

Executive Summary

Section 1 – Bibliographical Information

Title: *Rapid Assessment of the social and poverty impacts of the economic crisis in Romania*

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Region: CEE/CIS

Country: Romania

Type: Study

Languages: English

Section 2 – Summary

Background

This final report includes the outputs of the fourth round of the *Rapid Assessment of the social and poverty impacts of the economic crisis in Romania*. The Rapid Assessment of the impacts of the economic downturn in Romania was initiated and supported by UNICEF in collaboration with the Social Development Department (SDV) of the World Bank. The research started in June 2009 and continued with other three rounds in November 2009, May 2010, and December 2010.

Purpose/Objective

This exercise has been designed as a panel study based on qualitative research techniques for gathering information that illustrate the diversity of crisis impacts within households and communities. All four rounds of the rapid assessment have been focused on the same channels through which the impacts of the crisis are more likely to be transmitted:

- (1) The contraction in demand for labour in both formal and informal sectors of the economy.
- (2) A cessation, reduction or growing unpredictability in the flow of remittances from family members working overseas (largely in Spain and Italy).
- (3) The particular impact of the crisis on children and their school participation.

The objective of this panel study has been to gather qualitative information that supplement the available quantitative data on the impacts of the crisis. Such kind of data was no longer available for the year 2010. Consequently, the third and fourth rounds of research (from May 2010) drawn on various quantitative data available.

Methodology

The panel study is based on qualitative research techniques (focus group discussions and interviews). In addition, the study included in this round a case study in a ghetto-like community from Alba Iulia (the block G2-Turturica) for illustrating the impact on children and their school participation.

For this round, the research team carried out 24 focus groups, which represent over 28 hours of recorded discussions. The sampling of participants in the groups is based on the transmission channels of the impacts of the crisis in Romania: (i) labour market - employees in formal and informal sectors and unemployed and (ii) remittances - persons who returned from abroad as effect of the crisis or representatives of households receiving remittances. In all focus groups, at least one participant has children (0-18 years). During the period of conducting the study, the panel participants changed their employment status and, therefore, only in the first round of research, participants fully complied with the selection criteria for focus groups.

All focus group discussions cover ten areas and ask people to assess, for each of these areas, the situation from June 2009, October 2009, July 2010, and December 2010 – altogether forming a set of about 300 variables. The ten areas cover the three transmission channels of the impacts of the economic crisis, specifically on changes in the areas of paid and unpaid labour, remittances and implications of the abovementioned changes for the household consumption. In addition, the participants were asked to assess the global impact of the financial crisis over their households and how they expect it to change in the future.

While rapid data assessments are not statistically representative, they provide important insight on the changes produced at the level of vulnerable groups included in the panel.

Key Findings and Conclusions

The conclusions are focused around the three transmission channels of the effects of the economic crisis. Impact on children is traced throughout the entire study.

(1) Demand for labour in both formal and informal sectors of the economy

Romania suffered a strong contraction in economic output during the crisis. The recession started in the third quarter of 2008 and deepened sharply in 2009. Compared with the third quarter of the 2008, the total employment contracted by 3.5%, which has been low within the European context. Nonetheless, the situation appears much worse if we focus only on employees, which represent most of the non-farming employment in Romania. In Romania the fall in non-farming employment (employees) is much stronger than the decline in GDP and much larger than the EU-27 average.

The number of employees has considerably declined in the private sector, with more than a half of million, particularly in manufacturing industries, constructions, retail trade and

transportation. In the public sector, the number of employees followed a different trend: increased until January 2009 and has started to decline only since February 2009. As consequence, the job crisis is perceived as generalized.

The job crisis has hit young (including faculty graduates) and people over 45 years hard. Particularly in rural areas and smaller cities the work opportunities for these two age categories is very scant.

Middle-income groups of population have experienced the greatest impact of the economic downturn. Theirs were the jobs that were destroyed, theirs were the wages that were cut and/or theirs were the remittances that diminished.

The more vulnerable informal workers, including the Roma ones, had insecure low-paid jobs even before the crisis. As the economy contracted their situation worsened and, consequently, the perceived impact of the crisis turned from 'large' to 'very large'.

The job-seekers assess the availability of work as problematic. For the groups of formal workers, unemployed and receivers of remittances the availability of work changed from 'medium' in summer to 'bad' in winter, whereas for the groups of informal workers it has invariably been 'very bad'.

Impact on children of contraction in demand for labour in both formal and informal sectors of the economy.

