Brief Feature of Poverty and Rural poverty and the Circle of Decline in Romanian Rural Area

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ABSTRACT
In recent years, poverty has become quite important, affecting a large part of the population, which also means driving a sustained effort for specific forms of social assistance. More and more strong signals are being drawn to reduce poverty and social exclusion among vulnerable groups, especially in rural areas, where the decline in poverty is much more pronounced. This means knowing and continuously analyzing these rural contingencies facing poverty, finding solutions to improve the social assistance system that intensifies the poverty reduction and support social inclusion and employment growth, actions that respond more pronounced in the current economic and social challenges, in line with the dynamics of the social dimensions. This dynamic has multiplied the tensions that social assistance systems have to deal with, thus multiplying the need for adequate, coherent, effective, and efficient social programs. The paper depicts a picture of poverty and the circle of decline in Romania, with particular reference to the rural area that is most affected by poverty.

The indicators analyzed in the dynamics suggest that, despite efforts to reduce poverty, even if there have been declines since the beginning of the decade, values remain high, which intensifies the efforts to reduce vulnerabilities and poverty risks faced by a large part of the population, especially in a rural area.

Keywords: Decline circle, Indicators, Poverty and rural poverty, Rural dimensions

1. INTRODUCTION
Poverty is one of the worst social problems that societies have faced for a long time. The phenomenon affects both developing and developed countries. Despite the considerable progress, poverty continues to affect a large part of the population, especially in rural areas. Europe is constantly faced with ambitious challenges to reduce poverty and its extreme forms (severe and extreme poverty, social marginalization, precariousness/material deprivation, social exclusion), which would also mean achieving a greater degree of well-being, social cohesion, a better quality of life, correlated with a higher degree of employment among these vulnerable people, with their employment stimulation and poverty reduction. This means improving policies to better meet this common goal. These strategic targets are always in the attention of decision-makers, those involved in the design, substantiation, and implementation of social policies involved organizations with responsibilities in this field, but also all other social actors. Sustained joint efforts are being made to achieve these particularly important specific targets with major economic and social impact. Thus, at the European level, according to the Europe 2020 Strategy, a reduction of at least 20 million in the number of people at risk of poverty and its
severe and extreme forms has been considered. In this sense, the fight to reduce poverty and its extreme forms is one of the central objectives of the European Union, implicitly also at the national level. This is an assiduous goal present in all current strategy documents. Thus, European social security systems have undergone major reforms, and social inclusion has always been a leitmotif of national policies, focusing on ways to include vulnerable persons, to reduce poverty and social exclusion, especially by including activation elements in social assistance policies. The priority given to social inclusion is the result of a shift in the focus on poverty alleviation towards promoting social and occupational inclusion and social cohesion. These targets must be kept in mind, the picture of poverty must always be known, to build and/or improve real, effective, and efficient measures to reduce these social risks. The pulse of poverty and social exclusion must be constantly monitored, and these feedbacks are particularly important not only in the ongoing evaluation and monitoring, in improving policies, but also in poverty alleviation and thus achieving European and national goals.

2. NATIONAL CONTEXT

At the national level, by 2020, according to the National Strategy on Social Inclusion and Poverty Reduction, a reduction by 580 thousand people of people living in poverty is expected. According to the half-yearly country report published in March 2018 by the European Commission, Romania has already reached the assumed threshold of reducing the number of people exposed to the risk of poverty and social exclusion (European Commission, European Semester 2018, 64/76). Although Romania has reached its target of reducing the number of people at risk of poverty and social exclusion, the latest European Commission country Reports show an alarming increase in poverty, especially among children and young people, but also among households with dependent children, as well as those in a rural area, where poverty continues to reach high values. European and national strategies also take into account rural areas, so through its rural development policies, it is desirable to intensify efforts to support these rural areas to cope with multiple economic and social challenges. The local focus is justified by the spatial concentration of poverty and poor communities subject to marginalization and social exclusion, so area interventions must be seen as integrated into a participatory development framework to overcome inequalities and growing challenges. According to Eurostat data, over 31% of Romania's population was exposed to the risk of poverty and social exclusion (over 6 million people), while in a rural area there were 44.3% (over 3.78 million people), and in cities and suburbs, the percentage reached almost 28% (almost 1.5 million people). In large cities/metropolises, poverty affects 14.5% of the population in 2019. According to the Memorandum of understanding for the approval of the National Strategy on Social Inclusion and Poverty Reduction, poverty is 3 times more prevalent in rural than in urban areas, while 1 in 2 children in a rural area are in poverty, over 90% of working poor people are located in rural, 95% have at most high school education, and approx. 37% are affected by material deprivation. All these data suggest that people in the rural area face high risks of poverty. Despite declines since 2015, these impoverishment risks of the population, especially young people, children, people with low educational level, households with children or single parents, etc. - all these vulnerable groups continue to put great pressure on the individual, households, community, and also on the protection and social assistance systems.

