Aspects of Population Savings and Quality of Life in Romania

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Abstract

The study aims to identify the economies and living conditions of people in Romania and perspectives on the current year. Research surprises the following aspects:
- *Analysis of income and household consumption in the current period;*
- *Analysis of savings in the same period.*

The survey provides the necessary information to assess income, expenditure and consumption. Diversity of thematic area of investigation allows for deeper analysis of the socio-economic situation of the population and households.

Key words: population, structure, households savings, income, consumption
J.E.L. Classification: H5

1. Introduction

Saving process developments have focused a significant number of economists who have shaped many opinions, opinions that have led to a number of definitions of this process. Thus, when reflecting on the notion of saving the first thought that we can stop is that signify a constraint, something different of consumption, but an accumulation at the same time, a resulted stock of wealth. But over time they have outlined a series of theories and models of the saving process that highlighted different ways through the present saving activity influences the future one and identifies the sources that can lead to a continued growth. These theories have evolved over time, depending on the dynamics of economic reality and the evolution of economic analysis tools.

In the present context the saving is in fact what was not invested, and the actual savings is only the support for general liquidity to invest, the economy is influenced by a number of subjective and objective factors, general and specific. In essence, we can say that we are witnessing a worldwide increase in the trend of saving both the developed and the level of transition. The studies have noted increase population savings and decrease their consumption as a result of monetary stabilization (inflation control), price liberalization and the transfer of part of the state property to private ownership (privatization).

Income is a fundamental resource for high quality of life. In our study, income is among the least valued aspects of quality of life. A third of the population believes that revenues do not get any basic needs and another third that revenues go only for essentials. Very few households (14% in 2010) manage to save and nearly half of households (46% in 2010) states that can not meet monthly expenses.

In international comparative perspective, according to latest available Eurostat data, Romania was in 2008, the last place in the European Union on income, with incomes from two times to fifteen times lower than in other countries (except Bulgaria).

A solid majority (74%) think negative living conditions in 2010 compared to those in 2009, deeming them worse or much worse.

For many aspects of material conditions of life, in 2010 there was a return to the year 1999 level, another moment of socio-economic crisis.

Material conditions represent the essential pillar of a quality life. In any society, people must have material circumstances - resources obtained through personal effort, and ultimately by government intervention - allowing them to live a good life, according to social norms. Also, quality material conditions have a strong influence on other areas of life such as education, health, profession, leisure or subjective well-being. This chapter includes assessments of the respondents regarding material conditions available to people, focusing on housing and income. Specifically, it answers the following questions: What are the sources of income of the population? What is the place of Romania in the EU, regarding the income? How valued is the population income? To what extent revenues covers people's needs? To what extent do people resort to loans? Can they save? How rich is considered Romanians and what social class they place themselves? How people appreciate the popular general living conditions in 2010, less than in 2009? What is the level of satisfaction with personal finance?

2. Income - psychological and commercial mobile of saving process

In recent years, we see that the country's economic and social life changes have made a significant mark on the standard of living, thereby affecting the income of the population. Diversifying sources of income, developing secondary activities and free enterprise, not only prevented the widening gap between different socio-occupational categories, but appears to be accentuated inequalities and social polarization.

The main sources of household income are wages and pensions / social benefits / allowances. Table1 shows the proportion of households that have these sources of income. In addition, it is given the weight of each source of income in total household income. Apparently it has not been created a favorable course of activities as entrepreneur. Dependency ratio of retired / social assistance and employment indicates a worrying situation.

*Table no. 1. Sources of origin of household income (%)*

Income from:	1993		2010	
	The proportion of households	Share in household income	The proportion of households	Share in household income
salaries	73	51	59	55
Activities such as entrepreneurial	2	5	3	2
property	0	0	1	0
Sale of agricultural products	8	3	5	2
occasional activities	10	4	13	3
children benefits	37	1	33	2
unemployment	11	0	4	1
Pensions, social benefits, allowances	44	12	54	25
scholarships	0	0	1	0
other income	3	3	3	1
self-consumption	64	20	49	8

