

Understanding Romania's Poverty: A Historical Overview of Economics and Politics and Their
Implications on Poverty Today

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Abstract

Romania is a country with a high-income economy that is experiencing considerable growth following its economic reforms of earlier decades. With growth, tendencies for an unequal society are prevalent. Therefore, appropriate economic policies that are specifically targeted toward bottlenecks are essential. This thesis seeks to outline the major types of poverty in Romania while also offering actionable entrepreneurial and educational insights that practically combat poverty at its roots.

Understanding Romania's Poverty: A Historical Overview of Economics and Politics and Their Implications on Poverty Today

Romania is a country in southeastern Europe, home to over nineteen million people. With a rich history that spans centuries, Romania has been shaped by many influential events, but none more so than the long-lasting impact of communist rule. For over forty years, the country was under the grip of the ideological regime that has left a lasting mark on generations to come. In the early 2000s, Romania has shifted their focus from soviet influences by joining the North Atlantic Treaty Organization and European Union. These strategic decisions were contemporary to the transition toward free markets. Various political motivations accompanied the switch which made it challenging to privatize in an absolute sense. According to the World Bank, national GDP is on the rise and has been for the last seven years, except for the anomaly caused by the COVID-19 pandemic (The World Bank, 2020). Despite the health crisis, GDP rose back to normal levels, but under the surface of basic macroeconomic success lie numbers that portray a more accurate image of the country's economic standing. Having a Gini coefficient of 35 places it with the fourth most unequal income distribution in the EU (World Bank, 2019). Its economy is growing, but it still is plagued with relative inequality considering it is a member of the EU. This inequality is exacerbated by racialized and segregated poverty.

The following thesis will be a literature review divided in three main sections. The first will explore the history of poverty in Romania, starting from the interwar period and continuing to the present day. The aim is to understand how Romania has struggled with poverty throughout its history, considering the impact of World War II, the legacy of communism, and the challenges of post-communist transition. The second section focuses on contemporary forms of poverty in Romania, including in-work poverty, rural poverty, and racialized and segregated

poverty. The objective is to examine the factors that contribute to each of these forms of poverty, such as limited access to education, low wages, lack of job opportunities, and discrimination. This section aims to provide insight into the unique challenges that the country faces in addressing poverty. The final section of the paper investigates best practices for governments to alleviate poverty in Romania . This section proposes potential solutions for in-work and rural poverty, such as improving access to education and training programs and exploring entrepreneurship as a means of creating new opportunities. Additionally, the paper examines potential solutions for racial and segregated poverty, such as developing policies that promote social inclusion and improving access to public services. The ultimate goal is to contribute to the ongoing dialogue around poverty reduction in Romania and other countries facing similar challenges.

Within Romania lives the largest ethnic minority in Europe, namely, the Roma population. Also known as Romani people, they have a rich history that spans over a thousand years. The origins of the Roma can be traced back to northern India, where they originated as a community of traveling musicians and entertainers. Their migration out of India started over a thousand years ago, and they have since spread throughout Europe, North Africa, and the Middle East. Over the centuries, the Roma have faced discrimination, persecution, and forced assimilation in many of the countries they have settled in. This has led to a deep-rooted sense of mistrust and fear towards outsiders, which has contributed to their marginalization in many societies. Today, the Roma continue to face discrimination and poverty in many parts of the world, including Romania. In Romania, the Roma are the largest ethnic minority group, comprising around 3% of the population. They are also one of the poorest and most marginalized groups, with high rates of unemployment, illiteracy, and poor health. Despite efforts to improve

their situation, the Roma in Romania continue to face challenges in accessing education, healthcare, and employment opportunities. The situation is further complicated by discrimination and prejudice, which make it difficult for them to integrate into mainstream society (Britannica, 2022).

The history of the Roma population has implications on data today. According to a European Union for Fundamental Rights (FRA) report, approximately 78% of Roma in Romania are at risk of poverty compared to 53% of the general population (FRA, 2022). Additionally, unemployment plays into cyclical patterns of poverty within the Roma community. According to the same report, 41% of Roma aged 20-64 declared their main activity as paid work compared to the national average of 71% for the same age group (FRA, 2022). Within the Romanian population approximately the poorest 20% of households earn 5.7% of total income (OECD, 2021). Additionally, the at-risk-of-poverty rate in rural Romania is the highest of any European country at 39% (Ulman & Dobay, 2020). Therefore, it would be worth considering the bottlenecks keeping Romania from developing an advanced economy with better income distribution while keeping in mind practical changes worth implementing. The following section will aid the bottleneck identification process by providing relevant historical context.