3. SPECIFIC CONTEXT

Bertolini (2019) considers the problem of poverty unresolved, including in developed countries. The positive effects of interventions in rural agricultural and social policies have failed to eliminate “the cumulative negative effects of the vicious circle of the labor market, demography, education and isolation” (Bertolini, 2019, 1), emphasizing “the role of coordination between top-down with location-based policies”. Cord (2002) argues the importance of developing strategies to reduce rural poverty regardless of the country's developmental stage. Ravallion (2007) estimates that ”75% of the global poor live in poor rural areas and, worse, if current trends continue, the share of the poor will not fall below 50% by 2035”. The need for new policy approaches is argued by Cord (2002, pp. 67), through the specific and universal characteristics of rural poverty:
• A strong reliance on the natural resource base to sustain livelihoods, which has led to: (1) a high-risk environment for households, given their vulnerability to climatic fluctuations, plant and animal disease, price fluctuations, and macroeconomic policy shifts (for example, devaluation, interest rates, and so forth); (2) seasonal incomes and food supply; (3) heterogeneous agricultural production and investment strategies; and (4) limited growth opportunities, given the low and relatively inelastic demand for food products as national incomes rise;
• A low population density and geographic constraints, which have led to high transaction costs and reduced access to physical and social infrastructure;
• An informal economy, which makes it more difficult for policymakers to influence local labor markets and to provide targeted social protection or other support based on income criteria;
• Cultural and linguistic differences, which have often led to limited voice in national and even local decision-making processes, especially in remote areas;
• An important role for women in the economy that is often not recognized in rural income-generating programs or women’s access to social services”.

3.1. OECD Model of the decline cycle for rural areas

Poverty is relative, multidimensional, and gradual (Atkinson et al, 2002) and has many nuances. Khan argues that ”The causes of rural poverty are complex and multidimensional. They involve, among other things, culture, climate, gender, markets, and public policy. Likewise, the rural poor are quite diverse both in the problems they face and the possible solutions to these problems. This pamphlet examines how rural poverty develops, what accounts for its persistence, and what specific measures can be taken to eliminate or reduce it” (Khan, 2001). The European Commission (2008) notes that rural areas tend to show poorer economic performance. This aspect is also reinforced by the OECD model of the decline circle for low-performing rural areas (OECD, 2006) – model shown in Figure 1. The cycle of poverty begins with a low population density, which, according to the OECD, is a fundamental feature that characterizes rural areas, as opposed to non-rural ones (urban spaces). This element generates a lack of critical mass for services and infrastructure, which in turn leads to a lower rate of business creation and, consequently, fewer jobs. These shortcomings in the labor market stem from migration flows, which, combined with an aging population, further reduce population density, thus closing the “circle of decline.” In approaching the new rural paradigm, the OECD (2006) proposes a policy orientation to job creation rather than to sectors, with the new focus on the intervention being on investment rather than subsidies.

