

Romania and European social model(s): the unemployment-poverty link

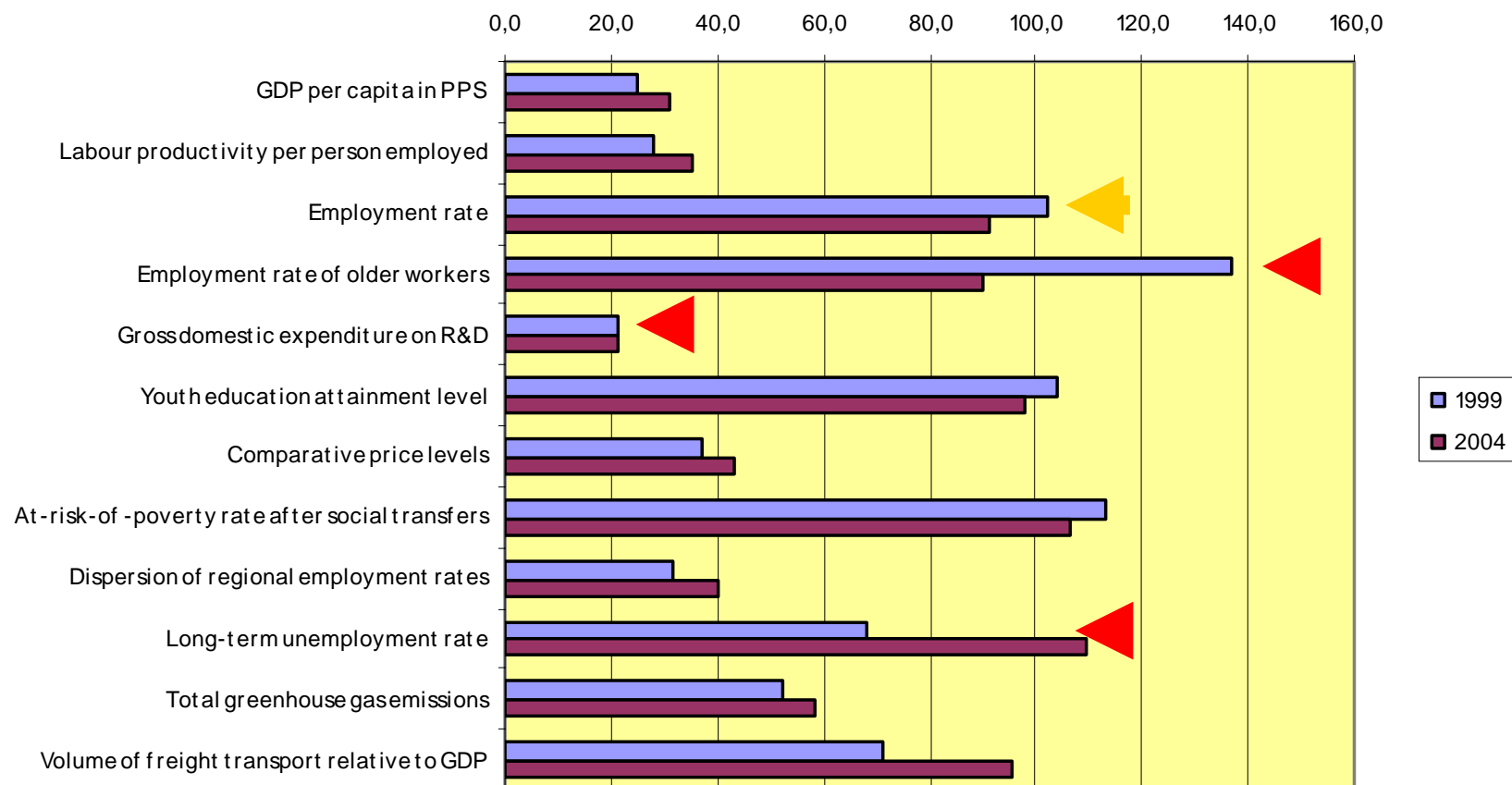
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Craiova, 12.06.06

Romania and EU Lisbon Strategy for jobs and growth

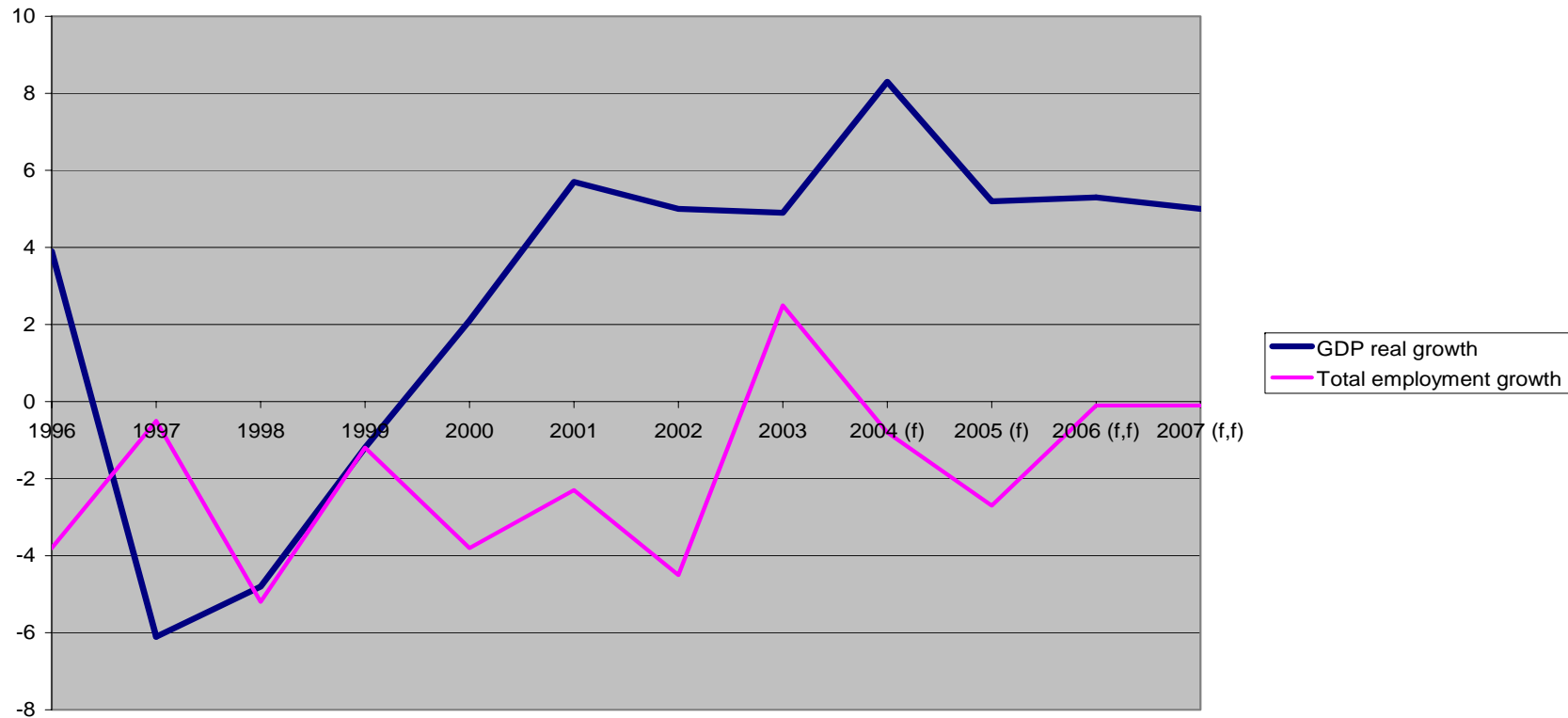
Selected structural indicators used in monitoring Lisbon strategy
(EU25=100)



		employment rate 2005 (average of the countries in the group)	Long-term unemployment rate 2005 (average of the countries in the group)	at-risk of poverty rate 2004 (average of the countries in the group)	expenses in social protection (% of GDP in 2003) (average of the countries in the group)
Near full employment and equalitarian societies	Denmark Finland Sweden Norway Netherlands Luxembourg Austria Czech Republic Slovenia	69,7%	1,8%	10,8%	27,3%
Near full employment non equalitarian societies	Ireland United Kingdom Spain Portugal	67,5%	2,1%	20,0%	21,8%
Low employment, high social protection societies	Belgium Germany France Greece Italy	61,6%	4,5%	16,8%	28,7%
Low employment and low social protection societies	Estonia Cyprus Latvia Lithuania Hungary Malta	61,6%	3,4%	15,2%	16,1%
	Poland Slovakia	55,2%	11,0%	19,0%	20,0%
	Romania	57,6%	4,4%	17,0%	

Economic growth is not enough for employment recovery

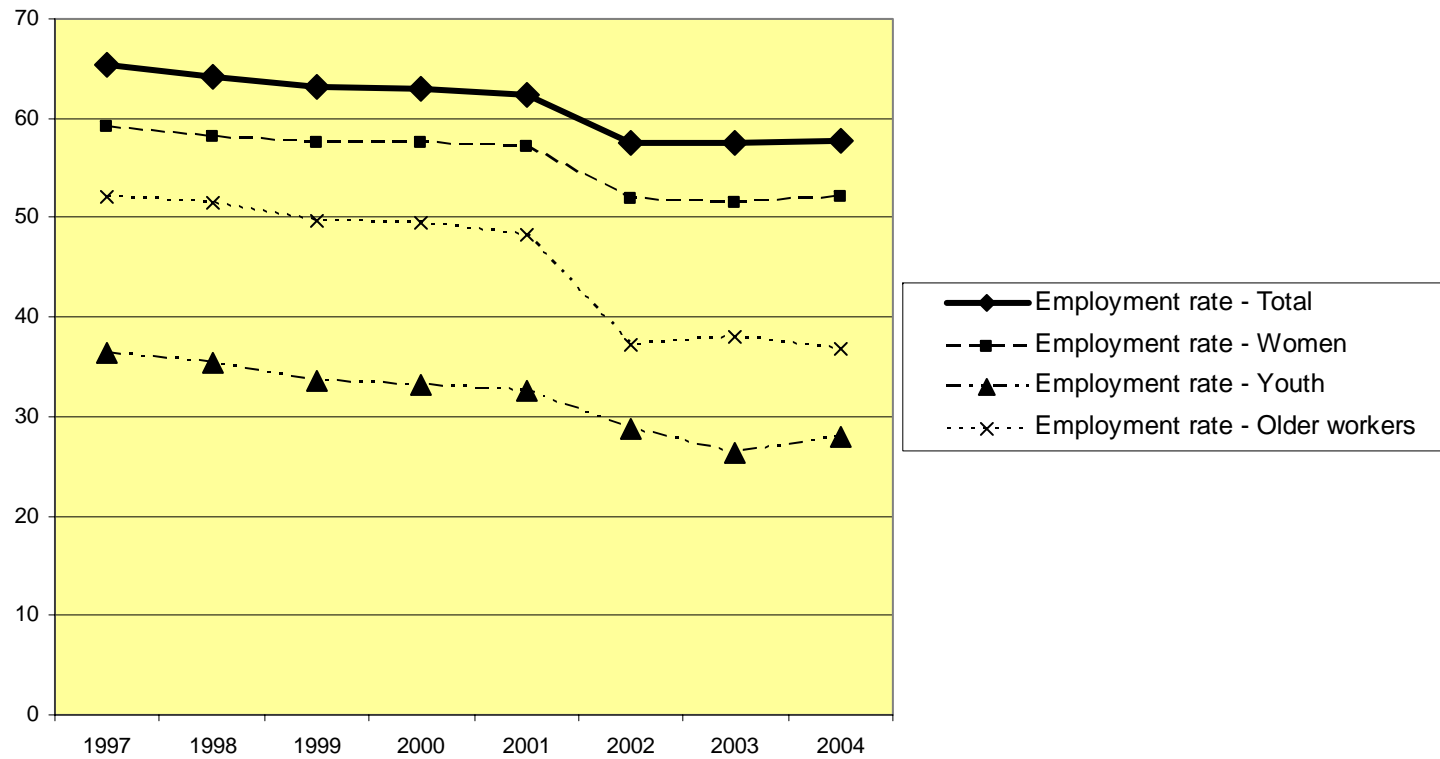
Annual changes in real GDP and employment in Romania (1996-2007)



Source: EUROSTAT, Structural indicators
Notes: (f) GDP forecast; (f,f) both indicators forecast

Groups with comparative low employment rate in Romania: younger and older workers

Employment rates of selected groups in Romania (1997-2004)

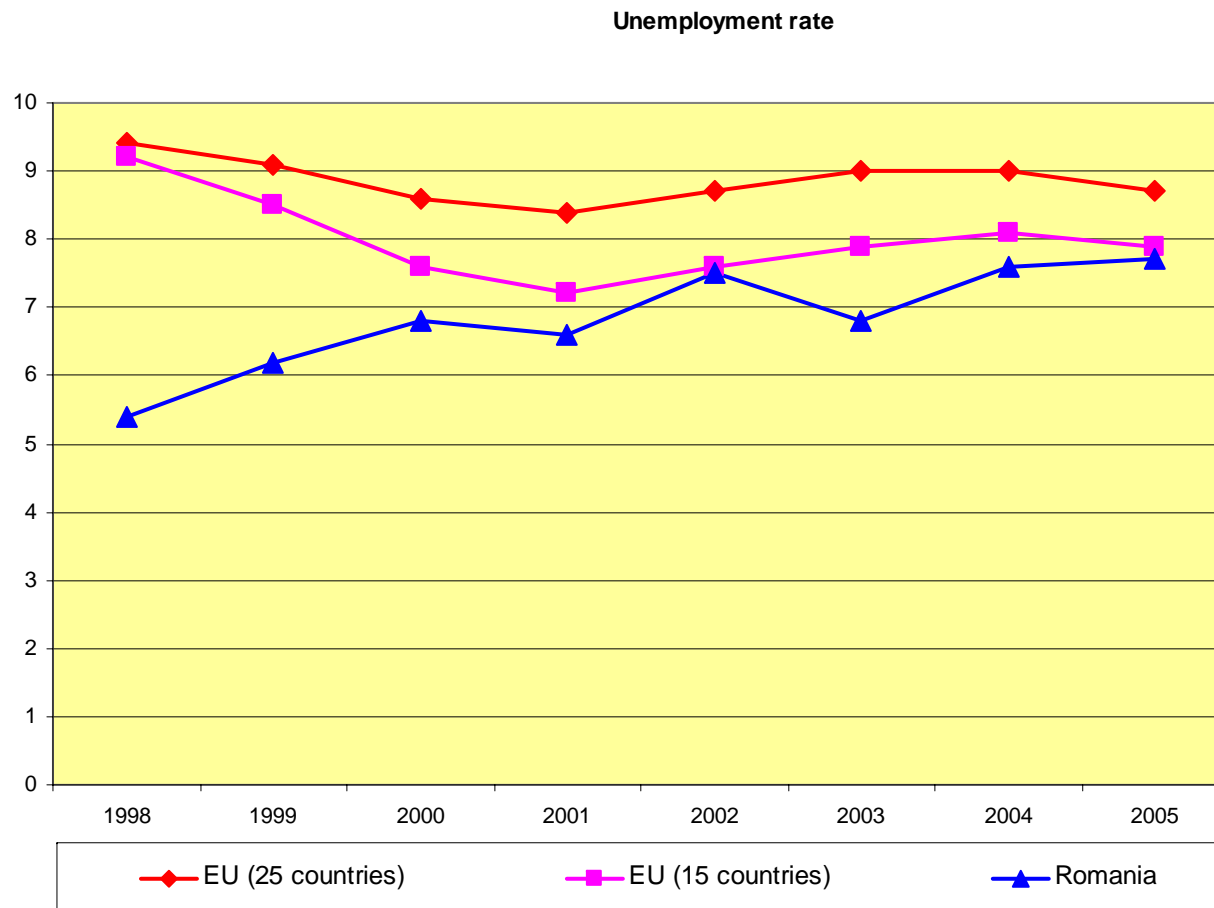


Source: EC, employment in europe, 2005

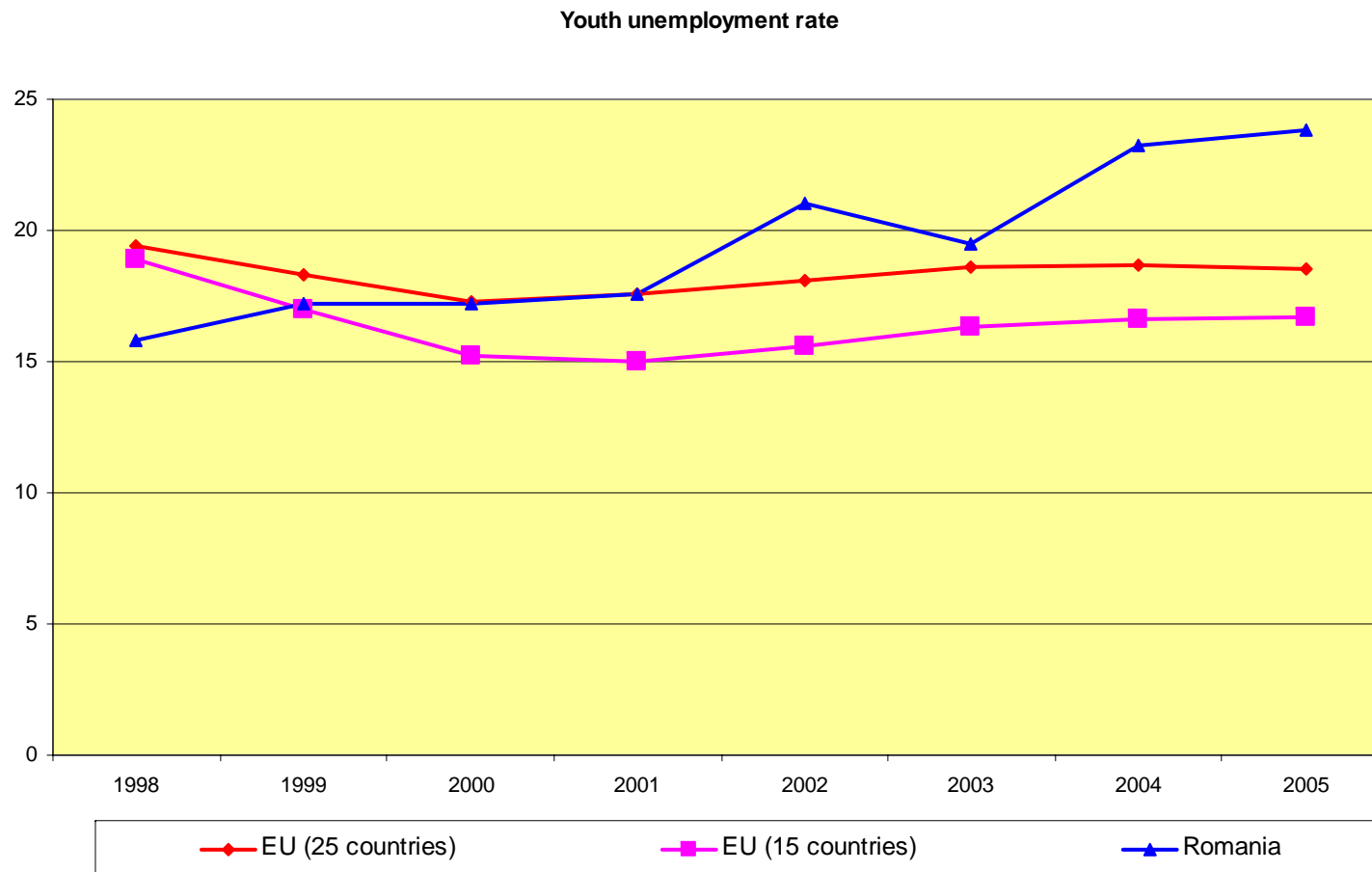
Employment structure in Romania compared to EU

	% of Romanian employment	Ratio Romania/EU25	Ratio Romania/five agricultural EU countries	Comparative weight of the sector in Romania
Agriculture, fishing and forestry	36,0	7,2	2,5	overrepresented
Mining and quarrying	1,5	3,8	3,6	overrepresented
Manufacturing	21,8	1,2	1,3	
Electricity, gas and water supply	2,0	2,3	1,5	
Construction	4,7	0,6	0,6	underrepresented
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	9,4	0,6	0,6	underrepresented
Hotels and restaurants	1,3	0,3	0,4	underrepresented
Transport, storage and communication	5,0	0,8	0,8	
Financial intermediation	0,9	0,3	0,5	underrepresented
Real estate, renting and business activities	1,6	0,2	0,3	underrepresented
Public administration and defense, Compulsory social insurance	5,8	0,8	0,9	
Education	4,4	0,6	0,6	underrepresented
Health and social work	3,8	0,4	0,6	underrepresented
Other activities	2,4	0,4	0,5	underrepresented
	100,0			

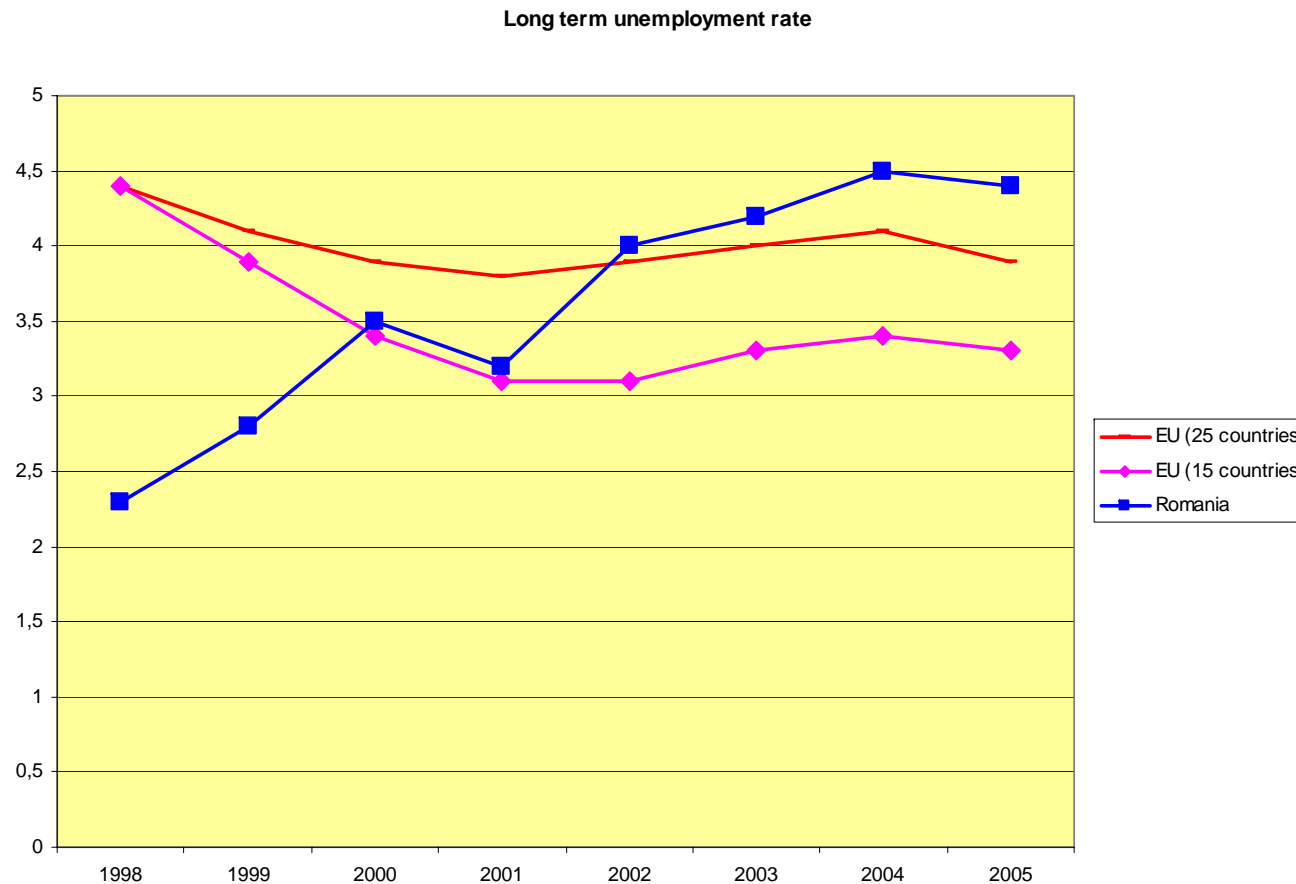
The unemployment rate in Romania is below EU25 average...



..but youth unemployment rate is much higher...



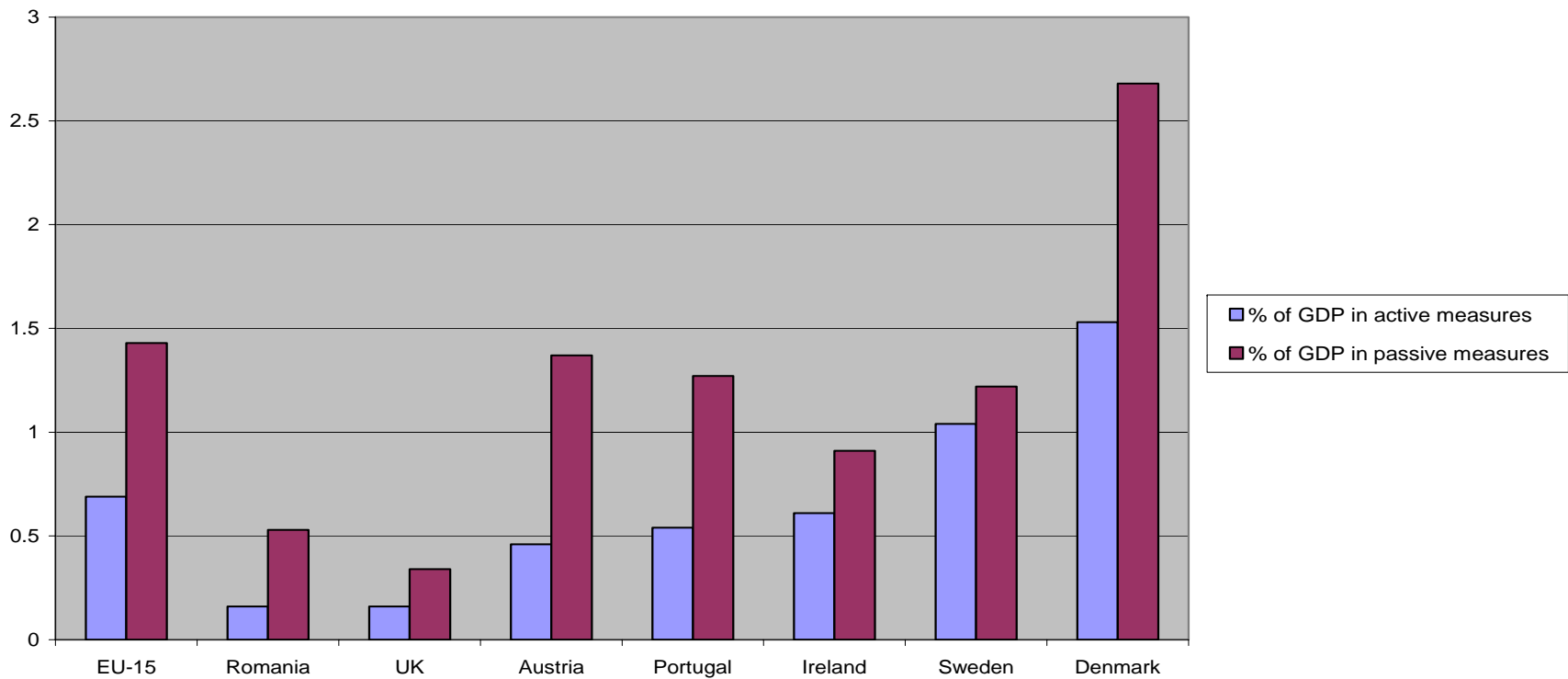
...and long term unemployment is also above average



- These are symptoms of a economy heavily restructuring:
Return to employment and entering labour market is difficult

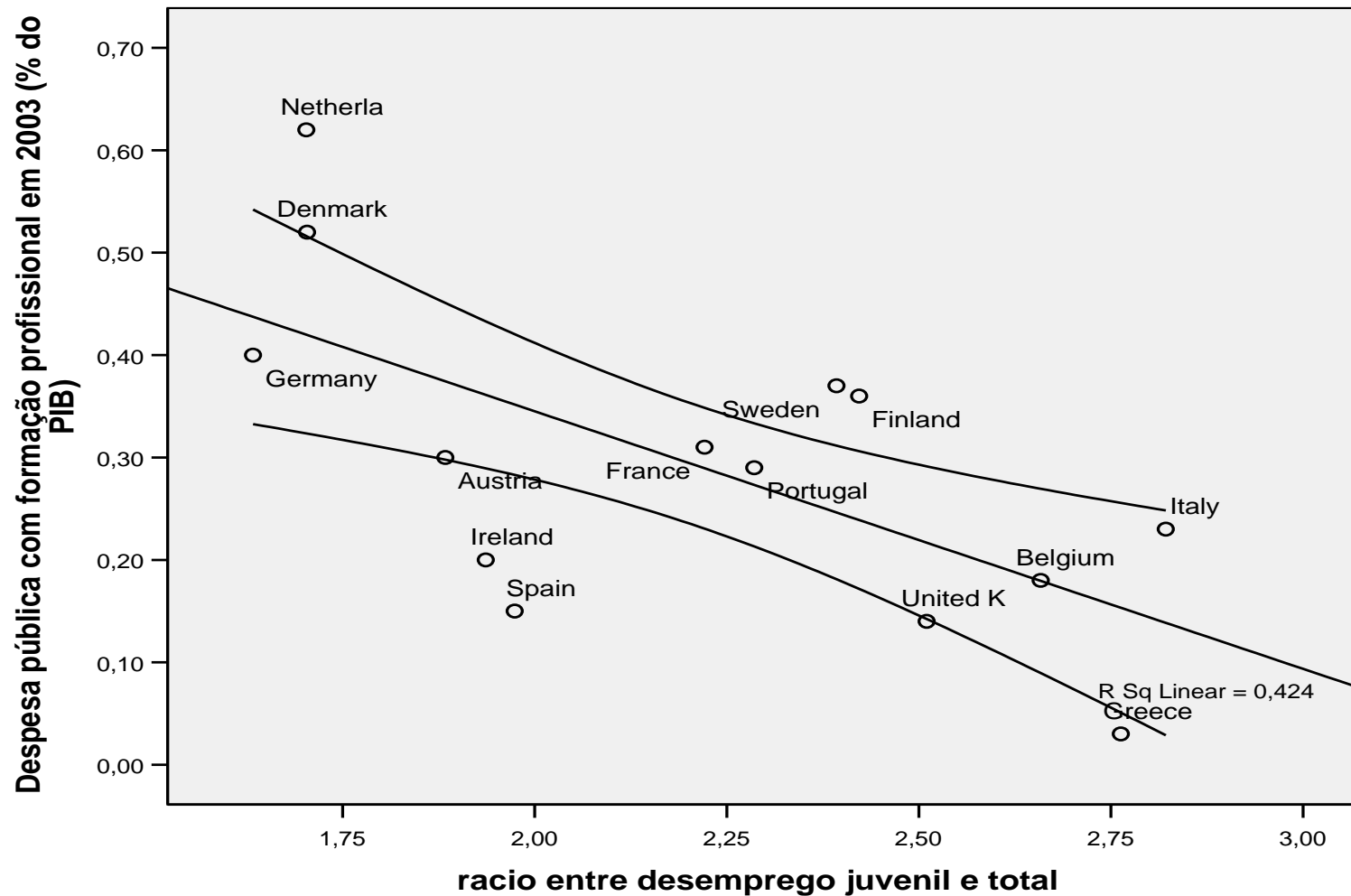
There is room for improvement in labour market policies

Expenses in labour market policies in 2003 (Romania and EU-15 countries with less than 7% unemployment rate)

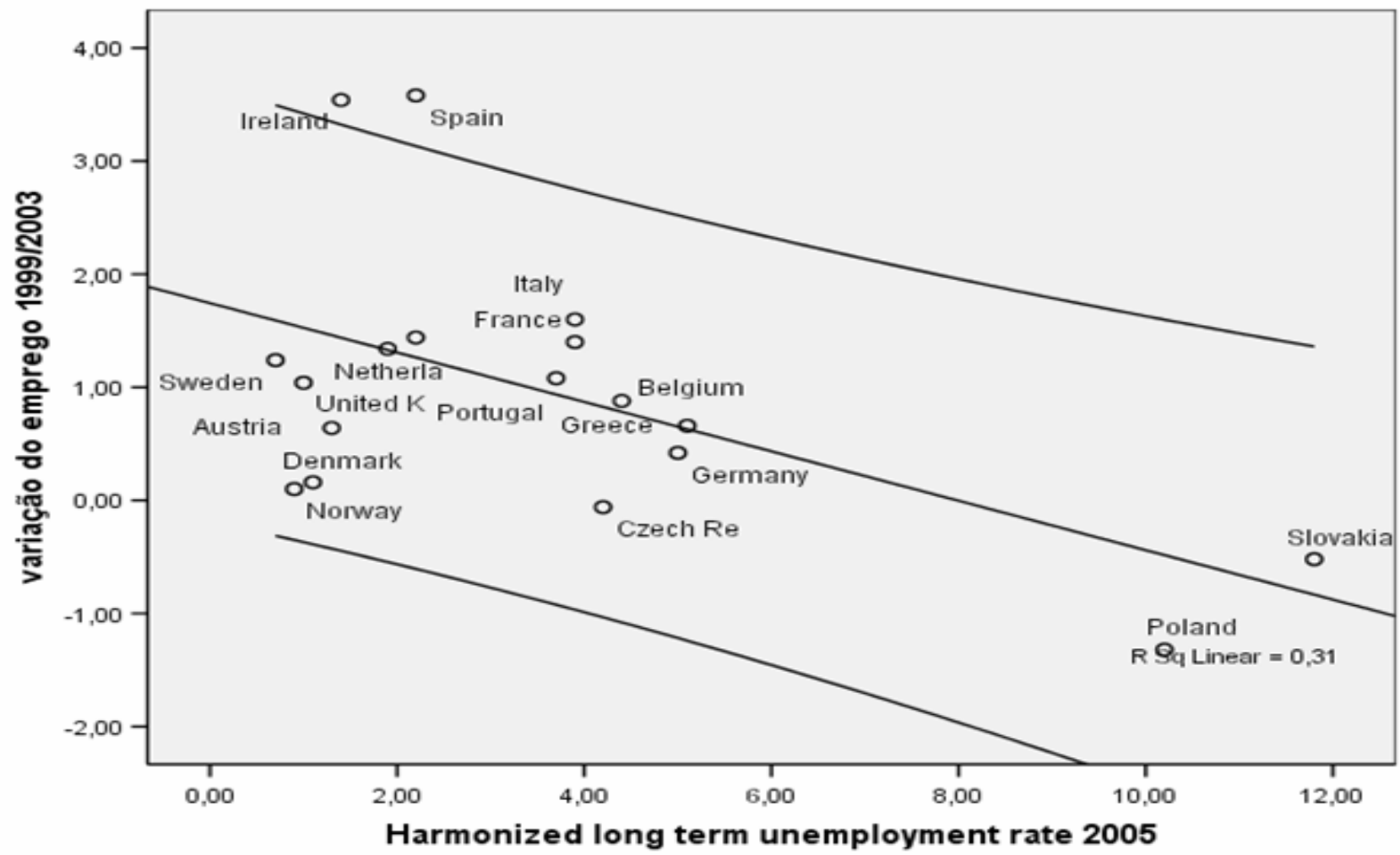


Source: Second JAP Progress Report and EUROSTAT

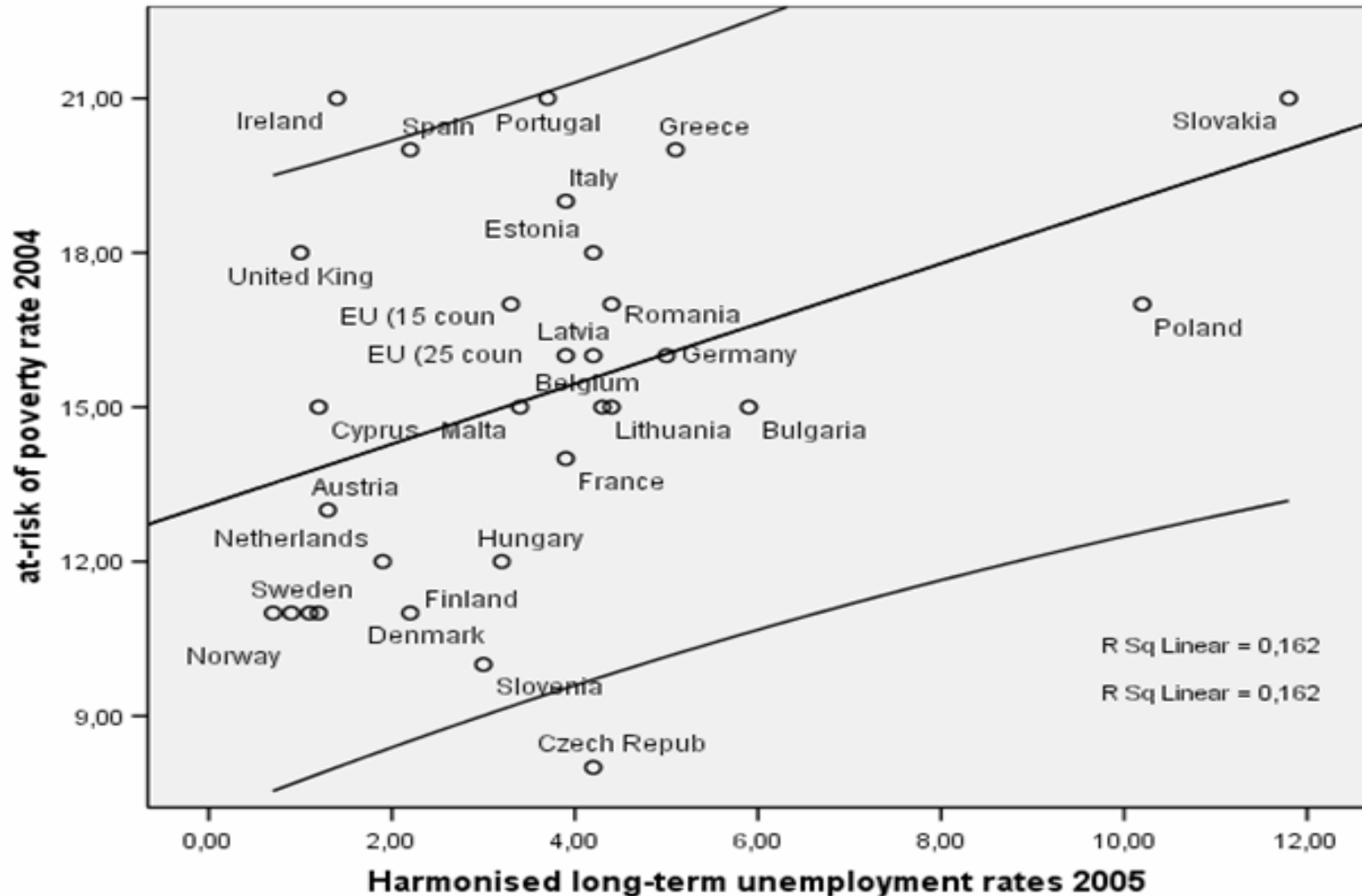
In EU training protects youth from unemployment



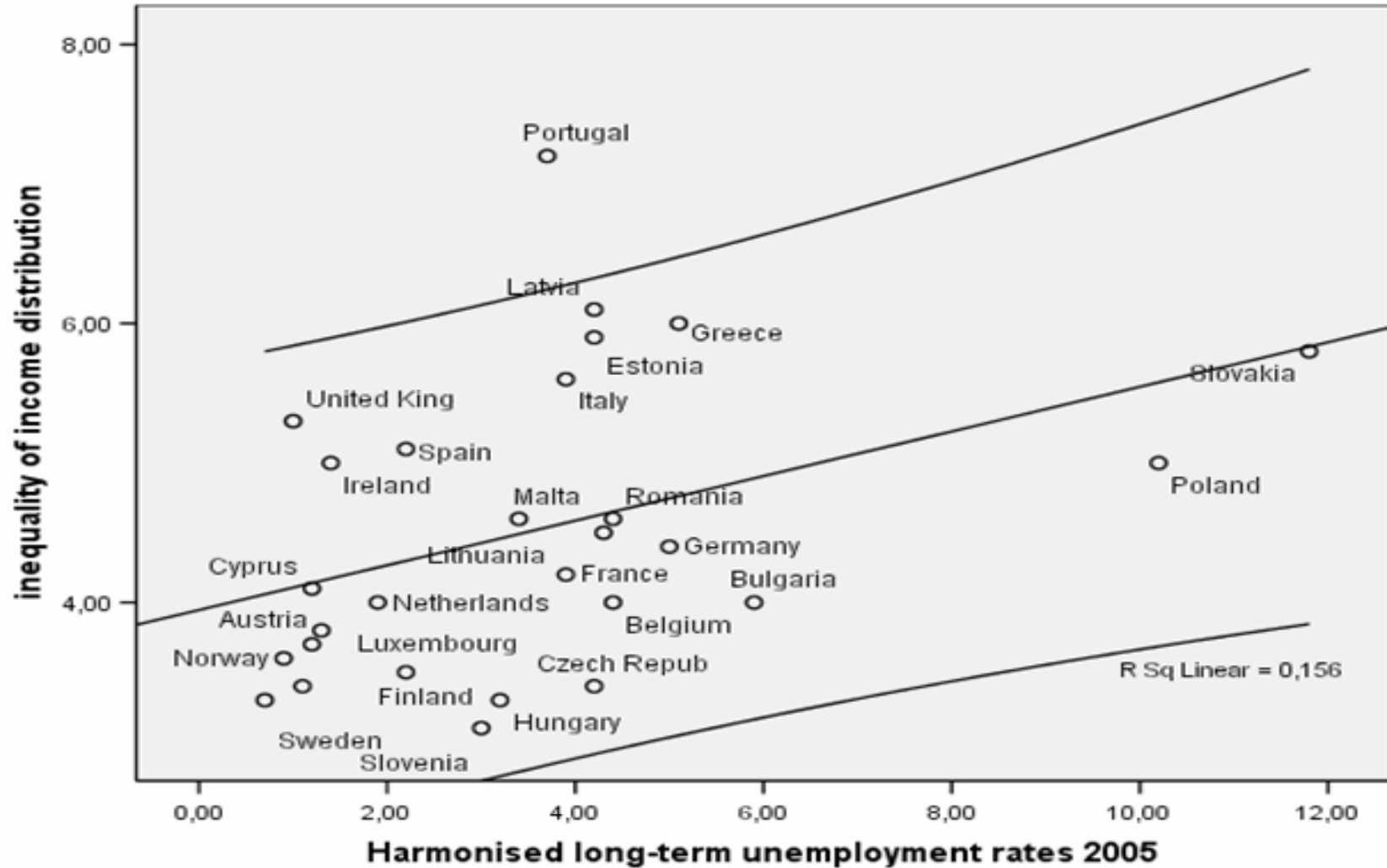
The major correlation of LTU is with employment variation



Long term unemployment increases the risk of poverty



Long term unemployment increases inequalities

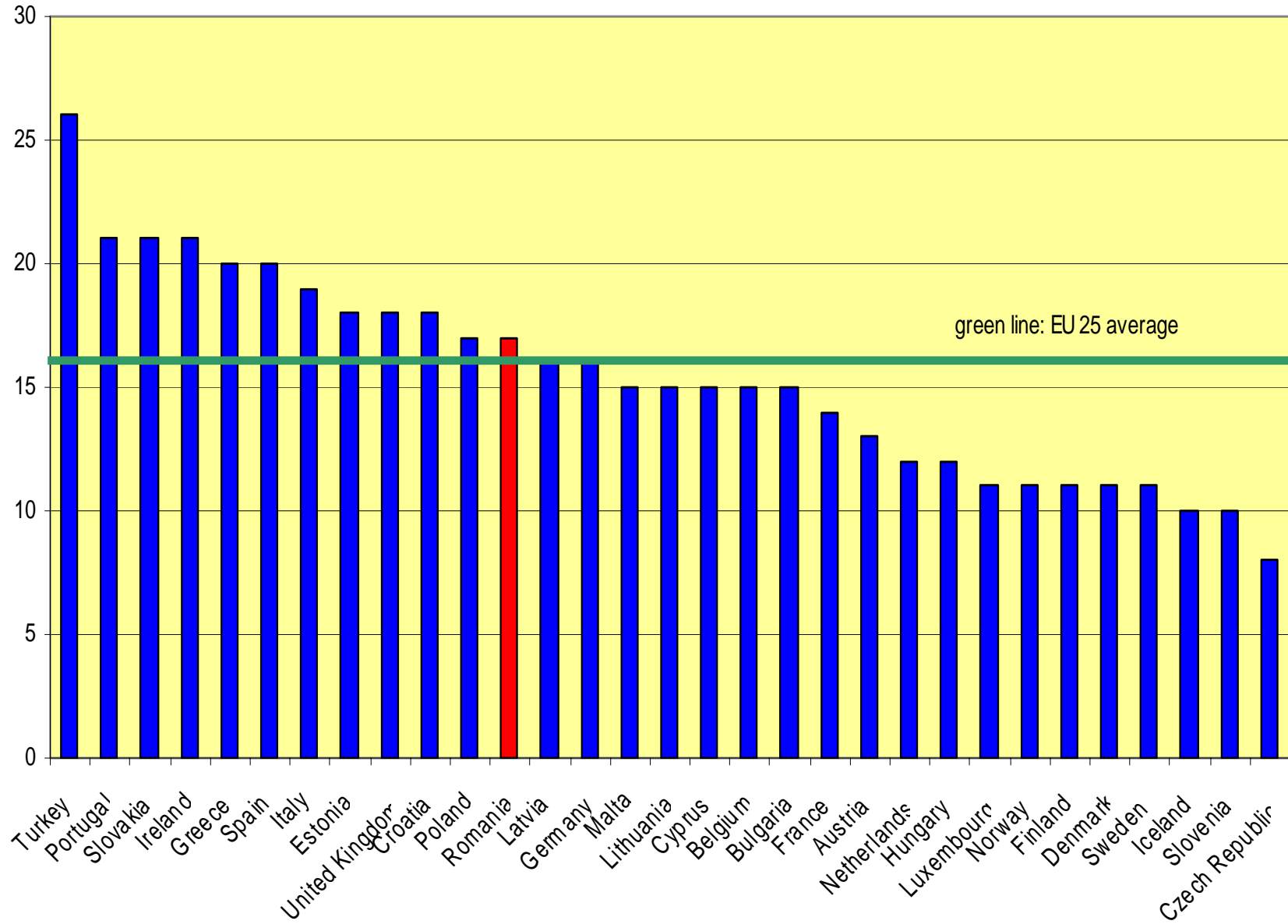


Employment problem	Dimensions of the problem	Examples of measures
Absence of employment	Lack of contact with labour market	Vocational orientation Alternance training Work experiences
	Lack or mismatch of qualifications	Vocational training
	Lack of jobs	Job subsidies Job creation measures
	Social disqualification	Personal development Career counseling Special training
Prejudice and discrimination	Stereotypes and prejudices	Awareness campaigns
	Discriminatory laws and rules	Law reform
	“Familialist” ideology/ gender bias	Services to families Employment-friendly welfare measures
	Participation gaps	Affirmative action Removal of work disincentives Majoration of employment support
	Erosion of competences	Continuous vocational training Job adaptation
Unemployment trap	Preserving social/professional skills	Occupational Programs Temporary jobs
	Lack of working experience	Transitional jobs
	Lack of financial resources	Investment support Micro-credit
	Lack of local organization resources	Local development initiatives
Informal and illegal work	Non compliance with labour law	Law enforcement Law reform
	Social acceptance of informal and illegal work	Awareness campaigns

The problem of measuring poverty: 8 or 80%?

- Using an EU income poverty threshold, the large majority of the population in the new member states would be classified as poor:
 - for example, between 80 per cent and 92 per cent in the Baltic states and Slovakia, on the basis of half of the EU average income (Piachaud 2000). On the other hand, country-specific relative income
- On the other hand poverty is fairly low in some of these countries using a national income poverty threshold:
 - for example 5 per cent to 7 per cent in the Czech Republic and Slovakia on the basis of half the country's median income (figures for 1996; LIS 2004).

Rate of population at-risk of poverty rate 2004 (EU structural indicator)



From income inequality to deprivation

Michael Forster (2005) uses 10 items classified into four domains:

1. Basic deprivation
 - (i) food
 - (ii) clothes
 - (iii) housing costs
 - (iv) holidays
2. Secondary deprivation (durables)
 - (v) colour TV
 - (vi) microwave
 - (vii) video recorder
 - (viii) car
3. Accommodation/housing
 - (ix) lack of space
4. Subjective deprivation
 - (x) satisfaction with income

An example of the results of studying poverty as deprivation (Forster, 2005)

Table 4. Multiple deprivation in selected EU countries, 1999

	Czech Republic	Hungary	Slovenia	Greece	Denmark	EU-14
Not deprived in any dimension	27	13	17	29	72	58
1. Deprived in basic needs (at least)	41	53	37	38	3	11
2. Deprived in secondary needs (at least)	41	53	51	51	20	22
3. Deprived in accommodation standards (at least)	34	52	45	28	3	13
4. Deprived in subjective income satisfaction (at least)	22	26	37	25	7	16
Deprived in at least two dimensions	40	56	54	41	5	15

Source: Calculations from ECHP and ECV consolidated data base.

Note: Deprivation in domains 1 and 2: being deprived from at least two of four items in each domain. Domains 3 and 4 include one item only. EU average refers to the weighted EU-14 average and excludes Sweden (see endnote 12).

Comparing income and consistent poverty

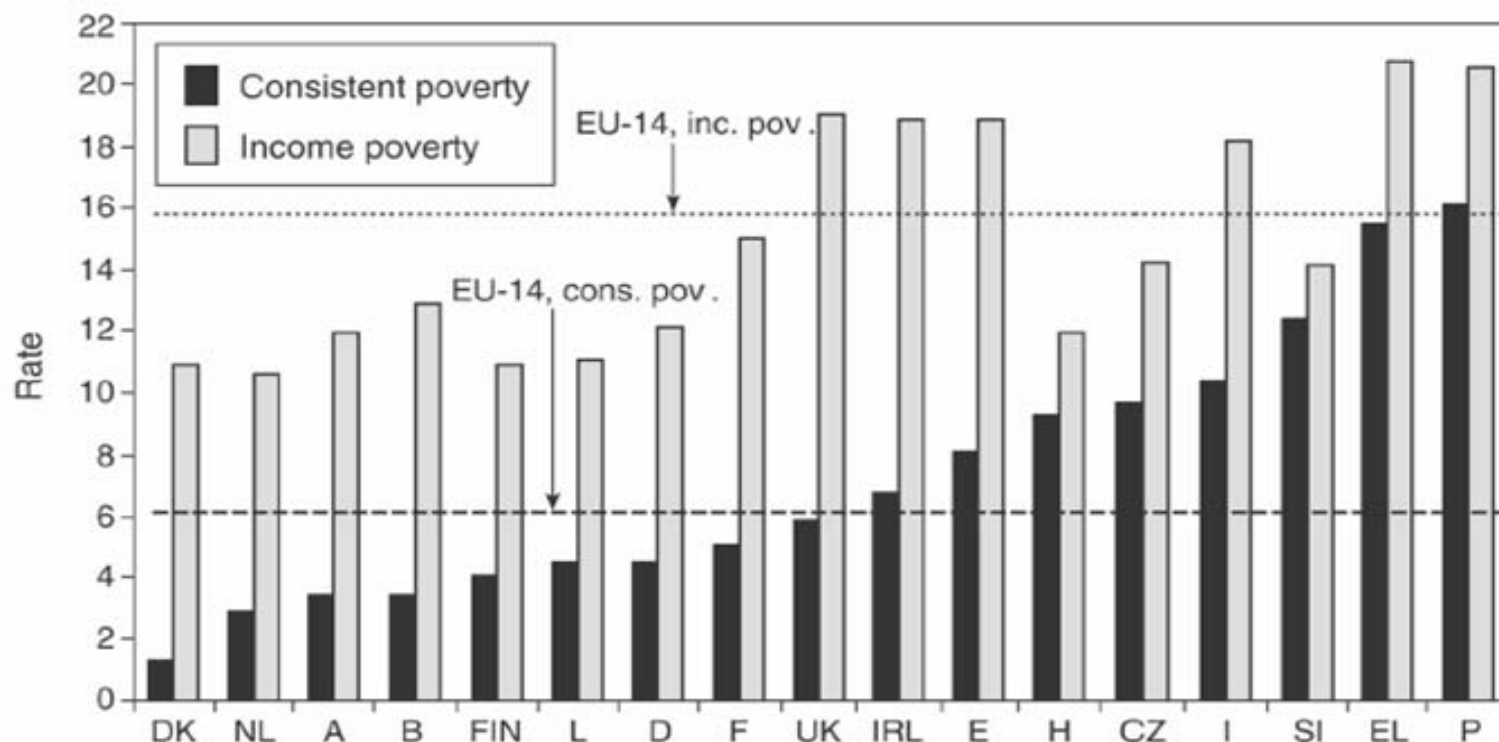


Figure 4. Income and consistent poverty rates in 17 EU countries, 1999.

Source: calculations from ECV consolidated data base.

Notes: Consistent poverty: falling below monetary *and* non-monetary threshold. National relative income poverty threshold: 60 per cent of the national adjusted median income. Non-monetary threshold: being deprived in two out of four domains of living. Averages are population weighted.

Social mechanisms of dealing with poverty and social exclusion

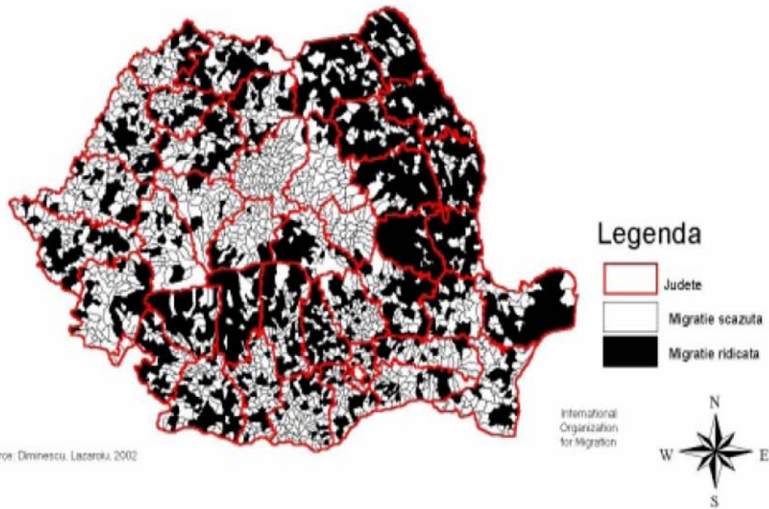
	Nature	Condition of access	Social principle	Risk associated
Charities	Private	Discretionary, morally based	Gift	Depends on the will (and disponibilities)of the giver
Family mutual support	Private	Discretionary, statute based	Mutual obligation	Weak families are (re)excluded
Associative mutual support	Private	Statute based	Free adhesion	Difficulties in self-organization of weak communities
State discretionary help	Public	Discretionary, legal and morally based	Social assistance	Clientelism, stigmatization, non take up
Rights enforcement	Public	Legally defined	Social assistance	Fraud, dependency, constitution of underclass

	Workers' remittances and compensation of employees received in % of GDP (2004)
Denmark	0,44
Ireland	0,19
Germany	0,24
Hungary	0,30
Poland	1,12
Romania	0,18

Source: World Bank, World Development Indicators

Regional patterns of origin of 90's Romanian migrants

Italia



Germania