Historical Context of Romania

The history of Romania spans over 2000 years and contains complex developments as it sought to craft a strong identity. The region that now comprises Romania was first inhabited by the Dacians, an Indo-European people, around 2000 BCE. The Roman Empire conquered the region in 106 CE, and the province of Dacia was established. The Roman influence on the area is evident in the name Romania, which derives from the Latin word for "citizen of Rome."

Following the collapse of the Roman Empire, Romania was invaded by various groups, including the Goths, Huns, and Slavs. In the 13th century, the region became part of the Kingdom of Hungary, which dominated the area until the 16th century when it fell under Ottoman rule. The Ottoman Empire controlled the region for nearly 300 years, and during this time, the Orthodox Church gained significant influence in the region. In 1859, Moldavia and Wallachia, two principalities in the region, merged to form the modern state of Romania. Due to their geographic position, they were influenced by the eastern and western worlds throughout their history. This period was marked by a slow increase in political stability as principalities united. By 1866 a constitution was crafted. Inspired by the French centralization of power and the English constitutional systems, it formalized the laws and set a foundation for its identity as a nation. As it pertains to the topic of this paper, the middle ages give context to rurality being a precursor to slow industrialization. In 1881 Romania gained independence from the Ottoman empire with help from the Russian empire setting a precedent for their fight to keep an identity (Hitchins, 2014).

The World Wars

The next historical era started in 1914. It marked the start of the first World War. Romania remained neutral for the first two years, only to join the Allied powers two years later. Poised against the Central Powers, they sought to take over parts of Austria-Hungary with a Romanian ethnic majority. However, the revolution in Russia signaled an opportunity for the Central Powers to take down the capital of unprotected Romania. Approximately 500,000 casualties later, Romania was able to take back its previously lost territory and achieve the goals of a larger Romania one day before the official armistice of World War I (Hitchins, 2014).

The declaration of World War II in 1939 had the Romanian King Carol II adopt a position of neutrality at the beginning of the war. An anti-Semitic group called the Iron Guard grew in popularity as fascism took root all across Europe. They sought to undermine the authority of the king and establish democratic institutions. Ion Antonescu, a former general, unites with the Iron Guard to force Carol II to abdicate the throne. Antonescu then leads the country in an alliance with the Axis powers in response to the Soviet Union annexing parts of their territory. This time gave way to the influence of eugenics. Discrimination against minorities like the Jews, Romani, and Sinti was prevalent. This fact will play into the structural inequalities to follow making it harder to assimilate minorities within the country. In 1944, a coup against Antonescu ended his military dictatorship, and he was replaced with Michael the first. The aftermath of the war had Romania under Soviet domination. They became a Soviet satellite state which adopted a communist political system (Hitchins, 2014).

Communism in Romania

After World War II, Romanian politics started to shift due to soviet influences. In 1948 the Communist Party came to power led by Gheorghe Gheorghiu-Dej. His dictatorship lasted until 1965, when Nicolae Ceaușescu replaced him. These two dictators lead Romania in a way without historical precedent. Romania's history is filled with European ideals; it seemed as though European influence was paused for forty years. The country now had a centrally planned economy that was industrializing faster than ever. Media, religion, land, and education was all controlled by the state. Political dissent was met with imprisonment. The period shaped generations still contemporary to modern Romania making corruption and mistrust the norm going forward (Hitchins, 2014). The rise of the Communist Party and the subsequent dictatorship led to the suppression of democratic ideals and the establishment of a government-controlled

society. The legacy of this period, including corruption and mistrust, remains a significant challenge for modern-day Romania. Understanding this history is critical in addressing the country's current challenges and working towards a more prosperous and democratic future.

The Modern Romanian Government

After the fall of communism in 1989, the Romanian government adopted a democratic system. The multiparty system allowed a fair competition for power through free elections. In 1991 a new constitution was adopted that allowed for a parliamentary system. Trust in the government was at an all-time low, but there was hope on the horizon. It was during this time that significant economic reforms took place. The privatization of industries and land started to resemble European values. Romania solidified its western trajectory by joining NATO in 2004 and the European Union three years later. Unfortunately, the corruption bred during the communist era was still prevalent (Hitchins, 2014). Entering the European Union had many requirements that helped reduce corruption, but post-accession it has had some issues. According to Martin-Russu (2022), "after January 2007, Romania experienced a backslide of its public integrity reform, executed through well-concealed attempts to subvert the legislation by means of procedural maneuvers and through a non-linear approach to reform reversal" (p. 8). However, all-in-all, Romania has seen many positive advancements from its Europeanization due to the new external accountability it had to the union. This section on the historical context of Romania provided a backdrop for how the nation developed into what it is today. In order to find the economic bottlenecks of the country the next section will examine Romania's history through the lens of poverty in order to zoom in to the economic context of the country.

