

ECONOMIC STANDARD – QUANTITATIVE COMPONENT OF QUALITY OF LIFE

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ABSTRACT: *In the present social/economic conditions of our country, the problem of objective analysis and research of the population's everyday social life, of its wellbeing, of final consumption and possibilities of satisfying vital necessities, of the living standard and lifestyle, of the quality of life as a whole, becomes more and more present and significant. In the present period, the concept of quality of life was not only used by specialist, it actually became "exchange currency" in public debates. Considering the political and economic context and the integration of Romania in the European Union, the assurance of life quality is a vital objective in order to rapidly reach a living standard at acceptable level of civilization, defined in a European context.*

KEY WORDS: *quality of life; income and expenditure; economic standard; financial balance; poverty.*

JEL CLASSIFICATION: *Z10.*

Although the quality of life is not limited to economic standard, the latter is a basic component thereof. Economic standard is the economic basis of individual life. Zamfir Cătălin (1984, pp. 77-79) presents several complementary indicators, each of those revealing the economic basis from various perspectives:

1. **Total family income** (monetary income) is the sum of salaries, pensions, allowances, additional income of a family in a month. A problem relate to incomes is the difficulty of obtaining accurate information from the subjects included in the investigation of the quality of life. The tendency is to under-evaluate the total family income. Salaries are generally accurately reported by the subjects, but the income coming from unregistered work, income in nature, income from investments, tend to be frequently underrated;

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2. **Household belonging** is a strictly objective indicator, referring to the material basis accumulated in a household, to the object possessed by the family: TV set, refrigerator, washing machine, motorcar, computer etc;

3. **Estimated economic standard** is based on individual estimations of the economic level of their own life. This indicator reveals the measure in which economic resources satisfy necessities, economic requirement specific to the person, group (family) or community. It is difficult to determine the maximum limit of resources with which a person (family) can satisfy their necessities. All the research regarding the “minimum standard of living” start from the idea that the latter is relative, and it requires to be defined related to the more general social-economic context of the community. There is a “natural scale” of the standard of living at the level of common conscience, allowing each person to make an estimation of its own standard of living. The minimum acceptable standard of living, according to the definition of the European Council, can be fixed in terms of monetary variables or physical variables.

In case of monetary variables a certain level of income and wellbeing can be assessed, and any individual situated under this level can be considered as being poor. In case of physical variables, poverty means lack of goods and services necessary for the individual or the group, considered as indicators. The most common are household belongings, access to education, to medical services. Generally, monetary variables are more difficult to be used than physical ones.

This “natural scale” of the standard of living has a limit at the level of “strict necessities”, and at the level “I have everything I need”.

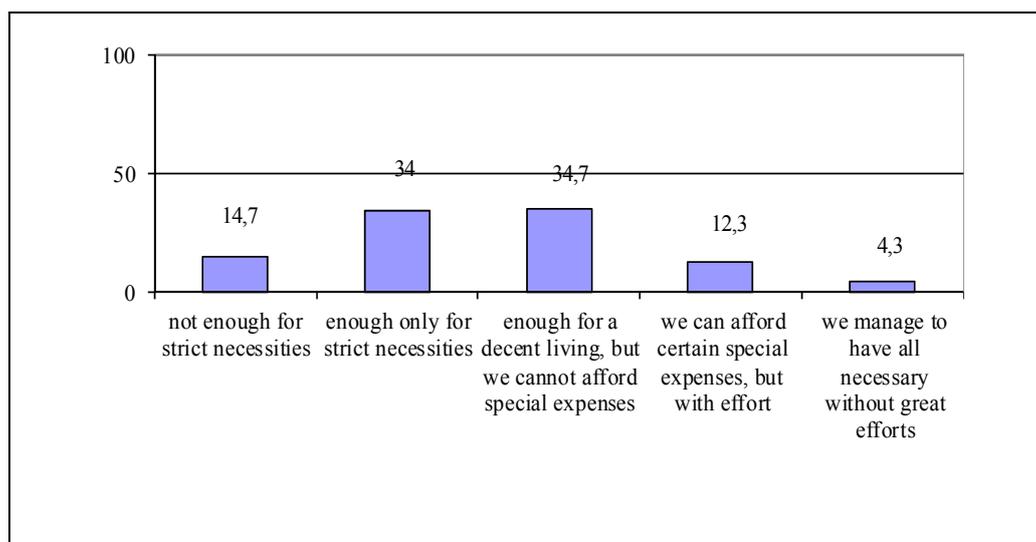
Continuing the idea of the “minimum decent level of life”, Zamfir C. (1994, p. 27) finds an equivalence of the steps of this scale as below:

- not enough for the strict necessities = under subsistence level: absolute poverty;
- enough only for the strict necessities = minimum level of subsistence: relative poverty;
- enough for a decent living, but we cannot afford special expenditures = decent minimum level;
- we can afford certain special expenditures, but with efforts = a generally good level of life, but with frustrations and sacrifices;
- we manage to have all that is necessary, without great effort =abundance of resources.

