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# THE CURRENT CRISES ARE ALARMINGLY AFFECTING THE STANDARD OF LIVING OF THE ROMANIAN POPULATION

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## Abstract

*The standard of living of the population is basically the main goal of the entire economic and social activity in a country. The standard of living is established according to salary income, income from other activities, household income, as well as the way other indicators evolve.*

*The study of the standard of living of the population in Romania is important in the current context that government programs are in most situations rather difficult to harmonize under the conditions of the current crises that are manifesting. Of course, incomes are the most important sources that can cover the population's spending needs in real terms. That is why it is necessary to study the evolution both in nominal terms and in real terms in order to ascertain how the needs of the Romanian population are met.*

*Basically, the standard of living of the population is the final and essential element that suggests the way in which the economic activity is organized, and the economic results are distributed primarily, secondarily, to the population.*

*In the study of this article we used the data series provided by the National Institute of Statistics and Eurostat. We also used statistical indicators, data provided by household surveys, as well as other studies carried out by specialized institutions.*

*We have extensively used the comparative study over time, starting from the level reached many years ago and the situation we are in today when inflation at the end of 2022 exceeded 16 percentage points and in 2023 a trend of increasing inflation is foreseen.*

*I also used the logical and comparative study to suggest how these variables under study underpin the standard of living of the Romanian population.*

**Keywords:** standard of living, income, expenditure, crises, data series.

**JEL classification:** C10, H10

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### Introduction

In this article we have analyzed the situation imposed by the current crises, which alarmingly affect the standard of living of the Romanian population. We started by presenting some general elements regarding the evolution of the population by categories and households. In particular, we also did an analysis of the distribution of households. In order to highlight these aspects better, I also used some graphic representations, which are more suggestive to understand the evolution of these aspects over time.

Household incomes are falling in real terms and are another concern that emerged from the data analysis I mentioned. The main source of formation of total incomes is monetary incomes. The structure of total household incomes has been notable since 2015 by the important weight of incomes in kind, on account of what they obtain in households in a negative way. Unfortunately, the economic-financial crisis, the pandemic crisis in particular, as well as some pandemics that happened at the regional or general level of the country, regarding some categories of animals, caused a decrease in these revenues and then resorted to imports that are often much more expensive and cannot be covered with the average income per household, which have also decreased in the last three years 2019, 2020, 2021, as a result of the pandemic and the financial-economic crisis, which fell on Romania .

The incomes with a fairly important weight in the total structure represent the incomes from social benefits, which exceed 21% and come to complement the incomes available to a number of categories of people in Romania.

The evolution of population expenditure in real terms was another concern that we analyzed in this article, starting from the fact that expenditure increases as a result of inflation and is not covered by increases at the same level from other sources.

We also analyzed the structure of total consumption expenses from the point of view of household size and we referred to food consumption and payment of services. All this, as a result of the increase in prices, was much higher and usually not covered by a surplus of income for all categories of the population.

In the last part of the article, I analyzed the evolution of the income-expenditure balance, resulting in the fact that in their structure, the vast majority of incomes are spent on the current living needs of the population.

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### **Literature review**

The structure of income and expenses has been and is a topic addressed by a number of researchers. In this sense, we mention the work of Anghelache, C. and others (2007) in which the authors address issues regarding the standard of living and implicitly the incomes and expenses of the population. Angel, M.G. and others (2020) carry out an analysis of wage income and the perspective of evolution in the context of the pandemic and financial-economic crisis. Barti C. (2015) has a study in which he analyzes possibilities for households to absorb the shock of the increase in electricity expenses. Burlacu M.I. (2021) presents a series of theoretical aspects of income classification and certain particularities present in Romanian households. Censolo, R., Colombo, C. (2008) present a detailed analysis of the impact of consumption growth on macroeconomic development. Kroli, K. and Notowidigdo, M.J. (2016) do a study by which they present the results regarding the link between earned income and the unemployment rate, income and wages. Mirea M. (2019) makes an economic analysis of income, addressing aspects such as labor productivity or the profitability of commercial companies.

