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# EVOLUTION OF LIVING STANDARDS IN ROMANIAN RURAL AREA DURING THE COVID – 19 PANDEMIC

LUPU GEANINA-VALENTINA<sup>1</sup>

**Abstract:** *Throughout its history, Romania has gone through many crises in many sectors of the society. The premise, for the present situation, is that the reaction to a total crisis arising from a health problem, is being investigated. The consequences for the economy are still for analysis, but from now on they exceed the most pessimistic forecasts. The COVID -19 pandemic has consequences on the living standard of the population, especially if we consider the link between wage income fluctuations, gross domestic product, consumer price index in this period. All these indicators are analyzed and interpreted quantitatively and qualitatively based on data provided by the National Institute of Statistics, Eurostat and other institutions and organizations, which conducted studies between January and June 2020. This paper uses statistical data in order to highlight changes and effects on living standards in rural areas. In this sense, the economic, health, social measures adopted at national level are presented, with an emphasis on the impact for rural areas and the agricultural field. We consider in this sense, the decrease of the activity of certain sectors such as hotels and restaurants, tourism, transport, food, reduction of production, consumption, technical unemployment which has visible effects on the decrease of income of all, but especially on those in rural areas. All the factors presented increase the risk of poverty for the categories at the limit of this threshold and already affect negatively the standard of living for people living in rural areas.*

**Key words:** *health crisis, wage income, unemployment, poverty, rural areas*

**JEL Classification:** *O15, J38, I38, P46*

## INTRODUCTION

For the last 20 years there has been an extensive loss at national level of economic employment opportunities. Unfortunately, the industry has lost almost two million employees. The situation in rural areas is quite disorganized if we take into account the destructive agrarian measures. At the level of the whole economy, underemployment is the key word. The labor shortage has become a problem for Romanian employers in all economic fields, especially through the economic migration phenomenon. The new coronavirus highlighted and deepened this situation. At the level of the Romanian, European and international labor market, a series of jobs have disappeared. Decreasing job opportunities has exacerbated the crisis in the labor market. The current health crisis contributes to increasing the disparities between urban and rural areas, the poverty level comprising approximately 30% of Romania's population.

The aim of this study is to analyze the dynamics of developments in the number of employment contracts, unemployed, earnings compared to the consumer price index and their impact on the living standards of the rural population in the first six months of 2020 in the context of the declaration COVID 19 pandemic.

## MATERIALS AND METHODS

In order to carry out a comprehensive analysis of the situation of living standards in rural areas, economic statistical indicators were taken into account regarding the level of incomes, expenditures, wages, consumer prices, restrictive measures taken by the authorities during January-June 2020, following the COVID-19 pandemic. The data are provided by the National Institute of Statistics (INS), Eurostat and the Ministry of Labor and Social Protection.

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Quantitative and qualitative analysis of data was performed using methods such as: comparison, induction and deduction, interpretation and synthesis of statistical indicators. The research does not analyze the demographic evolution of this period, but studies the situation, more in terms of the economic impact of the health crisis.

## RESULTS AND DISCUSSIONS

The health crisis highlighted all the shortcomings of the Romanian economic model. Romania's public spending system differs from other countries, especially those in Western Europe. In recent years, the tax revenues of the Romanian state are very low. Most of them are collected from the labor and consumption tax. So the contributions for social contributions, value added tax, income tax are among the highest in the European Union. The poor collection of taxes by state institutions, the Romanian taxation system, the underground economy, work and undeclared income also contribute to this aspect. At the time of the declaration of this pandemic, the general consolidated state budget was in a state of recession due to low tax revenues.

The pandemic highlighted another important aspect. Romania distributes a low percentage of public spending on GDP, compared to other European countries. Eurostat statistics show that Romania has the lowest number of employees in the public sector per 100 inhabitants, approximately 18.2% of the total number of employees in 2019. In Romania, public services with an impact on the quality of life are among the lowest in the EU: health it is financed with 4.7% of GDP, and education with 3.2%. Compared to the European average, Romania stands at -2.4% of GDP for health and -1.5 of GDP. In the same sense, the share of total public spending in GDP is 35% for us, and social public spending in GDP is 19.5%. These low levels in the areas with impact for this crisis show the vulnerability of the Romanian society as a whole.

