

Beyond Poverty in Romania: An Analysis of Household-Level Factors of Poverty and Precarious Prosperity¹

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Beyond Poverty in Romania: An Analysis of Household-Level Factors of Poverty and Precarious Prosperity. This paper looks at both poverty and a specific layer of population in Romania we call *precarious prosperity* with the goal of understanding the household-level factors that contribute to the likelihood of being in this respective category. Drawing upon the emerging literature on precarious prosperity, this approach is an attempt to look beyond measures of poverty that are limited from appropriately capturing the relevant economic circumstances of disadvantaged households. Based on the latest wave of available EU-SILC data, multinomial logistic regression shows that similar household-level factors like housing type, unemployment, household production and household type have an impact on the likelihood of being in poverty or precarious prosperity.

Key words: Romania; poverty; precarious prosperity; non-poor; EU-SILC

Introduction

While poverty has received much attention in Eastern European countries during their post-communist transformation, categories living in precarious situations, right next to the poverty threshold, have mostly been overlooked, even though they often share most of the hardships of those living in poverty. Lately, a number of researchers have drawn attention to the fact that the categories situated immediately above the official poverty line are not in secure prosperity and they require the focus of both research and policy.

This paper looks at a specific structural layer of population in Romania that we call *precarious prosperity*. The concept was coined by Budowski et al. (2010) in order to capture the characteristics of a particular share of the population situated in the vicinity of the poverty line and their strategies to cope with the threat of slipping into poverty. Our paper builds upon this concept with the goal of understanding the household-level factors that contribute to remaining next to poverty threshold. It also looks at similarities between households in poverty and households in precarious prosperity in

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Romania by establishing those living in secure prosperity as a reference. This approach is an attempt to look beyond measures of poverty that are limited from appropriately capturing the relevant economic circumstances of disadvantaged households.

In the scientific literature on poverty, in order to reveal exposure to risk and vulnerability, complex measures have been proposed lately that go beyond those based exclusively on income, like is the case of relative poverty. In an attempt to identify those who are vulnerable or at risk, Whelan and Maître (2007; 2010; 2013) propose merging income measures with deprivation indicators as 'it is economic vulnerability rather than income poverty per se that serves as a powerful predictor of economic pressures'. (Whelan – Maître 2007: 143) When considering measures of poverty along with those of vulnerability, different patterns of social structuring emerge.

Other important researches, including those of Paugam (2000), Gallie et al. (2003), Bandyopadhyay and Cowell (2006) and Budowski et al. (2010), endeavour to look at vulnerable categories. In a study of vulnerable households, Bandyopadhyay and Cowell (2006) showed that household-level (especially unemployment and the number of children) shocks and economy-wide shocks impacted mostly upon British households of this type, which are thus at risk of slipping below the poverty line.

Romania is among the poorest countries in the European Union (EU); in 2012, the country had a relative poverty rate⁵ of 22.6%, the second highest in the union after Greece (23%). (Eurostat 2014) To this we have to add that Romania has the lowest median equivalised disposable income in the EU and, consequently, the lowest poverty threshold among EU countries. In 2012, the median equivalised disposable income was 2 116 Euro in Romania, which is almost seven times smaller than the EU28 average (14 775 Euro) and significantly lower than that of the next country in ranking, Bulgaria (2 914 Euro). When using PPS (Purchasing Power Standards), even when accounting for the differences in the cost of living across countries within the EU, the gap between Romania and other countries within the EU still remains high; the poverty threshold in Romania in 2012 was set at PPS 2 106 (1270 Euro), which is significantly lower than that of Bulgaria, the next in line, at PPS 3 476 (1716 Euro).

The material deprivation rate is also high in Romania; in 2012, 48% of the population lacked at least three items which are considered to be customary within modern society that people would like to possess (have access to) but cannot afford. In this respect, Romania is again second after Bulgaria in the EU. Severe deprivation also affects almost a third (29.9%) of the Romanian

⁵ Relative poverty is calculated by using a threshold fixed at 60% of the national annual median disposable income

population. (Eurostat 2014) Previous analyses show that material deprivation is high in countries with low mean income. This essentially means that income poverty underestimates hardship. (OECD 2008) Consequently, given the significant proportion of people living in poverty, the high rate of material deprivation and the low mean income in Romania, it is highly likely that there are categories of population that, even though not considered as being poor, face a lot of uncertainties and vulnerabilities. Moreover, it is possible that households living in poverty and those in the vicinity of the poverty line are exposed to similar risk factors that place them into a condition of precariousness and vulnerability.