### **Data, Results and Discussion**

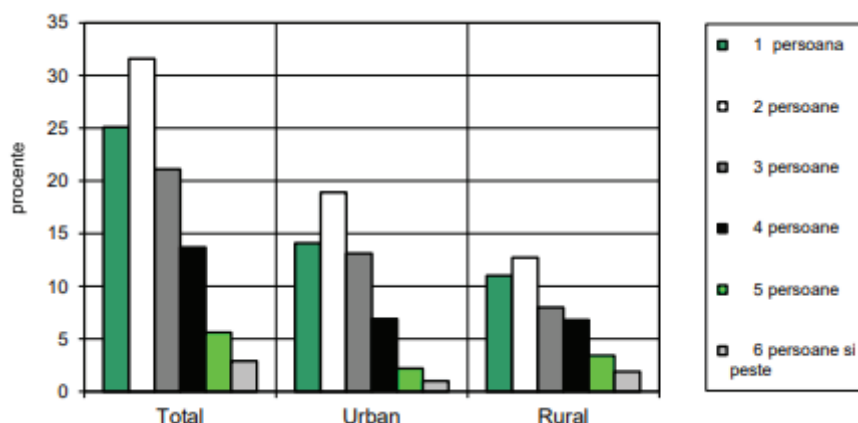
In Romania, 56.2% of households are located in cities and towns and 43.8% in rural areas. The average size of a household being, in 2021, 2,533 people, larger in rural than in urban areas (2,671 compared to 2,425 people).

Households consisting of 1-3 persons represented more than two thirds of the total number of households (77.8%), of which households consisting of two persons represented 31.6%. Of the total number of households, 13.7% consisted of 4 people; those consisting of 5 people and over holding a much more modest share (8.5%).

Graph number 1 shows the distribution of households by size, in 2021.

### Distribution of households by size, in 2021

Chart 1



Source: INS press release. Data processed by the authors.

Households consisting of 1 - 4 persons were more numerous in the urban environment than in rural areas, while households consisting of 5-6 persons and more were more numerous in the rural area, the latter (6 and more persons) finding - in the proportion of 66.6% in rural areas.

The distribution of households according to the number of children up to the age of 18 in the household is characterized by the high proportion of households without children which represent 72.2% of the total, a high proportion both in urban and rural areas (40, 2% in urban areas and 32.0% in rural areas).

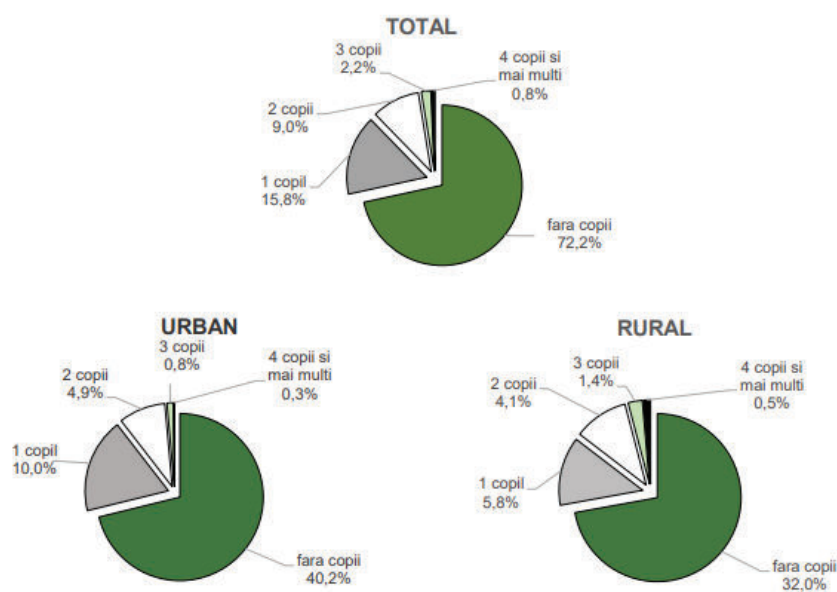
Among households with children, the most common are those with one child (56.8%). Households with one and two children have a greater share in the urban environment, and those with three, four and more children are in a greater proportion in the rural environment.