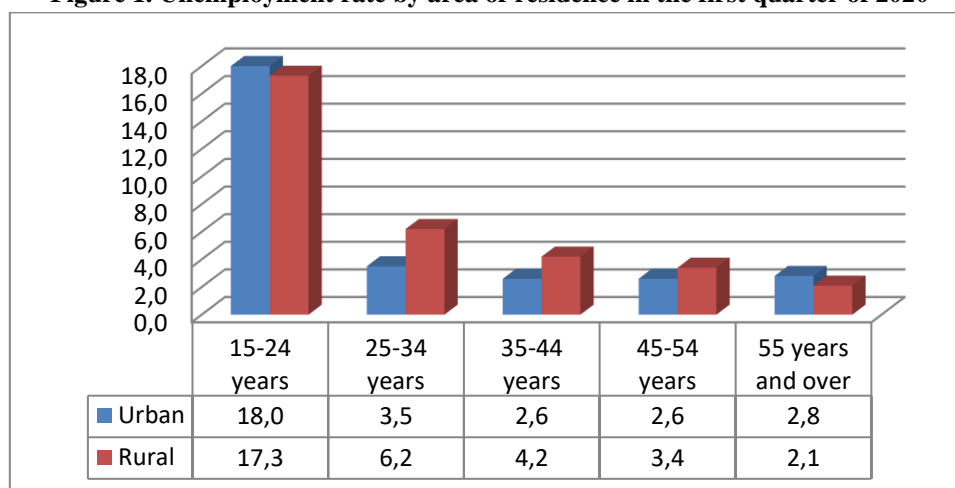
Regarding the health of the population, Romania is facing a profound socio-economic transformation as a result of recent demographic changes. Estimates show that the proportion of the population aged 65 and over will increase from 15% today to 30% in 2060, which will put strong pressure on the costs of health care, long-term care and pension insurance. On the other hand, the current state of health of the young and middle-aged population, as well as the quality of medical services will influence how life expectancy will evolve and the need for long-term care will increase. (Mărcuță and all., 2018, p. 257) The declaration of the current pandemic at international level, determined the Romanian authorities to establish the state of emergency, followed by the state of alert, which led to the closure or restriction of some sectors of the economy (HoReCa, cultural-artistic, education, etc.....) and the freedom of movement of the population. The measures were taken in order not to put too much pressure on the sanitary system, insufficiently developed and poorly equipped with sanitary materials, but also personal.

Regarding the labor force, on the Romanian labor market, it is poorly prepared and poorly paid. There are many low wages and precarious jobs. This contributes to the accentuation of the lack of labor force and of the accentuated depopulation of Romania. The precarious situation of employees is highlighted by the increase in the number of fixed-term employment contracts and those with part-time work. Between April 2017 and April 2018, there was a 30% decrease in the number of such contracts due to legislative changes regarding social contributions and income tax, which were paid in full by the employee even if the remuneration was lower than the minimum wage. (ICCV, 2020, pp. 16-20)

During the pandemic, efforts are being made to protect the middle class and help the vulnerable. There is an acute risk of chronicizing the risk of poverty and the return in large numbers of those who have gone abroad. There is a paradigm of redistributing benefits at the social level, which argues: the more the benefits are directed towards the poor and the more we are concerned with creating equality through public transfers for all, the less we will be able to reduce poverty and inequality. (Korpi & Palme, 1998, pp. 681-682)

Regarding the active population in the first quarter of 2020, it was 8902 thousand people, the employed population was 8502 thousand people, and the unemployed were about 382 thousand people, according to INS. The occupancy rate was higher in urban areas by about 3.9% compared to rural areas. Figure 1 shows that unemployment in rural areas was higher by 2.7% for those aged 25-34, by 1.6% for people aged 35-44 and by 0.8% for those aged between 45-54 years. One situation that needs to be mentioned is the increase in the number of people absent from work who have been absent due to the pandemic. During the mentioned period, there was an increase of absences from work of 31.8% in the first quarter of 2020, compared to the fourth quarter of 2019.

