

Worldwide Image of Relative Poverty: Comparative Analysis in Dynamics of Laeken Indicators

CRISTINA STROE, EVA MILITARU, SILVIA COJANU,
ISADORA LAZAR, CODRUTA DRAGOIU, ELIZA-OLIVIA LUNGU, IOANA MALUREANU
Social Indicators and Standard of Living Department
National Scientific Research Institute for Labour and Social Protection
6-8 Povernei Street, Sector 1, 010643, Bucharest
ROMANIA

crisinaradu@incsmmps.ro, militaru@incsmmps.ro, silvia_florina2004@yahoo.com,
lazar.isadora@yahoo.com, codrutadragoiu@yahoo.com, eol.lungu@incsmmps.ro,
ioana_malureanu@yahoo.com
<http://www.incsmmps.ro>

Abstract: - The paper presents several poverty and social indicators at a European and comparative level and in dynamics for 30-32 countries during 2005-2008. Our analysis is extended over a large period and for the whole portfolio of social European indicators. However, only a part of them is presented in this paper. The purpose of this article is to present and analyze the poverty and social exclusion indicators all over the world (for countries reporting these indicators to EUROSTAT), because the level of poverty should be permanently monitored in order to develop strategic documents and to globally reduce poverty and its extreme forms.

Key Words: - relative poverty, poverty indicators, dynamics, inequality, education, employment

1 Introduction

The attempt of reducing poverty and social exclusion represents one of the central objectives of the European Union and its member states, being a current target in all the strategic documents.

Making a presentation and an analysis in dynamics of the poverty and social exclusion indicators for 30-32 countries, at a primary level, are the objectives of this paper. The indicators we used are from the common portfolio of indicators established by the European Commission that the EU member states agree with. We will use the indicators/the data provided by EUROSTAT, during 1996 and 2008.

2 Problem Formulation

The fight against poverty and social exclusion is one of the main objectives of the European Union and its Member States. Reducing poverty and social exclusion is a difficult target to achieve, permanently present in all the strategic documents. This paper is a picture of the poverty and of the social exclusion of the countries reporting these indicators at the

European Community Statistical Office (EUROSTAT), representing the 2006-2008 period (the initial database refers to the 1996-2008 period, but we chose to analyze the indicators between 2006 and 2008). Some countries have experienced extremely difficult periods over the years, but have managed to recover by considerable efforts over the last years. However, the state of poverty must be permanently known and considered if the purpose is to reduce this worldwide issue that affects even the most developed countries.

In the context of comparative evaluation of the results of politics against poverty in the Member States, a common system of social inclusion indicators was designed based on the open method of coordination. This system includes primary and secondary indicators, a part of them referring to poverty, to irregular incomes, to some occupational aspects, to education and health and to context indicators.

All the Member States of the European Union report these indicators using standard methods so that the results can be compared.

As a matter of fact, the list of primary indicators was redesigned to obtain only the most important

indicators that describe the scale of poverty and social exclusion.

Some indicators were on the list from the beginning and the countries were able to report these values easily. The reason why the data series are reduced for some indicators compared to the initial set of indicators, at that time, is that they were in the course of preparation and the countries had to define, quantify and only afterwards report them.

The primary indicators of the social inclusion list of indicators are: at-risk-of-poverty rate (the risk of poverty rate), at-risk-of-poverty threshold (the poverty risk threshold), persistent at-risk of poverty rate (the risk of persistent poverty), relative median at-risk-of-poverty gap, long term unemployment rate; people living in jobless households (people living in households where people are without a job), early leavers from education and training (school dropout rate), employment gap of immigrants (the difference between the employment rate of the non-immigrants and immigrants); material deprivation rate; and other indicators under preparation referring to: housing, self-reported unmet need for medical care by income quintile (indicator of the inequality of the access to health care), utilization of medical care services; child well-being; these indicators must to be developed.

Among the secondary indicators are the following: at-risk-of-poverty rate by household type; at-risk-of-poverty rate by work intensity of the household; at-risk-of-poverty rate by most frequent activity status; at-risk-of-poverty rate by tenure status; dispersion around the at-risk-of-poverty threshold (the poverty rate of the 40%, 50% and 70% thresholds of the median incomes); persons with low educational attainment, low reading literacy performance of pupils (the share of 15 years old pupils who are at level 1 on the PISA scale for assessing literacy).

Context indicators are: inequality of income distribution - S80/S20 income quintile share ratio; inequality of income distribution - Gini coefficient; Regional cohesion: dispersion in regional employment rates (the coefficient of variation of employment rates); healthy life expectancy and life expectancy at birth and at age 65; at-risk-of-poverty rate anchored at a fixed moment in time (2005), at-risk-of-poverty rate before social transfers (excluding the pensions); jobless households by main household types; in-work at-risk-of-poverty rate (full-time and part-time); making work pay indicators (unemployment trap; inactivity trap - especially second earner case; low-wage trap); net income of social assistance recipients as a % of the at-risk of poverty threshold for 3 jobless household

types; self reported limitations in daily activities by income quintiles (activity restriction for at least the past 6 months; the share of people who believe that their daily activity is limited due to their illness).

2.1 Relative poverty rate

The relative poverty indicator is based on a methodology approved by the Laeken European Council in December 2001. This methodology was elaborated to allow the monitoring, in a comparative way, of the progresses made by the member states regarding the fulfillment of the EU objectives referring to the fight against poverty and social exclusion.

This relative poverty indicator is an indicator that measures welfare according to income level. The threshold used for measuring the poverty level is a relative one, established at 60% of the medium annual disposable income at the national level of each Member State.

