

Poverty & Equity Brief

October 2024

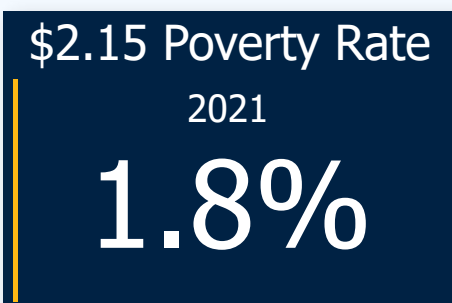
ROMANIA

Between 2016 and 2021, Romania's strong economic growth led to a significant reduction in poverty, with the rate (\$6.85/day PPP) dropping by 14.7 percentage points to 7.1 percent. The anchored at-risk-of-poverty rate (AROP), a measure of the percentage of people in a population at risk of poverty, also saw considerable declines, driven largely by rising pension and labor incomes. Despite these gains, Romania continues to have some of the highest absolute and relative poverty rates in the EU. Furthermore, in 2023, approximately one-third of the population was at risk of poverty or social exclusion, the highest rate in the EU. Inequality remains persistently high in Romania, with the Gini index of equivalized income reaching 31 points in 2022. Significant urban-rural disparities persist, and Romania also had the widest gender gap in labor force participation in the EU in 2022. Additionally, the prosperity gap stood at 1.9, indicating that incomes would need to nearly double on the average to meet the prosperity standard of \$25 per day.

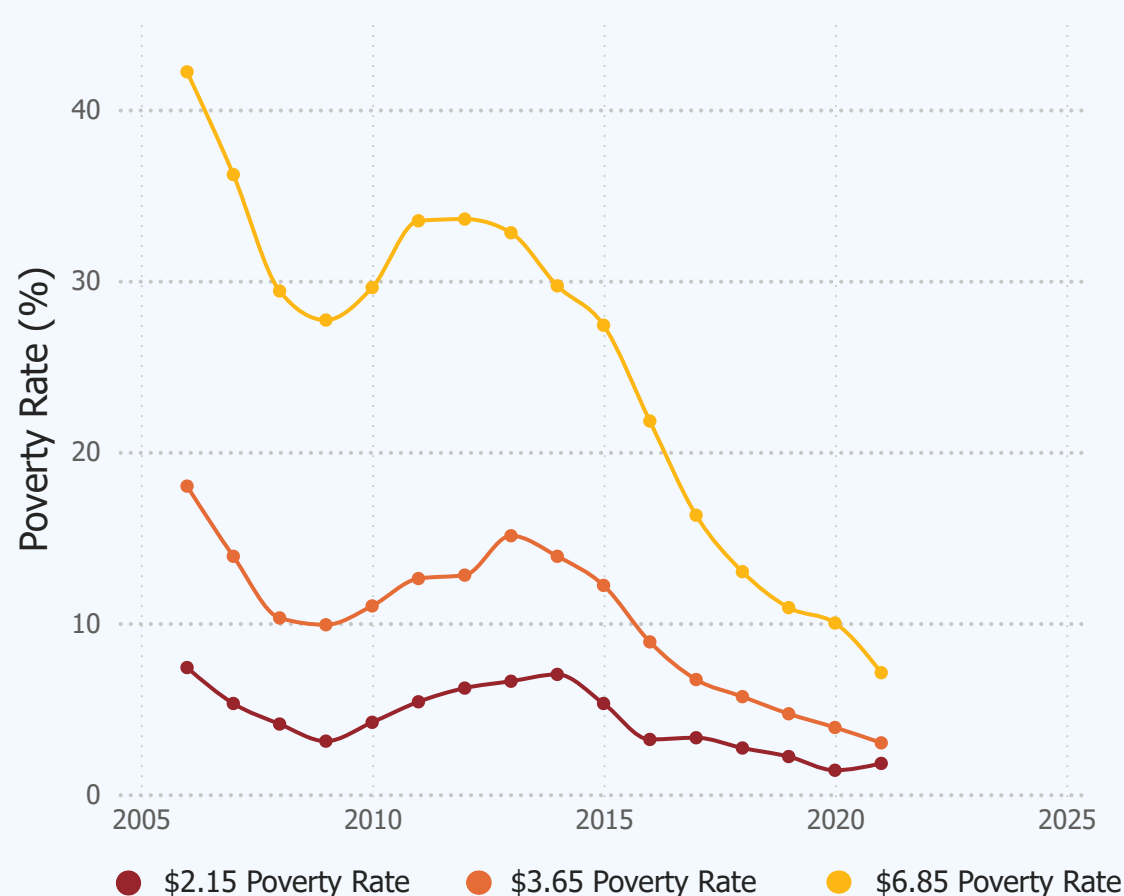
Addressing energy poverty remains a significant challenge, especially for those with low incomes. In 2023, around 13.6 percent of the population faced difficulties paying utility bills—one of the highest rates in the EU—with the rate increasing to 28.3 percent among those living in poverty. In 2023, about 13.6 percent of the population struggled to pay utility bills, rising to 28.3 percent among the poor. Microsimulations indicate that despite energy price caps, recent increases in energy prices could moderately raise both energy and income poverty, with vulnerable groups—such as social assistance recipients, individuals on disability benefits, and single-elderly households—being disproportionately affected.