The Economic Context of Poverty in Romania

Romanian poverty has seen significant improvements throughout the years. The shifts in economic and political doctrines altered the lives of the poor and rich alike. Social and political events have been at play throughout the process. The unification of the Romanian principalities in 1918 widened the target of policies to come. Wars, inequality, and newly won land required land reforms. In the communist years, this land was no longer privately owned, and farmlands were collectivized to pay off war debts (Stanciu & Mihăilescu, 2018a). Understanding the history of poverty in Romania is essential to recognizing relevant patterns and proposing solutions.

The Perilous Times of 1918-1945

After the end of World War I, Romania lost much territory to a myriad of treaties. Many citizens were displaced, the infrastructure was severely damaged, and debts strained the economy. Markets and industries were severely disrupted. In addition, inflation and food shortages affected most of the population as they navigated perilous times. The main goal of the Romanian authorities was to identify and evaluate the damages caused by the war. As they discovered their country's state, they enacted various policies to reduce inequality. One of the significant events was the land reform of 1921. It aimed at redistributing land throughout the country and improving the standard of living for the rural population. It was a response to the increase in poverty and social unrest taking place. The policy outlined limits on land ownership, which broke large estates and redistributed them to the rural population (Stanciu & Mihăilescu, 2018a).

The stage of economic recovery lasted until 1929, when the Great Depression signaled future economic regression. According to Stanciu and Mihăilescu (2018a), "In 1930, about

90.6% of Romania's active population worked in the field of land use" (p. 18). At this stage Romania was considered an agricultural country. That period was met by high inflation and unemployment. By the end of the decade, Romania became an agrarian-industrial country with 10% of the workforce in the industrial sector. The vast majority of the agricultural population at the time struggled to meet their needs. Three-fourths of the agricultural population owned 5 hectares or less in a setting where 10 hectares or more were needed to maintain sustainable agricultural practices. Stanciu and Mihăilescu mention how "nutrition expenses represented 6/7 of the household's expenses with less than 3 ha, 3/4 for the households with 3-5 ha or 5-10 ha" (2018a, p. 22). The numbers speak of the famine affecting a war-torn nation. The 1930s marked a period of industrial growth as more people were moving to urban locations for work.

Table 1

The number of employees in big industry during the years 1932 to 1938

Branch	1932	1933	1934	1935	1936	1937	1938
TOTAL	152.198	184.777	208.24	230.797	260,934	278.919	289.117
Grocery shop	20.72	28.254	29.828	31.334	33.146	34.724	38.376
Cleaning	13.753	17.179	20.282	22.539	21.685	27.626	28.298
Metallurgical	26.083	31.319	37,796	43.705	55,861	49.529	51.321
Textile	38.074	47.681	50.562	54.228	61.703	70.45	74.077
Woodworking	24.056	26.375	31.228	36.309	39.974	44.16	43.326
Leather	6,647	1.075	9.766	9.853	10,952	11.959	13,366
Paper	8.916	9,686	11.585	12.788	13,915	14.78	15.222
Building materials	9.807	10.69	11.051	13.226	14.91	16,065	15.104
Glass	2.866	4.299	4,634	4,800	5.775	6.088	5,691
Electrotechnics	592	509	621	998	1.469	1.95	2.684
Ceramics	684	710	887	1.017	1.544	1.588	1.652

Note: From "Poverty Evolution and Social Situation. 1918-1945," by M. Stanciu, and A. Mihăilescu, *Journal of Community Positive Practices*, p. 23 (<https://www.proquest.com/docview/2213785177/abstract/B569F7B5C5044315PQ/1>). Copyright 2018 by Journal of Community Positive Practices.

The results in Table 1 (Stanciu & Mihăilescu, 2018a, p. 23) corroborate the increasing demand for workers in industrial cities throughout the country. An increase in workers across industries

is a healthy sign of economic growth. Additionally, it marks the start of a decrease in the rural population as they seek out opportunities in the cities.

The aftermath of World War II left Romania with new land but at the cost of a significant death toll and massive debts to the Soviet Union. Romania lost approximately one million citizens to the war effort. Materially, they lost approximately 10 billion US dollars from 1939 to 1945. Inflation sky-rocketed along with consumer price indices. Everything became more unaffordable, agricultural capacity decreased, and the population grew weary of the war (Stanciu & Mihăilescu, 2018a). At this point, Romania's agricultural capacity is still at its medieval stage, leaving it about half a century behind. Stanciu and Mihăilescu (2018a) conclude their paper by commenting on Romanian's access to land in the interwar period. Romania had the greatest percentage of impoverished individuals compared to other European nations. In 1921, following a reform, over 74.9% of rural households in Romania possessed less than 5 hectares of land, and about 30.54% of peasants were still without any land ownership by 1937. The group most severely affected by poverty was the peasant class, which was also the largest population segment at the time. The people of Romania worked harder and had lower consumption rates, as this was a necessary means of survival for the majority of the population. The interwar period has a less than ideal precursor to the deadliest war in human history. Romanians suffered many casualties on top of the poverty being experienced throughout the country. Industrialization proved promising, but circumstances did not allow for much of it to take place. After the war started, Romania existed to supply Germany with supplies and the troops needed to keep their sovereignty. Overall, this period left Romania poorer and even more dependent on the countries surrounding it.

Poverty During the Communist Regime 1945-1989

After the war, poverty in Romania was closely tied to the country's political and economic system. The newly appointed communist party had the task of reviving the country at one of its lowest points in history. They confiscated the means of production and implemented a new land reform that sought to abolish the class of big landowners. From 1945 to 1972, Romanian leadership prioritized paying off war debts and converting national wealth into state property. While Romanians' average annual per capita consumption decreased by 20%, approximately 50% of exports were being delivered to the USSR to pay off debts. In turn, this led to food supply shortages and food staples rising by up to 1000% (Stanciu & Mihăilescu, 2018b).

In 1959, the collectivization of the agriculture sector started. Due to initial resistance, the government applied violent measures like imprisonment and confiscation. The peasants would sometimes resort to sabotage due to their low wages. Essentially, they were forced to work in a state of extreme poverty and pay off the national debts. Stanciu and Mihăilescu (2018b) point out the state of property in Romania. Different Central and East-European states had different approaches towards collectivization. While Romania and Albania implemented collectivization in a way that brought peasants into a state of extreme poverty, other states such as Yugoslavia, Poland, and Hungary granted peasants higher land ownership rights. The German Democratic Republic, Bulgaria, and Czechoslovakia assumed the idea of collectivization but offered peasants more reasonable payments like those in industry, which prevented the decay of rural households. The main reason agricultural cooperatives were not working in Romania is that many individuals were forced into giving away their land in exchange for a job which reduced their standard of living.

In the 1970s, Romania was a Socialist Republic. Social services like free education, free public healthcare, electrification, and urban development gave shape to a more industrialized nation. The newly appointed dictator Nicolae Ceaușescu leveraged foreign debt to industrialize the nation. Though industry grew, paying off the debts happened at the expense of a reduction in the standard of living within the country. Many resorted to the black market to supplement their income and receive the needed services. The empty shelves of the socialist market left one wanting. People would use bribes to gain preferential treatment throughout society. Though socialism proposed a classless system, corruption created hierarchies based on power, connections, and the willingness to go behind the oppressive structures (Stanciu & Mihăilescu, 2018b).

The 1980s was well known for the food rations Romanians were subject to due to shortages. The government created a ticket system where each person was given a set number of food tickets. The amount depended on factors like employment and family size. The tickets were used to purchase food staples like bread, sugar, and cooking oil. Long lines and food shortages were common occurrences during that period. The shortages happened for many reasons. The government-controlled distribution of goods was inefficient, corrupt, and layers of unnecessary bureaucracy. Additionally, there was an imbalance of investment. Too much money was flowing into heavy industry. This was evident by the government's inability to feed industrial workers adequately (Stanciu & Mihăilescu, 2018b).

Post-Communism Poverty 1990-2000

After four decades of a totalitarian regime, Romania is disoriented, searching for leadership that will be able to carry out its promises. However, a transition to multiparty democracy and a market-based economy proved pivotal in the long term. The scale of poverty in

the 1990s increased all throughout the country. It had the second-highest rate of poverty in Europe (Stanciu & Mihăilescu 2018c).

Table 2

Poverty rate in Romania. 1995-1999

	1995	1996	1997	1998	1999
Poverty Rate	25.27	19.85	30.81	33.82	41.2
Absolute poverty rate	7.96	5.97	9.53	11.7	16.6

Note: From "Poverty Evolution and Social Situation. 1990-2017," by M. Stanciu, and A. Mihăilescu, *Journal of Community Positive Practices*, p. 30 (<https://www.proquest.com/docview/2250568801/abstract/4B34D99242D94967PQ/1>). Copyright 2018 by Journal of Community Positive Practices

The results in Table 2 (Stanciu & Mihăilescu, 2018c, p. 30) show how poverty and economic development had an inverse relationship leading into the twenty-first century. The country's wealth distribution worsened, with a 35% increase in the Gini coefficient. The process of switching economic and political philosophies increased inequality in the short term, but by the mid-2000s, the poverty rate decreased as the economy started growing.