At the level of Jiu Valley, almost 15% of the subjects/families live in absolute poverty, a double percentage in relative poverty, one third at a decent minimum level of life, whereas a little more than 16% can enjoy a generally good level of life, the percentage of those that benefit of abundance of resources is insignificant (figure 1).

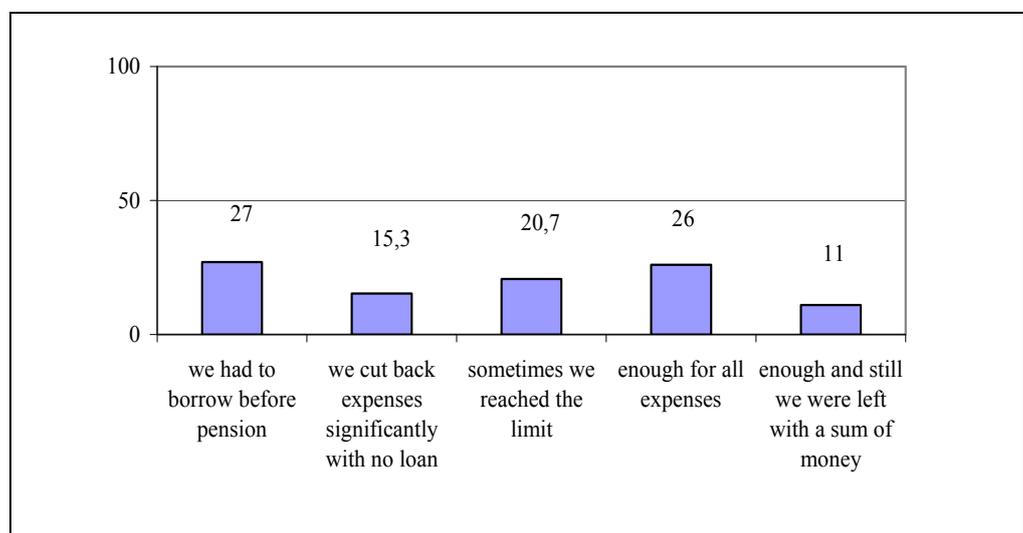
4. **Financial balance of the family** is important for many investigations of the standard of life and of the economic behaviour. Financial balance shows an equilibrium between necessities and possibilities, a lifestyle, as a whole, balanced. Financial imbalance is manifest by loans and important variations in expenditure in the period between salaries. Some researchers consider that financial imbalance of the family can be an indicator of relative poverty: economic means significantly reduced than active necessities of consumption, expressed by expenditure.

At the level of Jiu Valley area, more than one quarter of the subjects declare that they had to borrow money before their pension, and more than half live at the limit of a decent living. While more than 40% of the subjects have a precarious material situation, only one tenth of those say that when all the expenses are covered, a certain sum was left from the family income (figure 2).



Source: Research made by the author in the year 2009, on a sample of 600 pensioners

Figure 1. Estimated economic standard (%)



Source: Research made by the author in the year 2009, on a sample of 600 pensioners

Figure 2. Financial balance of the family (%)

5. **Estimation of the ratio income/necessities.** This indicator expresses a global assessment, made by each person, of their income from the point of view of their necessities.

The first two indicators of the economic standard – family income and household belongings – are strictly objective indicators. The other three indicators assess economic resources by relating those to one's own necessities.

Index of cost of life is an essential economic indicator, reflecting an important aspect of the quality of life and of the economic state of a country. Most frequently, the index of cost of life is as an index of prices, especially consume prices. The concept of cost of life is a complex one that can be defined from several points of view. In the broadest sense, it refers to the cost of an invariable, universal and generally valid budget of necessary goods and services. Often this budget corresponds to the concept of utility which, although corresponds to a quantity of goods and services, has a broader sense, referring to the integral satisfaction in time of necessities of consumption, both quantitatively, and qualitatively (Lefter, 1991, pp. 106-107).