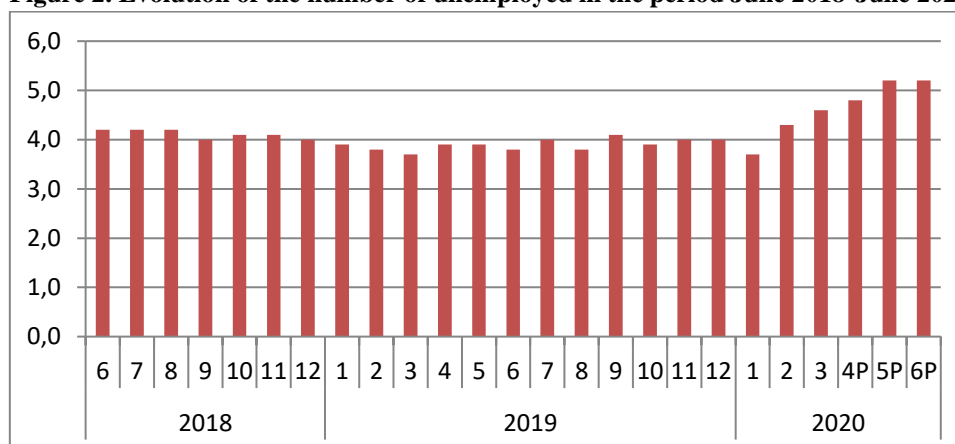
**Figure 1. Unemployment rate by area of residence in the first quarter of 2020**



Source: data synthesized by the author according to National Institute of Statistics, Press release no. 167/26 June 2020

For the working age population, from 15 to 64 years old, the employment rate was 65.4%, down from the fourth quarter of 2019. Figure 2 highlights the evolution of the unemployment rate, seasonally adjusted during June 2018 - June 2020. Starting with February 2020, there is an increase in the number of unemployed from 386,257, reaching 466,583 people in June. The unemployment rate is constantly rising from 3.7% in January to 5.2% in June. There is an increase this year, of 1.4% compared to June 2019, and 1% compared to June 2018.

**Figure 2. Evolution of the number of unemployed in the period June 2018-June 2020**



Source: data synthesized by the author according to National Institute of Statistics, Press release no. 197/30 July 2020

Due to the particular situation, which was triggered by the health crisis, the data previously presented for this period are still partial and incomplete, the real situation could be much worse. There were difficulties in collecting data, and the financial measures taken by the government, which supported companies and their employees, also contributed to the figures presented.

According to the Ministry of Labor, the information on technical unemployment for the beginning of July was: 102,830 employment contracts suspended nationwide, of which 24,464 in the hotel and restaurant sector, 20,573 in the manufacturing industry, and 8,996 in the retail sector. In a press release, the Ministry of Labor announces measures for the adoption of a flexible work schedule and the payment of the gross salary will be divided between the employer, which will cover at least 50% of the duration provided in the individual full-time employment contract, and the state, which will cover 75% of the difference between the gross basic salary provided for in the individual employment contract and the gross basic salary for the hours actually worked as a result of the reduction in time.

Until now, the low wage policy has been used, which proves to be inefficient, especially in the battle with poverty and social inequity. Low wages are a condition of low labor productivity. For rural areas, despite the fact that the average monthly income per household has increased in recent years, it is quite far from the level of urban or national level. Employees have the highest income compared to other categories of people in rural areas. Farmers earn on average about 40% less than employees and 12% less than rural income. (Popescu and all., 2018, p. 345)

A study conducted earlier this year highlights the inseparable link between wage labor force and Gross Domestic Product (GDP). The study undertaken and the econometric model used showed that the labor force has a decisive influence on GDP growth or decrease. (Anghel and all., 2020, p. 99) The current situation clearly shows, according to statistics, a decrease in the number of employees, which leads to a decrease in GDP.

