

IN-WORK POVERTY - AN IMPEDIMENT FOR SUSTAINABLE DEVELOPMENT IN ROMANIA

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ABSTRACT. “Sustainable development”, a multidimensional concept for characterizing the economic and social evolution, illustrates, essentially, the kind of development that ensures society's present needs without compromising future possibilities of development. In other words, the current development must be achieved through a sustainable consumption, in order to ensure regeneration of resources, for making possible the continuity of the process on long and very long term. Different treatments given to the resources or production factors by the concept of "sustainable development", compared to other concepts that define economic and social progress, induce also a different kind of approach of the most important production factor: labour. The literature focuses unfortunately on the prudential vision of regeneration only for natural resources. **The labour force is analyzed solely in terms of quantitative restrictions given by aging** and not as a priority component of sustainable development. This paper aims to illustrate one of the important aspects by which the factor of "labour" may disrupt the sustainable development, such as **poverty**, affecting long-term vital capabilities of labour resources. The analysis is circumscribed to the specific phenomenon of in-work poverty and not to the overall improvement of living conditions in society. Normally, the sustainable development requires a rational and efficient capitalization of resources, and therefore also of labour resources, which *a priori* would mean that recovery of the productive capacity of the resources is compulsory. From this point of view the poverty of the working people is a significant illustration of the fact that development has not allowed the restoring of **work capacity**.

KEYWORDS: sustainable development, in-work poverty, rate of poverty, social inclusion.

1. Conceptual inconsistencies in theoretical and strategic approach of sustainable development

Definition of sustainable development formulated by the Brundtland Report in 1987, regarded as the most expressive for the complexity of the process, was subsequently detailed and annotated, but always by reference to the primary objective, namely the achievement of development in terms of protecting the Earth's natural resources. The priority given to natural resources, as compared to labour resources, is also visible in **EU Sustainable Development Strategy**, from which national strategies of Member States are extracted and designed. Such an approach, which does not fully coincide with the multidimensional nature of sustainable development, is evident even if, in the case of European Union, the health and social inclusion represent general objectives and one might appreciate, that for this time, it does not exist an "identity" between sustainable development and environmental protection.

The first argument, cut out from the content of the European Strategy for Sustainable Development, regarding **inconsistency of approach** is given by **the number and extent** of the overall objectives.

Out of the seven general objectives of the European strategy, four of them refer narrowly or broadly, to the issue of natural resources and environment. Moreover, the four goals are the first in the order of presentation, which in our opinion, expressed their prioritization, namely: (i) limiting climate change and its negative costs and effects for society and environment; (ii) sustainable transportation; (iii) promotion of patterns for sustainable production and consumption, and (iiii) improve management and avoid over-exploitation of natural resources, recognizing the value of ecosystem benefits.

Another argument for inconsistency between the attribute of "multi-dimensional" attached to the concept of "sustainable development" and the "one-dimensional" nature of sustainable development strategies (inconsistency of approach) is that many of the operational objectives or proposed actions to other general objectives (public health, social inclusion, actively promoting of worldwide sustainable development principles) are still stationed in the sphere of environmental protection of natural resources utilization. We think that the following examples will be suggestive enough.

Thus, for the case of the overall objective of public health, from the eight operational objectives and targets, five of them refer to the interaction between quality of environment, nutrition and proper health. Even in the case of the overall objective that refers to social inclusion, demography and migration, where it was improper to promote operational objectives related to the environment, there are proposals for actions, such as the one regarding the implications of demographic change on "land resources and energy consumption".

A second inconsistency of the concept of "sustainable development" and hence global, regional or national strategies to achieve sustainable development, apparently derived from the first inconsistency is the **"time inconsistency"** between the *urgency* and the *permanence* of this process and the vision of a too distant future horizon of provision for sustainable development.

Permanence and *continuity* are expressly stated in all sustainable development strategies, but the operational objectives, targets and actions refers particularly little to the near future and the monitoring process leaves much to be desired. Time inconsistency is risky for the design mechanism and implementation of public policies and also for prioritization. Therefore, the issue of labour resources is addressed rather in terms of future demographic change and migration flows, than on the current state of labour force and protection of working capacity.

For credibility, we present two arguments for this inconsistency learned also from the revised EU Sustainable Development Strategy.

The first concerns the horizon of employment of the European Union to meet the challenges of sustainable development. EU Sustainable Development Strategy, initiated by the European Commission in 2004 and reviewed in 2006 on the basis of contributions of the Council, the European Parliament and the European Economic and Social Committee, sets out "how the EU will more effectively live up to its long - standing commitment to meet the challenges of sustainable development" [1].

The vision of "long term" appears also in the chapter on "synergies" between the mentioned strategy and the Lisbon Strategy that has become today Europe Strategy 2020 where

it is appreciate that investment and technological innovation “are conditions for competitiveness and economic prosperity on long term.”

