintain the young people in the rural communities. This can be achieved by including certain applied disciplines in the secondary school and high school curricula to generate new possibilities for developing skills in the trade, agricultural or constructions sectors.

At the same time, incentives are created for taking into consideration self-employed businesses, mainly for the people who consider that they are not sufficiently remunerated by their present employers and would not migrate to towns in search of better prospects.

The Governmental programs aiming at poverty alleviation in the rural areas should have at least two major objectives. The first objective should be based on the increase of agricultural productivity and in the industries based on agriculture. The second objective should focus on encouraging the rural entrepreneurship through the development of non-agricultural activities.

In Romania, rural entrepreneurship can develop in the conditions in which reforms in agriculture and rural development will continue. The continuation of the reforms process in agriculture and rural development can generate many winners and at the same time would face a relatively low resistance from potential losers.

The increase of the number of non-agricultural jobs would immediately result in the increase of the income per capita in the rural areas, would contribute to poverty alleviation and increase the chances of discouraged workers to come back on the labour market. A competitive agricultural sector would facilitate the agro-industrial development of rural areas.

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