Source: Processing statistical data published by INSE

Romania and Bulgaria join, with low income, but other countries have from twice to 15 times more income per person. Income is a fundamental resource for high quality of life. In our study, income is among the least valued aspects of quality of life. When asked *how do you characterize the family income?* most respondents felt that they are the most satisfactory. Only 24% of

respondents consider income as "good" and "very good" while 35% are considered "bad" and "very bad".
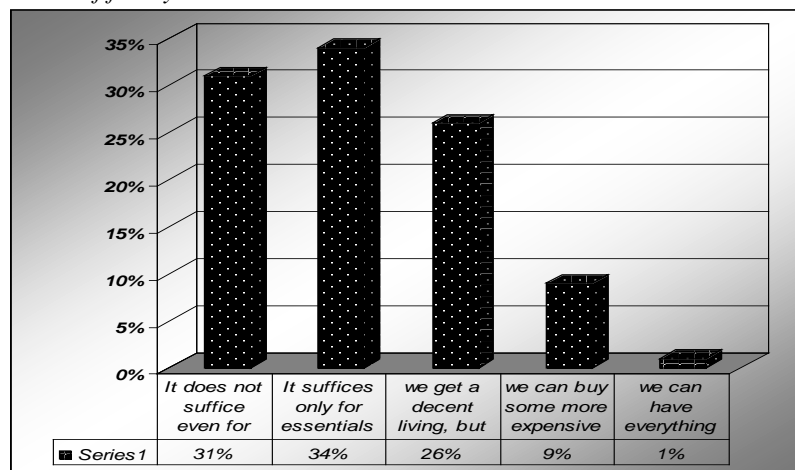
Chart no. 1 Assessment of household income

◼ Series1	very bad	bad	satisfactory	good	very good
	14%	21%	39%	22%	2%
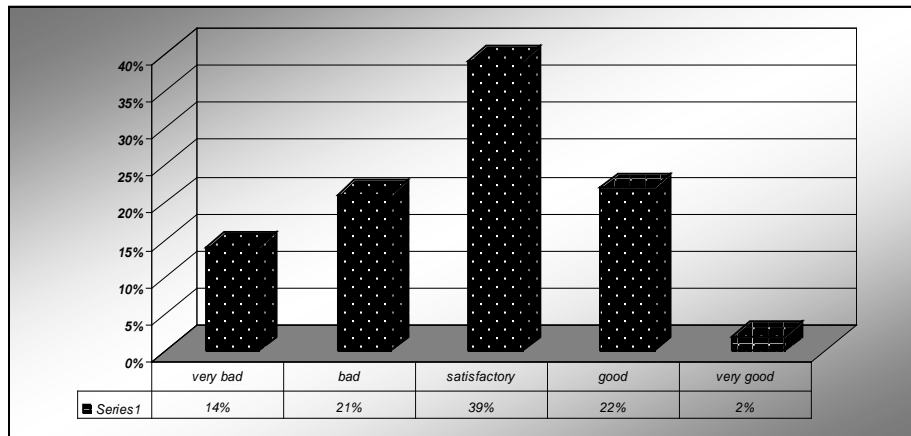
Source: Processing statistical data published by INSE

When asked to report family income to consumption needs, one third of respondents say it's not enough for basic necessary. A quarter of the sample believes that they lead a decent living, but they not afford the purchase of more expensive products.

Chart no. 2 Assessment of family income in relation to consumer needs

◼ Series1	It does not suffice even for	It suffices only for essentials	we get a decent living, but	we can buy some more expensive	we can have everything
	31%	34%	26%	9%	1%

Source: Processing statistical data published by INSE

In time, the needs assessment in relation to revenues remains at low levels. We can see that Romanians are difficult to reach a high threshold of perceived welfare. The most difficult years were 1998-1999, so that, since 2003, is visible a slight increase in the percentage of those who believes that family income is sufficient for a decent living, but not afford anything more expensive. Looking at the evolution of the proportion of those who choose the version *does not suffice for basic necessities*, we conclude that subjective poverty threshold is the same level as in the mid 90s.

At worst characterizations at income in relation to needs (*we do not get for any basic needs*) are found in those without school or have graduated from middle school up. As we advance in years of school graduation assessments are improving, the best (*we can buy some more expensive items, but with effort*) was seen in those who have completed a post high school or higher education. The most disadvantaged groups are farmers and pensioners: 35% of those who say that the income is not enough for basic necessities are the farmers and 26% retired.

3. Consumption – complementary factor of saving process

Economic literature committed to saving is continuously enriched with new and new contributions, domain attraction results from its pragmatic nature, from inclination to bend the theories to "proof of facts" respectively investigating their consonance with contemporary realities. The works on which we stopped are the most cited in this sphere , constituting the core of scientific concerns of this kind.

A second important factor influencing the process of population consumption is savings.