A second argument for a too much translation of sustainable development strategies to an uncertain and challenging future and for its far less anchor in present is provided by the approach manner of targets and actions. Even if the wording is sometimes highlighting the continuously character, the targets and actions are the most general and the most important ones include in the formulation the vision of “long term”. Phrases like “promote,” “should develop”, “should follow “, “intensified efforts” does not provide a satisfactory answer to the question of whether economic and social development in the European Union is sustainable or which is the finite time horizon for such a development in Europe.

The two inconsistencies make the sustainable development to be perceived primarily as a future “eco-development” that can be achieved even without protection of labour resources equivalent to that provided for environment.

2. In-work poverty – a real impediment to sustainable development

Labour resource is equally important and threatened by “different pollutants” as environmental resources. Even the recovery and regeneration characteristic is at least as difficult as in the case of natural resources.

The concept and strategies of sustainable development highlights the challenges on the labour resource, but with the limitations resulting from the two major inconsistencies described above. Attention is paid to global processes and in the vision of “long-term” to those processes with negative impact on companies especially in the long run.

When referring to the same EU Sustainable Development Strategy, social equity and cohesion as well as economic prosperity are key objectives put into practice by the general objectives of public health, social inclusion, demography and migration.

If we add that one of the important operational objectives explicitly refers to poverty, it might be considered at a first glance, that the issue of interconditionality between poverty and sustainable development is considered. EU Sustainable Development Strategy aims for measures to be taken to impact decisively on “reducing the number of people likely to be affected by poverty and social exclusion, with special attention to the need to reduce poverty affecting children”.

As it can be seen, the poverty approach does not envisages the employment resource as a non-renewable resource that needs labour as to be able to get the resources for restoring its capacity to work, restoring that primarily depends on labour income. In this context, it should be noted that in the overall objective of social inclusion it is however envisaged improving employment issues, but priorities are related to promoting youth employment and increase labour market participation of persons with disabilities.

In the case of National Sustainable Development Strategy of Romania – strategy prepared before the global financial and economic crisis hit our country – the discrepancy between resources’ sustainably approach and the problem of poverty is even greater. In the chapter on poverty and sustainable development’s defiance, the only issue of interest at that time for Romania was “implementing legislative and institutional instruments related to Romania’s status of donor country for development assistance” [2].

To the extent that in many areas of European countries and especially in less developed states **the risk of poverty rate for employees** is high and relatively constant, one can not overlook the fact that labour is not synonymous with a decent living in order to provide the premises of restoration of labour capacity [3].

Therefore, achieving sustainable development should be a priority to offer solutions, as on medium term, labour would not generate poverty. Subsequently, priority can become global phenomena such as aging or migration.

The issue of in-work poverty, in the context of sustainable development is important and at the same time, difficult to solve because the solution depend on the redistribution process of income (GVA) between factors of production or by an increase of wages without counterpart in productivity, which can affect competitiveness. Moreover, unsustainable poverty reduction of employed persons, by stimulating macroeconomic policies of redistribution for example, may increase the risk of poverty of other categories of population, by increasing inactivity and unemployment.

In the European Union the risk of poverty rate for employees approaching 7% and it is higher than five years ago. In 2009 (the first year after the crisis) 6.4% of the total employees in the EU earned incomes below the relative poverty rate. In 2013 the poverty rate for this category reached 6.9%. The highest poverty rates are recorded in Greece and Spain and the lowest in Finland and Czech Republic. In the euro zone the risk of poverty rate for employees is higher (7.1% in 2013, for example), which shows that in the new Member States, however, the situation is relatively better for employees.

In Romania the risk of poverty rate for employees has increased from 4.9% in 2009 to 6.0% in 2012, and later to return to 2009 levels.

When referring to total employment and income poverty risk resulting from insufficient cash incomes and in kind, the situation in less developed European countries, including Romania, is totally different and worrying for the prospects of resource regeneration of work.

Overall in the EU and in almost all Member States the development of the risk of poverty rate for employed persons in the post-crisis period is similar to the case of employees. The trend of increasing poverty risk of employed persons after 2009 is a direct consequence of reduced total demand for labour in European economies and also of European policies to reduce unemployment by promoting partial employment, entrepreneurship, temporary activities etc [4].

From this point of view, Romania, despite the relatively low unemployment rate, **has the highest poverty rate for employed persons in the European Union.**

In 2009, in Romania, the risk of poverty rate of people employed was 17.5% compared with only 8.4% in the European Union. In 2013 the poverty rate stood at 18% in Romania and 8.9% in the EU.

Moreover, Romania is shaping the average of the 12 new EU countries, because in Bulgaria poverty rate of employed population is just over 7%, in Poland 10.7%, in Hungary 6.4% and in the Czech Republic in April, 0%. The average for all 12 countries was 10.2% in 2009 and 10.5% in 2013 [5].

