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**The Social Segregation of the Poor in Romania.  
The Impact of Welfare Transfers**

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# The Social Segregation of the Poor in Romania.

## The Impact of Welfare Transfers

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**Abstract.** The persistence of social and economic deprivation ought to be analysed in relation to the ways in which social policies tackle, uphold or reinforce the “unfavourable inclusion” (Sen, 2000) or “disempowering inclusion” (Anthias, 2001) of the poor. In the case of Romania, the use of the term “social exclusion” is misleading, given that the very majority of those falling below the “risk of poverty” threshold benefit from social citizenship and they are “included” under the umbrella of state social protection. However, the support received from the welfare state fails to provide the necessary resources that may empower individuals to move out from disadvantage. What happened at the bottom of the economic ladder in transition Romania can be more accurately described as a process of social segregation, when the inefficiency of state social protection allowed the deepening of social cleavages.

After the implementation of legislations on selective social transfers targeted to the poor, the redistributive impact of welfare transfers remained low. Following the methodological recommendations of Kvist (2007), changes in the configuration of means-tested income support benefits were investigated and compared with current regulations from other Central and Eastern European countries. *Benefit generosity*, measured as the ratio of the Minimum Income Guarantee benefit to the value of the poverty threshold, was among the lowest in Romania. *Accessibility* was undermined by granting the benefit to households (not individuals and families, as stated in the law), and the restrictive eligibility conditions in rural areas. *Obligations* to perform community work remained highly stigmatizing.

The welfare state enacts its disciplinary functions by imposing also a desirable model of the family and fertility behaviour. These might be rooted in the demographic stress of ageing population and the decline in the size of the Romanian nation, as well as the prejudices against the Roma minority and the “social problem” of uncontrolled Roma fertility. In this context, the social control function of family policies was strengthened: means-tested child allowance flattens at the fourth child, while parental leave is granted only for the first three births. The so-called “birth-indemnity” is received only for the first four children. These policies discriminate against families who follow a traditional family model because of religious or cultural convictions, and treat children unequally based on their rank within the family.

The critical discussion of the legislation is accompanied by statistical analyses performed upon the ECHISERV 2007 dataset, which comprises empirical data on three representative samples of Romanians, Hungarians and Roma from North-West Romania. The binary logistic regression on the probability of being a MIG beneficiary indicated that the Roma were three times more likely than the non-Roma to receive MIG, after controlling for education, joblessness, income, household size and residence. Given that the Roma are strongly prejudiced as being “lazy”, “thieves” (Department for Interethnic Relations, 2006; Fleck and Rughinis, 2008) and “undeserving” welfare, it is likely that the population will primarily blame the Roma and not the government for the perpetuation of Roma poverty.

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## *Re-defining poverty as “the risk of poverty and social exclusion”*

Before 2000 the existence of a considerable segment of the population in Romania facing extreme poverty and very low changes of upwards social mobility was somehow swept under the carpet of a “muddling-through” transition (Kovacs, 2003:13). The issue was pushed on the political agenda only in 2000, along with the concept of “the risk of poverty and social exclusion”, operationalized by the European Commission within the Open Method of Coordination (OMC) in the Domain of Social Policies (T. Atkinson, 2002; Barnes, 2002; Begg, 2002; Council of Europe, 2001; E. European Commission, Social Affairs and Equal Opportunities Directorate General 2006, 2008; Ferrera, 2002; Marlier, 2007).

The official documents of the EC operate with a definition of poverty in relative terms, as a situation of multiple deprivation which prohibits individuals and families to live according to the socially acceptable standards in a particular country (Atkinson, 1998; T. C. Atkinson, B; Marlier, E; Nolan, B 2002; Kazepov and Sabatinelli, 2005; Marlier, 2007). The scarcity of material resources is just one dimension of the problem; low level of education and professional qualification, unemployment, poor health, inadequate housing and environmental conditions, difficult access to public services, lack of respect and social support might be associated with economic hardship as either its causes or its consequences (Alcock, 1993; Lister, 2004; Townsend, 1993). Impoverishment is seen as a process of accumulation of disadvantages or “chronic cumulative disadvantages” (Council of Europe, 2001; Tsakloglou & Papadopoulos, 2002), through which people lose their attachments with “integrative frameworks” (Castel, 2003) such as families, local communities, labour markets, and their opportunities to improve their situation in the future considerably decline<sup>2</sup>.

It is meaningful to relate poverty to social exclusion only insofar as there are institutions which promote social participation through the redistribution of resources, and poverty is related to the failure of the welfare state to secure social rights (Marshall, 2000 [1950]). The policy paper set forth by the Council of Europe in 2001, aimed at encouraging

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<sup>2</sup> ‘We consider to be poor those individuals, families, and groups whose resources (material, cultural and social) are so limited as to exclude them from a minimum acceptable way of life in the member state in which they live’ (European Council, December 1984).

the debate around the concept of social exclusion, argued that the utility of the conceptual framework of “social exclusion” rests upon the existence of welfare states:

The notion of social exclusion has no meaning outside of the history and prosperity of the welfare states after the Second World War because it presupposes a counterpart, a shared understanding of what is to be included (Council of Europe, 2001: 11).