The economic crisis put pressure on all household members but in different ways. While the main breadwinner, mostly men, has to face psychological pressure caused by the insecurity of income, the 'household manager' in charge with shopping, housekeeping and carrying for children, mostly women, has to cover daily needs under conditions of decreasing income and increasing prices.

Particularly women employed in the formal sector bring into discussion exploitative practices and the difficulty of keeping the balance between work and family. This is a result of increased working hours for without an increased income, so that 'for the same money, we work more and see our family less'.

Most parents described their efforts to protect their children against the drop in income and consumption. There are significant differences, however, according to the household financial resources, the number of children, but also the adults' attitude towards their children. the average amount of money spent per child in a regular month has greatly varied from 131 euro, for the children from households of formal workers, and 9 euro, for the children of the Roma informal workers.

(2) Flow of remittances from family members working overseas

The economic crisis has added negative financial effects to the existent damaging effects upon the family environment. Almost one in every three households with migrants abroad has experienced a fall in remittances.

The decrease of remittances, the erosion of all types of income and the increasing prices resulted in a change of the household consumption pattern. As the crisis deepened over 2009 and 2010, households have had to spend more on food, health and utilities, while holidays have been drastically cut. Expenditures on education were severely cut in the households without children but also in 27-29% of the households with children (with or without migrants working abroad).

Impact on children of the flow of remittances from family members working overseas

The households with children and parents/relatives abroad receive remittances in significantly larger share than childless households with migrants abroad. Nonetheless, about a third (31%) of the households with children and parents/relatives abroad received neither remittances nor packages between September 2009 and August 2010. Furthermore, among households that received remittances, only in about a half the money from overseas contribute significantly to the household well-being.

In the research rounds from 2010, issues related to children with parents working abroad were more frequently brought into discussions, namely (1) difficulties of (grand)parents in providing basic necessities for their (grand)children, (2) difficulties of parents employed abroad in finding working arrangements that would allow them to care for their children and (3) difficulties related to the visits either of migrants in Romania or of their children to going abroad.

In addition, community representatives have expressed concerns regarding the 'home alone' children related to their declining school attendance, worsening school performances and, less frequent, to emotional and behavioural disorders. The problem of children without parents at home is critical and it has a high probability to intensify in the near future so that a policy addressing this issue is definitely needed.

(3) The particular impact of the crisis on children and their school participation

Impact of the crisis on children has been investigated in areas such as nutrition, health, school attendance as well as distribution of household expenditure categories for children. Although panel participants with children consensually mention their efforts in keeping the children 'out of the reach' of the economic crisis, important differences arise between groups and between categories of expenditures.

The participants with children underline that the food consumption has been kept constant for children 'not matter what we should bear', in spite of the fact they have started to buy less and cheaper food. Only expenses for food specific for children, particularly sweets, fruits and beverages, have been reduced. Correspondingly, they think that the nutrition of their children has been 'good' or 'very good' during the crisis. Only the Roma informal workers describe the nutrition of their children as being declining from 'rather good' to 'so and so'. Nutrition of children seems to be more problematic in the households with two or more children, particularly in those of Roma informal workers.

In the area of the non-food expenditures for children, spending with extracurricular activities such as private lessons, dance lessons, trips or camps have been progressively diminished from June 2009 to December 2010, particularly in the households of Roma informal workers and in those with migrants working abroad. Even more drastically cuts were recorded with the spending for anniversaries, parties and celebrations, particularly in the households with two or more children.

The school attendance has been constantly assessed as 'very good', except for the children of the Roma informal workers and those from households with migrants working abroad, which was rated as 'good'. In the same time the school performances have been persistently evaluated as 'so and so' for the children of the Roma informal workers, 'good' for children from households with migrants overseas or those of informal workers, and 'very good' for children of unemployed and formal workers.

Data on the school related expenditures confirm the main results of the research on 'hidden costs' of education, namely that *Free education costs!* in Romania. Most of the households with children included in the panel allocate a monthly average amount of 30 euro per child for the school related expenditures.

Specifically due to the high costs related to education, participants to the rapid assessment brought into discussion the difficulties linked to continuation/ completion of vocational school, high school or university by their children. More so given that the 'quality of education provided in our schools' is 'poor' or 'very poor'.

The study documented changes in specific areas of transmission channels, differentiated by type of vulnerable group. Impact on children runs through the research themes. However, in order to in-depth capture the current situation of child well-being in Romania, there is a clear need for a different methodological approach able to focus research questions around the child vulnerabilities in times of economic crisis.