From this point of view, Romania has a specific situation given the extent of incomplete and low-income employment in rural areas, particularly because of employment in agriculture. Therefore priority of poverty reduction in the context of sustainable development is essential for economic and social progress of Romanian society.

Another cause less highlighted in the literature for in-work poverty, which significantly affect work capacity, is the **high taxation of labour**. In order not to affect competitiveness it resort to part-time work and especially on day-labourers, the official alternatives to “moonlighting”.

Day-labourers law (Law no. 52/2011, amended by Law no. 277/2013) entered into force on May 2, 2011, states that the duration of occasional activity that can be exercised under the provisions of this law is a minimum of one day, properly 8 hours of work. The daily duration of work of a day- labourer shall not exceed 12 hours.

Occasional activities can be provided in agriculture, hunting and fishing, silviculture, excluding forestry exploitations, fisheries and aquaculture, horticulture and viticulture, beekeeping, zootechnics, shows, films and audiovisual, advertising, cultural activities, handling of goods.

The beneficiary is obliged to pay to the day-labourers, at the end of each working day, the agreed remuneration and to provide, at its own expense, work and protective equipment. There is only one tax (16%), calculated on the gross wage, which is paid by the beneficiary.

No day-labourer can perform activities for the same beneficiary for more than 90 days cumulated during a calendar year.

From the analyses of national data, starting with the entry into force of Law no. 52/2011 until 31 December 2013, there were revealed the following aspects:

- 18,649 legal entities bought the Recording register of day-labourers;
- 14,071 legal persons submitted to the Territorial Labour Inspectorate a copy of the Recording register, in accordance with art. 7 paragraph 2 of Law no. 52/2011;
- 10,874,942 positions recorded until 31 December 2013 in the Recording register of day-labourers.

At December 31, 2012 there were in the Recording register of day-labourers 6.4 million registered numbers, which leads to the conclusion that in 2013 the number of registered day-labourers increased by nearly 4.5 million people. Although the law restricts the areas where it can pursue activities performed by day-labourers, in the statistics of Labour Inspection appear over 1.5 million registrations with “undefined” scope.

Another policy, both at EU level and in Romania, promoted after the crisis, as an alternative to high unemployment in the EU, is the **partial employment of labour**.

The positive impact on the employment rate, as a key objective of Europe Strategy 2020 as well as on the unemployment is considerable. But on poverty, the impact is rather negative, especially in EU Member States with a lower level of development.

In 2010-2013 EU recorded a pronounced reduction in the total number of hours worked per year. For EU, as a whole, the reduction was 2.4% (in 2013 against 2009) in four years. In the same period, the number of hours worked declined by 3.2% in the euro area.

Among the countries with low real convergence, i.e. with a GDP below the EU average, Bulgaria has seen a reduction in the volume of hours by 9.2%, Portugal by 12.1% and Romania by 9.1%. From this point of view, two countries stands out, Greece and Spain, where the global crisis represented the main cause.

In Greece, in the four years, the decrease in hours worked was 22.2%. Besides, Greece is the only country that continued to reduce the number of hours also in 2014.

In contrast, Romania has increased in 2014, the number of hours worked, even if part-time contracts have multiplied. Particularly economic growth in Romania allowed job growth and mitigation of the extension of the incomplete use of labour force.

In Romania the enlargement process of incomplete use of labour force was favoured by the new labour code, which regulated part-time work contracts, and also high taxation. Significant parts of businesses environment use such contracts to reduce their tax burden.

However, such employment has the advantage of improving efficiency of resource utilization of work, but on long term affects that resource. Low income increases the risk of poverty and inability to restore the capacity for work.

At the end of 2013, the number of fixed-term employment contracts reached 435.6 thousand compared to 390.5 thousand at the end of 2011. The share of these contracts came to represent 7.8% of total active employment contracts.

Part-time contracts have reached to 942.3 thousand, at the end of 2013, representing 16.8% of total active employment contracts. In 2013, 249 thousand part-time employed people wanted and were available to work more hours than currently, being considered underemployed.

In conclusion, it is undoubted that full employment and fair remuneration of labor is a prerequisite to ensure the regeneration capacity of work and thus to ensure complete sustainable development. Therefore it is desirable for employment to have as much as possible, “a continuing basis and make full use of working capacity, so that the benefits can be reflected in the standard of living of the person” [6].

In Romania, the situation can be considered more than difficult, underemployment and poverty represents a significant restriction for sustainable development. In the 2013 the combined ratio of poverty or social exclusion for employment was 32.5% compared to 13.3% in the EU-28 and 31.9% in Bulgaria.

The urgency of the policies in this area is justified by the fact that people who have conducted activities where there were requested less than 20% of their working potential represented more than 15% of the employed population.

References

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