The document of the Council of Europe tries to summarize academic discussions and research undertaken within the conceptual framework of social exclusion, asserting that social exclusion should be understood as a “dual risk” (for individuals facing it as well as the entire society, which becomes fragmented), “a result of structural processes (...) not individual failure”, which needs a dynamic and multidimensional approach of investigation (CE, 2001: 16). The analytic distinction between poverty and social exclusion is emphasized<sup>3</sup>, while drawing attention to “symbolic exclusion, social deprivation and incomplete participation in the main social institutions” (EC, 2001: 14). The greatest weight in the process of social exclusion is given to the absence from the labour market, either through long-term unemployment or difficulties to enter the labour market in the case of the younger. “The spiral of cumulative disadvantage leads to social exclusion” (EC, 2001: 16).

The critiques received by the “social exclusion” framework contend the lack of conceptual clarity and political overload (Barry, 1998; Lister, 2004; Richardson, 2002; Sen, 2000; Anthias, 2001), which reads as a *déjà vu* of the “underclass” debate (Kleinman, 1998), as well as the lack of empirical support coming from longitudinal studies (DiPrete, 2002; Maitre, Nolan, & Whelan, 2005; Tsakloglou & Papadopoulos, 2002), as opposed to the “rich” anecdotal “evidence”.

The ways in which poverty was branded as “social exclusion” in Romania is illustrative for these critiques:

... it can be estimated that the situation of poverty/exclusion that Romania is facing was not produced by an evolution having the parameters of a normal dynamic of a society, but by the explosion of poverty and social exclusion generated by a cumulative severe crisis of socialism and transition, extended across more than a quarter of a century. The fundamental risk is not

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<sup>3</sup> Poverty may lead to social exclusion, in the sense that people are cut off from the labour market, do not take part in dominant behavioural and cultural patterns, lose social contacts, live in certain stigmatised neighbourhoods, and are not reached by welfare agencies. Or, conversely, such aspects of social exclusion may be the result of a precarious financial situation, but also of other factors. (CE, 2001: 17)

represented by the extent of poverty, whose largest share is rather not very profound, but by its tendency to become chronic through the degradation of its capacities and social-cultural patterns of life. (*The National Action Plan for the Promotion of Social Inclusion*, 2002: 94).

The label of “social exclusion” was employed in the reconceptualization of very different issues: most notably the extreme poverty and marginalisation of the Roma minority, the low income and social mobility potential of the rural peasantry (ex-agricultural workers from state-owned “collective” farms), the scarcity of means for social integration in the case of young adults leaving the orphanages, and the weak chances of re-entering the labour market for the low-skilled blue collars or service workers above forty-five. Besides the truism that all these categories were “losers” of post-socialist transition, it is questionable to what extent social exclusion as a concept can be helpful to understand their particular situations of social and economic deprivation. In addition, there is no longitudinal data on cumulative, long-term disadvantage in Romania, except from a three-year panel-study carried out by the Romanian Quality of Life Institute (ICCV) between 1995-98.

Employing the concept of “social exclusion”, and together with it the notions of agency and personal responsibility, also had several political advantages. Besides the evident concerns for satisfying the European directives<sup>4</sup>, seen as a pre-condition for EU accession, the new framework offered the possibility to redefine the agency (who is responsible), and correspondingly the adequate policy measures. Moreover, it redrew the boundary between the relatively better off and the poor: the better off were no longer only those who successfully converted their political capital or acquired economic capital through illegitimate means<sup>5</sup>. The majority of the population was seen as actually better off in comparison with the “excluded” groups, who face “extreme” poverty and lack the “social capital” necessary for alleviating their condition. However, poverty rates in Romania remained high throughout the first decade of post-socialist transition, and also

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<sup>4</sup> The Nice Summit of the European Commission from June 2001 stated that “member states should implement two-year action plans for combating poverty and social exclusion, setting specific targets and taking into account national, regional, and local differences” (Atkinson et.al., 2002: 5). The biannual National Action Plans for Social Inclusion are regarded as additional to the National Action Plans for unemployment.

<sup>5</sup> The emphasis here is on the perception of the population regarding the prevalent means of economic success. According to the last public opinion poll (Gallup, May 2003), 51% of the Romanian citizens consider that the majority of the people who succeeded to acquire economic wealth achieved this by disobeying the laws (source: Gallup, BOP 2003).

marked by a strong rural – urban divide: poverty rates were at least twice higher in rural areas, and around 70% of the poor lived in the rural area (CASPIIS, 2004; Romanian Government, 2008).

After 2000, poverty rates decreased, but the extent of decrease is disputable. In 2008, the relative income poverty rate was 29.6% in rural areas and 9.6% in urban areas (Romanian Government, 2008). In the case of children below 15, the poverty rate is 24.7%, whereas in the case of families with three or more children 40%.

The 2007 Poverty Assessment Report of the World Bank draws attention to the fact that if poverty is measured against an absolute threshold based on household consumption per equivalent adult (threshold set by national and World Bank experts based on consumption needs; equivalence scale:  $(nr. \text{ of adults} + 0.5 * nr. \text{ of children})^{0.9}$ ), the figures will indicate a progressive decrease of the poverty rate from 35% in 2000 to 25% in 2003 and almost 15% in 2006 (World Bank, 2007: 17). However, in case that the relative threshold employed in the statistics of the European Commission is applied (60% median income per equivalent adult, OECD-2 equivalence scale), the figures indicate an almost constant poverty rate, at around 17-18% (World Bank, 2007: 17). Analysing indicators of the severity of poverty (poverty gap) the results are similar: both the mean and the median difference between the expenditures of those below the poverty line and the value of the poverty threshold decreased after 2002. The conclusion may seem straightforward: as compared to the first decade of transition, the living standards of the population increased (as indicated by the reduction of the *absolute* poverty rate), while income inequalities persisted (the constancy of the *relative* poverty rate).