The index of life cost represents the ratio between the costs of life in the present period compared to the cost of life in the basic period, in conditions where utilities are kept at a constant level that is necessities in the basic period are integrally covered in the present period as well. Since utility is not a completely measurable, quantifiable, operational concept, the real index of the cost of life cannot be calculated, but only estimated. Other opinions substitute the concept of utility with the concept of standard of life, the meaning being the same.

Essentially, the index of the cost of life measures a change of prices for goods of consume and services in the current period compared to the basic period.

Population income and consumption are considered by specialists as the most important components since, by their size and dynamics, they offer an overall look over the quality of life.

Income is one of the key factors that directly influence the population's level of living. As Zamfir C. (1994, p. 36) states, if we start from the premise that the population income is turned into consumption, that any increase of the income draws along a consumption increase, then a parallel analysis of the population's income and consumption is required.

Almost all of the research made regarding quality of life start from the hypothesis of existence of a direct connection between the level of income and the quality of life of the population. The idea is backed up by the fact that in higher income generally means the possibility of satisfying more necessities. The level of the income directly influences the level and quality of consumption of food, other products and services. The volume of expenses in a certain period depends on the level of income in the same period, on the accumulations from the income in the previous periods, as well as on the use of expected income.

The **income of the population** represents their material resources. From macroeconomic perspective they are seen as an aggregated indicator, taken into consideration as such in the analysis of the economic processes. Social policies are concerned with observation of the income of the population, the analysis thereof often determining directions of action, not to mention that for the individual they are a

fundamental problem. Currently, the term refers to monetary resources, but in a broader sense non-monetary resources that can be used are also included. (Ilie, 2000, p. 55).

Income refers to monetary resources, but in fact they are not limited to collecting money, but also include the counter-value of the goods and services obtained and received by the population, as a result of rendering socially useful services or as rights. Economic statistics identify the following large groups of income. (Zamfir, 1994, pp. 37-47).

a) Primary income is obtained by the population by its participation in the process of production and distribution of material goods and services, alongside with generation of national income. In its turn it falls into income from work and income from property and capital. Income from work is obtained by direct participation in the productive process and means any income obtained as a result of lending workforce by its owners. Income from property and capital are obtained as a result of their possession.

b). Income from redistribution refers to transfers from the state (social transfers), aiming at social protection of the individuals, being an explicit objective of wellbeing. Out of these categories: old age pensions, illness and accidents pensions, descendant's pensions, allowances for unemployment, utilities, social situations, children, education etc.

c). Income in nature are the least frequent. They can come from participation in production process, work, but also from redistribution process. They may lie in: food, other than food products, various services, transportation or other associated benefits.

d). Other income. Economic reality also includes other special income.

Population consumption represents the totality of food products and non-alimentary products consumed and services used by the population in non-productive ends, for a certain period of time. The expenditure for consumption of the population equally depends both on the level of the income, and on the evolution of the prices of products and services.

The models of population consumption express behaviour particularities adopted by various population categories regarding acquisition of goods and services for personal and household needs. A consumption model can develop in a geographical space, being active for a certain historical period, including sets of concrete, repetitive activities at various intervals, organized in structures viewing the existence and awareness by the consumers of a common body of facts and social realities (Stanciu, 2005, p. 276).

Consumption models existing in Romania can be described, at a higher degree of information synthesis, by the use of largely inclusive statistic indicators referring to effective consumption of goods and services in Romania, such as: level and structure of population's expenditure on consumption, level of providing households with long term goods, indicators regarding the way of dwelling, consumption of medical services, degree of inclusion in the process of education and instruction etc. In the Institute of Research of the Quality of Life (Mihăilescu, 2001, p. 49) there were earlier studies in determining the minimum consumption.

Minimal living involves the necessary resources for current consumption - food, clothes, footwear and dwelling - complete with an education and occupational training component, which would assist their progress and one of social status that would allow the development of the individual in society.

Minimal subsistence involves aspects related to survival of a person, in conditions of a short term public assistance, in view of reintegration of the respective person into society. It differs from minimal living by elements of social development and affirmation, which are not anticipated for survival.