The period from 1918 to 1945 was a tumultuous time for Romania, marked by war, economic instability, and poverty. After World War I, Romania lost territory and struggled to recover from the damages caused by the war. The country's response to the increase in poverty and social unrest was the land reform of 1921, which aimed to redistribute land throughout the country and improve the standard of living for the rural population. However, the Great Depression of 1929 signaled future economic regression, which was met with high inflation and unemployment. The 1930s marked a period of industrial growth as more people moved to urban locations for work. After World War II, Romania lost approximately one million citizens to the war effort, and the country was left with new land but at the cost of a significant death toll and

massive debts to the Soviet Union. The aftermath of the war left Romania poorer and even more dependent on the countries surrounding it. Poverty in Romania during the communist regime from 1945 to 1989 was closely tied to the country's political and economic system, as the newly appointed communist party had the task of reviving the country at one of its lowest points in history.

Types of Poverty in Romania Today

Romania's geography has shaped many things about it. Caught between Eastern and Western powers, Romania was forced to use diplomacy to keep its sovereignty. Various intellectual currents fought over Romania. In the end, European ideals prevailed as they joined NATO in 2004 and the European Union in 2007. Adherence to these organizations has given Romania an external accountability system to correct institutional flaws. Although progress has been made, there are still some areas that require attention. Poverty is a complex issue with various manifestations. By identifying the most significant forms, targeted solutions can be highlighted to tackle the problem effectively.

In-work Poverty

One of the significant types of poverty in Romania is in-work poverty. Employment has never guaranteed the absence of poverty in Romania. Individuals who work ordinary jobs may not be able to keep themselves or their families out of poverty. They can strive to give their all in the workplace while also dealing with considerable scarcity. While still a minority, 18.8% represents the percentage of employed individuals over 18 at risk of poverty. At the same time, 9.5% represents the percentage of workers with earnings below the poverty line. The latter figure is the highest in the European Union (Gheța, 2017). These statistics point to a complex problem affecting Romania despite its integration into the European Union. In-work poverty has several

leading causes in Romania. The first relates to the high employment rate in agriculture. In 2019, Romania had 21.24% of its labor force work in agriculture compared to the European average of 4.67% (The World Bank, 2021). However, it also is second to last in terms of labor productivity in the EU. Though Romanians are working, the aggregate efficiency of their labor is keeping them poor. An inefficient balance between economic sectors affects the macro economy and individuals. Another factor for in-work poverty is the prevalence of self-employed workers that do not have employees. This, coupled with a low level of employees with tertiary education, exacerbate in-work poverty (Bodea & Herman, 2014).

Another bottleneck to Romanian development is permanent emigration. Given that Romania is part of the European Economic Community, its citizens have the right to live and work in any of the 27 countries. This freedom has benefits and drawbacks, but new European countries tend to suffer from increasing rates of brain drain, demographic challenges, and political instability. The most vital group leaving Romania are the highly educated and skilled individuals leaving their country of origin searching for better opportunities. The flow of migrants primarily benefits the receiving countries, whereas the sending ones are left with less talent. However, the inflow of remittance does help reduce immediate poverty in the country of origin. The main macroeconomic determinants for Romanian emigration are poverty and modest increases in earnings (Simionescu, 2016). One way to reverse the poverty in Romania is to find ways of capitalizing on the human capital development of its citizens, and to attract those that have left to invest their time and knowledge in their country of origin.

Rural Poverty

The second significant type of poverty in Romania concerns the rural population. Increased poverty rates also meet high levels of rurality in Romania. Poverty has always had a geographic aspect (Gallup et al., 1999). In Romania, rural development is lacking, putting many individuals at risk. The World Bank shows that 46% of Romania's population lives in rural areas compared to 25% of the EU (World Bank, 2020). Additionally, 39% of people living in these rural environments are at risk of poverty. These statistics paint a picture of how rurality in Romania has not yet been developed to the standard of their EU neighbors. The main bottlenecks of the rural communities are lack of economic opportunity, agricultural underdevelopment, limited access to services, and poor infrastructure. Lack of investment in these areas hinders the population's ability to change their standard of living. First, they do not have the means to produce significantly more than they need, and second, they do not have safety nets in case of emergencies. Additionally, the lack of opportunity creates out-migration, where the young leave for the cities, leaving behind an aging and shrinking population (Ulman & Dobay, 2020).

Racialized and Segregated Poverty

The third significant type of poverty in Romania is caused by racial discrimination. Within Romania can be found one of the largest ethnic minorities in Europe, the Roma. Derogatively known as gypsies, they are a nomadic community culturally present worldwide. They are estimated to be around 620,000, though the actual figure is believed to be higher (2016). Their migrations started in the 11th century, and nine centuries later, they settled on every continent.

Furthermore, most of their people settled in European countries (*Britannica*, 2022). The history of Roma is remarkably similar to African Americans. During World War II, the fate of

Roma communities changed dramatically. It is believed that the Nazis and their allies killed approximately 1.5 million Roma during the Holocaust. In contrast, the post-war era in the United States saw the rise of the civil rights movement and legal victories that dismantled segregation. However, in Eastern Europe, the Roma were subjected to Soviet control. While they were able to obtain jobs, housing, and welfare, they were not prepared to participate in modern economies. Even after the fall of the Berlin Wall in 1989, the Roma remained marginalized in Eastern European societies. Sadly, their education, which is crucial for their advancement, has remained segregated and substandard (Greenberg, 2010).

The Roma population are more likely to live in rural communities and more likely to be in poverty or at risk compared to their Romanian counterparts. There are many reasons for these facts. Baciu et al. mention that their interview participants rarely mention discrimination but often discuss mistreatment and rejection in the workplace. Their accounts highlight their challenges in finding employment, including a lack of job opportunities, limited education, and rejection based on their Roma identity. Their study aimed to shed light on the institutional factors that perpetuate poverty in Roma communities (Baciu et al., 2016). The solution of education and employment are the common thread between the Roma community and the national rural one.

Potential Solutions

The previous section describes four types of poverty that have been affecting the Romanian economy throughout history. It achieved the purpose of identifying some of the bottlenecks preventing Romania from becoming an advanced European economy. Various organizations and governments have attempted to solve these types of issues. Therefore, this

section will seek to consolidate relevant best-practices and pinpoint the ones worth replicating or improving upon in the future within a Romanian context.

In-Work Poverty Solutions

As mentioned, one of the significant forms of poverty in Romania is in-work poverty, where employed individuals still face poverty despite holding a job. In-work poverty refers to the situation where individuals or families who are employed are unable to earn enough income from their jobs to meet their basic needs and those of their dependents. This can include a lack of access to adequate housing, food, clothing, healthcare, and education. According to Bodea and Herman (2014), "Romania has the highest risk of working poverty in the EU, determined mainly by employment vulnerability and precarity" (p. 719). One of the causes of in-work poverty in Romania is that "49.5% of wage earners with a low education level are low wage earners" (Bodea & Herman, 2014, p. 718). Poverty levels and quality education have an inverse relationship. However, education alone is not enough. The second problem worth addressing is employment inefficiency.

In 2019, Romania had a significantly higher proportion of its labor force working in agriculture than the European average, with 21.24% versus 4.67% (World Bank, 2021). Despite this, Romania is second to last in terms of labor productivity in the EU. Too many people are working in inefficient sectors at the expense of the service sector. Despite the hard work of its people, the low efficiency of their labor is contributing to poverty. The third issue deals with high rates of self-employment. In response to the structural issue mentioned earlier, the population seeks to create their own opportunities. However, on average, they are not able to provide a stable income or become employers. Therefore, the main causes are (1) low education (2) low labor and employment efficiency, and (3) high rates of self-employment without

employees. The solutions being proposed have the goal of reducing the rate of in-work poverty not eradicating it. The solutions will focus on policies relating to education and entrepreneurship.

As previously explored, Romanian talent is leaving for better wages. However, migration can be used to the advantage of the sending country in the long term if the right policies are in place. Returnee entrepreneurship holds promise for a nation experiencing brain drain and low labor efficiency. Migration is not only about remittances; it also plays a significant role in developing human capital. Grosu (2015) found that although many Romanian immigrants work in jobs that do not require high qualifications, there are also those with high qualifications who work for prominent companies in developed countries or have established successful businesses in their host countries. Regardless of their situation, the migration experience has positively impacted the lives of Romanian migrants. They can learn a foreign language, expand their cultural background, specialize in their field, receive a high-quality education, work for prestigious companies, and gain exposure to aspects of developed countries. They can also identify potential business opportunities in Romania, accumulate wealth, develop management and business skills, acquire practical knowledge in their area of expertise, and expand their understanding of management and commerce. If managed effectively, the phenomenon of Romanian migration can positively impact the Romanian economy, drive economic growth, create new job opportunities, increase income levels, support regional development, and highlight areas where migrants have a high level of experience and expertise. Grosu (2018) also developed a best practice guide that Romania should implement in legislative, financial, institutional, and educational aspects. The summary of actionable steps Romania should take include (Grosu, 2015):