Nonetheless, what ought to be kept in mind while reading the 2007 World Bank report is that the value of the absolute poverty threshold they used for 2007 was of 210 lei/equivalent adult, i.e. less than 50% of the minimum net wage! The relative threshold used by EUROSTAT was of 300 lei/equivalent adult. This means that the World Bank threshold was only 70% of the EUROSTAT threshold. Expressed in purchasing parity standards (PPP), the EUROSTAT poverty threshold for Romania is the lowest threshold for EU member states: for a family composed of two adults and two dependent children, the threshold is equal to 20% of the average value of the poverty threshold for EU-25.

Consequently, the World Bank poverty threshold may be interpreted as a threshold of minimum *subsistence*, but hardly as a proxy for minimum *decent* living standards.

The use of the term “social exclusion” is misleading, given that the very majority of those falling below the “risk of poverty” threshold in Romania benefit from social citizenship and they were “included” under the umbrella of state social protection. However, the support received from the welfare state is very modest and fails to provide the necessary social and economic resources that may empower individuals to move out from disadvantage. What happened at the bottom of the economic ladder in transition Romania can be therefore more accurately described as a process of social segregation, when the inefficiency of state social protection allowed the deepening of social cleavages between the worse-off and the better-off strata.

### ***Vulnerable minorities: the situation of the Romanian Roma***

“Social exclusion” as a concept gains relevance as “(the) lack of empathy between the majority and socially isolated minorities makes it easier for ambitious politicians to advance their causes by demonizing and ultimately dehumanizing these minorities” (Barry, 1998: 18-19). There is a recurrent public discourse on the “deserving” and “undeserving” beneficiaries of means-tested income support<sup>6</sup>, and this division often follows “ethnic” lines: “the Gypsies” are abusers of welfare. Public expectations for state action in the case of the Roma have an inherent dimension of exercising social control upon “the Gypsies”.

For example, in the 2006 survey on public opinion on ethnic minorities in Romania, 81% of the non-Roma respondents assessed that the majority of the Roma disobeyed the law, and, at the same time, 49% considered that the state should provide more subsidies

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<sup>6</sup> Investigations on public perceptions of “welfare deservingness” (van Oorshot, 2006) point at strong consensus for helping the elderly and disabled persons, whereas unemployed and immigrants rouse much less compassion. Van Oorshot (2006) reports that in CEE countries there is significantly less support for welfare transfers for immigrants. However, the data on which his argumentation is built might be misleading, as it compares Western European countries, which have long-lasting experiences of receiving migrants, with CEE countries, which became some of the most important sender-countries after 2000. In addition, van Oorshot uses an indirect measure of “deservingness”, namely concern for the situation of predefined categories of the population. Obviously, respondents from CEE countries, who have limited interactions with just a few first-generation immigrants, might be less preoccupied with their situation than with that of their unemployed co-nationals, especially in the context of generalised job crisis during economic restructuring. Moreover, if we considered immigrants as a category of “aliens”, in CEE countries the primary “aliens” would not be “the immigrants” as such, but rather “the Gypsies”.

and assistance for the Roma and 47% that the state should implement measures to stop the increase of the number of the Roma (CCRIT, 2006). Concerns for “welfare dependency” among the Roma penetrate not only in the mass media, but also the “expert” evaluations of transnational actors such as the World Bank or the UNDP. For instance, the 2003 World Bank report argues for the need for “breaking the cycle of poverty and social exclusion” whereas the 2003 UNDP report is tendentiously entitled “The Roma in Central and Eastern Europe. Avoiding the Dependency Trap”<sup>7</sup>.

Throughout Central and Eastern Europe, the incidence and the depth of poverty is considerable higher among the Roma than the non-Roma (European Commission, 2004; D. Ringold, 2000; D. Ringold, Orenstein, M., Wilkens, E., 2003; Szelenyi, 2002), and considerably more Roma than non-Roma receive means-tested income support benefits (Milcher, 2005; UNDP, 2003; Fleck and Rughinis, 2008), although the amount of these benefits is hardly enough to ameliorate their situation of deprivation (Fleck and Rughinis, 2008; Milcher, 2005; Rat, 2005). National statistics on welfare receipt do not offer data split by ethnicity, given that welfare applicants are not required state their ethnic belonging on the forms submitted to the offices in charge. The regulation tries to combat the possibility of negative discrimination, nevertheless, it excludes any objective evaluation of actual welfare receipt among the Roma, as compared to majority populations (Cahn, 2004; European Commission, 2004; Rat, 2005). Survey research leaves room to overestimating poverty and welfare receipt among the Roma, given that segregated, poor Roma communities are easier to be included in the sample than integrated Roma living amongst the mainstream. The latter might decline from revealing their ethnic identity to the interviewers, in the context of strong negative prejudices against them.

The welfare state enacts its disciplinary functions by imposing also a desirable model of the family and fertility behaviour. These might be rooted in the demographic stress of ageing population and the decline in the size of the Romanian nation, as well as the prejudices against the Roma minority and the “social problem” of uncontrolled Roma fertility. In this context, the social control function of family policies was strengthened: means-tested child allowance flattens at the fourth child, while parental leave is granted

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<sup>7</sup> “If social welfare systems are to decrease (rather than increase) dependency cultures, they should be based on the principle of “positive net benefits for positive net efforts”. Social welfare systems should provide incentives (and not disincentives) for the adoption of pro to active life strategies” (UNDP, 2003).

only for the first three births. The so-called “birth-indemnity” is received only for the first four children. These policies discriminate against families who follow a traditional family model because of religious or cultural convictions, and treat children unequally based on their rank within the family.