![Figure 1. OECD Model for the Circle of decline regarding the rural area with low economic performance (Source: OECD, 2006. The new rural paradigm: policies and governance)](image)

The European Commission (2008) also identifies in the EU the problem of depopulation in less-favored areas (LFAs). These LFAs are locations that usually have major accessibility issues (e.g. mountains, etc.). SERA/ERSA satellite data (2006) illustrated that “many of the most remote rural areas are still depopulated or dependent on agriculture; they still face problems of lower levels of income and employment rates, higher
unemployment rates, weaknesses in skills and human capital -especially in agricultural sector and food processing industry-, unfavorable demographic situation, lack of opportunities for women and young people, slower development of the tertiary sector. Those areas will face in perspective heavier challenges as regards growth, jobs, environment, even if the disadvantage connected to location does not necessarily per se transform LFAs into poor rural areas. For example, many mountain areas of France and Italy have registered a notable improvement in their economic conditions thanks to the development of tourism” (European Commission, 2008, 53).

4. RURAL POVERTY – THE DYNAMICS OF SOME INDICATORS RELEVANT FOR THE RISK OF RURAL

4.1. Risk of poverty – high risk of poverty in a rural area in the last decade/deceleration of the realization process

The share of people at risk of poverty earning less than 60% of the median income per equivalent adult has been on an upward trend since 2012, reaching a maximum of 25.4% (2015), then placing in a slight decrease (23.5% in 2018) and increasing slightly in the following year (23.8% in 2019). The event in the last year, the incidence of poverty is high, poverty risk affects a large part of the population, of approx. a quarter nationally and almost 40% in the rural area. Differences between areas of residence are strongly affected from the perspective of people living in poverty, so that in the rural area are found in the last reference year 38% of people living in poverty, compared to almost 20% in town and suburbs and approx. 6% in big cities. In rural areas, the periods of growth alternate with those of decrease of the poverty risk, so that the percentage of people facing poverty starts from 35% in 2007, reaches a maximum of over 40% in 2015, then alternating years of increase with those of decrease.

![Figure 2. People at risk of poverty by a degree of urbanization, 2007-2019 (%)
(Source: Eurostat, [ile_li43])](image)

At the level of the last year of analysis in rural areas, there are 38.1% of people living in poverty, which means over 3.25 million rural people are affected by poverty. Practically, in almost 1 and a half decades, it can be appreciated that poverty in a rural area could not be reduced, but, on the contrary, it has seen increasing trends, despite many actions, programs, directions of action, plans, and strategies. On the other hand, even if these actions targeted the development of the rural area, they did not stand out in the significant poverty reduction. This once again confirms that pro-poor growth is not aimed at the poorest people. At the same time, even if there was a slight decrease in the poverty incidence in one year, this was a conjunctural situation, not a sustainable one, which would support the rural population to overcome the state of vulnerability and risk in the face of poverty and associated phenomena.
4.2. Dramatic demographic changes – increase the share of the rural population in total population in the last decade/deceleration of the urbanization process

The total population residing in Romania decreases by almost 1 million people per decade. The gap between urban and rural areas is increasing, while the urban population is declining by 1.2 million people, and the rural population is declining by 386.8 thousand people. As a result, in the period 2007-2018, the share of the rural population increases by 1.7 pp., from 44.1% in 2003 to 46.2% in 2018.

4.3. Population aging

The population aging is indicated by the negative dynamics of the natural growth rate, the increase of the permanent population average age, and as a general trend of life expectancy increasing. Even if the trend of population aging in general, there are visible particularities for the rural area that indicate additional risks, and in particular the poverty risk. Thus in rural areas:

- especially after the year 2000, there are negative rates of population growth;
- after 2012, the rural population tends to have a lower average age than in rural areas. In 2017, the average age in rural areas is 40.9 years and in urban areas 41.9 years;
- especially after 2007, life expectancy shows a significant upward trend, but with a large difference between residential areas. Thus in 2007 rural life expectancy was 72 years, 1.3 years less than in urban areas, and in 2017 rural life expectancy increases to 74.2 years, but also increases the difference compared to urban life expectancy at 2.8 years!