Inflation, unemployment, deterioration of income and other social costs supported by the population lead to a calculation of these minimums in time, which are related to society's resources and conditions at a given time, expressing the cost of life based on generally accepted standards.

In an economy that adjusts to new laws and mechanisms of functioning, namely market laws, consumption are also affected. It is organically linked to economic circuit components and is influenced by a series of factors: development level reached by the respective country, tradition, inflation, income earned by the population, demand and offer of goods and services on the market etc. Diversity of existing situations, education and level of professional training, lifestyle, adaptation to the requirements of the jobs, lead to differences in aspirations of life and to various levels of consumption.

The last decades of the 20th century brought along, at least for the well developed societies, a new approach of poverty and standard of living. Alongside with the increase of the level of aspirations, of technological progress and material possibilities of societies, with the diversification of lifestyles, with the increasing interest for community problems in detriment of society in general, the attention of public opinion, of political world and of scientific community more and more focussed on problems of general and individual wellbeing, on the problem of poverty and social inclusion, as objective of social protection systems.

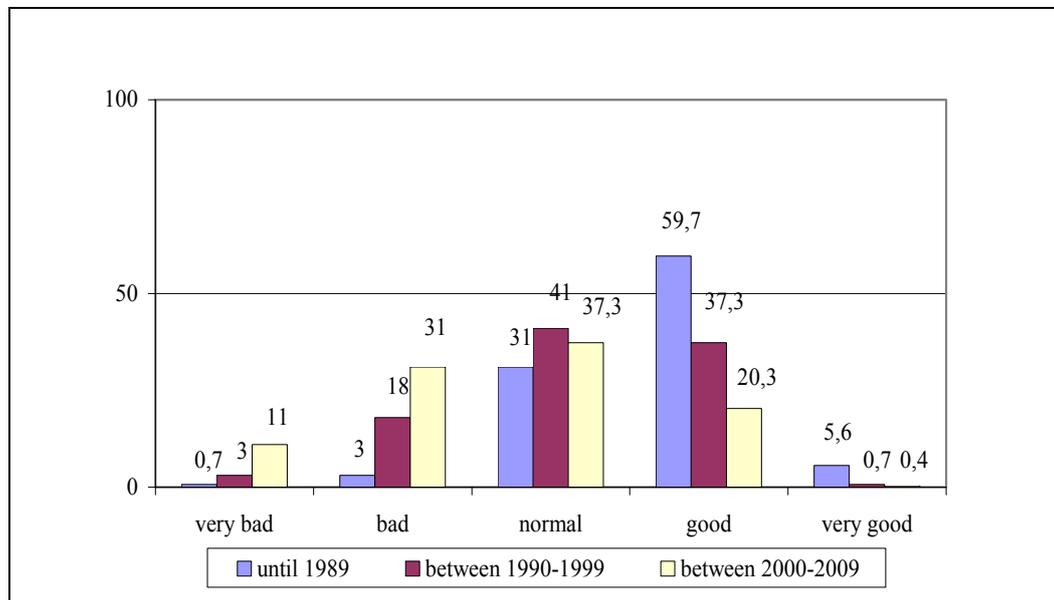
The very **concept of poverty** has raised interpretation problems regarding its real significance. The definition of the concept has suffered modifications in time, in relation with what society defined and admitted as being "basic necessities". From minimal needs regarding food and cloths, step by step, a minimum requirement of dwelling, education and health was considered, of which any individual should benefit, as member of a society.

A classical definition of poverty was developed by Rowntree, who considered that a person is poor when "his earnings are insufficient for obtaining a minimal necessity of keeping up his physical efficiency" (Lucuț & Rădulescu, 2000, p. 125). As a result of this definition, appreciation of the population's means of subsistence at hand has for a long time been an etalon to measure poverty. Subsequently, such components were appreciated as being too restrictive, thus other definitions and other forms of measuring poverty came up. Thus, Townsend used for the first time in measuring poverty, the inquiry on family expenses, appreciating that the volume of total expenses of a family represents the most adequate measure of their resources, more suitable than the volume of their total resources. Poverty is thus defined by the lowest level of resources of an individual or his family, because of which they are excluded from the

habits and activities of life that are considered as being usual. (Lucuț & Rădulescu, 2000, p. 125). Even if there are a great variety of attempts to define the concept of poverty, its unquestionable sense, present in all the definition used, is the following: poverty is a perpetual state of lack of resources required to provide a decent lifestyle, acceptable at the level of a given community. (Zamfir & Zamfir, 1995, p. 57).