Although improving the living conditions of the Roma population is singled-out between the first three priorities of both the 2006-2008 and 2008-2010 National Strategy for Social Inclusion, there are no official statistics on the poverty rate among the Roma. Based on social survey data, the 2005 Vulnerability Report of the UNDP asserts that 67% of the Roma in Romania were living on less than 4.3 PPP \$/ day, as compared to 20% of Romanians who resided in their proximity. The 2008 *Come Closer* report (Fleck and Rughinis, 2008) estimates (again, based on survey data) that the average income of the Roma in 2007 was around 327 lei/month/person (cca. 104 Euro) as compared to 532 lei/month/person (cca 170 Euro) for the non-Roma.

### ***Policy responses to the “risk of poverty and social exclusion”***

The implementation of means-tested income support benefits came with a considerable delay, which contributed to the deepening of social cleavages between the worse-off and the better-off strata (L. Popescu, 2004; Sotiropoulos, 2003; Szelenyi, 2002; Cerami, 2006 and 2008). The first law on means-tested income-support benefit (social aid) was implemented in 1995 (Law 67/1995), whereas complementary child allowance for needy families with children was set as late as in 2003 (O.U.G. 105/2003).

The law on the Minimum Income Guarantee (MIG) promulgated by the Romanian Government in 2001 (Law 416/2001, modified by the Law 115/2006) was proclaimed as an important step ahead in combating poverty, especially its severe forms. Unlike the previous “social aid” (Law 67/1995) provided by local governments from local budgets<sup>8</sup>, MIG was financed mainly from the state budget, and local governments were “only” in charge of administering and co-financing (initially 25%, later 15% of the costs) the benefit. The formulation of the law reflects the preoccupations of the government to meet the EU

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<sup>8</sup> In Romania, the revenues of local budgets are very small, given that 65% of direct taxes (poll-taxes) collected at the local level are directed towards the national budget. Only indirect taxes (property taxes and taxes on consumption) remain in the local budget.

recommendations elaborated within the Open Method of Coordination in the domain of social policies (OMC). As compared to similar legislations from other CEE countries, the Romanian legislation on MIG is more generous and it explicitly adopted the European discourse on the risk of poverty and social exclusion (Rat, 2009).

According to the law, individuals and families with legal residence in Romania are entitled to MIG, but the right to the benefit is established at the level of the entire household, not the nuclear family. The amount of the benefit is very small: in 2009, the level of MIG for single persons is 108 lei/month (cca. 25 Euro/month), which represents 19% of the minimum national gross wage. Although the law stipulates that beneficiaries are “single persons or families”, the methodology of implementation imposes to consider the household as one family unit, even in cases of multigenerational families living within the same household. Large and most often overcrowded households are thus systematically disadvantaged, given that the law does not provide favourable treatment based on housing condition. It is also assumed that persons living within the same household share resources, moreover, that the sharing of resources is equitable and the welfare benefit will be shared in an equitable manner as well.

Table 1 reports on social assistance benefits *generosity*, measured as the ratio of the benefit to the value of the at-risk-of poverty threshold. Among the countries with a MIG program (all CEE member states, except from Hungary), benefit generosity for a single adult is lowest in Romania, representing only 56.4% of the poverty threshold. The benefit is slightly more adequate in the case of married couples with children, reaching at the 74% of the threshold. However, it ought to be kept in mind that the OECD-2 equivalence scale heavily underestimates the value of the income poverty threshold for families with children, weighting every child below the age of 14 by 0.3.

**Table 1.** Net income of social assistance recipients as % of the at-risk of poverty threshold for two jobless households types in 2005

	<b>BG</b>	<b>CZ</b>	<b>HU</b>	<b>PL</b>	<b>RO</b>	<b>SK</b>
Single adult	59	66.6	35	88.5	56.4	95
Married couple with two dependent children	79.1	85.9	29.1*	103.5	84	98

**Source:** ESPROSS, 2008. Own calculations for Bulgaria, Romania and Slovakia, based on data provided by National Statistical Institutes.

**\*Note:** In the case of Hungary, the very small figure in the case of married couples with children is confusing because it ignores the universal financial support received by families with dependent children, which is around 104 Euro for two children.

Similarly to other CEE countries, in Romania the receipt of the benefit by up-to-work persons is conditioned by performing community work assigned by local authorities. This usually consists in manual work taking place in public places: cleaning parks or public buildings, unqualified work in constructions or at the reparations of roads or buildings, seasonal agricultural work, etc. The community work is carried out under the surveillance of a (usually) male employee of the local council, most often one of the guardians. Before the change of the Law in August 2006, the amount of community work was the same for all up-to-work household members, regardless of the amount of the benefit. Persons employed or attending an institution of education/ vocational qualification, mothers of children below 7 or family members taking care of severely disabled persons were not supposed to perform community work. After the revision of MIG in 2006, the hours of community work are computed based on the amount of the benefit and the value of the minimum wage per hour. Only one up-to-work household member should perform the community work.