According to the INS, in the first quarter of 2020, the average total monthly income per person was 1989 lei, and the total expenses per person were 1659 lei and represent 83.4% of income. Wage incomes with 67.8%, agricultural incomes with 1.3%, those with social benefits with 18.9%, those with self-employed non-agricultural activities with 1.8%, incomes in kind with 8%, the value of consumption of agri-food products from own sources with 6.7%, contributed the most to the formation of total incomes in the same period. Table 1 shows a lower income for farmers in the first quarter of 2020 compared to the fourth quarter of 2019, which worsens the already precarious situation of this category.

**Table 1. Structure of average monthly income in the first quarter of 2020 compared to the fourth quarter of 2019**

| Occupatio-nal status | Year      | Average monthly incomes Lei / person | Percentage of money income                |                         |   |                             | Percentage of in kind income   |  |
|----------------------|-----------|--------------------------------------|---|-------------------------|---|-----------------------------|--|--|
|                      |           |                                      | Gross wages and other salary entitlements | Income from agriculture | Income from independent non-agricultural activities | Income from social benefits | Equivalent income in kind obtained by employees and beneficiaries of social benefits | Consumption of agri-food products from own sources |
| Employee             | T IV 2019 | 2512                                 | 89.7                                      | 0.3                     | 0.3   | 4.4                         | 1.2  | 3.2  |
|                      | T I 2020  | 2627                                 | 89.6                                      | 0.3                     | 0.2   | 4.3                         | 1.1  | 4.0  |
| Farmer               | T IV 2019 | 947                                  | 16.8                                      | 34                      | 4.4   | 9.9                         | 1.1  | 26.5   |
|                      | T I 2020  | 933                                  | 23.8                                      | 22                      | 2.9   | 10.1                        | 1.3  | 30.5   |
| Unemployed           | T IV 2019 | 721                                  | 46.6                                      | 0.7                     | 1.6   | 16.8                        | 1.2  | 10.3   |
|                      | T I 2020  | 866                                  | 39.5                                      | 0.2                     | 4.5   | 14.8                        | 0.7  | 11   |
| Retired              | T IV 2019 | 1521                                 | 27.4                                      | 0.9                     | 1   | 59.7                        | 1.7  | 7.7  |
|                      | T I 2020  | 1575                                 | 27.9                                      | 0.9                     | 0.6   | 57.9                        | 1.8  | 9.6  |

Source: data processed by the author according to National Institute of Statistics

As can be seen in Table 2, there are decreases in wages between January and June 2020 in all analyzed sectors. The largest decrease in earnings of -22.69% is observed in the field of hotels and restaurants where many of them have closed or reduced their activity. The situation of individual employment contracts terminated at the end of May was of 429,585, of which 76,543 in the manufacturing industry, 75,848 in the retail trade, and 64,573 in construction. In agriculture, the level of earnings is in May at the level of January, and in the field of manufacturing, the decrease is of 4.73%.