- Provide efficient communication and accurate information about business opportunities, administrative and bureaucratic procedures for starting a business, and companies that can help with necessary paperwork.
- Support access to local markets by encouraging returnee entrepreneurs to sell their products locally, organizing transport of goods from producer to consumer, and creating an online fruit and vegetable stock exchange. This helps reduce imports and encourages small entrepreneurs.
- Create a favorable environment for returnee entrepreneurs by offering incentives for business start-ups, such as tax exemptions, subsidized housing, and specialized business incubators. Business competitions can also be held to reward successful ventures.
- Training and counseling sessions should be provided to help potential entrepreneurs become familiar with various funding sources, such as EU funding and crowdfunding.
- Entrepreneurship should be promoted as a means of reintegrating into the country of origin and regaining social status.
- Recording information about Romanian returnees, such as their reasons for return, migration and return period, and occupational status in the country of origin, can provide valuable insights.
- Networking opportunities: Self-employed individuals may not have access to the same networking opportunities as established business owners. Governments can provide opportunities for small business owners to connect with other business owners and potential employees through mentorship programs or business networking events.

The policies listed are crucial for promoting entrepreneurship and economic growth, especially for returnee entrepreneurs (Gruenhagen et al., 2020). Providing efficient communication and accurate information about business opportunities, administrative and bureaucratic procedures for starting a business, and companies that can help with necessary paperwork can help reduce barriers to entry for potential entrepreneurs. Supporting access to local markets helps create opportunities for small entrepreneurs and reduces the dependence on imports. Creating a favorable environment for returnee entrepreneurs. The policies would also help develop an environment where migrants would be incentivized to reintegrate in their country of origin through entrepreneurship. The reduction in bureaucracy, access to local markets, funding sources, and networking opportunities would create a competitive base from which entrepreneurs can launch their business with confidence. The human capital they developed during their migration would create brain gain. Returnee entrepreneurship has the opportunity of alleviating the problems caused by in-work poverty. Namely, low education, low labor and employment efficiency, and high rates of self-employment without employees. It would do so because of a favorable environment in which newly educated or experienced entrepreneurs would create economic development through business ventures. This, in turn, would create more stable jobs that rely less on inefficient labor. The main goal of the policies would be to convert brain drain to brain gain.

Rural Poverty Solutions

It is well-known that poverty is not evenly distributed geographically, and Romania is no exception. Unfortunately, rural development in Romania has been inadequate, which has left a significant portion of the population at risk. The statistics reveal that 39% of people living in rural environments are at risk of poverty. This indicates that Romania's rural areas lag behind

their EU counterparts in terms of development. The main challenges rural communities in Romania face are the lack of economic opportunities, agricultural underdevelopment, limited access to services, and poor infrastructure. Due to a lack of investment in these areas, the population's ability to improve their standard of living is hampered. They cannot produce more than they need and lack emergency safety nets. Moreover, the lack of opportunity leads to out-migration, where young people leave for the cities, resulting in an aging and dwindling population (Ulman & Dobay, 2020).

Rural poverty is complex and multi-faceted. Likewise, the solution ought to match or exceed its complexity if the results are to last long-term. A 'big-push' investment is advocated by classical economic theory to surpass a low economic threshold and transition the system to a more desirable state (Collier, 2008; Sachs, 2006). However, Mikulcak et al. (2015) suggest that Romania is to develop its rural economy through by using the capitals framework which merges the notion of traps with the sustainable livelihoods approach, thereby providing a more comprehensive solution. Their analysis suggests that even though the region's financial, social, human, and built capitals are insufficiently developed, the natural and cultural capitals, which are abundant, hold the greatest potential for promoting rural development. However, if the remaining capitals continue to be underdeveloped, there is a risk that these natural and cultural capitals will also decline. Rather than focusing on a single barrier, it will be necessary to address several obstacles concurrently.

Priority attention should be given to enhancing social, human, and financial capitals, as these can generate positive spill-over effects for all other capitals. Essentially, Mikulcak et al. suggest that Romanian institutions should enhance social, human, and financial capitals so that

the natural and cultural capitals will develop sustainably. Further research is needed to determine the precise allocation of investment proportions.

Potential Solutions for Racial and Segregated Poverty

Poverty in Romania is largely intertwined with racial discrimination and segregation, particularly affecting the Roma community. Despite numerous attempts by European nations to reduce unemployment rates and improve access to education, the Roma population continues to face significant barriers to economic and social integration. This section explores past and present solutions, including active labor market programs and school desegregation, highlighting both successes and areas for improvement. By identifying the main obstacles and potential solutions, this section aims to contribute to ongoing efforts to promote equity and justice for the Roma community. Throughout history, they have been a scapegoat in society, which had trouble gaining the same implicit or explicit rights due to their migratory patterns. In their research (Brozovicova et al., 2012) identified the main reasons unemployment is rampant in the Roma communities. They are (a) insufficient education and vocational training that are in demand in the labor market; (b) concentration of Roma people in segregated and marginalized residential areas; (c) Limited access to formal employment opportunities, leading to reliance on informal and unregulated work; (d) A significant gender disparity, with Roma women facing even more tremendous obstacles to labor market participation than Roma men; (e) Widespread discrimination in the labor market against the Roma population. The following section will outline past attempts at integrating the Roma into society and pinpoint the ones worth pursuing further.