A highly praised prerequisite of the law was the grating of health insurance to all beneficiaries of MIG, and covering their compulsory contribution to the Health Care Fund from the central budget. This constituted an incentive for families receiving only minor sums of money to continue to submit the request for MIG and the necessary accompanying documents, in order to be maintain their insurance in the public health care system (Grecu et. al., 2004; Stanculescu, 2003). However, the measure was not applied retroactively: this meant that each person whose right to MIG had just been granted, in order to benefit from subsidized health care services, ought to prove that s/he had paid the contribution during the last three, and (starting from 2007) during the last five years. As discussed elsewhere (L. Popescu, Rat, C., 2008), the majority of adult persons with irregular participation on the formal labour market, and moving in and out of MIG receipt, had lost their status of insured persons by 2006. Only children below the age of 18 had remained covered by health insurance regardless of the status of their parents, and young adults below the age of 26 enrolled in formal education.

In terms of reaching out the needy population, the introduction of the law on the Minimum Income Guarantee provided a slight improvement, as compared to the previously locally administered and financed social assistance benefits: from 0.7% of the population receiving social aid in 1997 and 0.5% in 2001, the proportion grew to 3.9% in 2002 (World Bank, 2003, Vol.II, p. 124). The costs of implementation were only around 0.07% of the GDP, including the costs of administration, thus far below those estimated by the World Bank in 1997 for the introduction of a minimum income guarantee scheme.

From the point of view of policy effectiveness and efficiency, the main problems of the implementation of MIG had been signalled already in the 2003 World Bank Poverty Assessment Report (Teşliuc et. al., 2003) and the 2004 Report on the Implementation of the MIG Program (Grecu et. al., 2004). These reports conclude that MIG was well targeted, but its coverage was very low: only around 7% of deprived households received MIG (L. Popescu, 2004; Teşliuc et. al., 2003). The problems of over-bureaucratisation, low uptake, stigmatisation of beneficiaries and failure to promote the development of social and educational resources are highlighted by several analysts (L. Popescu, 2004; Rat, 2007; Stanculescu, 2003).

For solving the inconsistencies of the MIG scheme, a new law was promulgated in August 2006: the Law 115/2006, which abrogated the previous Law 416/2001. Although there were no fundamental modifications of the eligibility criteria, several “small” changes restricted eligibility and led to the diminishing of the coverage of the benefit. Thus, there was a significant reduction in the number of households receiving MIG, too high to be imputed to the usual yearly variation (see Table 2).

**Table 2.** The evolution of the number of households receiving MIG

	2002	2003	2004	2005	2006	2007	2008
National (including Buc.)	261,160	291,352	316,569	297,894	280,731	240,236	223,777
Cluj county	6,887	5,563	6,481	5,624	5,654	4,217	3,608

**Source:** *Statistical Bulletin of the Ministry of Work, Family and Social Protection, 2009.*

The 2008 *Come Closer* report estimates that around 14.4% of the Roma were recipients of MIG in 2007, as compared to 2% of the non-Roma living in their proximity.

Designed to complement the MIG program, the Law 116/2002 on the Prevention and Combating Social Marginalization (Romanian Government, 2002) followed the key-areas of social exclusion mentioned in the EU documents. The “marginalized” status of a person, in formal terms, is given by additional dimensions of deprivation to that of income-deprivation; however, the law concerns only the beneficiaries of MIG.

By socially marginalised person it is meant a person who benefits from minimum income guarantee or belongs to a family receiving minimum income guarantee, under the conditions set by the law 416/2001, and s/he is at least in one of the following situations:

- a. does not have a job;
- b. does not own or rent a house;
- c. lives in inadequate housing conditions;
- d. has one or more dependent children or belongs to a family with many dependent children;
- e. is an elderly person, without legal sustainers;
- f. is qualified as a disabled or invalid person;
- g. is taking care of a dependent person who was qualified as severely or seriously disabled, or as invalid grade I or II;
- h. executed a sentence of imprisonment.

(Article 49 of the H.G. 1149/2002 on the Methodological Norms for the Implementation of the Law 116/2002; Author’s translation from Romanian).

The Law justified a set of measures based on the “social character” (“characterul social” in the original) of the Romanian state, which was explicitly reaffirmed in the 2003 Constitution as well<sup>9</sup>. The Law defined “social marginalisation” as:

...a peripheral social position, an isolation of individuals and groups which have limited access to economic, political, educational and communicational resources of the collectivity; it becomes manifest in the absence of minimum social conditions for life (Law 116/2002, Art. 3, author’s translation from Romanian)

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<sup>9</sup> The Article 47 of the Romanian Constitution, entitled “The Standard of Living”, states that:

- (1) The state is obliged to implement measures for economic development and social protection, aimed at ensuring a decent standard of living for the citizens
- (2) Citizens have the right to pension, paid maternity leave, medical assistance in the public health care institutions, unemployment benefits and other forms of public or private social insurance, according to the law. Citizens have the right to social assistance, according to the law.

(Author’s translation from Romanian).

The Constitution also contains explicit prerequisites on the right to education (Article 32), culture (Article 33), protection of health (Article 34), a healthy environment (Article 35), work and the protection of workers (Articles 41, 42, 43), the special protection of children (Article 49) and of disabled persons (Article 50). The obligations of citizens to contribute at the financing of social protection are stated in Article 56 of the 3<sup>rd</sup> Chapter of the Constitution, among the fundamental obligations of citizens.

“Marginalised persons” (an equivalent in this context with persons at risk of social exclusion) have the right to obtain a job (the responsibility of the County Office for Work), housing (the responsibility of local authorities), health-care (the responsibility of the National Health Insurance House), and education (the responsibility of local authorities and educational institutions). However, all measures necessary to secure these rights are the responsibility of local authorities, with financing from local budgets, without any regular central co-financing. In Romania, most taxes are collected in the national budget and local budgets have only limited revenues, especially in the economically deprived regions. Therefore it is rather unlikely that the promotion of anti-marginalisation measures constitutes a priority for local authorities and they became effective.