Graph number 2 shows the distribution of households, according to the number of children under 18, in 2021.

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**Distribution of households, according to the number of children under 18, in 2021**

*Chart 2*



*Source: INS press release. Data processed by the authors.*

The distribution according to the gender of the head of the household is very uneven: 73.1% of households are headed by a man (71.9% in urban and 74.6% in rural areas) and 26.9% by a woman (28.1% in urban areas and 25.4% in rural areas).

The distribution of households according to the age of the head of the household shows a higher degree of concentration in the age groups of 50-64 years (27.6%) and in those 65 years and over (33.2%).

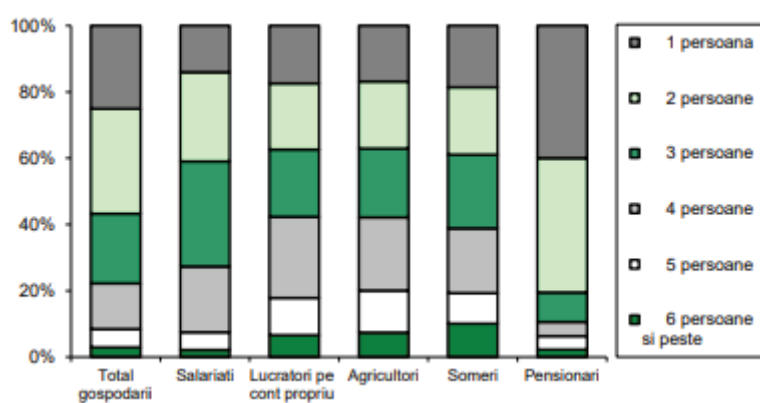
Households whose household head is under 50 years old represent 42.1% of all urban households, and those whose household head is 65 years old and over represent 30.4%. In the rural environment, households headed by people aged 65 and over had a high frequency (36.9%); moreover, approximately two-thirds of the total number of rural households (64.6%) are headed by people aged 50 and over.

The occupational status of the head of the household has a particular importance and a strong impact on the size and structure of household income, expenditure and consumption, as well as on the behavior of the household in terms of saving and investments.

Most of the households of employees consist of two and three persons, those of unemployed persons of two, three and four persons, those of self-employed persons of two, three and four persons, those of farmers of two, three and four persons, and the majority of pensioner households of one and two persons.

**Distribution of households by size, by category according to the occupational status of the head of the household, in 2021**

*Chart 3*



Source: INS press release. Data processed by the authors.

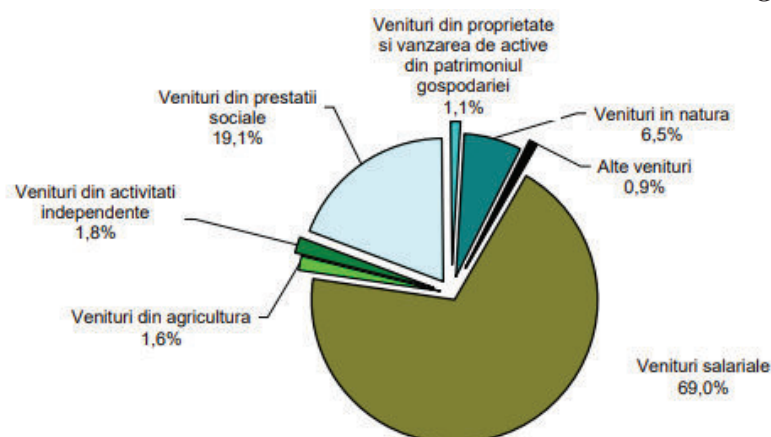
Almost half of self-employed (46.8%), unemployed (46.8%), salaried (46.7%) and agricultural (44.2%) households were households that had dependent children in age up to 18 years. Among pensioner households, only 1.3% had dependent children.