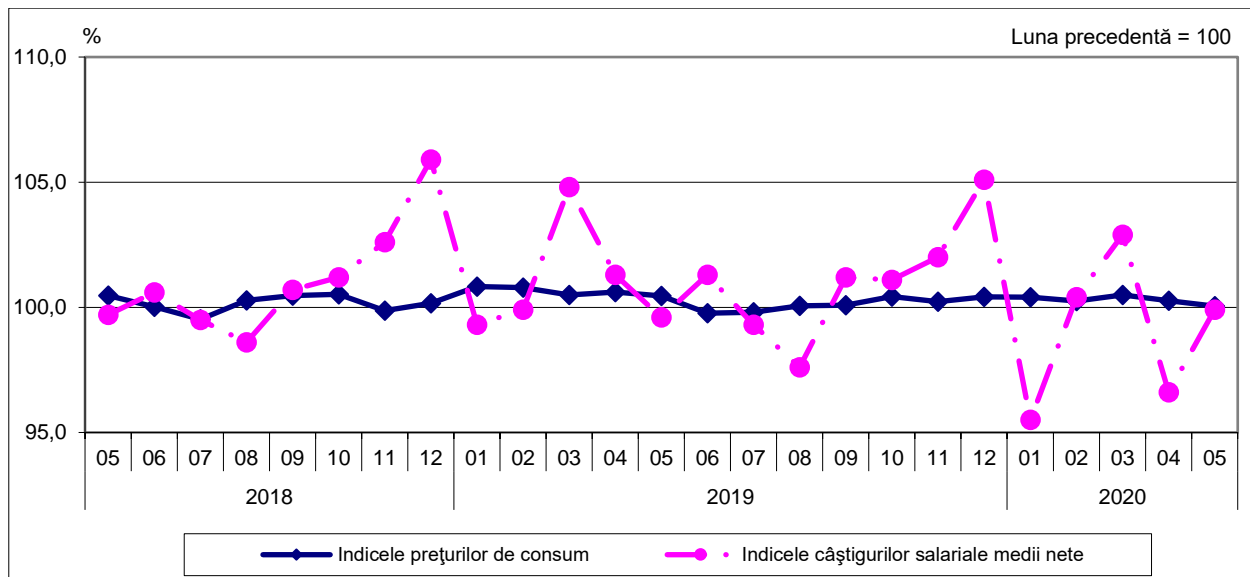
**Table 2. Evolution of average net earnings in different sectors of the economy during May 2019 - May 2020**

| Year<br>field                     | 2019 |      |      |      |       |      |      |      | 2020 |       |       |      |      |
|-----------------------------------|------|------|------|------|-------|------|------|------|------|-------|-------|------|------|
|                                   | May  | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Febr. | Marc. | Apr. | May  |
| Agriculture, forestry and fishing | 2353 | 2422 | 2486 | 2421 | 2393  | 2425 | 2406 | 2568 | 2397 | 2441  | 2431  | 2398 | 2379 |
| Manufacturing industry            | 2673 | 2693 | 2707 | 2635 | 2643  | 2684 | 2797 | 2915 | 2707 | 2728  | 2807  | 2556 | 2579 |
| Trade                             | 2622 | 2568 | 2593 | 2552 | 2549  | 2583 | 2629 | 2841 | 2693 | 2718  | 2854  | 2632 | 2629 |
| Transport and storage             | 2798 | 2832 | 2873 | 2824 | 2901  | 2913 | 2972 | 3243 | 3030 | 2954  | 2979  | 2878 | 2909 |
| Hotels and restaurants            | 1794 | 1801 | 1841 | 1843 | 1832  | 1862 | 1879 | 1928 | 1803 | 1781  | 1605  | 1340 | 1394 |

Source: data processed by the author after the National Institute of Statistics

In May 2020, the real earnings index was of 99.9% compared to April 2020. The fluctuations of the average net earnings experienced decreases and increases, as can be seen in Figure 3, the decreases were due to interruptions or cessations of activities, continued technical unemployment, lower returns and partial remuneration of employees in some economic activities.