***The poverty-reduction effectiveness of means-tested income support benefits in the North-West development region of Romania in 2007***

In order to assess the effectiveness of the main components of the Romanian last-resort social safety net, the ECHISERV dataset was used, which was collected within the framework of the research project CEEEX 157/2006, “Disparities in the Use of Health Care Services in the North West Development Region. Socio-economic Patterns and Causes”, project director: prof. dr. Livia Popescu, “Babes-Bolyai” University Cluj. Details about the project and its results are available on the web-page of the project: [www.socialzoom.com/echiserv](http://www.socialzoom.com/echiserv).

The ECHISERV fieldwork took place in November 2007 on three representative samples of the Romanians, Hungarians and Roma living in the North-West Development region of Romania. The region belongs to the economically more developed parts of Romania, with lower poverty rates and relatively higher proportions of urban population (National Statistical Institute, 2007).

The samples were clustered stratified-random samples, all major cities from the region were included and, based on size, age structure and ethnic distribution, clusters of similar localities were constructed. Households were selected with the method of random walk; within the household, respondents were selected based on pre-established quotas.

The sample was validated<sup>10</sup> using territorial statistics provided by the National Statistical Institute, 2007. The questionnaires were printed in Romanian and Hungarian, and completed during face-to-face interviews at respondents' homes, in whichever of the two languages they felt more comfortable to speak. The Romanian sub-sample contained 423 respondents, the Hungarian<sup>11</sup> – 410, and the Roma – 277 respondents. For regional statistics, an integrated weighted sample was used.

For the evaluation of the extent and severity of poverty, an income-based approach was embraced, following the EUROSTAT methodology, instead of the consumption (expenditures) approach, preferred by the World Bank. As shown in Table 3, The poverty threshold computed for the whole weighted sample, using the OECD-2 equivalence scale, was of 360 lei/equivalent household member/month. However, in order to make the results comparable with data provided by the 2007 World Bank report and Eurostat estimates, the poverty threshold obtained for the North-West sample was replaced with the relative income poverty threshold used at the national level, namely 300 lei/equivalent person/month (World Bank, 2007).

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<sup>10</sup> Details concerning the sampling procedure and its validation are available upon request from the project members. See [www.socialzoom.com/echiserv](http://www.socialzoom.com/echiserv) for contact details.

<sup>11</sup> The final sample contained three respondents of German ethnicity. They were included in the Hungarian sub-sample.

**Table 3.** Income per equivalent adult in the North West Region, 2007

	<b>Mean</b>	<b>Std. Deviation</b>	<b>Median</b>
Romanian sample	787.98	703.61	607.58
Hungarian sample	659.27	521.41	576.32
Roma sample	502.77	4144.84	180.63
<b>Noth-West Region (weighted sample)</b>	<b>753.74</b>	<b>989.42</b>	<b>600.00</b>
<b>Relative income poverty threshold North-West Region = 60% of 600 lei=360 lei</b>			
<b>Relative income poverty threshold at the national level = 300 lei</b>			

Source: ECHISERV dataset. Own calculations.

The use of income instead of expenditures for measuring economic deprivation and the risk of poverty is justified by the fact that financial capital, convertible according to the specific needs of individuals, is more relevant for measuring individual autonomy and wellbeing than expenditures per se. Especially in the case of severely deprived households, expenditures may exceed actual income, as individuals may appeal to borrowing from friends or relatives, pawning one's belongings or other irregular and insecure sources of extra funding in order to cover the necessary expenditures of the household. The level of expenditures may be closer to the minimum standards, nevertheless, feelings of income insecurity and the risks of social marginalization may persist or even deepen.

As shown in Table 4, in the North-West development region the poverty rate obtained on the sample for 2007 (24.1%) was higher than the rate reported by Eurostat for 2006 (18%). The difference is likely to be caused by the fact that the ECHISERV survey data on income was not adjusted for the regional index of prices, neither for in-kind benefits of household members. Similarly to the findings of previous report, an important difference was found between rural and urban areas, the incidence of poverty being three times higher in the former areas. Poverty gaps (both the median and the mean poverty gaps) were also slightly higher in rural areas (see Table 4).

**Table 4.** Poverty rates and poverty gaps in the North West Region, 2007

	Rural	Urban	Total region
Poverty rate (headcount)	38.4	10.5	24.1
Poverty rate for households	33.0	9.6	20.4
Mean poverty gap for households	57	51	52
Median poverty gap for households	58	49	49

**Source:** ECHISERV dataset. Own calculations.

**Note:** Income poverty rate computed against a threshold of 300 lei/equivalent adult, OECD-2 equivalence scale. Poverty gaps are expressed as % of the poverty threshold.

The Roma ethnic minority faces much higher rates of poverty (78%) than the Romanian majority (26.5%) and the Hungarians (29.1%), and the mean poverty gap is also somewhat deeper for the Roma households (around 50% of the value of the poverty threshold) than the other two ethnic groups, as reported in Table 5 (43% mean poverty gap for the Romanian and 42% for the Hungarian households).

**Table 5.** Poverty rates and poverty gaps by ethnicity in the North West Region, 2007

	Romanians	Hungarians	Roma
Poverty rate (headcount)	26.5	29.1	78.4
Poverty rate for households	23.5	27.5	74.0
Mean poverty gap for households	43.2	42.0	49.1
Median poverty gap for households	40.7	34.5	50.0

**Source:** ECHISERV dataset. Own calculations.

**Note:** Income poverty rate computed against a threshold of 300 lei/equivalent adult, OECD-2 equivalence scale. Poverty gaps are expressed as % of the poverty threshold.

Concerning the *coverage* of the main income-support last resort benefits, the survey results reported in Table 6 indicate a rather low coverage: only 4.7% of household with incomes below the relative income threshold receive social aid based on MIG, while only 6% means-tested child allowance for needy families.

**Table 6.** Sources of income and the coverage of means-tested social transfers in the North-West region, 2007

	<b>Below the poverty threshold</b>	<b>Above the poverty threshold</b>
Income from wage labour	29.4	66.9
Income from agricultural work or assets	3.6	4.6
Income profits, rents, dividends	0.0	1.8
Work abroad with contract	0.0	2.1
Pensions (retirement and disability)	39.3	56.0
Universal child allowance	31.8	29.8
Means-tested child allowance for needy families	6.0	2.5
Maternity and child-care allowance during parental leave	2.4	4.3
Unemployment benefits	1.2	1.5
Social aid based on MIG	4.7	0.9
Emergency social security benefits	1.2	0.0
Disability allowance	2.4	0.9
Scholarships for good performance	3.5	1.5
Social scholarships (means-tested)	1.2	0.3
Support from relatives living in the country	1.2	1.8
Support from relatives living abroad	0.0	2.5
Occasional work without a contract	3.6	3.1

**Source:** ECHISERV dataset. Own calculations

**Table 7.** The contribution of means-tested income support state transfers to overall household income in the North-West region, 2007

<b>Average income from ...</b>	<b>Absolute values</b>		<b>Percentages of total household income</b>	
	Below the poverty threshold	Above the poverty threshold	Below the poverty threshold	Above the poverty threshold
Wage labour and profits	53.9	615.6	33.0	57.6
Occasional work without a contract	3.8	6.3	3.3	1.0
Pensions	63.2	233.2	43.1	35.3
State transfers for children	7.6	8.6	9.6	1.2
Child-care allowance during maternity/parental leave	2.4	12.2	1.6	1.6
Unemployment benefits	0.9	4.2	1.4	0.5
Social aid based on MIG	3.2	0.7	3.5	0.1
Disability benefits	1.2	1.1	0.7	0.2
Other state transfers	5.3	7.6	3.2	1.1
Help from relatives	1.4	12.2	0.7	1.3

**Source:** ECHISERV dataset. Own calculations

The *adequacy* of the benefits is evaluated in Table 7. Overall, only 3.5% of all income of households below the relative income poverty threshold is represented by social

aid granted on the basis of MIG. For households entitled to MIG, the benefit provided, on average, 67 lei/equivalent adult; this represents 37% of the income of the household, a figure very close to that reported by World Bank experts for 2002.

Restricting the analysis on the situation of households receiving social aid on the basis of the law on the Minimum Income Guarantee, Table 8 presents the average structure of income sources for these households.

**Table 8.** The structure of income sources in the case of households receiving MIG

	<b>Percentages of total household income</b>
Wage labour and profits	26.6
Occasional work without a contract	17.1
Pensions	7.8
State transfers for children	10.0
Child-care allowance during maternity/parental leave	0.2
Unemployment benefits	0.0
Social aid based on MIG	37.0
Disability benefits	0.2
Other state transfers	1.1
Help from relatives	0.2
Other	0.3

**Source:** ECHISERV dataset. Own calculations

It is important to note that, as shown in Table 8, the cumulative share of income from contractual labour and informal work without a contract ( $26.6 + 17.1 = 43.7\%$ ) exceeds the share of social aid based on MIG (37%) in the overall income of households entitled to MIG. In case that we add state transfers for children to the value of MIG (as another type of non-contributory social benefit), the share of state transfers ( $37\% + 10\% = 47\%$ ) will slightly exceeds the share of formal and informal earnings (43.7%). These findings suggest that non-contributory income support *complements* de earnings of households, and *maintains incentives for undertaking economic activities*; thus one can hardly state that the Minimum Income Guarantee program generates abusive reliance on welfare and creates work disincentives. The empirical evidence indicate the opposite: the low level of transfers within the MIG scheme constrains recipients to search for other sources of income.

For the exploration of potential socio-economic predictors of MIG receipt a binary logistic regression model was constructed. The dependent variable consisted of the dummy of MIG receipt; the explanatory variables were the following: *residence* (urban versus rural), *household size* (number of persons), *low education* (dummy variables, less than primary education=1), *log income per equivalent household members* (the logarithm of the value), *joblessness* (no contractual economic activity of household members and/or no insurance pensions), and *Roma ethnicity*. Respondents' low education was used as an indicator of low professional qualification of all household members, given the high homogeneity of education within households.

**Table 9.** Potential predictors of MIG receipt in the North-West region, 2007.

Nagelkerke R Square=0.369		
	<b>Exp(B)</b>	<b>Sig.</b>
Residence (rural=1)	1.867	.166
No. of household members	1.091	.259
Low education (primary or less)	1.405	.551
Household income per equivalent person (LOG)	.951	.914
Jobless household	9.950	.000
Roma ethnicity	3.415	.043
<i>Constant</i>	.006	.000

**Source:** ECHISERV dataset. Own calculations.

The goodness of fit of the model is satisfactory (Nagelkerke R Square=0.369), although only two predictors proved out to be statistically significant for increasing the probability that a household is entitled to MIG: joblessness and Roma ethnicity. Households without any income from formal economic activity (supposed to taxation) or pension were almost ten times more likely to be entitled to MIG than other households, after controlling for area of residence, household size, low educational qualification, income and ethnicity. Roma households were 3.4 times more likely to receive MIG than non-Roma households, all other conditions being equal (see Table 9).