The main source of formation of total incomes, both in 2021 and in the previous year, was money incomes.

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### The structure of total household incomes, by training sources, in 2021

Graph 4



Source: INS press release. Data processed by the authors.

The share of income in kind in 2021 recorded 6.5% of the total income of households, decreasing by 0.7 percentage points compared to the previous year, due to the counter value of the consumption of agri-food products from own resources (5.4%, decreasing by 0.7%, compared to the previous year). The latter are food and non-food products of agricultural origin that enter the household's consumption from own production, from stock, as well as from those received for work performed in other households or received as a gift from relatives, friends or other persons. In the economic model of the Romanian household, the consumption of food products from own production and those received from the extended family (parents, siblings, children) is one of the ways to cover the consumption needs of households that face financial difficulties induced by the loss of monetary income or the reduction of their purchasing power, and covering one's own food consumption needs and supporting other family members is the main objective of the agricultural production made by the households. The subsistence economy, characteristic of the agricultural household, is also highlighted by the relatively low share of cash income from agriculture, which represented, for all households, only 1.6% of total income, in a slight decrease, however, compared to the previous year (with 0.1 percentage points).

Salaries and other incomes associated with them formed the most important category of incomes, having the largest share in the total incomes of households, both in 2021 and in the previous year (69.0%, respectively,

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68.2%). However, their contribution to income formation is low compared to that which characterizes developed market economies. This situation is related to the relatively small number of employees in households (0.9 employees/household).

Another income category that held an important share in the structure of total household incomes is represented by income from social benefits (19.1%), with a slight increase of 0.1% compared to 2020.

It should be mentioned that income from agriculture (sales of agri-food products, animals and poultry, provision of agricultural work and receipts from agricultural companies and associations), income from independent activities (trade, provision of services, practice of some trades and liberal professions), and those from property (interest, dividends, rent, lease) have a low share in the total income of households (3.5% in a slight decrease of 0.1 percentage points compared to 2020).

The main destination of household expenses, consumption, held, on average for all households, 61.1% of total expenses. Consumption expenses represented 2979.3 lei per household per month, and monetary expenses for the purchase of food products (including expenses in public catering units), non-food and for the payment of services 2745.8 lei per month (56.3% of total expenses). The other part of consumption expenses, the value of human consumption from own resources (those food and non-food products from own resources that are consumed by household members) was equal to 233.5 lei per household and represented 4.8% of total expenses.

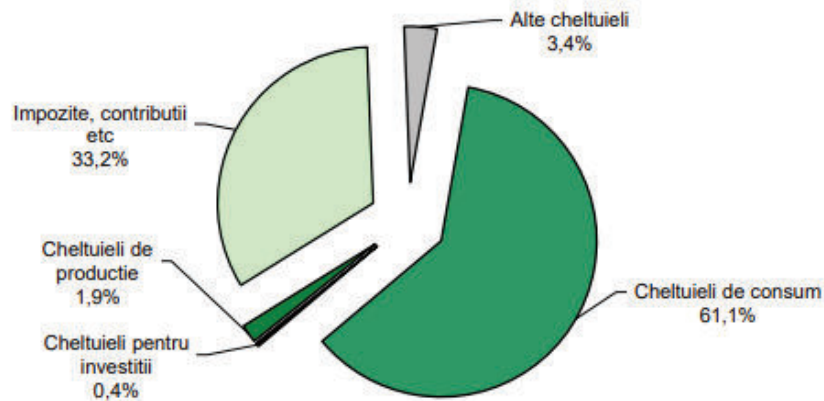
Household production expenses, in 2021, represented 1.9% of total expenses, of which 0.4% went to cash expenses, and 1.5% to the value of productive consumption from own resources (feed, seeds, etc.) used for household production. The latter totaled, on average, 72.4 lei per household per month.