The natural population growth rate decreased drastically in the first post-December period, from 3% in 1990 to -2.4% in 1996. Regardless of the urban or rural area, on average this rate decreases in the period 1990-2017 with -5.5 percentage points, except for Bucharest, which registers only -0.8 pp. The natural growth rate of the population in the urban area shows a tendency to correlate with the shocks in the economy. Before the last crisis (2008, 2013), the natural population growth rate became positive of 0.6% in 2008 and 0.1% in 2013 in the urban area, falling sharply after the shocks mentioned. This process indicates the buffer role of the rural area in ensuring the livelihood of the vulnerable for the employed, indicating migrations from temporary rural to urban movements. In the last 26 years, in the period 1992-2018, the average age of the permanent population decreased by 6.4 years from 35 years in 1992 to 41.4 years in 2018. The aging process is accelerating in the urban area. The average age of the population with urban permanent residence decreased by 9.2 years, and in rural by 3.2 years. This trend is contrary to the large global big cities where people come for work and study and less for housing. The lack of capacity to attract and retain talent, creativity, and youth indicates a low level of competitiveness on the world market for Romania in general and the best cities in particular. This indicator also suggests a low efficiency of the labor market.
The rhythm of population aging has been maintained for the last decade. The average age of the stable population decreased by 2.6 years, the average age of the urban population decreased by 3.5 years, and in a rural area it decreased by 1.6 years.

Life expectancy is growing at a rate comparable to the average age of the resident population. Life expectancy has been steadily rising since 1997. In the 1990-1996 period, there was a declining trend from 69.6 years in 1990 to 68.9 years in 1996. In 2017, life expectancy was 75.7 years, higher by 6.78 years compared to 1997 and higher by 3.12 years compared to 2007. Since 2007, the gap has increased in terms of life expectancy. Before 2007, the life expectancy gap decreased from 1.85 years in 1996 to 1.7 years in 2007. The increase in the effects of globalization and the transition to agglomeration economies lead to an increase in this gap from 1.3 years in 2007 to 2.8 years in 2017, practically indicating an increase in the polarization of the quality of life and implicitly a loss in the economic power of the rural area.
In the urban area, male life expectancy is 73.7 years in 2017, 7.58 years higher than in 1996; for women, it is 80.07 years in 2017, 6.3 years higher than in 1996. In the rural area, male life expectancy is 70.59 years in 2017, 6.46 years higher than in 1996; for women, it is 78.2 years in 2017, 5.87 years higher than in 1996. The gender gap (difference in life expectancy between men and women) slowly decreases in urban areas from -7.65 years in 1996 to -6.28 years in 2017, and in a rural area there is a slower pace, this gap decreases from -8.2 years in 1996 to -7.61 years in 2017. Life expectancy is divergent depending on the area of residence and gender dimension.

4.4. Vulnerability of the family – employment trends
The general trend in the last two decades is for women to leave the labor market. In the context in which, for the period 2000-2018, life expectancy increases for both sexes by more than 5 years, the length of life in employment decreases, for women by 4 years and for men by 1.1 years. Men tend to be more active in the labor market, illustrated by the growing gap in working life between men and women from 3.3 in 2001 to 6.5 in 2018.

4.5. Increasing the trend for global labor mobility and the new model of poverty alleviation – increasing the remittances
In the 1998-2018 period, the presence of globalization on the Romanian labor market becomes evident, especially through the increase of labor mobility, expressed by the migration of Romanian citizens in other countries. Thus, if the resident population on January 1 decreases by 3 million inhabitants from 22.5 million inhabitants in 1998 to 19.5 million inhabitants in 2018, the population (Romanian citizens living in other countries) respectively the population in the diaspora increases by from 200 thousand in 1998 to over 3.4 million Romanian citizens in 2018, according to Eurostat data.
The share of Romanian citizens in the diaspora in the total resident population increases from 0.9% in 1998 to 17.6% in 2018. It is important to note that the intensity of the phenomenon accelerates after 2011 when this share is 9.2%.

Ketkar & Ratha (2008) highlight the innovative role of remittances in financing development for countries faced with poverty risk. Remittances to Romania of national people in the diaspora become comparable to direct investment funds as a share in GDP since 2013. Thus, the share of direct investment in GDP is 1.85 of GDP, equal to that of remittances in 2013. In 2017 remittances represent 2% GDP.