Gradually, it was realized that there is interdependence between the income of the population and spending money. However, daily realities highlight the complex nature of the interaction between income and expenditure in the sense that there is no identity and no absolute causal relationship. Thus, we consider that the relationship between revenues and expenses are subject to the action of a multitude of factors that exert a complex action, often in contradictory ways.

Increasing the population's money incomes do not lead to uniform increase of all components of costs from prior periods. Overall, dynamics and structure of consumption expenditure recorded different rhythms and meanings in relation to income growth, in that with traditional spending, new requirements arise that lead to the formation of new categories of expenditure. Factors influencing consumption are those elements of economic life and social-human nature, objective and subjective, which increase or decrease in consumer spending at a time, or for a certain period of time and in a geo-socio-economic space.

Thus there are two categories of factors (subjective and objective) that influence consumer demand. The first category of influence factors is the result of conditions generated by economic life. In this way, we can distinguish:

Figure no. 1 Consumption and its determining factors
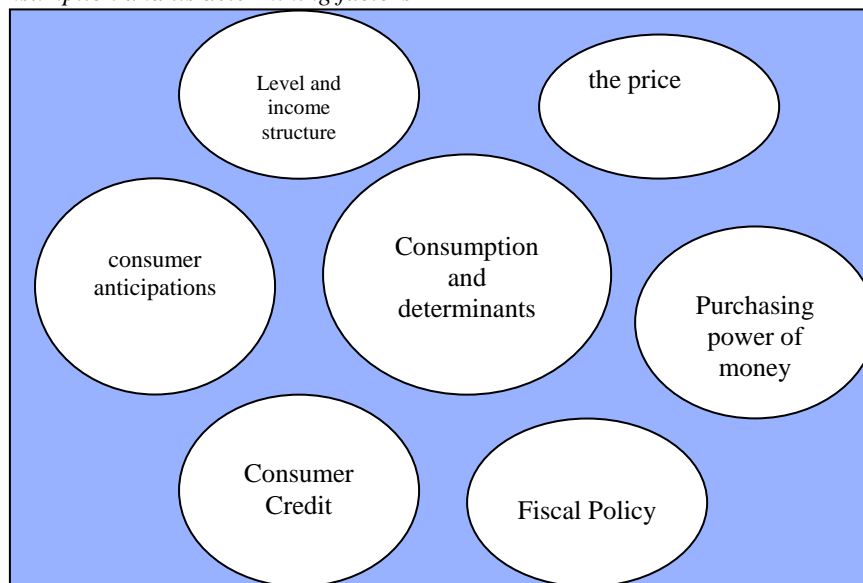
In 2001, food and soft drinks had a 52.2% share in total consumption expenditure of households, 13.5% of expenditures were designed to cover the costs of housing, water, electricity, gas and other fuels, 6 % of the money went on alcohol and cigarettes, 6% is the share of the costs with clothing and shoes. The remaining expenditures (education, health, communications, transport, etc.) had a share of 22.4%.

Ten years later, in the first quarter of 2011, the expenditure pattern was different: food share felt to 42%, the costs of clothing and footwear felt to 3.9%, while alcohol and tobacco have reached 7,2%, more in the next picture. Data source is NIS.

In other words, in 10 years we managed to reduce by 10 percentage points the share of food expenditure, and if we keep this rhythm, in over 25-30 years we will catch up with those in the West, where this type of expense is accounting for most 15%.

In principle, the share of food in total consumption expenditure of households is higher, that family is poorer, since most of the money goes to cover basic needs.

Also in these 10 years, the share of health expenditure increased from 2.7% to 4.8%, education has kept the share of 0.7-0.8%, transport costs have increased from 5.3 % to 5.8%, and communications have increased their share from 3.9% to 4.6%.

4. The savings

Saving is a behavior that benefits in times of crisis, those reserves can cover temporary revenue deficit of reduced earnings, job loss, etc.

In the month of May 2010, after spending the household, 14% of respondents were able to save some money. Saving behavior is more likely in households where at least one person has completed a post high school or tertiary form, has an occupation with higher education, living in a city with 100,000 inhabitants or more. data suggest, on the one hand, that education has an important role in ensuring a decent living sustainably, through two mechanisms: (1) build professional skills required to manage the situation on the labor market and (2) acquiring a way of relating to life rationally and critically, making possible the organization and planning behaviors. On the other hand, the data suggest polarization between rural / urban small and large urban area (cities over 100,000 populations) in terms of access to opportunities for long-term quality of life.

Among those who failed to save, 46% said they did not meet the costs of last month. Of these, 23% had savings that used to manage the difficult moment, 55% had to borrow money, and 42% still owe to banks or individuals.