European Active Labor Market Programs

European nations have implemented many programs in the past that have tried to reduce unemployment in the Roma community. The major types are (a) public works; (b) private sector incentives; (c) job search assistance; and (d) job training. According to (Messing & Bereményi, 2013) it turns out that public works do not have an impact on the future employability of the Roma. On the other hand, one of the most successful programs was the ACCEDER program implemented in Spain. Their success was rooted in collaboration with Roma individuals and Roma advocacy groups to create a bottom-up policy. Their main activities revolve around removing the barriers to employment, like education and lack of connections. Ever since the program started, approximately 69% of individuals would find employment. However, the program lacks transparency since there is no data on the turnover of these results. The future of active labor market programs (ALMP) in Romania should seek to integrate the strengths of all European ALMPs in their context. They should be transparent, bottom up, and focus on improving living standards before seeking to correct all national prejudice. The next section pinpoints how discrimination plays out in the education of the Roma population.

School Desegregation

The issue of low education levels is not addressable through ALMPs in any meaningful manner. Education has been and will continue to be the responsibility of public schools. One of Roma's most significant problems is unequal access to education due to segregated schools. In his article (Greenberg, 2010) highlights how the Romanian government has an order outlawing segregation in great detail. However, advocacy groups claim that there are many segregated schools. They can be segregated for reasons that have to do with socio-economics, infrastructure, and white flight. Greenburg suggests a top-down and bottom-up approach. The former would

ensure that discrimination and segregation are appropriately identified and described. The European Union ought to create an Inspectorate General. This body should have sufficient resources and personnel to carry out its duties effectively. Its main responsibility should be to identify instances of segregation both within schools and across different countries. The bottom-up state that the Roma community must take a crucial final step themselves instead of relying on the European community. They must firmly and unequivocally declare that they will no longer accept subordination. Having endured centuries of subjugation, including slavery, discrimination, oppression under communism, ethnic cleansing, and marginalization in the contemporary era, they must initiate a movement to assert their freedom. They need to take action to liberate themselves from their constraints. Although these are firm demands, Europe has already procrastinated too long (2010). Pressure from both sides of the hierarchy will create the necessary pressure for lasting social change, similar to the civil rights movement in the United States. Essentially, the issue of school desegregation remains a significant challenge in Romania, where Roma communities face unequal access to education due to segregation. While the Romanian government has outlawed segregation, advocacy groups report that many schools remain segregated for various reasons. To address this issue, Greenberg proposes a top-down approach, where the European Union creates an Inspectorate General to identify instances of segregation, and a bottom-up approach, where the Roma community takes action to assert their freedom and end subordination. A combined effort from both sides of the hierarchy is necessary to achieve lasting social change, similar to the civil rights movement in the United States.

This section discussed potential solutions for various types of poverty in Romania. The proposed solutions focused on policies relating to education and entrepreneurship, and included the implementation of best practices for returnee entrepreneurship and corroborated the

connection between returnee entrepreneurship and poverty alleviation. These policies would reduce barriers to entry for potential entrepreneurs, support access to local markets, and create a favorable environment for returnee entrepreneurs. Overall, these solutions would aid in removing bottlenecks keeping Romania from developing into an advanced economy.

Conclusion

With this literature review, I sought to create a general historical, political, and economical backdrop of Romania to aid in identifying the bottlenecks keeping the country from developing into an advanced economy. As Romania started the process of Europeanization, various bottlenecks became more apparent compared to their European neighbors. Poverty remains a pertinent issue for Romania. The main types that have been identified are (a) in-work poverty; (b) rural poverty; and (c) racialized poverty. All of them bleed into each other, but so do the solutions. The identified methods of alleviating these types of poverty are (a) returnee entrepreneurship; (b) a capitals approach that merges the notion of traps with the sustainable livelihoods approach; (c) ALMPs that are transparent, bottom-up, and focus on improving living standards (d) school desegregation for Roma respectively. The findings identified potential areas that Romania could target to unlock economic growth. The main limitation of this literature review is that the advised solutions are not assigned priority levels. This literature review has identified key bottlenecks and potential solutions to promote economic growth and reduce poverty in Romania. However, further research is necessary to prioritize these solutions and assess their quantitative effectiveness. Evidence-based policymaking and continued research are essential for Romania to achieve its development goals.

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