In Romania, the absolute poverty (the percentage of those who live with less than 3 dollars each day) decreased on three different occasions during 2000-2006, while the relative poverty increased insignificantly, from 17% to 19%.

The fact that EUROSTAT statistic data shows that relative poverty increased in an accelerated way comparing 2006 to the following years (2007-2008), from 19% to 25% is quite alarming. This situation is unique and was never found in the analysis of the 1996-2008 period, neither in Romania nor in other states.

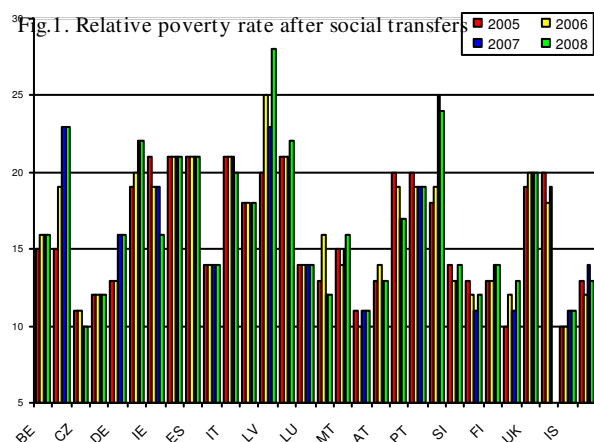
In Europe, according to EUROSTAT data, the minimum values of this indicator were registered in Finland (9-14% during 1997-1998, then the percentage increased to 13-14% in 2008) and Holland (10-11%).

During the 2005-2008 period, the lowest relative poverty rates were registered in Iceland, Holland, Czech Republic (10-11%) and then in Slovakia (11-12%), Norway, Hungary (12-14%, with a peak of 16% reached in 2006), Sweden (10-13%), Finland, Slovenia, Austria, Luxembourg (13-14%).

The highest poverty rates were registered during 2005-2008 in Latvia (25-28%), Romania (24-25%), Bulgaria (23%), Lithuania and Estonia (22%); Turkey reported this indicator only in 2002 and 2003 (25-26%).

Romania was situated, regarding its relative poverty rate, below the average indicator of many countries (Estonia, Ireland, Greece, Spain, Italy, Portugal and United Kingdom; other countries have no validated statistical data so far: Lithuania, Latvia), slightly above the values of other countries

such as Belgium and, simultaneously, with 1 to 2% over the EU average, not taking into consideration the last 2 years that were used as a reference (2007 and 2008).



Source: EUROSTAT database

Unfortunately, in terms of relative poverty rate, the last two years taken as reference (2007 and 2008) have placed Romania among the poorest countries of the 32 countries reporting to EUROSTAT.

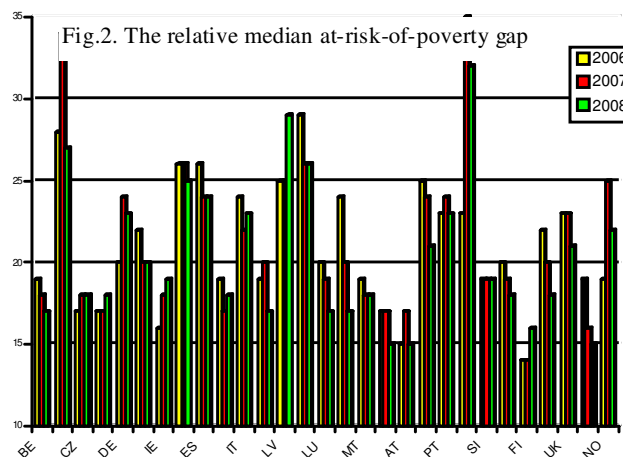
Among the countries with the highest rates of relative poverty, the following countries were above the European average (17%) during 2005-2008: Latvia (20 to 28%), Romania (18 to 25%), Bulgaria (15 to 23%), Estonia (19 to 22), Lithuania (21 to 22%), Greece and Spain (21%) and Italy and United Kingdom (20 to 21%). Portugal and Ireland have recorded relatively high rates of relative poverty (20 to 23%), but improved the level of welfare in the recent years of the analysis (Ireland recorded 16% in 2008). Poland registered relative poverty rates each time lower, aiming at the EU average, while the United Kingdom has maintained the percentage of 19 to 20%, being always above the European average.

2.2 The relative median at-risk-of-poverty gap

The relative median at-risk-of-poverty gap is calculated as the difference between the median equivalent total net income of persons below the poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold (cut-off point: 60% of median equivalent income).

The relative median gap is an indicator of the depth of poverty and estimates the income growth that poor people would have to obtain in order to

reach the poverty threshold. This indicator is very useful in the substantiation and the projection of the social protection programs.



Source: EUROSTAT database

The relative median gap is an indicator of the depth of poverty measuring the distance between the incomes of the poor and poverty threshold. It is calculated as the percentage ratio between the median differences of the poverty threshold and the incomes of all the persons considered poor and the poverty threshold. The relative median gap is determined in relation to the poverty threshold that takes into account the available incomes, including or excluding the consumption from one's own resources.

Poverty depth is defined as the necessary growth of incomes that poor people should experience in order to reach the poverty threshold and it is determined by taking into consideration the poverty threshold and the incomes gained by the poor. According to EUROSTAT, in terms of poverty depth, the relative poverty rate registered a "boom" in 2007 compared to the previous years, for those countries for which even the relative poverty rate had an unexpected evolution.

The values of this indicator place Romania in the top of the hierarchy (with a value of 35% in 2007 and 32% in 2008) and then Bulgaria (34% in 2007 and 27% in 2008); similar values were recorded in Turkey in 2002 and in 2003 - 31/32%.