5. How the crisis influenced the structure of revenues, expenditures and savings of population

According to published on Tuesday INS data, in T4.10, the total average monthly income of households were 2308 lei, down by 3.4% from T4.09 and by 0.5% from T4.08. In other words, the last two years, revenues have virtually stagnated, while prices rose by nearly 14%, which means that purchasing power has declined accordingly.

In terms of expenses, those totaled 2,114 lei, down by 1.3% compared to last quarter of 2009, but 1.6% above the level recorded in last quarter of 2008.

Income of population

Of the total income of households, wages had a share of 48.6%, percent down from 2008 when the share exceeded 50%. Meanwhile, income from social benefits climbed from 22.3% in T4.08 to 25.3% in T4.10.

Decrease in wages was determined so that state employees have suffered a reduction in wages by 25%, and the fact that the number of employees decreased from 6.348 million last quarter of 2008, to only 6.09 million last quarter 2010 (this includes the work on black).

Expenses of population

But really interesting is the evolution of population structure of consumption expenditures over the past two years - overall, in T4.10, consumption expenditure of households totaled 1,515 lei per month, up to 27 lei (1.8%) than T4.08, but as prices have risen in the meantime, consumption was reduced in volume by about 12%.

How did the structure of expenditures evolved in the last two years:

- expenditure on purchasing food products and soft drinks increased by 0.8 percentage points, from 40% to 40.8%, which in absolute amount is an increase from 595 lei to 618 lei (3.9 %);
- expenditure on purchasing alcohol and tobacco rose from 6.9% to 7.7%, increase in absolute amounts was 13.6%, from 102.6 lei in 2008 to 116.6 lei in 2010. This development shows that significant price increase did not result in a decrease in consumption as people prefer to cut from somewhere else than to stop smoking or alcohol.
- also increased was the share of health expenditure and transport, details in the next picture.

- and that in terms of income should decrease your expenses somewhere, reduction was felt most in funds allocated to purchase shoes and clothing (amount decreased by 16% from 110 lei to 92.4 lei per month), and in recreation and culture costs (-13.6%, from 68.4 lei to 59 lei).

Saving

In the fourth quarter of 2010, household spending accounted for 91.6% of total revenues, so increasing percentage from 2008, when expenses were 89.8% of revenues, and from 2009, when expenses were 90.6% of income.

In these conditions, taking into account that the number of households is about 7.4 million, resulting in T4.10 that the population has saved approximately 4.3 billion, with 0.98 billion lei or 18.5% less than same quarter in 2008 and 1.2 billion or 21.5% less than T4.09.

Throughout the year 2010, savings have reached 21.4 billion lei, up from 23.9 billion in 2009 and 19.2 billion in 2008. In 2007, the year of full exuberance of consumption, savings totaled almost 13 billion.

6. Conclusions

Selfplacing of the respondents on a poor-rich scale (defined by values from 1-10) shows a rather poor situation, a frequency distribution massive located on the first half of the scale.

Positions 1-5 were 76% cumulative frequency and positions 6-10 have only cumulative frequency of 22% 5. Extrapolation to the population of obtained values in poor-rich scale research should be done with extreme reserve that poor and rich were less likely to be contained in the used sample size (1161 subjects). However, it is expected that the population level 1-2 positions have, in fact, higher frequencies, as, although with low values, the 9 - 10 positions would likely be chosen.

Evolution in time of poor-rich scale evaluations shows a very slight improvement in the situation after 1999, when there was the most critical situation.

Only 13% of subjects were placed over level 5, in 1999, compared to 16% in 1994 and 22% in 2010. Also, in 2010 the first two levels recorded 14%, compared with 20% in 1999. In 1994 these two levels were the lowest frequency of all time, 10%.

Most people have a definite perception of their place in society, identified with a certain social class: 33% of respondents feel that they belong to middle class, 43% are placed in the working class and 22% believe they are part of the peasantry.

Only 1% of the sample thought they are part of high class. The middle class self placing is more likely for those who choose positions 6-8 of poor-rich scale. In fact, perception of their place in society is dependending on education and occupation: the number of years of absolved formal school increases and occupation requires more complex skills and knowledge, the more likely is the self placing in the highest social levels.

The data presented lead us to conclude that, in Romania, welfare is capped for most people at a low level. At the limit, we can say that the vast majority of Romanians goes up a decent living. The most affected are rural residents and small towns. Year 2010 marks the return of the negative assessments regarding the standard of living at the early '90s recorded values.

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