

POVERTY IN THE REPUBLIC OF MOLDOVA

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According to the officially approved methodology in the Republic of Moldova on poverty assessment, there is extreme (food) and absolute poverty. The extreme (food) poverty line is calculated based on an evaluation of food consumption costs of providing daily human consumption of 2,282 kcal (which is calorific value of the subsistence minimum food basket). The absolute poverty line is determined by adding the minimum costs for non-food products and services to the extreme poverty line. In 2010, the extreme poverty line was 549.4 lei, and absolute poverty 1,015.9 lei. The extreme / absolute poverty rate is defined as the share of people whose consumption is below the extreme/absolute poverty line in the total population.

In 2006-2010 the extreme poverty rate fell from 4.5 per cent to 1.4 per cent, i.e. by 3.1 percentage points or 3.2 times. The absolute poverty rate in this period fell from 30.2 per cent to 21.9 per cent, i.e. by 8.3 percentage points or 1.4 times (Figure 1). However, poverty has evolved every year in different proportions. After the poverty rate fell in 2007, in 2008 it rose. In 2009 – it fell slightly, while in 2010 there was a significant fall in this indicator. In 2010 the absolute poverty rate was 21.9 per cent and fell 4.4 percentage points from the previous year, or 1.2 times.

The poverty gap is the term for the income deficit in relation to poverty threshold. The extreme poverty gap fell from 1.0 per cent in 2006 to 0.3 per cent in 2010, or 3.3 times, and the absolute poverty gap from 7.9 per cent to 4.5 per cent, or 1.8 times. This tendency is also characteristic for the severity of poverty, reflecting the complexity of the evolution of poverty. The severity of extreme poverty in 2010 was 0.1 per cent and that of absolute poverty was 1.4 per cent.

Thus the rate, gap and severity of extreme poverty do not reach very high levels, which shows that the phenomenon of extreme poverty in Moldova is not present. For this reason, poverty profile analysis is carried out only by absolute poverty indicators.

The evolution of the poverty rate depends on the place of residence of the household. In large cities, the poverty rate during the years 2006-2009 has gradually fallen: from 20.6 per cent in 2006 to 7.0 per cent in 2009, or 2.9 times. But, compared to the previous year, in 2010 there was a certain increase - up to 7.3 per cent, or 0.3 percentage points. The cause of this change was a fall in labor income, which contributed to reducing its share in the disposable income structure: from 65 per cent in 2009 to 61 per cent in 2010. A certain role in increasing the poverty rate belongs to remittances from abroad for households located in large cities. The increase in the level of the poverty line has contributed to increased household consumption inequality in large cities. While in 2009 the least-well-off 20 per cent population contributed 9.5 per cent of total consumption expenditure, in the year 2010 they contributed just 9.2 per cent. On the other hand, in 2009, 37.9 per cent of total consumption expenditures were concentrated among the richest 20 per cent of households, and by 2010 this level had risen to 40.0 per cent. Thus, on average for all households, consumption growth was highest in the best-off households.