2.3 Long-term unemployment rate

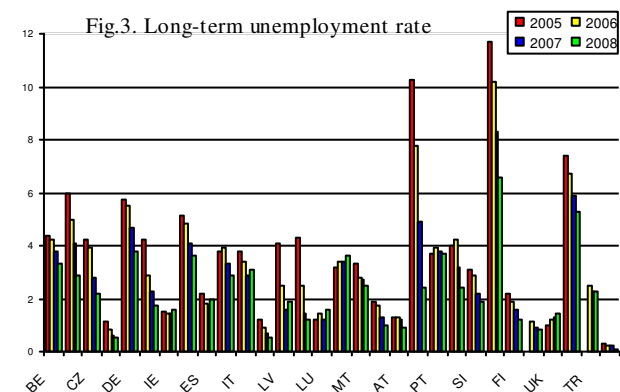
Unemployment rate of the International Labor Office (ILO) is an indicator of the incidence of long-term unemployment among the active population aged 15 years and older, calculated as

the share of the persons who were unemployed for 12 months or more, in the total active population.

According to the ILO methodology, unemployed people are persons aged 15 years and over, who have no job and no income-generating activities. They are looking for a job using active methods and are available to start working in the following 15 days.

Switzerland has not reported this indicator to EUROSTAT, but Japan and the U.S. have. Croatia has a larger scale dynamics of this indicator compared to previous indicators of social inclusion.

High levels of unemployment are recorded in Slovakia (over 10%, from 2000 to 2006). In the last two years, this indicator was situated under 10%, experiencing significant decreases from one year to another. From 2002 to 2005, Poland has recorded high rates of long-term unemployment (over 10%), but it dropped dramatically to 2.4% in 2008.



Source: EUROSTAT database

ILO unemployment rate in Romania has fluctuated between 2 to 5% during 1999-2008. Since 2005, ILO unemployment was placed on a continuous downward trend, while in 2008 it reached the lowest value compared to the rates recorded during the last decade. The positive efforts of the occupational policy directed towards common strategic objective of employment growth can be summed up by these data.

2.4 People living in jobless households (the economic dependency ratio of households)

The household economic dependency ratio (proportion of population living in households without employed persons) characterizes the structure of households in which no person is employed, except for the households in which all persons aged 18-24 years are included in the educational system and are not employed.

The economic dependency ratio, i.e. the percentage of children aged 0-17 years living in households without employed persons registered high values, above the European average (9 to 10%) in Belgium (11 to 13%, decreasing), Bulgaria (11 to 20%, decreasing at a significant rate), Ireland (10 to 13% increasing), Hungary (13 to 15/16% oscillating), United Kingdom (16 to 19%, constant, around the threshold of 16% during 2004-2008), Turkey (15 to 16% for the 2006-2008 period) and Macedonia (which holds the "record" with 30% over the 2006-2007 reporting years).

In many countries, dependency rates have generally entered a downward trend in recent years. Poland, although it did not report this indicator to EUROSTAT until 2005, slightly exceeded the European average in 2006, only to recover and place itself below the threshold in the following years. Bulgaria has a notable position as it was placed slightly above the European average over the last two years although in 2001-2002 it showed very high rates of dependency, of approximately 20%.

Romania's position is also remarkable as it ranked slightly over the European average in 2005 (considering the dependency rate), registering decreases from one year to another.



Source: EUROSTAT database

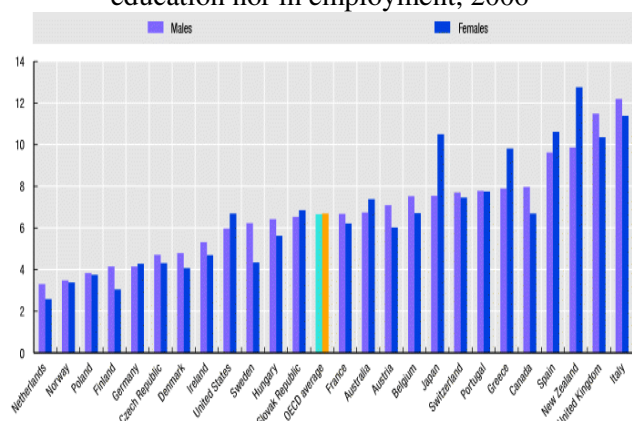
One can observe the fact that only some of the countries that have experienced high rates of dependency had very high relative poverty rates (Bulgaria, UK and Ireland with 15 to 23% relative poverty rates) during 2005-2008. The remaining countries register relative poverty rates between 12 and 16% which means that the protectionist policies applied were effective and efficient because, even though these countries are among those with high rates of economic dependence, poverty rates have moderate values (Belgium, Hungary).

A similar indicator is also analyzed in OECD statistics and refers to young people aged 15 to 19

years old who are neither included in an educational system nor they are working.

This is a serious cause for concern because the lack of education and jobs represent major risks for poor people or even social excluded people. Significant values for this indicator (above the OECD average for both women and men) – young people aged 15 to 19 years old neither active in education nor employed are found in countries like Slovakia (where values varied between 15 to 28% until 2003 and then joined a strong downward trend which placed it around the OECD average or even below it in the last 2 to 3 years), Turkey (with values between 14 to 26%, increasing significantly from one year to another over time), Israel (24 to 26% in the five years of reporting), followed at a distance by Italy (9 to 14%) and then a tier of countries with similar values to the OECD average: UK, Spain (only for several years), Canada, Japan (since 2002), Greece (since 2003), Hungary (until 2002 and then the values were below average).

