

# Poverty & Equity Brief

Europe & Central Asia

## Romania

April 2021

Prior to the COVID 19-pandemic, a decade of growth fed into substantial poverty reduction albeit through structurally unsustainable channels: increases in public-sector and minimum wages outstripped labor productivity growth, while pensions restructuring and tax cuts contributed to a rising fiscal deficit. This period of growth translated into a 75 percent increase in median household incomes and contributed to the more than halving of \$5.50 USD 2011 PPP poverty rates from 28 percent in 2011 to 11 percent in 2018. Despite strong growth for the bottom 40, inequality remains stubbornly high and the Gini index in 2018 was the fourth highest in the EU.

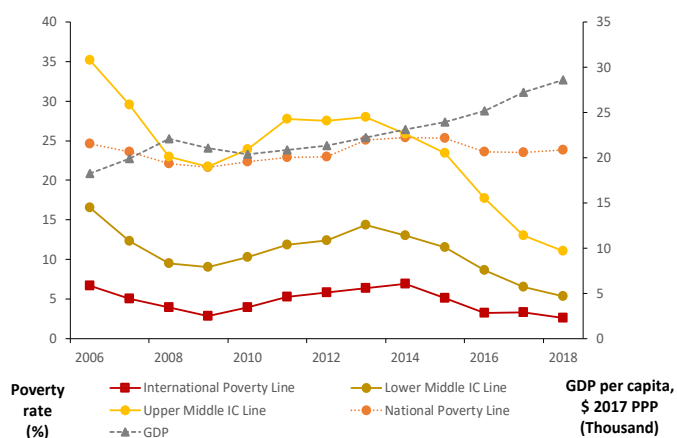
The protracted COVID-19 pandemic has substantially affected economic activity and household incomes. Poor households have seen a triple-hit from declining remittances, a prolonged drought and the domestic contraction linked to COVID-19. The first pandemic wave had stark impacts on household incomes: rapid assessments show nearly one in three households reported a decline in incomes between February and May 2020, resulting in a 50 percent rise in the population at risk of poverty. The second wave of the pandemic had a milder economic impact than the first wave, as people and firms adapted their structures to the pandemic, but earnings and hours are still affected and, similar to the first wave, low-wage earners and those on less stable contracts have been more heavily impacted. Government support measures moved quickly to protect workers from job loss. While support flowed to those in need, it was channeled through formal employment structures leading to coverage gaps that have not been symied through social assistance.

Regional disparities continue to be among the highest in the EU: in 2019, poverty in the the Nort-Est region using national concepts was 42 percent compared to 2.9 percent in Bucharest-Ilfov. Vulnerable groups, including the Roma, continue to be more exposed to both monetary poverty and social exclusion. These groups have seen food insecurity rise during the pandemic and limited access to basic water and sanitation infrastructure, along with over-crowded housing conditions, have increased pandemic risks. Learning impacts due to prolonged periods of home schooling have been severe, and are expected to contribute into widening learning gaps.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	4,649.0	23.8	2018
International Poverty Line 3.9 in Romanian Leu (2018) or US\$1.90 (2011 PPP) per day per capita	501.8	2.6	2018
Lower Middle Income Class Poverty Line 6.5 in Romanian Leu (2018) or US\$3.20 (2011 PPP) per day per capita	1,035.8	5.3	2018
Upper Middle Income Class Poverty Line 11.2 in Romanian Leu (2018) or US\$5.50 (2011 PPP) per day per capita	2,150.3	11.0	2018
Multidimensional Poverty Measure		0.8	2016
SHARED PROSPERITY			
Annualized Income Growth per capita of the bot tom 40 percent		13.78	2013-2018
INEQUALITY			
Gini Index		35.9	2018
Shared Prosperity Premium = Growth of the bot tom 40 - Average Growth		1.29	2013-2018
GROWTH			
Annualized GDP per capita growth		5.14	2013-2018
Annualized Income Growth per capita from Household Survey		12.49	2013-2018
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		12.46	2013-2018

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of February 2021, and Global Monitoring Database for the rest.

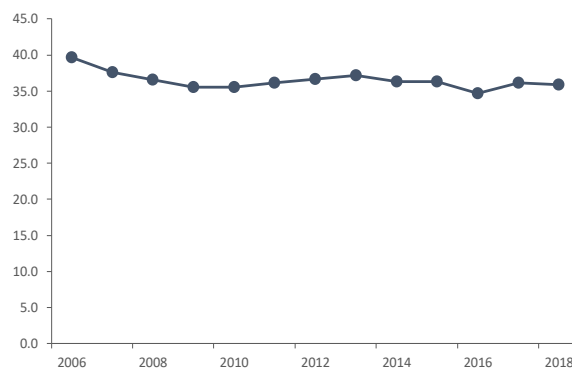
## POVERTY HEADCOUNT RATE, 2006-2018



Source: World Bank using EU-SILC/ECAPOV/GMD

## INEQUALITY TRENDS, 2006-2018

### Gini Index



Source: World Bank using EU-SILC/ECAPOV/GMD

## KEY INDICATORS

Distribution among groups: 2018	Upper Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2016 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population	96	4	25	75	<b>Monetary poverty (Consumption)</b>
Rural population	80	20	59	41	Daily consumption less than US\$1.90 per person
Males	89	11	39	61	
Females	89	11	41	59	<b>Education</b>
0 to 14 years old	80	20	58	42	At least one school-aged child is not enrolled in school
15 to 64 years old	89	11	39	61	No adult has completed primary education
65 and older	97	3	32	68	
Without education (16+)	68	32	80	20	<b>Access to basic infrastructure</b>
Primary education (16+)	81	19	70	30	No access to limited-standard drinking water
Secondary education (16+)	90	10	40	60	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	100	N/A*	7	93	No access to electricity

Source: World Bank using EU-SILC/ECAPOV/GMD

Source: World Bank using HBS/ECAPOV/GMD

Notes: N/A missing value, N/A\* value removed due to less than 30 observations

## POVERTY DATA AND METHODOLOGY

Following the European Union standard, the national poverty line in Romania is set at 60 percent of adult equivalized median disposable income after social transfers. The World Bank's international poverty rates are based on an absolute threshold that reflects how the world's poorest countries define a minimum threshold of living standards, adjusted for purchasing power differences and for national inflation. Similarly, other international thresholds are set in line with how middle-income countries define their living standards thresholds. The levels and trends of the national and international poverty rates can differ because: (1) the national line is a function of the income distribution in any given year and therefore changes over time; (2) the international line removes all negative welfare values; and (3) the international line is measured in per capita terms.

The Multidimensional Poverty Measure captures a broader assessment of wellbeing, beyond monetary poverty. This index describes the share of people who are considered multidimensionally deprived and parallels the headcount measure used for global poverty monitoring (the poverty rate).

For the purpose of the World Bank Global Poverty Monitoring, regional and global aggregates are produced using consumption. Both income and consumption poverty trends can be found in Povcalnet.

## HARMONIZATION

The numbers presented in this brief are based on the ECAPOV database. The ECAPOV micro database was established in 1998 to support a regional poverty report. The database is managed and harmonized by the Europe and Central Asia Team for Statistical Development (ECATSD). ECAPOV includes 29 countries, with an average of 8 surveys per country. Recently, EU-SILC data for EU countries, received from Eurostat, have been added to the collection. Each survey in ECAPOV is organized into 6 modules following the Global Monitoring Database (GMD) harmonization guidelines, including the construction of the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.