Previously, it was shown that household-level factors like household composition, type of employment and education were among the most important drivers of poverty in Romania. The households that are most exposed to poverty risks are those with dependent children (especially those having three or more children), single persons with dependent children, the unemployed, those self-employed in agriculture and low-educated people. (Precupetu – Precupetu 2014) In 2012, the at-risk-of-poverty rate for households with three or more dependent children in Romania was almost three times higher than the national average. Unemployed people face a risk of poverty almost three times higher than employed persons and maintain high and relatively stable risks over time. Moreover, Romania had the highest European in-work at-risk-of-poverty rate (19% in comparison to 9%, EU 28 average) (Eurostat 2014), situation explained by the low level of salaries and the informal payments. (Preoteasa 2013) In regard to education, people with low levels of education (ISCED levels 0-2) had significantly higher poverty rates (almost twelve times) than those with higher education (levels 5-6). Romania displays the largest gap in poverty rates between low- and high-educated persons in the EU, which supports the particularly key role of education when predicting poverty in this country. (Eurostat 2014)

In this paper, we use the recently debated concept of precarious prosperity in our endeavours to expand the study of vulnerable populations in order to more comprehensively capture the contributions of household socio-demographic factors in the establishment of this precarious prosperity situation, which characterises a large share of Romanian households. Our paper draws attention to the possibly similar situations of households in poverty and those regarded as being vulnerable in terms of socio-demographic factors, in a context where they are situated within the vicinity of the poverty line and are experiencing a number of material deprivations. Toward this aim, the article continues with the discussion of both the origin and relevance of the concept of precarious prosperity in the understanding of the Romanian social situation. Then, it moves on to address the operationalization of the concept in order to

enable us to delineate this population. Based upon the most recently available at the time of analysis EU-SILC data from 2011, the article employs regression analysis in order to look at household-level factors that contribute to both poverty and precarious prosperity, maintaining households in secure prosperity as a reference. Finally, the paper discusses the main results in the context of a poverty outlook.

Theoretical Background: The Relevance of Precarious Prosperity for Sociological Research

The origin of the concept ‘precarious prosperity’

According to Barbier (2005), the first sociological studies dealing with ‘precariousness’ were rooted in the research fields of family and poverty. Barbier et al. (2002), in an attempt to study precarious employment in five countries (i.e. France, Germany, Italy, Spain and the UK), found that this concept was not appropriate in cross-country comparisons due to its multiple meanings and to its political and normative underpinnings. Indeed, the French concept of *précarité* was not easy to import and translate because its meaning is embedded in intricate relations with the political and ideological debates of 1970s France. *Précarité* and exclusion have evolved in a somewhat interdependent way and they retain normative and political attributes. (Barbier 2005) In the early 1990s, the term *précarité* was brought into sociological debate, especially within the area of employment and, later on, was applied to characterise the society as a whole in a period when France witnessed raising unemployment.

With regard to family in precarious situations, the use of this term was meant to shed light on the different family life dimensions responsible for this outcome (e.g., inappropriate accommodations, relationship with partner(s), unsteady incomes, health problems, number of children, etc.). However, scholars have noticed that it is difficult to measure this phenomenon and to distinguish precarious families from other social categories like poor and marginalized. Barbier (2005) considers that, even today, the concept of *précarité* remains linked to poverty, even if it is somewhat separated from the sphere of research focusing on family life. Only recently has this term been applied by researchers in the field of employment, with the tendency to assign this category to workers in insecure positions (e.g., interns, workers without regular contracts, part-time workers). Paugam (2000) distinguishes between precarious employment and precarious jobs. In relation to first, he points out that there is an uncertain employment pattern since the employee cannot predict his or her future career, which is also characterized by high economic vulnerability and a restriction to some social rights. With regard to the second,

the author highlights that one's job may seem to be without sense or do not pose any interest while also be poorly remunerated and less appreciated within the enterprise.