Fig.5. Young people 15 to 19 years old neither in education nor in employment, 2006



Source: OECD Factbook 2009: Economic, Environmental and Social Statistics - ISBN 92-64-05604-1 - © OECD 2009

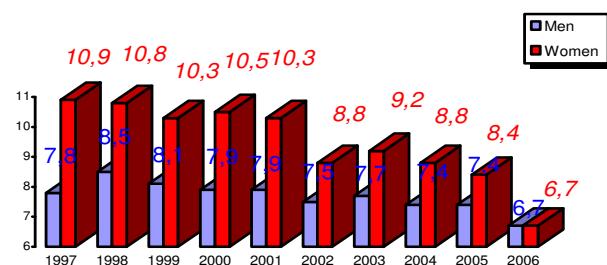
For this indicator, the gender dimension is very important, in that the highest values were reported in such countries as: Turkey (where impressive values for this indicator for women have been registered, 40 to 50% and where gender differences for the indicator are equally very high), Israel (23 to 27% for the 5 years of reporting), Mexico (where, as in Turkey, the gender component is significant because, the indicator was placed in the range values 6 to 8% regarding men, but it registered values of 26 to 31% for women), India (where although there have only been two years of reporting, the differences are impressive: the

indicator registers values of 7 to 9% in the case of men and 35 to 42% in the case of women).

The next tier of countries has slightly more temperate values for this indicator, but still above the OECD average: Slovakia (more temperate values for women than for men, 14 to 25%, but still above the average, until 2003), Italy, Japan and Greece.

For the OECD average, the share of young men with neither educational adhesion nor employment decreased, but this decline is even more significant in the case of young women. With an important difference between genders, this indicator oscillates around the threshold of 10% in the case of women (during 1997 - 2001), registering a significant decrease from one year to another.

Fig.6. Young people 15-19 years non included in education and employment, OECD average



Source: OECD Factbook 2009

Concerning the OECD average for 2006, the absence of reports from Turkey and Mexico alters the average of that year; therefore the values are under-rated for 2006 compared to the average of other years. In recent years, the equalization of this indicator in the case of gender must be mentioned. Beginning with 2001, the fact that young people, particularly women spend more time in the educational system than they did a decade ago, has fully contributed to this decline.

Thus, after 2002, statistics of the OECD average show that percentages became almost equal (men 7%; women 8% - 2005), so gender is no longer as significant as it was back in 1997, when discrepancies were more apparent.

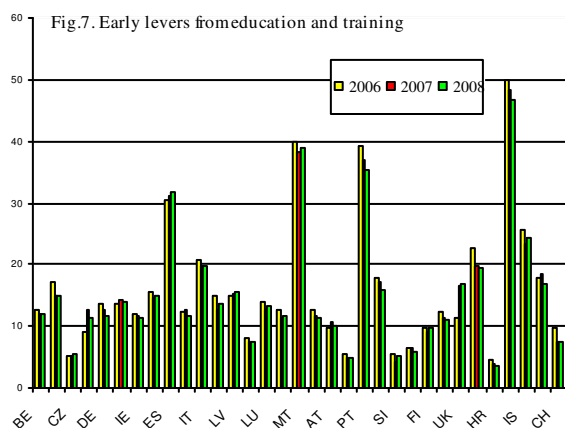
Not having these young people integrated in the educational system or on the labor market will result in an increased economic dependency ratio of households and an increased poverty rate because of all the economic and social repercussions, but also the presence of social programs, even on long term (lack of education, lack of skills, poverty and all the vicious circle that links education to the lack of employment and perpetuation of poverty)

The dependent rate – poverty two-termed relation must be well managed regarding youths because this age group will require the almost permanent support of social sciences due to the low values of these two indicators, especially on long term and their negative effects.

At the same time, in addition to increased values recorded for this trinomial relation (young people neither included in the educational system nor on the labor market – economic dependency rate – poverty) we must take into consideration the 15 to 19 years old age group and its share in the total population. According to EUROSTAT, the share of this age group in the total population was between 12.4 to 13.6% during 1997-2008. According to OECD, in 2000, the OECD average was 7.5% for men and 6.9% for women.

2.5 Early leavers from education and training (school drop-out rate or the share of young people who left education early)

Early leavers from education and training are an indicator of the risk of poverty and social exclusion that were caused by the low level of education and lack of training. It is estimated as a percentage of people in the 18 to 24 years old age group who have completed no more than the secondary education level or have no education in the total population of this age group.



Source: EUROSTAT database

During 2005-2008, among the countries with the largest shares of young people aged 18 to 24 years who left education early, above the European average of 15% we can mention the following: Spain (30 to 32%, constant for a much longer period of time, i.e. 1997-2007), Malta (40%, well above average, but steadily decreasing since 2000, when they reported a maximum of 54%), Portugal (with

values well above the European average, 35 to 40%, but generally decreasing in the last decade), Turkey (with the highest values of this indicator, 46 to 52%, although this percentage is steadily decreasing since 2000 when it reached the peak of approximately 60%), Iceland (23 to 26%, also decreasing since 1999, when it exceeded 30%).

These countries, not only from 2005 to 2008, but also throughout the entire last decade, were among the countries with the highest dropout rates for young people aged 18 to 24 years who have left education early.

On a median level, with values still above the European average, but without an offset as big as the first countries are: Bulgaria (15 to 20% who then registered a continuous and significant decrease from one year to another), Italy (20 to 22%, with a steadily decreasing percentage since 1997, when it reached the very threshold of 30% - this maximum value was never reached again in the last decade), Norway (17 to 18% in the last three reporting years, otherwise being placed below the European average, reaching even 5 to 6% in 2003-2004), Greece (14 to 16%, generally being situated around the European average, often just below), Cyprus (13-18%, being under the European average only over the last three years), Latvia (14 to 16%, around the European average), Lithuania (7 to 8%, well below the average).

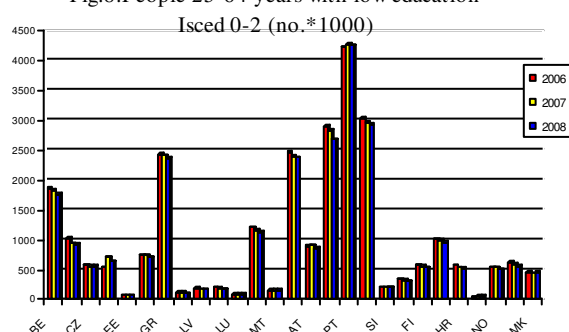
Romania occupies a favorable position compared to other countries, being slightly over the European average, but maintaining a decreasing tendency.

2.6 Persons with low educational attainment

The indicator concerning persons with a limited level of education represents the share of persons who graduated at most the secondary education (gymnasium/ ISCED2). These persons are aged 25 to 64 years (distributed on age groups: 25 to 34 years, 35 to 44 years, 45 to 54 years and 55 to 64 years) and are exposed to the risk of poverty and social exclusion because they have neither the education nor the professional training needed in order to have a job and gain the necessary incomes for living a decent life.

For this indicator, the statistics concerned with the low level of education describe the 15 to 74 years old population, divided in age, sex and the highest level of education attained groups. For the 16 to 64 years old age group, the comparative statistic data at the level of secondary education (gymnasium/ISCED2) present the following status:

Fig.8. People 25-64 years with low education



Source: EUROSTAT

Turkey (25 million people) holds the supremacy among the countries with the highest number of persons aged 25 to 64 years who have the lowest level of education (ISCED 0-2). Other countries with the largest number of persons aged 25 to 64 and with the lowest education level we can mention: Italy, Spain and France (10 to 16 million), followed at a close distance by United Kingdom and Germany (6.5 to 8.5 million) and then: Portugal (4 million), Romania (3 million), Poland, Holland, Greece and Belgium (1 to 3 million).

Romania holds a relatively favorable position compared with the other countries in terms of the number of people aged 25 to 64 years with low education attainment.

Moreover, the correlations between the indicator regarding the persons with low educational attainment, by age groups and the one regarding the early leavers from education and training and between the first indicator and the poverty rate and employment status indicators are very important.

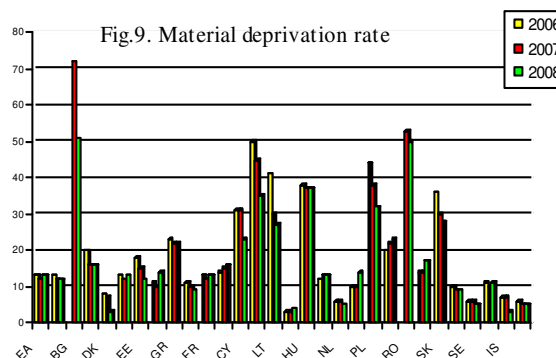
2.7 Depth of material deprivation

In common documents, this indicator related to the material deprivation is defined as a combination of material shortages that describes living conditions such as housing conditions, possession of durable goods and the ability to ensure the basic requirements.

This indicator does not take into account all the dimensions of the phenomenon (for example the access to the labor market, health, education, social involvement and so on), but it synthetically provides some information on the material aspects of life: a) economic: a week of annual holiday away from home; arrears (mortgage or rent, utility bills or rates), a meal of meat, chicken or fish every other day; an adequate level of warmth at home; b) durable goods: the lack of a color TV, a phone, a personal car; c) housing: leaking roof, damp walls /

floors / foundations; no light, no bath tub or shower place at home.

Although it has not been a fully developed indicator from the beginning, with dynamics in a longer series of data, some countries reported the values of this indicator (EU-SILC source / Statistics on Income and Living Conditions).



Source: EUROSTAT

During the last two reporting years, 2007 and 2008, the material deprivation rate is another indicator that places Romania on an inferior rank, followed only by Bulgaria. Thus, in 2008, values of the material deprivation rate of over 50 were registered only in Bulgaria and Romania, in similar percentages. All the other countries reporting to EUROSTAT were placed below this threshold.

During the 2004-2005 period, Latvia, Lithuania and Poland registered high values of the material deprivation rate. However, these countries joined a significant and continuous decreasing trend regarding this indicator, being placed around 30 to 35 in 2008.

2.8 Poverty rate by work intensity in the household

In order to assess the relationship between employment and risk of poverty at a household level, the concept of work intensity can be used. This captures the extent to which members of the household of working age are employed.

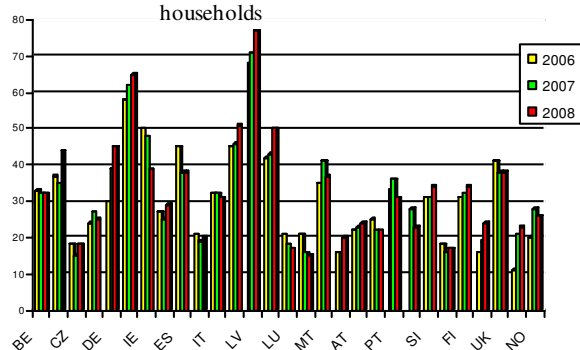
The measure takes explicit account of part-time working as well as of working for only part of the year. It is therefore calculated as the total months worked during the year by each working-age member of the household multiplied by the number of hours each month that they work and relating this to the hours that someone employed full-time throughout the year would work (defining full-time as 35 hours a week or more). This gives a weight which is then applied to the person concerned to

calculate the overall work intensity of the household, which varies between 0 when no-one of working age worked during the year to 1 when all members worked full-time throughout the year.