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### Structure of total household expenses in 2021

Chart 5



Source: INS press release. Data processed by the authors.

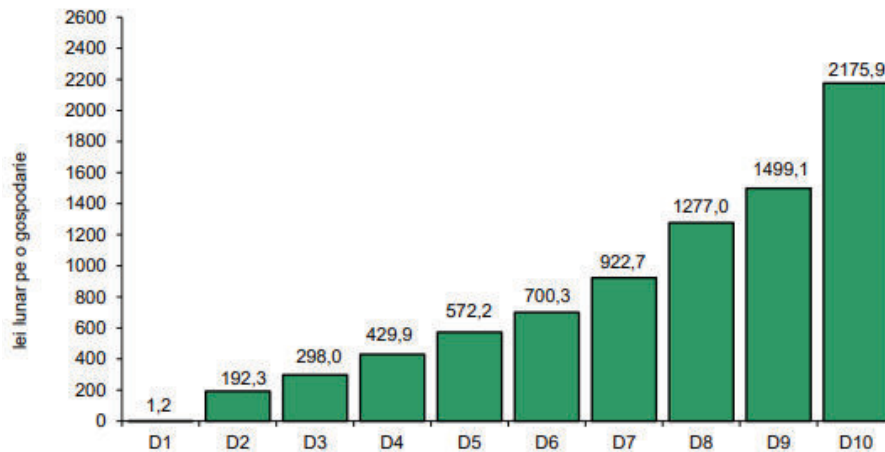
In 2021, income taxes, contributions to social security budgets, contributions and other taxes and fees, held a weight of 33.2% of total expenses, amounting to an average of 1620.0 lei per month household, of which salary tax represented 15.0% (14.8% in 2020), and social insurance contributions (for pension, unemployment fund and health insurance) more than half, 84.3% (84.5% in 2020), of the total taxes.

Investment expenses were very low, both in 2021 and in the previous year, representing only 0.4% of total expenses. It is also a signal in 2021, regarding the extremely low ability of households to save. The need to cover the expenses imposed by household production, the payment of taxes and social insurance contributions and the satisfaction of basic consumption needs leaves too few resources for investments.

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### Economy/resource deficit, by deciles, in 2021

Chart 6



Source: INS press release. Data processed by the authors.

For all households, in 2021, the savings represented an average of 807.0 lei per household per month, which meant 14.2% of total income, down 2% compared to the previous year.

The analysis of the relationship between incomes and total expenses of households distributed according to different characteristics highlights the existence of savings in all households, regardless of distribution. Even households in the first decile managed to register an increase in savings (+0.1%).

The link between savings and the income level is evident in the distribution by deciles. Households in the first decile save +0.1% of total income, and households in the next nine deciles save, reaching decile D10 at +18.0% of total income.

### Conclusions

Some practical conclusions emerge from the study of this article. First of all, the crises (Covid 19, economic-financial, energy, food, etc.) led to the deterioration of living conditions. The prices have increased very much, which in few cases can be covered from the incomes that I presented, taking into account the very high level of expenses.

Another conclusion is that a certain analysis is required at the regional and national level in order to ascertain the possibilities of increasing the incomes of the population, especially of the disadvantaged categories. In this

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category we include the category of people of the third age who have rather small pensions, employees who in large numbers have a minimum wage in the economy, as well as other categories whose health is affected and need additional income.

They must think seriously about harmonizing incomes with expenses and supporting them at least for a buffer period, so that the income situation of the population in these disadvantaged categories is somehow regulated with the expenses necessary for life.

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