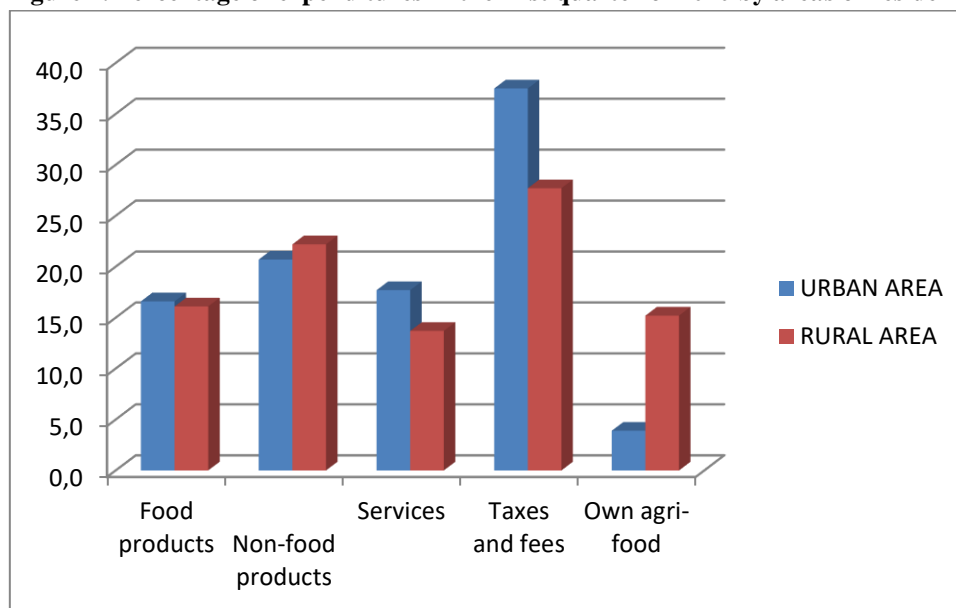
**Figure 3. Comparison of consumer price indices compared to average net earnings indices in May 2018-May 2020**



Source: National Institute of Statistics, Press release no. 179/9 July 2020

Figure 4 illustrates the level and structure of average monthly expenditures per person which were of 1944 lei in urban areas and of 1326 lei for rural areas. Of these amounts, monetary expenditures represented 96.1% for urban and 84.8% for rural areas. Consumption expenditures account for the majority of 55% for urban and 52% for rural areas, respectively.

**Figure 4. Percentage of expenditures in the first quarter of 2020 by areas of residence**



Source: data processed by the author according to National Institute of Statistics

An analysis carried out in April 2020 on measures taken in the state of emergency highlighted the following: limiting farmers' access to markets due to transport restrictions and quarantine led to the impossibility of capitalizing on fresh products; changing consumption habits by buying canned products, which led to difficulties in selling perishable products; the closure of peasant markets had negative effects on small farmers; the closure of the HoReCa sector affected many farmers who had contracts with these units (mainly for dairy, fruit and vegetables, potatoes, wine); The development of e-commerce was achieved through online sales and home deliveries. (Alexandri, 2020, pp. 29-30) The COVID-19 pandemic led the authorities to take restrictive measures for farmers and agriculturists, which deepened the decrease of incomes and the decrease of the quality of life, especially for the rural environment.

## CONCLUSIONS

Sustainable development depends on and is closely linked to the quality of life of the population. The health crisis and the measures that followed had a negative impact on the activity of some sectors of the economy, on employment contracts by reducing or suspending their number, on lowering income levels, raising prices for certain products, especially for food and health. All this leads to a decrease in living standards, especially in rural areas.

The analysis shows that the COVID-19 pandemic has a disproportionate effect, the most exposed being the vulnerable categories, who work in the most affected sectors, with a low level of qualification and salary. The most affected are those who were laid off, those who entered technical unemployment, those in informal employment, people returned from abroad, without income, their number being unknown. After the adoption of the first measures imposed by the health crisis, many categories of workers are not found in aid schemes, i.e. unpaid family workers, day labourers, small farmers or those without employment contracts. And most of them live in rural areas. Along with declining employment and employment opportunities, there is a decline in income. This is happening at the same time as prices rising for a range of basic food and non-food products and health services.

This analysis led to the conclusion that, even if the rural population has a fairly large share in the total population of Romania and is an important labor resource in the economy, life in rural areas is difficult and has the lowest living conditions. The fight against the COVID-19 pandemic is one against the clock, and the measures to be taken for economic recovery must be swift and consistent. Stopping the economic crisis triggered quickly and systematically by the health crisis, which is beginning to be felt at the level of society as a whole, depends on the speed and correctness of the measures adopted at governmental level. The steps taken in time and in accordance with the real economic requirements can allow, in an optimistic scenario, the gradual return to the standard of living before the outbreak of this epidemic and even its increase to ensure sustainable development in rural areas.

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