This measure differs from that included in the EU-SILC dataset which takes account only of the number of months worked during the year and not of hours of work. In addition, a slightly different grouping of the estimated values for the work intensity indicator is also adapted to that included in the EU-SILC. This is in order to provide a more meaningful division of the indicator.

The top countries that ranked high values for this indicator, over 50%, are: Latvia (54 to 77% and growing), Estonia (57 to 65% and growing). The following countries also ranked high levels of this indicator, between 30 and 50%: Cyprus (45 to 51%), Lithuania (40 to 50%), Ireland (39 to 51%), Germany (29 to 45%), Spain (38 to 45%), UK (38 to 41%) and Bulgaria (25 to 44%).

Fig. 10 Poverty rate by work intensity of the households



Source: EUROSTAT

Romania reported for 2007 and 2008 decreasing values of the poverty rate, 23 to 28%, in accordance with the work intensity in the household. This situates Romania below the European average and also below the average annual number of many countries (Estonia, Ireland, Spain, Germany, Cyprus, Latvia, Lithuania, Malta, Bulgaria, Portugal and the United Kingdom).

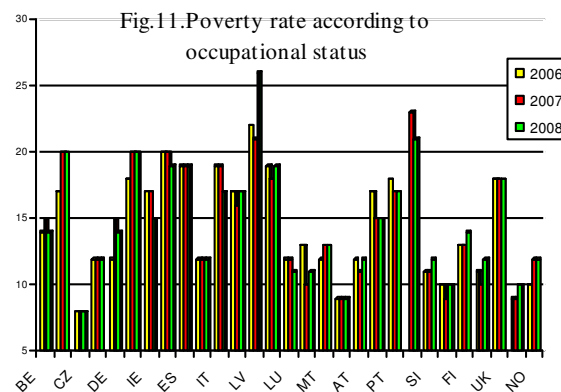
Therefore, this poverty rate indicator by work intensity in the household places Romania on a high position, well below the values recorded by many other countries.

2.9 The poverty rate by the most frequent activity status

Poverty rate by the most frequent activity status refers to the share of persons with an equivalent disposable income below the risk-of-poverty threshold, broken down by activity status:

employment, non employment, unemployment, retired, inactive population, other.

The most frequent occupational status is defined as the status that persons declare to have been occupying for more than half the number of months in a calendar year.



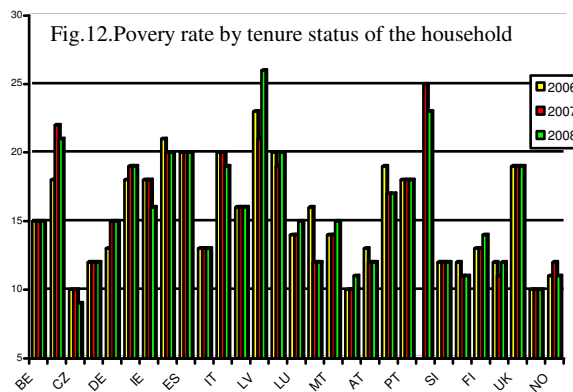
Source: EUROSTAT

The poverty rate by activity status, as defined by EU-SILC / Statistics on Income and Living Conditions, is a more recent indicator, reported by some countries since 2003, and by other countries since 2007. This is why few countries have reported this indicator in 2003 and 2004.

Taking into consideration the frequency of the occupational status, this indicator ranks Latvia (21 to 26%) and Romania as the top poor countries in 2007 and 2008. Bulgaria, Greece and Estonia ranked around the threshold of 20% and Spain, Italy, Lithuania, United Kingdom and Portugal ranked slightly below this threshold.

2.10 The poverty rate by tenure status of the households

The poverty rate by tenure status is calculated in reference to the total population in the following categories of titles of home ownership: owner or tenant.



Source: EUROSTAT

After the tenure status, the poverty indicator differs from the previous indicator (the poverty rate by activity status), by only 1 to 2%.

Latvia also ranks the top position (19 to 26%), followed by Romania. Romania began reporting this indicator since 2007 when it reached the threshold of 23-25%. Some other national reports during 2000-2002 do not distance our country from Estonia, Spain, Italy, Lithuania, Poland and other countries.

The poverty rate by tenure status indicator registered values below the maximal threshold, but above the European average in: Greece (20 to 21%, with constant values during 1996-2008), Spain (20% constant during 2004-2008, but slightly above the 1996 values), Lithuania (19 to 21%) and Poland (17 to 21% only in 2005, when it reached the maximal threshold).

Ireland, Italy, Portugal and the United Kingdom also registered similar values for this indicator, around the 20% threshold.

2.11 Inequality of income distribution - the ratio between the incomes of the higher quintile population and the lower quintile population (S80/S20)

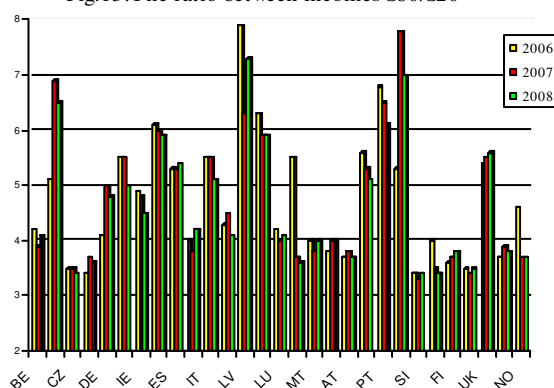
Although this indicator regarding the inequality of income distribution is a context social inclusion one, we will briefly comment upon it, as it completes the picture of poverty and social inequality, alongside the Gini index. Unequal distribution of income and especially lower revenues of groups or individuals increase poverty, and influencing the whole population.

The ratio between the incomes of the highest quintile and the lowest quintile of the population distributed by available income per adult (S80/S20) is an indicator of the inequality of incomes that presents the polarized and egalitarian character of the income of the population.

Therefore, this indicator shows how many times higher are the available incomes of the richest fifth of the population compared to the poorest fifth of the population.

There are two categories of countries among those with the highest values of the indicator related to the income inequalities: countries with higher values such as Latvia (from 6.3 to 7.9), Romania (4.9 to 7.8), Lithuania (5.9 to 6, 9), Portugal (6.1 to 6.9), Bulgaria (3.7 to 6.9), Poland (5.1 to 6.6), Greece (5.8 to 6.1) and countries with fewer discrepancies such as Estonia (5.9 and then decreasing to 5), UK(5.4 to 5.8), Italy (5.1 to 5.6), Spain (5.3 - 5.4), Ireland (from 4.5 to 5).

Fig.13. The ratio between incomes S80/S20



Source: EUROSTAT

During 2000-2004, Romania did not experience significant increases in the inequality of income distribution. The ratio between the income of the richest 20% and the income of the poorest 20% of the total population has not varied greatly from one year to another, the relation between the two extreme quintiles placing itself in the range of oscillation of 4.5-4.9 in favor of the upper quintile (the 20% richest ones).

It is true that Turkey has reported this indicator for only two years, and this time, inequalities were very pronounced, comparing to the income of the richest the income of the poorest 20% of Turkey's population fluctuating in large ranges (10.8 in 2002 and 9.9 in 2003).

Since 2005, the difference between the two quintiles in terms of income began to differentiate, and thus the inequalities accentuated during 2005 - 2008.

Economic growth over recent decades has not helped the poor. The study on income distribution and poverty in OECD countries (OECD, 2008) shows that socio-economic developments over the past 20 years have had as a consequence a widening gap between the rich and the poor in many countries.

Wages have increased in the case of people who were already well paid. At the same time, the risk of poverty increased for those persons who were insufficiently trained for changes in the labor market and those who were living alone.

Changes in the population structure, like the aging of the population, that have important implications on the labor market, have contributed to the growth of inequalities in income distribution, deeper poverty and deterioration of living conditions for many vulnerable groups.

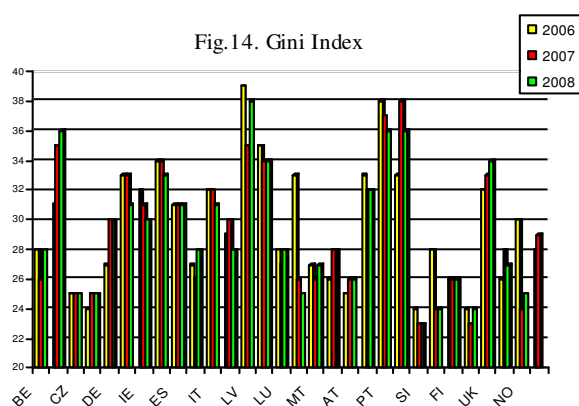
2.12 Inequality of income distribution - Gini index

The Gini index (or Gini coefficient), is a very popular measure used for the quantification of the proportion of the inequality of incomes (Gini index represents the Gini coefficient expressed in the form of percentages and equals with Gini coefficient multiplied by 100). The size of the coefficient shows which part of the total income should be redistributed if an equal distribution of incomes is aimed at.

The Gini coefficient is an indicator of the depth of poverty, by the means of which the unequal distribution of incomes and resources between the members of a society is characterized. The indicator varies between 0 and 1 (or 0 to 100%). Thus, if the value aims at 1 (or 100%) then the inequality is high, incomes being largely concentrated on a small group of people, being a serious issue in terms of resource distribution. If the value aims at 0, then the poverty is not very deep and a small growth of the standard of living could lead to a large number of households exiting the poverty status.

The Gini coefficient is another indicator for inequality and it measures the inequality between the incomes of all persons (as an average relative difference between the incomes of all persons taken two by two) as opposed to the previous indicator that measures only the gap between the incomes of the extreme two quintiles.

In dynamics, at the level of EUROSTAT statistical data, this measure of statistic dispersion used especially to represent disparities in income distribution presents itself as:



Source: EUROSTAT

Signifying a higher degree of inequality, namely a more unequal distribution of incomes, a higher level of the Gini index shows a higher risk of poverty. These high values are found in countries such as Latvia (35 to 39%), Portugal (36 to 38%), Romania (31 to 38%), Lithuania (34 to 36%) and

Bulgaria (25 to 36%). Thus, the statistics show that the largest income gap, that is the most pronounced inequality seen in terms of the Gini index, is found in these countries, which rank among the top positions during 2005-2008. Lower income gaps, expressed by higher values than the European average, but lower than the values of the previous peak, place the following countries on a similar polarized level in terms of the Gini index: Estonia (31 to 34%), Greece (33 to 34%), UK (32 to 34%), Ireland (30 to 32%), Spain (31 to 32%), Italy and Luxembourg (26 to 28%).

Cumulating the proportion of the incomes inequality and the poverty rate, countries such as Latvia, Romania, Bulgaria, Estonia, Lithuania, Greece, Spain, UK and Italy held, in general, over time, the top positions in terms of these indicators.