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The evolution of the number of working-age population by area of residence and by age groups in the 1996-2017 period indicates a change of pattern, especially after 2013. Correlating this information, it can be deduced that in the last wave of migration (after 2013), people over the age of 50 have left the country and, with the exception of young people aged 15-24 who are on the verge of entering on the labor market, the population aged 25-49 migrates to urban areas. People in the 25-34 age group indicate a high probability of external mobility for work, regardless of the area of residence (urban/rural).
5. CONCLUSION

The analysis of these indicators shows that the rural area has increased exposure trends to the risk of generating the circle of decline: an aging population, low density, trends of population loss, which also means the absence of critical mass for services and infrastructure, but also low rates for businesses and enterprises creation and, implicitly, of fewer jobs, this circle generating, sustaining and leading largely to poverty and social exclusion, as OECD model (OECD 2006).

The main problems specific to the rural area are related to a multitude of aspects, starting from the demographic ones; education; labor market; the distance/isolation that makes it difficult for some communities to access public and private services, and therefore poor infrastructure and poor access to basic services. These four categories of problems can interact and generate “vicious circles” that reproduce and amplify the phenomenon of poverty in rural areas (European Commission, 2008; Bertolini, 2019):

- "The demographic vicious circle” begins with an unfavorable demographic situation characterized by a high share of the elderly population, low share of young people, and low population density that negatively affects the economic performance of the rural areas, resulting in low birth rates and high migration, which further worsen the demographic situation. The causes of the aging phenomenon are mainly the decrease in the birth rate, emigration, and the increase in life expectancy as a result of medical progress and the improvement of the quality of life. The phenomenon of aging takes place against the background of emigration, as well as the migration of young people to urban areas and people of retirement age from urban to rural areas. However, the medium- and long-term consequences can be very serious, especially on the labor market, which also attracts related issues such as migration, education, health, housing, poverty, and so on. In order to avoid the unfavorable consequences of demographic aging and migration, given the temporary migration, but especially the permanent one, it is important for the rural areas to have the capacity to make an attractive offer for the integration of new immigrants both professionally and also for living conditions, but also an attractive one to conserve resources and to develop the rural areas.

- "The vicious circle of distance” is generated by poor infrastructure, which negatively affects the economic performance of the areas and promotes migration; this has a negative impact on the demographic situation, which in turn is another obstacle to infrastructure development. From the perspective of digital infrastructure, increasing digital connectivity and moving to a diversified economy can open up new innovative ways to address the social challenges that are driven by rural communities.

- "The educational vicious circle” is generated by the low educational level of the majority of the rural population; this causes a low employment level and can therefore increase the poverty rate, which in turn affects the chances of receiving a high-quality education.

- "The vicious circle of the labor market” begins with poor labor market opportunities in many rural areas, with predominant jobs in the agricultural sector, with low incomes due to the practice of subsistence
farming in many cases, because the rural economy is insufficiently diversified and poorly integrated into the market economy. This aspect forces many skilled people to migrate and thus worsen the quality of the local workforce. A low-skilled workforce is a deterrent factor to the investment of domestic or foreign companies in the area, resulting in further deterioration of the labor market situation, but also in increased poverty.

The evolution of population quotas in rural areas indicates a trend of increased exposure to the risk of generating the circle of decline (OECD, 2006): the aging population, low population density, trends of population loss through migration. On the other hand, many other determinants, such as the level of education, health status, and so on, directly affect employment and at the same time has a direct impact on poverty, leading to an increase the vulnerabilities. At the same time, in the rural area, these vulnerabilities are further amplified, the risks of poverty, as well as those of poverty and social exclusion having significant magnitudes and persistences. All these major predictors and determinants of poverty (education, health, employment, and so on) feed, self-generate, and support each other. All these major determinants represent the core of all national strategies and policies aimed at reducing poverty and social exclusion. Over time, numerous strategies, action plans, measures, directions of action, initiatives at the national, regional, county, rural, and the local levels, that directly concern the individual/household, as well as zonal strategies, that directly concern the community as a whole, have been implemented. Although this broad spectrum of sectoral policies, programs, and interventions that have targeted either the entire population or various vulnerable groups facing various social risks, had some results: the effects are visible by reducing the incidence of poverty in recent years. These efforts must be supported, continued, and amplified, with the major aim of reducing the poverty and social exclusion and improving the quality of life, especially among vulnerable people.

LITERATURE:


