

The Economic Crisis and its Effects on the Quality of Life in Romania

Carmen Mariana Codreanu and Virgil Constantin Fatu⁺

"Petre Andrei" University, Faculty of Economics

Abstract. A study conducted by EBRD showed that in Romania the economic crisis was strongly felt by over 70% of the population aged between 40 and 59 years and by over two thirds of the people with low incomes. The population aged over 60 was affected by the economic crisis to a lesser extent. The economic crisis we are facing today is not only a world crisis, but also a crisis of the transition strategy, which turned out to be a failure rather than a success. Countries facing the deepest recession are not always those reporting the greatest changes regarding the quality of life.

Keywords: Economic Crisis, Transition, Quality of Life

1. Introduction

The concept of quality of life and that of sustainability have recently been re-launched, based on three pillars - economy, society and environment - which originate from a critical examination of the GDP. Among other things, these concepts are intended to identify the limits of the GDP as an indicator of economic and social development. The idea is not to replace the GDP and its conceptual basis - the national accounts that provide important information regarding the material wealth – which, in fact, is practically preserved. The aim is rather to relativize the preponderance of the GDP within public debate. At the same time, the quality of life is given a new, much more important meaning, as well as sustainability. The level of the GDP should be completed with relative indicators of the social, economic and ecological progress. These initiatives have a significant impact on public statistics, which are responsible for providing statistical information, which is also necessary for setting the indicators regarding the economic and social progress and the quality of life. For a long time, the GDP was considered the main indicator for welfare. Initially, welfare was equivalent to material wealth [1].

Passing to the notion of quality of life was a step towards giving up the economy, whereas for some time everything regarded only the economy, incomes and consumption. Economic resources are essential for determining the quality of life, but the quality of life depends not only on them.

The economic crisis we are facing today is not only a world crisis, but also a crisis of the transition strategy, which turned out to be a failure rather than a success. After 21 years of transition, the economic, social and political problems have worsened. 21 years is extremely much for overcoming the inevitable crises of restructuring the society. People are increasingly dissatisfied with the outcome of transition. It is not about the need for change, but about the way in which these changes have been designed.

2. Areas affected by the economic crisis

Mainly three areas must be pursued: the quality of life and the standard of living, including lifestyles; the diagnosis of the problems faced by our society; the social policies. In fact, all these research directions are aimed at increasing our collective competence of building a better life [2].

The economic crisis seems to have been accompanied by a decline in some aspects of the quality of life and the perceived quality of the society. Although the satisfaction indicators regarding the living conditions and living standards have improved between 2003 and 2007, especially in the new EU member states, they have decreased between 2007 and 2011. Decreases occurred in the countries which are extremely affected by the economic crisis, but also in those less affected: countries facing the deepest recessions were not always those reporting the greatest changes regarding the quality of life [3].

⁺ Corresponding author. Tel.: + 0040726727494; fax: +004032215944.
E-mail address: codrcarmen@yahoo.com.

Countries like Latvia and Estonia, as well as Bulgaria and Romania, have slowed down their way towards improving their own welfare. The changes regarding the average quality of life in a country do not show the full picture: it seems that some specific groups of countries have recently experienced a greater decrease in their quality of life. Particularly elder persons seem to have been adversely affected to a greater extent by the changes which occurred between 2007 and 2011. Also, people who find it difficult to cope with current expenses have faced more negative changes regarding some aspects of the quality of life.

A study conducted by the European Bank for Reconstruction and Development (EBRD) in 2010 - "Life in Transition, Survey II", found that over 80% of the people interviewed in our country are unhappy with the quality of life, scoring the highest percentage out of the 34 countries in Europe and Central Asia that were part of the survey [4].

In a previous survey, "Life in Transition", conducted in late 2006 by EBRD in collaboration with the World Bank, the share of Romanians dissatisfied with the quality of life was below 70%. Amongst the youth (age 18-39 years), which in 2006 were twice more satisfied than the elder, satisfaction with the quality of life decreased more rapidly; therefore, currently the indicator has the same level for all age groups. Romania is situated close to the average of five Western European countries included in the EBRD study for comparisons.

Almost two thirds of the Romanian households were affected by the economic crisis, which is one of the highest percentages within the states included in the survey. The crisis has had a powerful impact on more than 70% of the middle-aged (40-59 years) population and over two thirds of the population from the low-income category (expenditures of less than \$ 4,000 per household). The elder (over 60) have felt the impact of the crisis the least - less than 50% of the respondents in this age group [5].

The attitudes regarding democracy and the market economy have also shown a negative trend in 2010 compared to 2006, but the combination between the two remains the most popular political and economic option for the Romanians. The attitude regarding democracy has been better lasting, as the percentage of those fully supporting the democratic system has only registered a decline of seven percentage points.

Support for the market economy is at the lower end of the classification made at regional level. Just over one third of the respondents prefer the market economy to any other economic system, ten percentage points less than in 2006.

According to EBRD, Romanians do not consider that there are clear democratic features in their country. Only 27% of the respondents believe that there are free and fair elections in Romania and only 23% believe that there is law and order in this country. Less than a fifth believe that the legal system protects the individuals from state abuse. These percentages are 40 points or more below the average of the Western European countries included in the survey.

Trust in public institutions dropped during 2006-2010. EBRD says confidence in the presidency has dropped significantly to 14%, while for the Government and Parliament the decline was of about two thirds, to only 7% and 5% for the political parties.

At the same time, the percentage of Romanians who believe that illegal payments are common in the health system is particularly high, namely 43% of the respondents, 13 percentage points more than in 2006. Traffic police is second among the problematic sectors regarding the perception of corruption, nearly 12% of the population considering illegal payments to be a problem. According to the EBRD survey, other public sectors registered slight decreases in the public perception regarding corruption compared to year 2006, but they are still well above the Western states.

Half of the Romanians wish the Government gave greater priority to health spending. A quarter would like the authorities to focus on the education sector, while 12% want higher pensions [6].

The economic crisis has hit households on several fronts, so that workers have lost their jobs and wage earnings and remittances were had been reduced. The extent and severity of the impact on citizens' welfare varied, depending on the nature of the shocks experienced, the policy response and the adaptation mechanisms available to households (Figure 1).

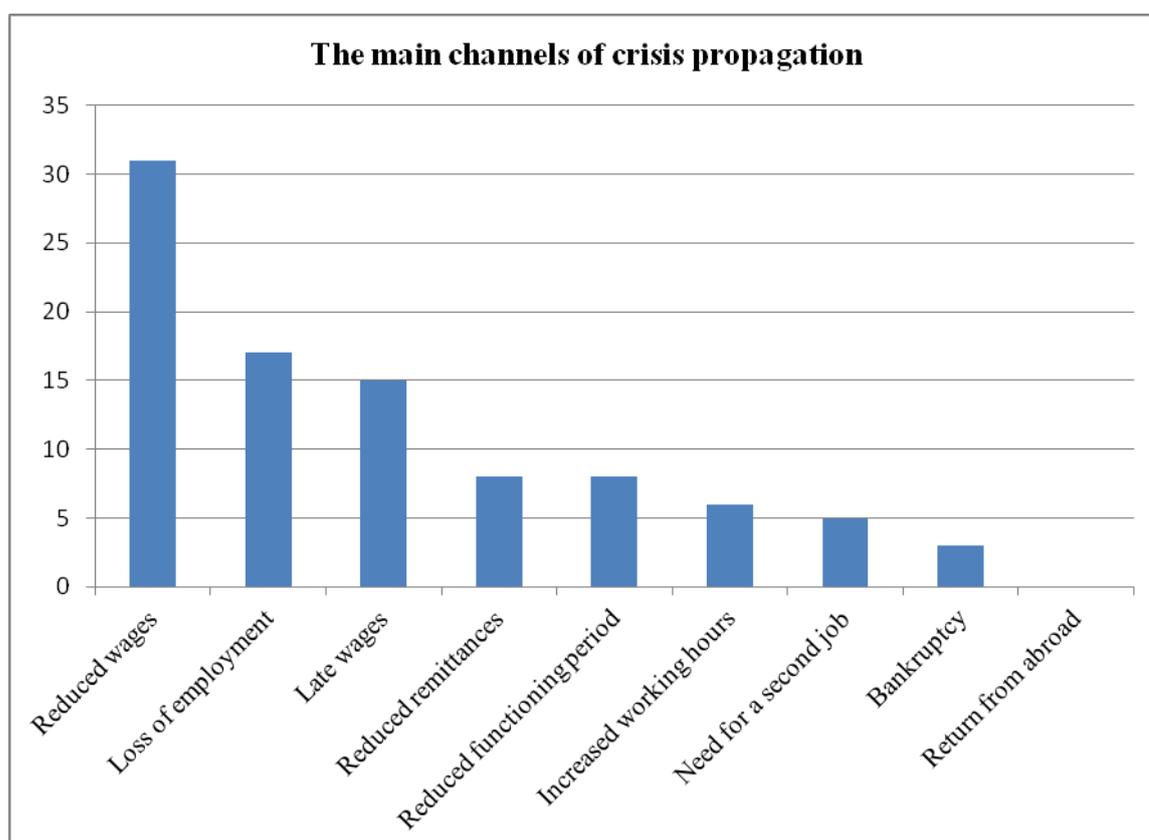


Fig. 1: The main channels of crisis propagation

Source: Life in Transition, Survey II, EBRD, 2010

Households were affected through the labour force market and, in particular, by wage reductions. Almost one third of the respondents said that a family member has had his salary reduced during the last two years as a consequence of the crisis. The second channel of crisis propagation by importance was the loss of employment: 17% of the respondents reported that at least one family member has lost his job due to the economic crisis.

These labour market shocks and, in particular, wage cuts have affected a much larger share of families in the developing countries than in the Western European countries.

In eight transition countries - Croatia, Latvia, Lithuania, Montenegro, Romania, Slovenia, Turkey and Ukraine - more than half of the respondents stated that a family member has had wage cuts or has suffered arrears due to the crisis. Job losses or business bankruptcy were reported by one third of the respondents in Latvia, the Former Yugoslav Republic, Macedonia and Tajikistan.

Wage cuts were more widespread than job losses in all the countries, except Armenia and Georgia.

Reduced remittances represented the third main type of shock experienced by households, especially in the countries with large numbers of migrant workers abroad. This was cited as an important channel of crisis propagation, particularly in South-Eastern Europe (more than one third of the households in Bosnia and Herzegovina and Serbia) and Central Asia (over a quarter of the households in Tajikistan).

In Romania, satisfaction with life is the lowest of the whole transition region. In 2006, Romanians were already relatively dissatisfied compared to the average of the transition region. Since then, their satisfaction with life has decreased by 15%. Satisfaction with life has decreased the least in the low-income population group (Fig. 2).

At the same time, optimism regarding the future has reduced to half since 2006 to date. According to ERBD, only about one fifth of the Romanians hope for a better situation than that of their own generation for their children, despite the existing high level of dissatisfaction. This percentage is comparable to the average of the Western European countries, which believe that their children will have a better life than they had.

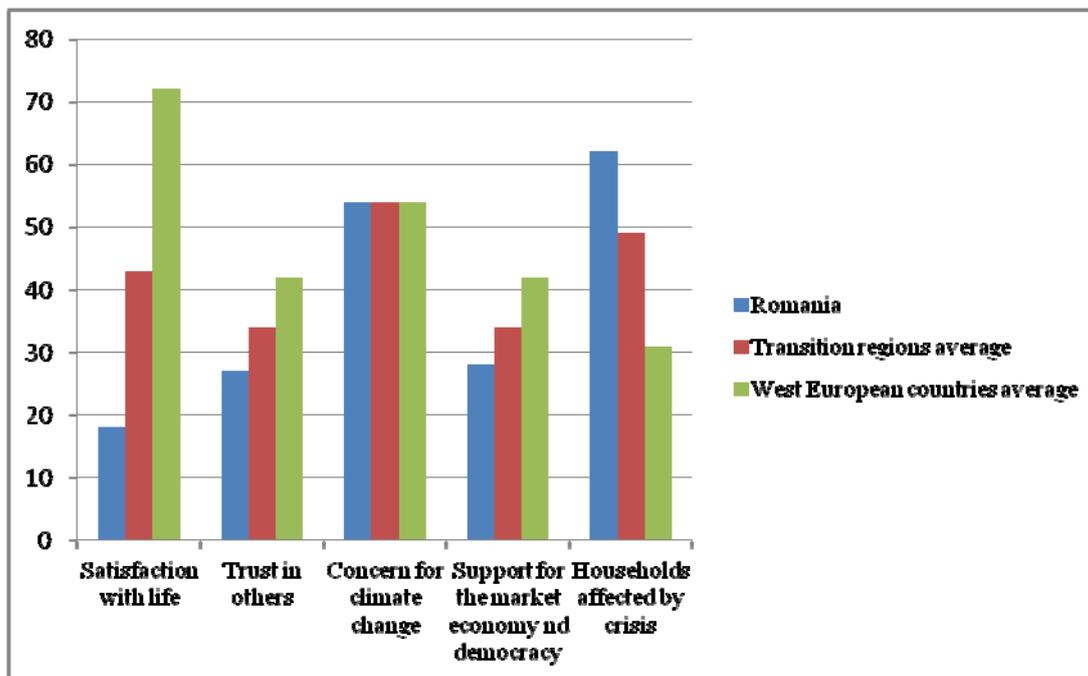


Fig. 2: Comparing the quality of life indicators in Romania with the average of those from the transition region and the West European countries

Source: Life in Transition, Survey II, EBRD, 2010

The level of trust in other people remains well below the transition region average. Confidence fell slightly within the low and middle income groups, but increased by 13% among the respondents with high incomes. This implies a much stronger positive correlation than before between trust and the level of income.

Confidence in public institutions decreased variably, exceeding the limits. Confidence in the presidency fell sharply. The share of people who trust in other political offices has also decreased (around two thirds) - only 7% trust the government or parliament and less than 5% trust the political parties. Religious institutions have maintained the highest level of confidence, despite a decrease by 20% in 2006. Confidence in foreign investors and non-governmental organizations (NGOs) was the most stable.

Half of the respondents wish the government gave priority to additional spending for health care. One fourth of the respondents would like the government to focus on education and 12% require increased pensions.

Supporting the market economy is at the lower end of the transition region scale. Just over one third of the respondents say they prefer a market economy to any other economic system. The attitude regarding democracy was more positive. The combination between democracy and market economy is still the most popular economic and political option [7].

Romanians believe that basic democratic features do not exist in their country. Only 27% of the respondents believe that there are free and fair elections in the country and only 23% believe that the country has no law and order. Less than one fifth consider that the legal system protects the individuals against state abuse. Overall, these percentages are 40 points or more below the Western European countries average.

Almost two thirds of the households were affected by the economic crisis, one of the largest proportions among the transition countries. The crisis has affected over 70% of the middle-aged population and over two thirds of the low-income population group [8].

“This paper has received financial support through the project “Post-Doctoral Studies in Economics: continuous training program for elite researchers – SPODE”, finance contract no. POSDRU/89/1.5/S/61755, project funded by the European Social Fund through the Human Resources Development Operational Sectorial Program 2007-2013”.

3. References

- [1] Fahey, T., Nolan, B., Whelan, C., Monitoring Quality of Life in Europe, Luxembourg, European Commission, 2003.
- [2] Băltățescu, S., Influența factorilor subiectivi asupra percepției calității vieții. (The influence of the subjective factors on the perception of the quality of life), Calitatea vieții, 9(3-4), p. 269-277, 1998.
- [3] Băltățescu, S., Modele ale percepției calității vieții (Models of perceiving the quality of life), Calitatea vieții, 10 (3-4), p. 179-185, 1999.
- [4] *** <http://www.ebrd.com/pages/research/economics/data/lits.shtml>, Life in Transition, Survey II, EBRD
- [5] *** www.insse.ro, Institutul Național pentru Statistică (The National Institute of Statistics)
- [6] *** www.iccv.ro, Academia Română - Institutul de Cercetare a Calității Vieții (The Romanian Academy – The Research Institute for Quality of Life)
- [7] Mărginean I., Bălașa A. (coord.), Calitatea vieții în România (Quality of life in Romania), Expert Publishing House, Bucharest, 2002
- [8] *** <http://www.eurofound.europa.eu/> European Foundation for the Improvement of Living and Working Conditions, European Quality of Life Survey