Despite recent fiscal reforms that made the system more pro-poor and slightly more redistributive, there is scope for further enhancing pro-poor fiscal policies through a balanced mix of revenue and expenditure measures. Regarding pension reform, eliminating the correction index and equalizing retirement ages between men and women are expected to enhance pension equity and gender equality, with neutral or positive effects on poverty, while modifying service pension points structure is expected to contribute to a fairer system..

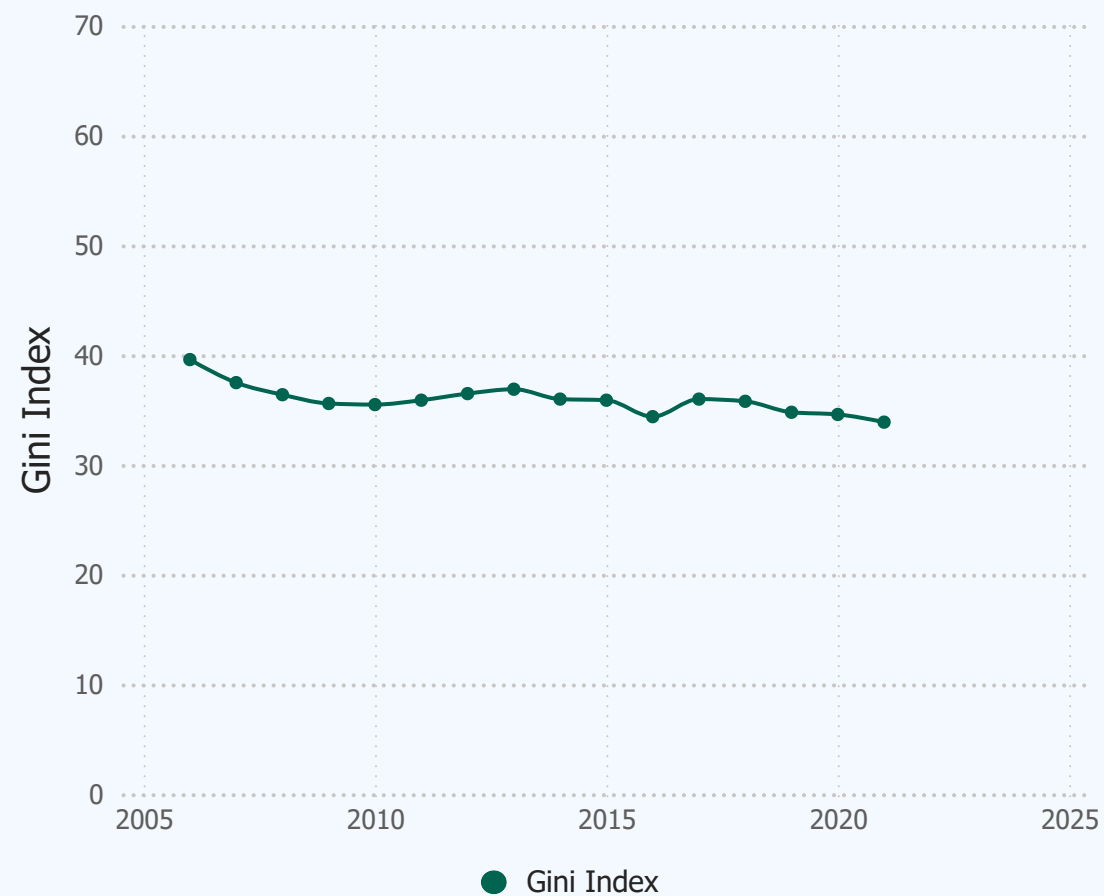
Poverty reduction prospects are shaped by a mix of challenges and positive developments. The deceleration in economic growth during the first half of 2024 and rising unemployment among less educated workers pose significant obstacles. However, there are encouraging signs as well. Despite a growing fiscal deficit, major fiscal tightening has yet to occur. Notably, real wages have risen strongly, particularly in the construction sector, and inflation is easing, offering some relief to households and potentially supporting continued poverty reduction. Overall, the pace of monetary poverty reduction (measured at \$6.85/day PPP) is expected to slow down in 2024.