Taking into account this diversity of meanings and usages of the term *précarité*, it becomes obvious that this concept cannot properly deal with realities from different economic and political contexts. Different countries use various concepts to characterise households, including members who are neither poor nor in a secure economic position. Therefore, in order to understand specific situations of the intermediate socio-structural categories of population, a better conceptual tool must be employed for each country.

In Germany, Hübinger (1996) notices the existence of a specific layer of population which encompasses households in a position adjacent to and slightly above the poverty threshold. He claims that the most meaningful way to address the realities of the population living in uncertain and vulnerable situations was not, as expected, the poverty line, but a broader zone of 'precarious prosperity'. This category is vulnerable, yet not poor according to the official definition of poverty. It is referred to within an increasing body of literature by the term 'precariousness' in French- and German-speaking traditions and 'vulnerability' in Spanish- and English-speaking traditions. (Budowski et al. 2010b; Bankoff 2001; Whelan – Maître 2007) With reference to the distinction between *poverty* and *vulnerability*, Bankoff (2001) shows that the former 'is determined by historical processes that deprive people of access to resources, while vulnerability is signified by historical processes that deprive people of the means of coping with hazard without incurring damaging losses that leave them physically weak, economically impoverished, socially dependent, humiliated and psychologically harmed'. (Bankoff 2001: 25) In addition, the author highlights that the marginality of vulnerable populations is dependent upon a combination of a set of variables (i.e. class, gender, age, ethnicity, disability) which may reduce people's access to the resources enabling the satisfaction of their basic needs.

Drawing upon the theoretical advancements available hitherto, Budowski et al. (2010) propose the concept of 'precarious prosperity', which is arguably best-suited in international comparisons concerning populations situated between the dividing lines of poverty and prosperity. For the purpose of comparative qualitative research, the authors choose only the material and financial dimensions of the concept of 'prosperity', which allows 'purchasing or exchanging what one wants to have and doing what one feels like doing, given the things or activities which are available'. (Budowski et al. 2010: 275) The authors further argue that precarious prosperity refers to 'uncertainty in being able to maintain a given level of material prosperity that allows for more than mere survival and includes a range of opportunities or choices. The

concept “precarious prosperity” conceptualizes a specific, empirically identified socio-structural category in between poverty and secure material prosperity’. (Budowski et al. 2010: 276) We can, therefore, observe that this concept refers to a category of people characterised by somewhat competing features; on the one hand, they possess a material standing allowing for a certain degree of control over opportunities and goals; on the other hand, they face a permanent threat of insecurity and of downward mobility.

Operationalization of the concept of ‘precarious prosperity’

As mentioned above, Hübinger (1996) was first to provide empirical evidence about the relevance of addressing the existence of the category of the population living in a zone of precarious prosperity in Germany. After establishing the poverty line, he divided the sample population into quintiles both above and below this line. He found that the most important way to understand the process of social stratification is not to look at the households situated on or below the poverty line, but those within a zone of precarious prosperity; that is, the first three quintiles above the poverty line. He argues that households in this belt share similarities with households in poverty concerning material well-being, such as deprivation and access to goods and services. Only the two superior quintiles above the poverty line appear to be in ‘secure’ prosperity, since households situated there dispose of a wide range of opportunities and resources to cope with life’s contingencies. Hence, only this latter share of population can be considered shielded from the risk of becoming poor from the impacts of life events such as temporary unemployment, childbirths or health injuries.

Later on, scholars in this field of study operationalized the concept of precarious prosperity in international comparative research. (Amacker et al. 2011; Budowski et al. 2010) Starting from the use of hard criteria (i.e. income, number of deprivations), Budowski and her colleagues adopted a specific mode of operationalization of precarious prosperity for each country in which they studied households in precarious prosperity. The authors pointed out that the selection of households living in the zone of precarious prosperity was a methodological challenge since the distribution of income follows different patterns in the countries under study:

“A first challenge was how to target the population experiencing precarious prosperity in different countries. Wealth and income – measured by the UN Gini Index – are distributed more unequally in the two Latin American countries than in the European cases and standards of living are different. Due to lack of directly comparable research, we defined two ‘hard’ criteria to screen for the target population: an income indicator and an indicator defined by a number of deprivations”. (Budowski et al. 2010: 276)