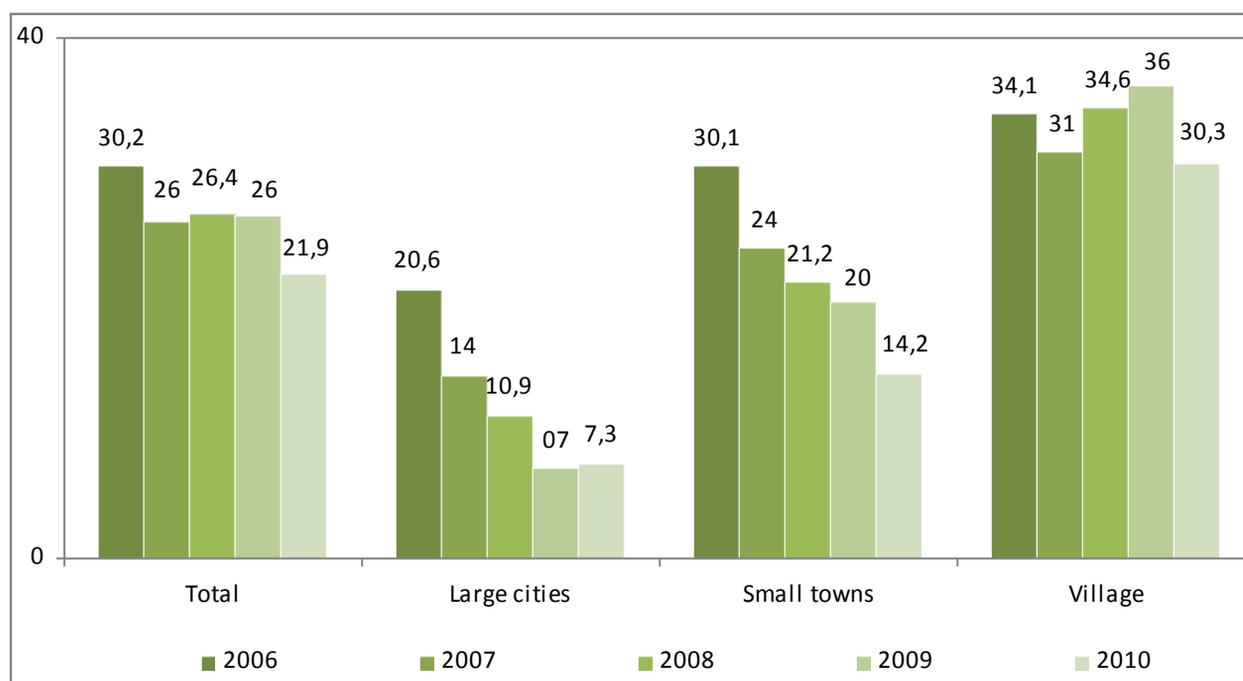


Figure 1. Absolute poverty rate for 2006-2010, %

Source: NBS

In small towns, the rate of absolute poverty is on a clear falling trend: from 30.1 per cent in 2006 to 14.2 per cent in 2010, or 2.1 times. Poverty levels in small towns were the lowest compared to big cities, but poverty reduction has been achieved consecutively, year after year.

In rural areas, after poverty rates rose between 2008-2009, there was a significant reduction, constituting 30.3 per cent, which is 6.0 percentage points or 1.2 times less than compared to 2009. This was driven by increased disposable income and consumption in rural households. By 19.3 per cent the average income per capita of individual agricultural activity increased due to increased agricultural output and higher prices. Employment income has also risen. The income from remittances has risen by 16 per cent, which ranks second (after income from work) in the structure of disposable income of rural households. Social payments also make a contribution to the growth of household wealth, including social assistance. While in 2009 only 1.2 per cent of rural households received social assistance, in 2010 their share was 3.4 per cent.

There is a crucial differentiation in the regional profile of the poverty rate. In 2010, the highest poverty rate was registered in the Center (29.6 per cent), followed by the South (27.7 per cent), then the North (23.7 per cent) and Chisinau (5.3 per cent) - Figure 2. In the first three statistical areas the poverty rate exceeds the national average (21.9 per cent). But this zonal ranking of poverty rate level was not always like this. As to reducing the level of poverty rate, in different years the following statistical areas were ranked in the first three positions: in 2006 - South, Center, North, in 2007 - North, Center, South, in 2008 - South, Center, North in 2009 - South, Center, North. Compared with 2009, the highest reduction in the level of the poverty rate was for the South - 10.3 percentage points (or 1.4 times), which in 2010 placed the region in second place in the hierarchy of regional poverty. The poverty rate in the North was cut by 4.6 percentage points (or 1.2 times), in the Centre by 3.6 percentage points, or 1.1 times. Households located in Chisinau were most likely to fall into a state of absolute poverty. In 2010, the level of the poverty rate in Chisinau was 5.3 per cent, remaining the same as in 2009.