These results partly contradict the 2003 World Bank Report, which found that Roma and Romanian households had comparable relative chances to receive MIG: odds ratio=1.47, p=0.119 (The World Bank, 2003: 141). In the logistic regression model applied by the World Bank experts, the significant predictors were: low educational qualification

and being self-employed in agriculture or unemployed. However, it ought to be mentioned that the World Bank survey did not contain an oversample of Roma respondents, therefore the number of cases in the dataset were low and the statistical tests of significance might have failed to reveal the existence of a statistical association (Rotariu, 1998; Culic, 2004).

In order to investigate *the poverty-reduction effectiveness* of means-tested state transfers the *pre and post-transfers poverty rates* and *poverty gaps* were computed at the level of the whole weighted sample. Table 10 shows that, as compared to the hypothetical situation that no state transfers are available (pre-transfers poverty), the observed poverty rate (post-transfers poverty) is 4% lower (absolute poverty reduction). The greatest contribution is held by state transfers for children (2%). The MIG program reduces the poverty rate by only 0.10%, 0.4% of those who would fall below the income poverty threshold in the absence of MIG avoiding poverty due to benefit receipt. Overall, 15.5% of persons avoided poverty due to the fact that they received state transfers (relative poverty reduction).

**Table 10.** Poverty reduction by all state transfers (except from pensions)  
in the North-West Region, 2007

	<b>Absolute poverty reduction</b>	<b>Relative poverty reduction</b>	<b>Reduction of the mean poverty gap of households</b>
Total poverty reduction of state transfers	4.0	15.5	6.8
State transfers for children	2.0	6.9	2.5
Maternity and child-care benefits	1.2	4.4	0.8
Unemployment benefits	0.2	0.8	0.3
Social aid based on MIG	0.1	0.4	1.1
Disability benefits	0.2	0.8	0.4
Other state social transfers	0.3	1.2	1.7
Support from relatives and private charity	0.4	1.6	0.5

**Source:** ECHISERV dataset. Own calculations. Total poverty reduction computed as the sum of all separate effects of state social transfers (support from relatives and private charity excluded).

The severity of poverty, as indicated by the mean poverty gap, is ameliorated by state transfers to a very low extent: only 6.8% of the mean poverty gap is “closed” due to state social transfers. Again, the greatest role in attenuating income deprivation belongs to state transfers for children (2.5% of the poverty gap). Social aid granted in the MIG program reduces the poverty gap by only 1.1%.

**Table 11.** Poverty reduction by all state transfers (except from pensions) for the three prevalent ethnic groups in the North-West Region, 2007

	<b>Absolute poverty reduction</b>	<b>Relative poverty reduction</b>	<b>Reduction of the mean poverty gap of households</b>
Romanians	4.5	16.9	5.5
Hungarians	3.7	13.1	3.7
Roma/Gypsies	4.1	5.2	10.0

**Source:** ECHISERV dataset. Own calculations. Total poverty reduction computed as the sum of all separate effects of state social transfers (support from relatives and private charity excluded).

Table 11 points at the fact that the absolute poverty reduction of all state transfers (except from pensions) is equally low for Romanians, Hungarians and Roma living in the North-West development region: the poverty rates decrease only by around 4%. With respect to relative poverty reduction: 5.2% of the Roma avoided poverty due to the support of state transfers, as compared to 17% of Romanians and 13% of Hungarians. However, the severity of the impoverishment of the Roma slightly decreased due to welfare receipt, the mean poverty gap of households being reduced by 10%, as compared to 5.5% for the Romanian and 3.7% for the Hungarian households.

To summarize: the empirical data from the North-West region, collected in 2007, indicates that means-tested social transfers are considerably ineffective in tackling the risks of poverty and social exclusion.

### ***Conclusions***

The power to impose and inculcate a vision of divisions, that is, the power to make visible and explicit social divisions that are implicit, is the political power *par excellence*. (Bourdieu, 1989: 11).

This study tried to contribute at the debate on the consequences of adopting the European discourse on poverty and social exclusion, its specific methods of measurement and policy recommendations by analysing the particular case of Romania. It argued that the emphasis of EU policies on promoting social inclusion pushes the problem of persistent

inequalities within the “included” mainstream at the margins of the policy debate. As agents of social stratification, welfare states provide a “vision of divisions” (Bourdieu, 1989) that may differ from the enacted social divisions, which structure the everyday lives of individuals. The political power of the discourse on poverty and social exclusion resides primarily not in making explicit, but in hiding the salience of social divisions, which often run along ethnic lines.

The main means-tested income support benefits in Romania, in particular the Minimum Income Guarantee program, due to the low level of benefits, strict eligibility conditions, unfavourable treatment of large households and up-to-work claimants from rural areas, failed to attenuate the experience of poverty and social marginalisation. However, the measures of last-resort social protection regimented subjects from the periphery into the bureaucratic logic of state administration and labour force control. From persons affected by the negative consequences of economic policies, unequal chances in the educational system, and the particular forms of commodifying work on the labour market, they became “beneficiaries” of state action who should prove their “deservingness”.

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