Therefore, the targeted population in Switzerland either had an equivalised income below the poverty threshold and no or only one deprivation; or an income between 60 and 80 percent of the equivalised median population income; or an income of above 80 percent of the equivalised median population income but two or more deprivations. Taking into account the differences in living standards between Chile and Costa Rica, and the lack of comparable data, Budowski et al. (2010) established, upon consultancy with academics from these countries, “that a lower number of deprivations in Switzerland was considered to correspond to a higher number in Chile and Costa Rica”. (Budowski et al. 2010: 277) The characteristics of the target population were therefore set up in each country as follows: in Chile and Costa Rica, households in precarious prosperity were identified as having an equivalised income below the fourth decile and three or less deprivations; an equivalised income within the fourth to sixth deciles of the income distribution; or an equivalised income in the seventh decile or above, but presenting four or more deprivations. Following the first step of identifying households living in the zone of precarious prosperity, the authors pursued a qualitative study in each country (Spain, Chile, Costa Rica, Switzerland) in order to understand the specific strategies that households meeting the income/deprivation criteria adopt in order to avoid slipping into poverty. A more recent paper by Amacker et al. (2011), using longitudinal qualitative data (i.e. data from the first wave of interviews in 2008), and data from a second wave of interviews in 2009) shows that only few households of precarious prosperity in Chile and Costa Rica associate their experiences with the on-going global economic crisis. Such results are likely to stimulate the debate over the impacts of economic crisis on households in precarious prosperity from different countries. Romania represents an interesting case study revealing the depth and breadth of these population strata in struggling to maintain a certain standard of living during dramatic post-socialist transformations. To the best of our knowledge, this study is the first one to address the question of household determinants that contribute to living in precarious prosperity.

Method and data

Research on precarious prosperity carried out mainly in Switzerland, but also in other Western countries, was taken as a reference for our research in Romania, with consideration given to this country’s specific features. Low incomes, high poverty and deprivation require the elaboration of an operationalization model of precarious prosperity adapted to the specific circumstances of the country. Following previous models of operationalization described above, we performed an exploratory analysis of the two key variables considered as ‘hard criteria’: income and deprivation.

Our paper considers three different groups of population: those in poverty, already defined by the income poverty threshold; those in precarious prosperity and those in secure prosperity. Similar strategies of dividing the population into groups differentiating according to a class of attributes, with in-group members having rather similar socio-demographic characteristics, have been proposed in the study of inequality and polarization. (Esteban – Ray 1994) It is considered that the significance of group differences in wellbeing is often at the centre of the study of inequality. (Elbers et al. 2008) Working with the same two variables (i.e., income and deprivation), de Graaf-Zijl and Nolan (2011) chose to create four groups in order to analyse the impact of joblessness on income poverty and deprivation in various countries in Europe: income poor and deprived, poor and not deprived, deprived and not poor and neither poor nor deprived. Our first aim here is to identify households in precarious prosperity. The second goal is to analyse household-level factors predicting the likelihood of belonging to precarious prosperity and poverty categories in Romania, with reference to the group of households in secure prosperity.

The data used stems from the Romanian EU-SILC, an annual survey of households undertaken by the National Institute of Statistics (NIS). The present investigation uses the most recent available dataset at the date of analysis, of 2011. The sample size consists of 7 675 households and 15 974 individuals. Our analysis is performed at the level of households. We based our choice on evidence that precariousness cannot be grasped accurately at an individual level because an individual's life chances and opportunities depend upon other family members' life trajectories and outcomes. (Stănculescu – Pop 2009; Clement et al. 2010) As pointed out by Clement et al. (2010):

“...individuals, as opposed to households, are not always the best unit of analysis to investigate precariousness. Households include the *long family* extending across generations from childhood to pensioners, including both the notions of living under the same roof and sharing obligations through common roots. Roots are about obligations to, and entitlements from, other individuals, independent of whether they live under the same roof...”. (Clement et al. 2010: 243, emphasis in original)

Income is defined as equivalised household disposable income (using the modified OECD equivalence scale). The at-risk-of-poverty rate is the share of persons with an equivalised income below 60% of the national median income. Deprivation comprises of the enforced lack of items that are customary in a certain society at a certain point in time, which people would like to possess (have access to) but cannot afford. (Eurostat 2010) The Eurostat deprivation rate is calculated on the basis of EU-SILC data and is based on the following nine items: 1. to face unexpected expenses; 2. one week annual holiday away from home; 3. to pay for arrears (mortgage or rent, utility bills or purchase

instalments); 4. a meal with meat, chicken or fish every second day; 5. to keep home adequately warm; 6. to have a washing machine; 7. to have a colour TV; 8. to have a telephone; 9. to have a personal car.

In exploring the data, we considered it to be meaningful to propose three deprivation concepts in order to enable the grouping of population (i.e. poor group, precarious prosperity group, and secure prosperity group) according to our aims. The first deprivation concept draws upon an index of deprivation calculated as a mean of all 9 items. Reliability analysis shows that the index of deprivation has a Cronbach alpha of 0.63, thus proving a good degree of internal consistency. The second one regards material deprivation (enforced lack of at least three items). The third concept we used refers to severe deprivation (enforced lack of at least four items). In an attempt to identify groups that significantly differ between them, our exploratory analysis first looked at the index of deprivation by seven income categories: 1. 'under 60% of median income'; 2. '60-80% of median income'; 3. '80-100% of median income'; 4. '100-120% of median income'; 5. '120-140% of median income'; 6. '140-160% of median income'; 7. 'above 160% of median income'. One-way analysis of variance (Anova) was conducted in order to examine whether there are significant differences among income groups in relation to deprivation levels. The results revealed statistically significant differences among income brackets: $F(6, 7668) = 365.418, p = 0.0$. A post-hoc Games-Howell test revealed statistically significant differences between households (people) in the first income bracket, those in poverty and those in the higher income categories. Those with incomes between 60-80% of the median income—in other words, those right above the poverty threshold—also differed significantly from people within the other income categories, and so did people with incomes between 80 and 100% of the median income. There are no significant differences between the next three income categories (i.e., 100-120, 120-140 and 140-160% of median income). Finally, people with incomes above 160% of the median income significantly differ from those below them. Consequently, the analysis revealed that there are five income groups that differ significantly in regard to deprivation levels. (Table 1)

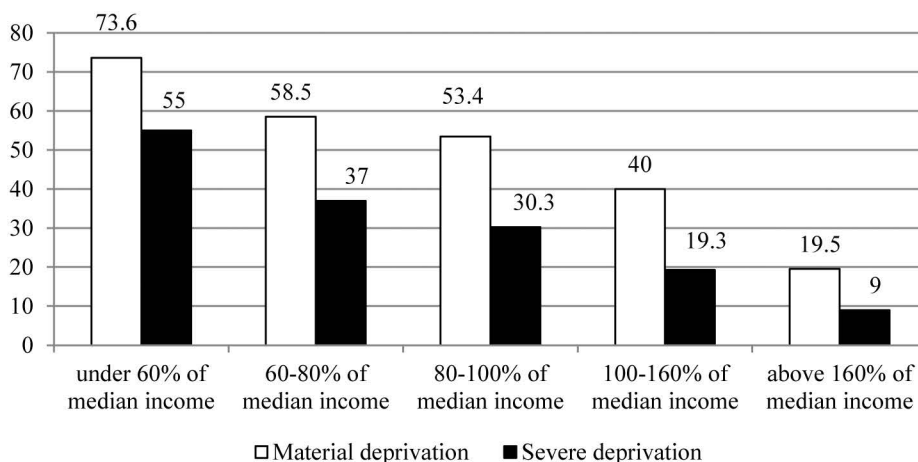
Table 1: Index of deprivation by income groups

	N	Mean	Std. Deviation	Std. Error
Under 60% of median income	1552	3.88	1.93	.05
60-80% of median income	1205	3.04	1.62	.05
80-100% of median income	1137	2.77	1.60	.05
100-160% of median income	2277	2.21	1.51	.03
Above 160% of median income	1504	1.31	1.44	.04
Total	7675	2.59	1.83	.02

Source: EU-SILC Romania, household dataset 2011, own calculations

Second, we explored levels of material deprivation and third, we looked at severe deprivation in all five groups. (Figure 1).

Figure 1: Material deprivation and severe material deprivation by income thresholds (%)



Source: EU-SILC Romania, household dataset, 2011, own calculations

The data shows that material deprivation is, according to expectations, extremely high in the category below the poverty threshold. Moreover, material deprivation remains considerably high for the categories above the poverty line, as the majority of those with incomes situated between 60-80% of the median income, as well as those with incomes up to the median income (80-100%), still lack at least three items considered to be customary in the modern society. Severe deprivation data also points to a consistent layer of vulnerable households across all levels of income and even within the highest income threshold there is still a proportion of the population that lacks at least four of the considered items.

Taking into account the distribution of data for the Romanian population, and following in a similar manner to previous modes of operationalization, we include in the precarious prosperity stratum those households situated between 60 and 100% of median income and those that are situated above 100% of median income and simultaneously witness severe deprivation (i.e., a lack of at least four items). According to our conceptualisation, secure prosperity includes households with incomes above 160% of median equivalised income that are not severely deprived. According to our analysis, in Romania during 2011, 20.2% of the households were in poverty, 38% were in precarious prosperity and 41.8% were in a zone of secure prosperity.

Household-level Factors Contributing to Poverty/Precarious Prosperity

Various household-level factors have been shown to play a role in poverty, although to date no comprehensive explanatory analysis was performed for Romania. Among the factors included in such analyses dealing with the predictors of poverty, education, health, unemployment, household type, age and marital status are the most common in studies across different countries. For Romania, it has been shown that type of residence, welfare benefits and household production are important factors associated with of poverty. We test the importance of all of these factors with a multinomial logit model, where the dependent variable is represented by the groups under scrutiny—poverty, precarious prosperity and secure prosperity—with the last one being used as the reference category. We estimate this model, including a set of explanatory variables, as described below. The explanatory variables have been chosen so as to fit previous analyses of poverty profiles in Romania in order to allow for comparison to the group living in precarious prosperity. This permits integration into a previous framework of analysis while also leaves space for new insights coming from the current analysis. (MLFSP 2010; Precupetu – Precupetu 2014)

Independent variables:

Residence (dummy variable, rural area=1, urban=0);

Housing type (dummy variable, detached or semi-detached house=1, other dwellings =0);

Presence of older persons in the household: Number of persons older than 65 yrs in the household (continuous);

Marital status: marriage or cohabitation (dummy variable, married or in cohabitation=1, other situation=0); *Employment*: at least one household member is unemployed (dummy variable, Yes=1), total number of worked hours by number of active household members (continuous);

Education: The highest educational attainment level in the household (dummy variable: secondary school or higher=1, lower education=0);

Health: physical activity limitation (at least on adult of active age is strongly limited in activity (dummy variable, Yes=1):

Welfare benefits (dummy variable, welfare benefits represent more than 25% of total household income =1) The welfare benefits are a means tested financial support obtainable by households. Income and household size are the eligibility criteria.

Household production (dummy variable, household production income represents more than 10% of the total household income=1, less than 10%=0).

Household type (One single adult, Two adults with no dependent children, Household with at least one adult ≥ 65 years, Three adults or more without

dependent children, Single parent with dependent children, Two adults and one dependent child, Two adults with two or more dependent children, Extended family with dependent children, reference: two adults both under 65 years with no dependent children).

Discussion of Findings

The analysis generally revealed that analogous household-level factors contribute to belonging to both of the poverty and precarious prosperity groups, thus pointing to similar features for both types of households that represent vulnerability risks. When looking at place of residence, *living in rural* Romania contributes to being in poverty and/or precarious prosperity in a rather identical way: both categories scrutinised here have a higher probability to be found in rural areas than does secure prosperity. Poverty data shows that the relative poverty rate in 2010⁶ was three times higher in rural (27.1%), rather than urban (9%), areas. When looking at absolute poverty, the gap between rural and urban areas was even deeper in 2010; the absolute poverty gap was four times higher in rural (8.8%), rather than in urban (2.2%), areas. Out of those living in absolute poverty in 2010, 76.7% were living in rural, but only 23.3% in urban, areas. (MLFSP-Ministry of Labour, Family and Social Protection 2010) The underdevelopment of rural areas in comparison to urban ones contributes to maintaining poverty rather converged at the level of these residential areas. This finding supports evidence that vulnerable people in precarious prosperity are to be found within the same structural context. In regard to *housing type*, living in detached or semi-detached homes similarly contributes to the chance of being in poverty or precarious prosperity. This finding might be considered to be a bit surprising; however, we have to take into consideration the specific circumstances of Romania. This result can be explained by the housing pattern within the country. While the rural setting has preponderantly individual homes, high-rise apartment buildings are to be found mainly within urban settings, with most of the current housing stock being built during the communist regime. To this, we might add that the high proportion of homeowners in Romania is due to the privatisation policy of the early 90's, as described by Precupetu and Precupetu (2013).

⁶ This is the most recently available data by residence.

Table 2: Multinomial logistic regression: household level factors of poverty and precarious prosperity (secure prosperity – reference category)

	Poverty			Precarious prosperity		
	B	Exp (B)	SE	B	Exp (B)	SE
Intercept	- 1.280		.232	.516		.160
<i>Residence</i> Rural area	1.012	2.750***	.118	.513	1.670***	.883
<i>Housing type</i>						
Detached or semi-detached house	.862	2.367***	.135	-.066	1.069	.083
<i>Presence of older persons in the household</i>						
Number of persons over 65 years	-.831	.435***	.097	-.173	.841*	.069
<i>Marital status</i>						
Marriage or cohabitating	-.909	.403***	.142	-.465	.628***	.109
<i>Employment</i>						
At least one person in household is unemployed	1.756	5.791***	.190	.996	2.708***	.161
Average number of worked hours	-.015	.985***	.003	-.015	.985***	.002
<i>Education</i>						
Highest level of education in household (Secondary school or higher)	-1.992	.136***	.102	-1.298	.273***	.081
<i>Health</i>						
Strong limitation in activity	-.042	.959	.149	.068	1.070	.115
<i>Welfare benefits</i>						
Incomes from welfare	2.446	11.544***	.316	.385	1.469	.339
<i>Household production</i>						
Incomes from household production	1.772	5.595***	.146	.734	2.084***	.077
<i>Household type</i>						
One single adult	.145	1.156	.179	.256	1.292	.136
Two adults, no dependent children, at least one adult \geq 65 years	-.439	.645*	.200	-.245	0.783	.139
Three adults or more in household without dependent children	.278	1.321	.171	.055	1.057	.121
Single parent, dependent children	2.186	8.898***	.338	1.268	3.553***	.285
Two adults and one dependent child	1.099	3.002***	.158	.556	1.744***	.113
Two adults and two or more dependent children	1.692	5.432***	.171	.943	2.567***	.135
Extended family with dependent children (with more than two adults)	.979	2.662***	.173	.665	1.945***	.129
R ² Cox & Snell			.354			
R ² Nagelkerke			.403			
Model λ^2			3356 (p<0.001)			

Ref: Two adults, no dependent children, both adults under 65 years, * p<0.05 **p<0.01 ***p<0.001
Source: EU-SILC dataset Romania 2011 (own computation)

Model of interpretation: The relative risk ratio switching from **Urban** to **Rural** is 2.750 higher for being in poverty versus secure prosperity, given all the other variables in the model are held constant. In other words, the expected risk of being in poverty is higher for households in rural.

Living in individual homes in this country, most probably owned outright⁷, might mean a certain cushioning from extreme poverty. However, we have to take into consideration the poor infrastructure of housing, low access to utilities and low-quality standard of accommodation that houses in rural Romania provide in most cases. (Mărginean et al. 2006) Moreover, Romania has a high housing cost overburden rate⁸ (the fourth highest in the EU in 2012), as of 2012, 16.5% of the Romanian population lived in households that spent 40% or more of their equivalised disposable income on housing. Households below 60% of median income display a much higher rate than those that are above (41.4% in comparison to 9.3%). (Eurostat 2014) We can consider that, even though those in poverty live in individual homes, most probably conditions are rather poor in comparison to the modern housing standard that is acceptable in another European society.