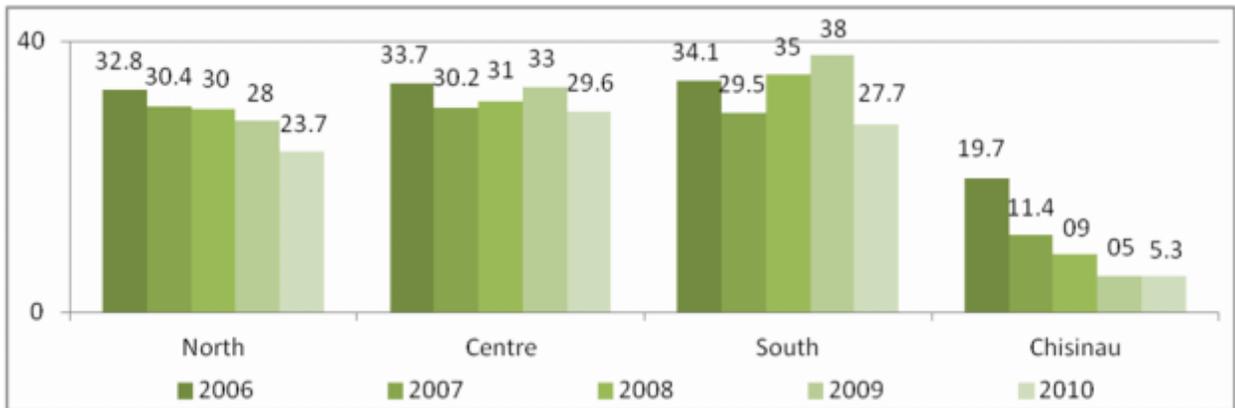


Figure 2. Poverty rate in Moldova by areas for 2006-2010, %

Poverty in Moldova is dominant in rural areas and has a clear tendency to increase. In 2006, out of the total number of poor in the country, 65.7 per cent, or almost two thirds, lived in rural areas, while 34.3 per cent, or less than one third were in urban areas (Figure 3). Meanwhile, in the population structure of the country, the rural population represented 58.7 per cent and the urban population 41.3 per cent. In 2010, the population structure has changed slightly, but the distribution of poverty between cities and villages has become more oriented towards rural areas. Of the ten poorest districts in the country, only two are from urban areas and eight are from rural areas.

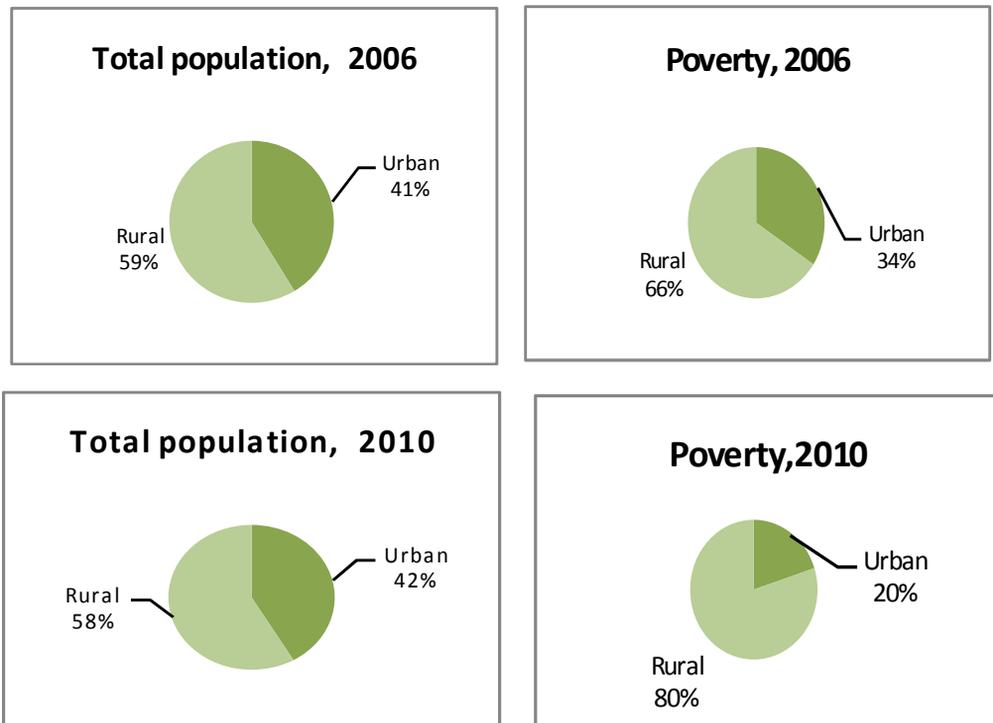


Figure 3. Distribution of poverty in "city-village" profile, %

Source: NBS

The risk of being in a state of poverty depends largely on household characteristics.

Households that are large in size have the highest risk of being poor. The level of the poverty rate for households with five members is 35.0 per cent, which is 1.7 more compared with that for households with two members (Figure 4). It should be mentioned that compared with 2009, the risk of being in a state of poverty for these households fell by 6.7 percentage points, or 1.2 times. A high risk level is characteristic of households composed of one person (usually, these are pensioners who live alone). One in five households of this type is poor. At the same time, specifically such households have undergone the largest decrease in the poverty rate: from 29.7 per cent in 2009 to 20.0 per cent - in 2010, or 1.5 times.

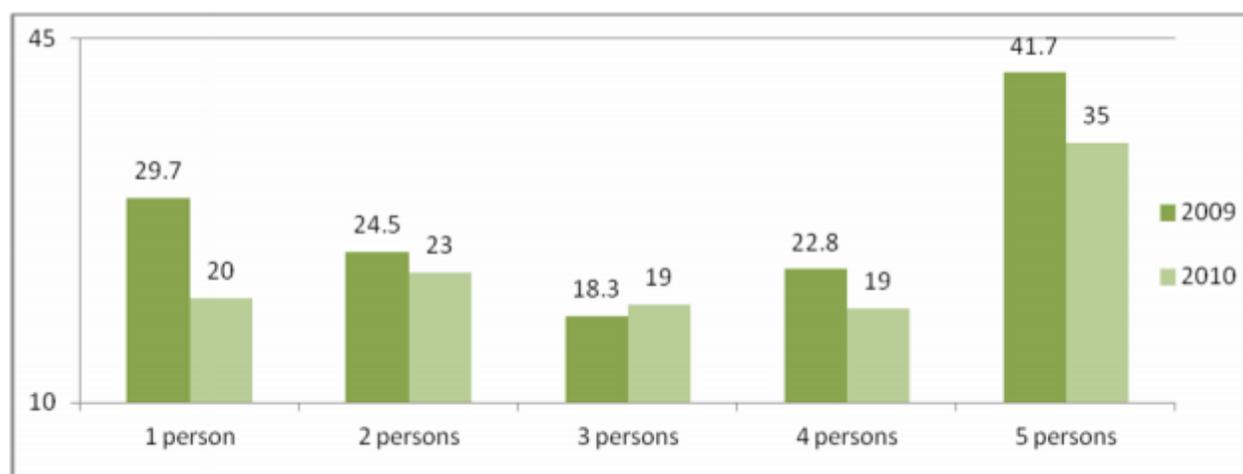


Figure 4. Poverty rate by household size, %

Source: NBS

Poverty risk increases with increases in the number of children. The arrival of one child in the family already increases the risk of poverty and every fifth household with one child is poor (Figure 5). The highest poverty rate is characteristic of households with three or more children (39.1 per cent), which is twice that for households with one child. Compared with 2009, the poverty rate declined for all households with children. For households with three or more children the reduction was 11.7 percentage points, or 1.3 times.

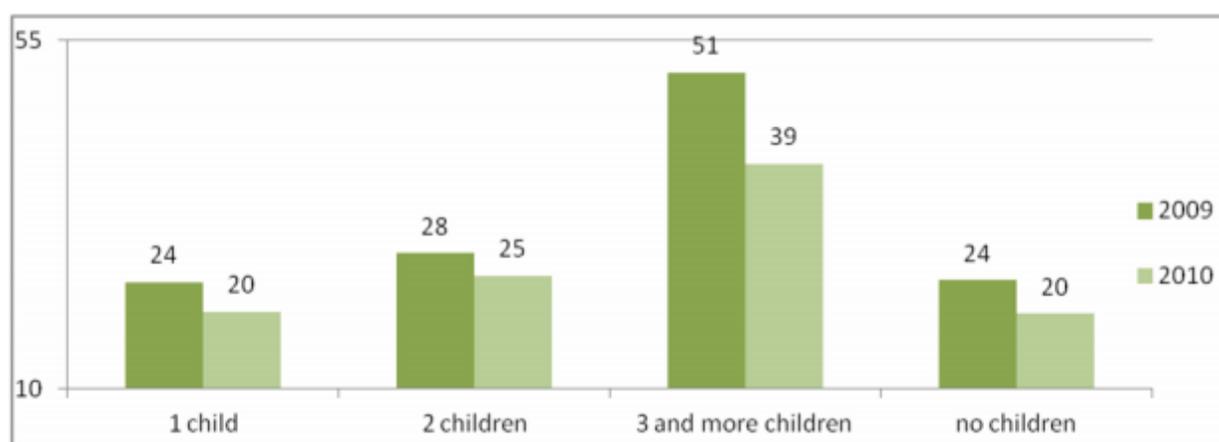


Figure 5. Poverty rate by the number of children in the household, %

Source: NBS

The higher the age of the household head, the higher the household risk of poverty. In households where the head is aged over 65, the poverty rate is 30.2 per cent, which is 2.2 times more than in households whose head is aged 30 (Figure 6). The trend of a rising poverty rate

with an increase in the age of the household head is different if the age is 60-64 years. Compared with 2009, the largest reduction in the poverty level was for households whose heads were aged 60-64 years (1.4 times) and 65 and over (1.3 times).

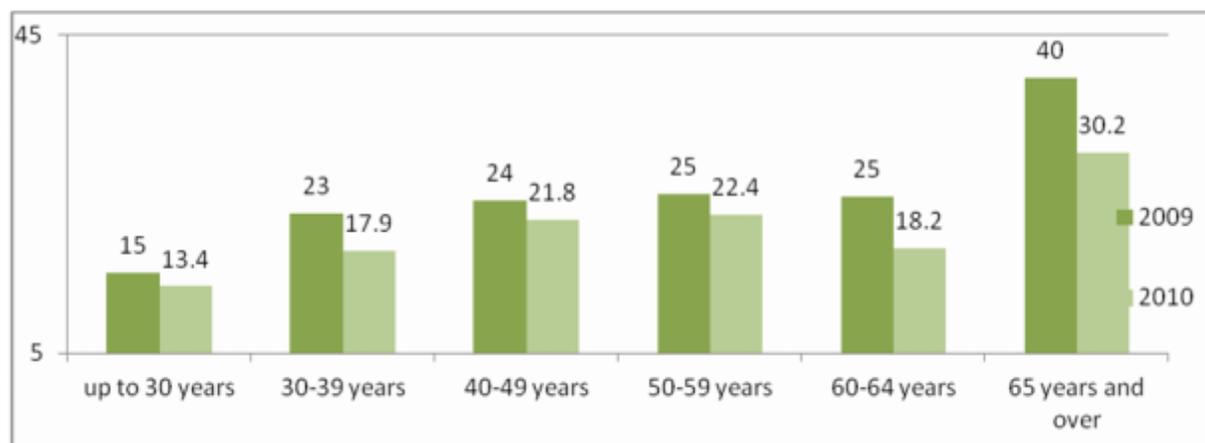


Figure 6. Poverty rate depending on the age of household head, %

Source: NBS

The risk of poverty is greatly reduced with increasing levels of education for the household head. The poverty rate of households whose head has no education, is 53.5 per cent; over half of these households are poor (Figure 7). If households are headed by persons with incomplete secondary or primary education, then their poverty rate is reduced to 39.1 per cent, or 1.4 times. The household poverty rate for households whose head has general secondary education, is 23.1 per cent, and for those where the head has professional and specialized secondary education 17.5 per cent. Those households are at the lowest risk of being poor are those whose head has higher education. For them the poverty rate is 4.8 per cent, i.e. 3.6 times less than households whose head has secondary professional and specialized education, and 11.1 times less than households headed by persons without education.