Poverty Rate



Inequality



Poverty at Different Lines

Poverty Line	Number of Poor (Thousands)	Rate (%)	Year
National Poverty Line	3,970.0	21.1	2022
International Poverty Line (\$2.15/day)	336.0	1.8	2021
Lower Middle Income Class Poverty Line (\$3.65/day)	566.2	3.0	2021
Upper Middle Income Class Poverty Line (\$6.85/day)	1,351.6	7.1	2021
Multidimensional Poverty Measure		0.0	2021

Group and Multidimensional Poverty

Poverty by Group	Poverty Rate (%)	Multidimensional Poverty Components	(% of Pop.)
Urban population	2.8	Daily income less than US\$2.15 per person	0
Rural population	12.9	At least one school-aged child is not enrolled in school	1.3
Males	7.9	No adult has completed primary education	0.1
Females	6.3	No access to limited-standard drinking water	1.3
0 to 14 years old	11.4	No access to limited-standard sanitation	14.1
15 to 64 years old	7.9	No access to electricity	0
65 and older	1.7		
Without education (16+)	28.6		
Primary education (16+)	12.7		
Secondary education (16+)	6.6		
Tertiary/post-secondary education (16+)	N/A*		

Note:

Data for the "Poverty by Group" table is derived from a 2021 survey and data for the "Multidimensional Poverty Components" table is derived from a 2021 survey. The rates in the "Poverty by Group" table above are shown at the \$6.85 upper-middle income line.

"N/A" denotes a missing/removed value, while "N/A*" refers to a value which was removed due to having fewer than 30 observations.

Poverty Data & Methodology

Following the EU standard, national poverty is measured with the at-risk-of-poverty rate, defined as the share of people with an equivalized disposable income (after social transfer) below the at-risk-of-poverty threshold, set at 60 % of the national median equivalized disposable income after social transfers. The anchored at-risk-of-poverty rate uses the at-risk-of-poverty threshold calculated in the standard way for the base year and adjusted for inflation.

The World Bank's international poverty rates are based on an absolute threshold (of \$6.85) that reflects how the world's upper-middle-income countries define a minimum threshold of living standards, adjusted for purchasing power parity (PPP) and for national inflation. In 2022, the 2017 PPP was adopted to reflect changes in prices across the world. 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.