When considering the *presence of older persons* (i.e., over 65 years) in the household, we discover that this provides a form of support for both types of households analysed here: those in poverty and precarious prosperity. This might be explained by the fact that older persons usually have a steady source of income provided by retirement pensions, which can buffer against the risks of poverty and vulnerability. In Romania, the retiree population is very large, being almost equal with the employed (5.3 millions of retiree and 5.5 millions employee). (INSSE 2014) This is mostly due to the fact that between 1995 and 2004, an early retirement policy was adopted in order to counterbalance the negative social effects of collective dismissals. Furthermore, in the same period of time, a lax health retirement legislation led to an increase of young retiree population, as in 2014 about 14% of the total number of pensions was for ill-health). *Unemployment* is a critical predictive factor of poverty. The relationship between unemployment and poverty is largely acknowledged in the literature, and even though it is sometimes mediated by the welfare regime, it usually proves to be strong. (Haataja 1999; OECD 2009) Previously, it has also been shown from EU-SILC data that being in a jobless household has a significant and negative impact upon the likelihood of being in relative income poverty in a number of EU countries. (de Graaf-Zijl – Nolan 2011) In the case of Romania, as expected, our analysis shows that households with unemployed members have a higher probability of belonging to poor and/or precarious prosperity categories in a similar way. Individual poverty data shows clearly that higher poverty is observed among the unemployed (51.8% in comparison to 19.1% among the employed in 2012). (Eurostat 2014) Our analysis proves that unemployment is a key factor of vulnerability in a similar way for both

⁷ Homeownership is widespread in Romania; in 2012, the proportion of homeowners was 96.6%.

⁸ The **housing cost overburden rate** is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40% of their disposable income ('net' of housing allowances).

categories scrutinized here. Furthermore, when looking to average worked hours in a household, the analysis also indicates that both types of households are in a comparable situation where low activity contributes to remaining in poverty and precarious prosperity. The changes in the labour market in the post-communist Romania conducted to a very complex mixture between formal and informal employment. The informality is sometimes hidden by inactivity or self-employment. Statistical data on working status in Romania shows that, in 2014, only 67% of active population (15-64 years old) were standard employees, 1% self employed with employees, 19% self-employed without employees and 12% unpaid family workers. (Eurostat 2014) The category of self-employed without employees is very vulnerable, working without work contract. (Preoteasa 2015)

Education is a key factor protecting people from poverty and vulnerability, especially given the better labour market opportunities and access to higher-paid jobs for those with higher education. (Bowles et al. 2001; OECD 2008) In our analysis, there is a negative relationship between high-education and poverty and precarious prosperity. This finding is in line with both theory and previous analyses of poverty. It is unlikely for people with high-education to be present in the types of households under scrutiny here.

Health problems, similarly to low education or unemployment, contribute to poverty and even increase the persistence of poverty. (OECD 2008; Marginean et al. 2006) Our results show a contribution of poor health (functioning as a strong limitation on physical activity) to poverty, while this factor does not make a significant contribution to precarious prosperity.

According to expectations, the analysis shows that *welfare benefits* are present in households in poverty, but not in those in precarious prosperity, which, being above the official poverty line, do not qualify for such benefits.

Household production appears to be significant factor for poverty and precarious prosperity as well. In fact, household production in Romania has been, especially during the economic recession times, a major income source for the most vulnerable households, while also contributing to remaining above the poverty line for another important proportion of the population. (Stănculescu – Pop 2009) Here, the evidence points to household production as a mere survival strategy. The scarce opportunities on the rural labour market and the deficient infrastructure in rural setting contributed to turning the model of agricultural production at household level into the main solution for rural population. (Preoteasa 2015) When looking at *household type*, the analysis proved that, in the case of both poor and precarious prosperity groups, households with dependent children have a higher probability of belonging to the respective categories. In the case of poverty, Eurostat data also shows that households with dependent children run a higher risk of poverty; in 2012,

couples with two children had a 27.2% relative poverty risk, while those with three or more children had a 59.8% relative poverty risk, which is much higher than the total poverty risk (22.6%). On the other hand, single adults and couples without children seem to be cushioned from the risks of being in either poverty or precarious prosperity.

Concluding remarks

Romania is one of the poorest countries in the European Union, with high levels of relative poverty, high levels of material deprivation and a low median income. When exploring both income and deprivation, we understand that vulnerability extends beyond the relative poverty threshold and encompasses households which are situated above the poverty line, but have low incomes and are severely deprived, even though they do not fall into the typical ‘poor’ category. This layer of population, referred to here as the precarious prosperity group, shares a range of similarities with the poor in terms of socio-demographic attributes at the household level. Similar factors like residence, housing type, unemployment, household production and household type have an impact upon the likelihood of being in poverty or precarious prosperity. This shows that, even though not considered to be poor, and consequently not qualifying for welfare benefits, these households share analogous profiles to those in poverty and might face similar hardships. The paper therefore stresses the need for further research into the living conditions and quality of life of these non-poor who are living in the vicinity of poverty.

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