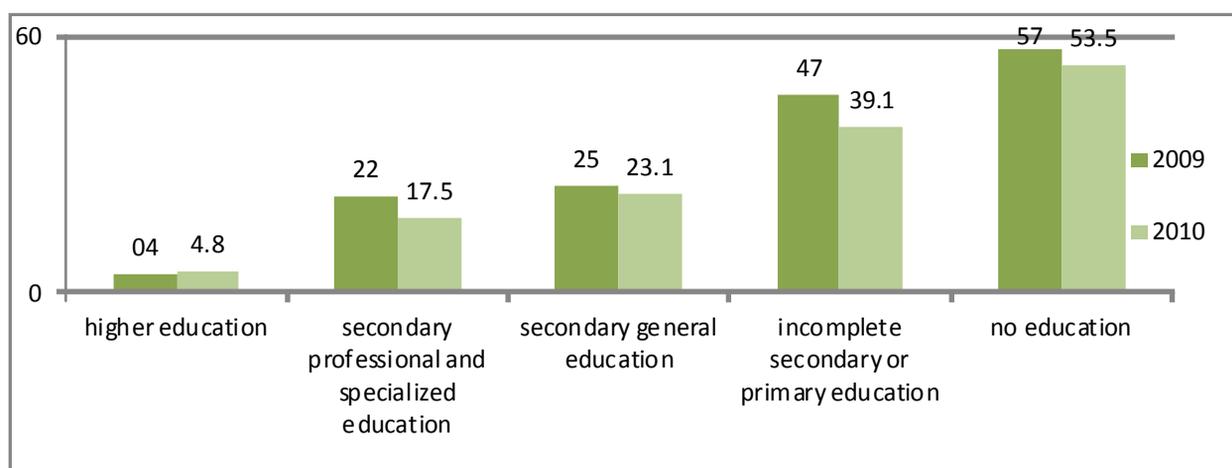


Figure 7. Poverty rate depending on the level of education of the household head, %

Source: NBS

The risk of poverty depends on the socio-economic status of the household head. The highest risk of poverty is for households headed by workers in agriculture and those self-employed in agriculture. Their poverty rate is 44.9 per cent and 36.5 per cent respectively, 2.0

times and 1.7 times more than the national average (Figure 8). The lowest level of poverty risk is for households, whose heads are non-agricultural employees - 10.1 per cent, which is 4.6 times less than households headed by workers salaried in agriculture or self-employed in the agricultural sector, and 4.8 times less than households headed by workers in agriculture.

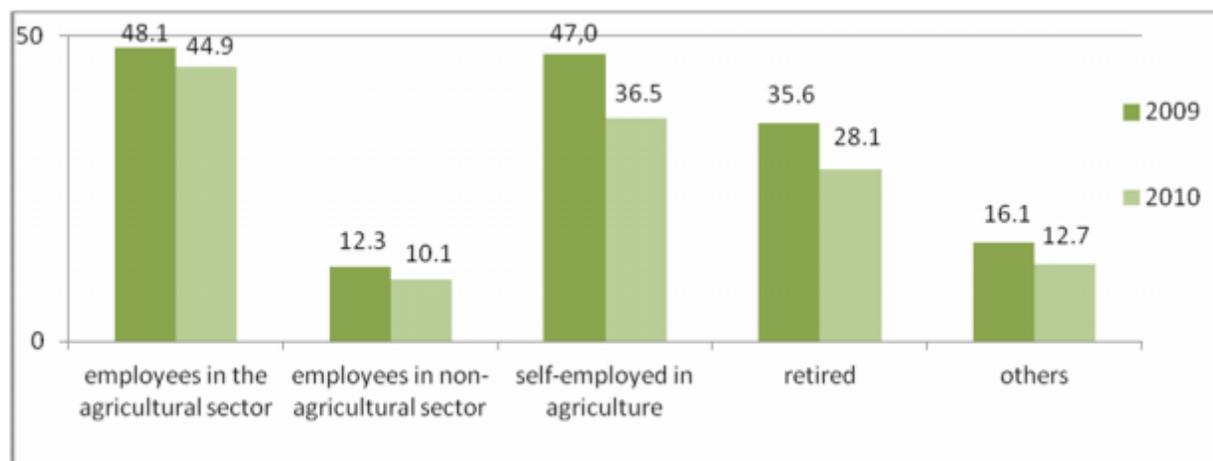


Figure 8. Poverty rate depending on the socioeconomic status of the household head, %
Source: NBS

Conclusion

1. In the Republic of Moldova there is evidence of a clear a trend towards a reduction in the level of poverty. In 2010 the 21.9 per cent of the population was poor, 4.4 percentage points less than the previous year, or 1.2 times less. The number of the poor was 735,000 persons, of whom 588,000 lived in rural areas.
2. The gap between the level of poverty in urban and rural areas has increased and became significant. After the increase in the rural poverty rate in years 2008-2009, its value has fallen in 2010 by 1.2 times. However, while in 2006 the poverty rate was 1.7 times higher in villages than in cities, in 2010 this difference had risen to 4.1 times. The extent of poverty in rural areas has risen. While in 2006, 66 per cent of the total poor in the country lived in villages, in 2010 this figure was 80 per cent. Of the ten poorest localities in the country, only two are from urban areas, and eight are from rural areas.
3. The highest risk of poverty, as in previous years, is typical of households with many members, large families, households with heads aged over 65 years, families headed by persons without education, households whose heads are employed in agriculture and those self-employed in agriculture.