However, Ireland, Greece, Poland and Portugal made some visible efforts during the last years when both indicators registered descendent trends, despite the relatively high values of both the poverty rate and income inequalities (from the Gini index perspective).

Romania was situated at the opposite pole, registering slight upwards trends in both the poverty rate and the Gini index for 2000-2005/2006. During 2005/2006-2007, Romania registered a significant increase from one year to another for both indicators and then recorded a slightly lower value, not yet validated.

All these indicators of inequalities (the ratio of the quintiles, the Gini index) generally show a continual growth trend of the economic inequalities in the world and for many countries this increasing trend is quite accelerated from one year to another.

3 Problem Solution

The Treaty of Rome, the Charter of Fundamental Social Rights of Workers, the Treaty of Maastricht, the Treaty of Amsterdam, the Treaty of the European Union, and so on are among the strategic international policy documents that prefigure the dynamics of the European social model, the social policy and poverty along with the issues of social inclusion in Europe. These strategic documents represented the key to the future strategies that are based on poverty issues. Lisbon European Council (2000) also marked an important step in setting common EU social goals.

Social Policy Agenda has always had the strengthening of the role of social policy for all EU member states in their fight against poverty and its extreme forms as a basic principle.

Nice Council (2000) approved targets for combating poverty and social exclusion and recommended to the member states to consider these policy objectives and to develop strategies and national plans to promote and to increase the degree of social inclusion.

The key aim of the Lisbon Strategy was to ensure the continuity of the sustainability of the European social model and the modernization of this social model by investing in human resources and combating social exclusion.

Currently, Europe 2020 Strategy aims at increasing the favorable inclusion by promoting a high employment rate to ensure the social and territorial cohesion.

It can be said that in the past 10 years, both at national and international level, especially in the European Union member states, the fight against social exclusion has intensified.

With an increased concern for the social component, the European Union has launched joint programs to fight against poverty and to promote social inclusion - as a central instrument of social construction joint.

Also, all high-level meetings, the close connection between the process of EU enlargement and the need for social inclusion were highlighted, and all the states put a particular emphasis on the eradication of all forms of extreme poverty, to protect the rights of excluded population categories, to reduce or eliminate the existing inequalities between different social categories of population and to ensure their social inclusion.

Numerous programmatic documents that were developed on the basis of reducing poverty and increasing the social inclusion define a strategic framework that presents priorities for Romania in the next short-term (until 2013), and medium term (until 2020) and on the long term. Consequently, our country needs to make significant efforts to reduce poverty and social exclusion, to improve the quality of life for all citizens, to increase the employment rate and so on.

These efforts must involve all social actors, not only the government, and some efforts were already made (poverty reduction, in certain periods), others are in progress, and the convergence with EU Member States in reducing poverty and promoting social inclusion remain one of Romania's strategic objectives.

4 Conclusion

In fact, this research consists in a database with many statistic indicators for 30-32 countries, based

on some common poverty and social exclusion indicators. The European Commission is still working on some of the total of 31-33 indicators. These prior signals to the subsequent reports can constitute the basis for the projection and development of the appropriated and related indicators, so that they are ready in time for the next annual national report.

The multitude of data bases and information presents Romania's position in terms of common indicators of poverty and social exclusion.

Insufficient data series reported continuously during 1996-2007 associated with some common indicators and the sometimes lower positions of some indicators in the top 30-32 countries represent warning signals for future directions of action to reduce poverty and its extreme forms as marginalization and social exclusion. There are countries that have managed to recover recently with great efforts, although they experienced extremely difficult periods over the years.

During 2000-2008, some indicators have placed Romania in a rather favorable position compared to other countries (long-term unemployment rate, people living in jobless households, early leavers from education and training, poverty rate by work intensity of the household, number of people aged 25-64 with a low education level).

Regarding other indicators, although our country was placed on a favorable position during 2000-2006, in 2007 it reached the position of the "poorest" country reporting these indicators to EUROSTAT (the relative poverty rate after social transfers, the relative median gap, material deprivation rate, poverty rate by activity status, poverty rate by tenure status, dispersion around at-risk-of-poverty threshold, inequality of income distribution expressed by the two extreme quintiles, but also by Gini index, life expectancy at birth, the poverty rate before social transfers, the poverty rate among employed people after social transfers, and so on).

In 2007, statistical data presented Romania as the poorest country in Europe, not taking into consideration Albania and Moldova. And if in a year with an important economic growth, with small numbers of unemployed, low inflation, with exchange rate stability, even with a national currency appreciation (and other positive signs of specific channels of spreading poverty, such as increasing incomes), poverty rates had high values, then the prospects for the coming years will only add our issues to the world's drama and so the social crisis will increase along with the economic and financial ones.

Unfortunately, during 2007-2008, Romania had high values for the poverty rates among the countries reporting the indicators of poverty and social inclusion to EUROSTAT (30-34 countries), sharing the first place with Latvia in matters of poverty and the related indicators.

At the same time, some positive aspects were noticed, placing Romania on a median position, sometimes around the European average indicators, considering some indicators such as: long-term unemployment rate, people living in jobless households, early leavers from education or people with a low level of education.

The purpose of this paper was to present and analyze the poverty and social exclusion indicators for Romania compared to other countries; a dynamic analysis of these poverty and social exclusion indicators is necessary because the level of poverty should be permanently monitored in order to reduce poverty and its extreme forms. These are also warning signals for the national policy makers to improve social programs for vulnerable groups, in an efficient and effective way, aimed at reducing poverty and promoting social inclusion.

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