Definition of poverty is thus made from two perspectives: from the perspective of consumption (satisfying needs) and from the perspective of the activity, of functioning of a normal society. From consumption perspective, poverty is defined as the incapacity of satisfying those needs that are considered as being minimal. From the second perspective, poverty is defined in terms of minimal conditions that are required for the normal functioning of an individual in the respective community. This latter perspective emphasizes not the mere individual survival, but the existence of those means that might provide a person a complete participation in the social life, to accomplish the roles assigned to him, to participate to the minimal training activities that would provide sufficient opportunities to develop by his own efforts. This perspective starts from the logics of functionality in the assembly of social life. A normal society is that which offers to each person the possibility of functioning as it member.

The most suggestive example regarding the characterization of the way of life from material point of view of Jiu Valley population, or in other words, the standard of living currently perceived, is shown in figure 3. It is unquestionably seen that the best period was the one until 1990, from that time to 2009, a permanent and accentuated deterioration of the standard of living is remarked.



Source: Research made by the author in the year 2009, on a sample of 600 pensioners

Figure 3. Characterisation of the way of life from material point of view in various period (%)

Cumulating the variants very bad and bad and good with vary good, we have the following situation (%):

	<u>very bad + bad</u>	<u>good + very good</u>
before 1990	3,7	65,3
between 1990-1999	21,0	38,0
between 2000-2009	42,0	20,7

The data in figure 3 shows that the people investigated perceived a continuous worsening until now of their way of life from material point of view, the summed up percentage of those very dissatisfied and dissatisfied increasing from one period to another, namely: before 1990, dissatisfaction was at a reasonable quota, between 1990-1999, approximately one fifth of the subject appreciated unfavourably their way of living, and in the last period analyzed, between 2000-2009, more than two fifths of the subjects declared that they were dissatisfied. The sad conclusion is that in the last period, the percentage of those dissatisfied is more than ten times higher than in the first period (from 3.7% to 42.0%).

Could it be the nostalgia for the much criticized, blamed period before 1990, or is it a “reality”, at least at perception level? Even if it is a slightly deformed perception, or the reality itself, the situation is dramatic, without any exaggeration. Obviously, the economic crisis is also the cause of the drastic degradation of the life conditions in 2009, if not entirely responsible. One can easily deuce how would the level of living be perceived at present, when besides the 25% cutback of the income of budgetary people, other regulations were enforced as well, which affect the income of budgetary people and of pensioners.

An **antipoverty strategy** is a way of unitary planning a body of programmes, measures and actions systematically directed towards supporting poor persons and families, in view of providing a higher standard of living. The concept overlaps partly the body of social policies, run in the benefit of the poor, to which the component of their integrated planning is added. An antipoverty strategy aims at all sectors, promoting objectives including all plans: jobs, dwellings, health, education protection of family and children, social protection of underprivileged categories etc. To be able to talk about antipoverty strategy, the public system should be involved at the level of its conception and progress, but non government actors could participate as well. In principle, a functional strategy should benefit from resources and should fix objectives in relation to those, it should be made operational in an action plan that would provide detailed measures and would identify how its progress towards reaching the objectives would be monitored. (Zamfir & Stănescu, 2007, p. 553).

Poverty control policies represented one of the most important fields of articulation and development of social protection systems, of social policies in general. The first measures of social policy were developed to support this underprivileged category. Thus, the Poor Law Act in Great Britain in 1601 represents the first antipoverty strategy of a state. This regulation stipulates the obligation of each parish to take over the responsibility for their own poor, offering them assistance in exchange for work in the benefit of the community – as we would say today – from those who are apt to work, the similarity with the assistance for the poor in our day being

remarkable. At the beginning of the 20th century, all developed countries ran support programmes for the poor.

Eradication of extreme poverty is a fundamental objective of the UNO global strategy of promoting Objectives of millennium development, which has set the objective of reducing by half the Dimensions of this phenomenon until 2015 (Zamfir & Stănescu, 2007, p. 554).

At the level of the EU, poverty control takes place within the institutional framework of the strategy adopted by the European Council of Lisbon with its main objectives the promotion of jobs and economic growth. The concept promoted is not poverty, but social inclusion in other ways as well, not only due to economic reasons.

In the opinion of the same author (Zamfir & Stănescu, 2007, p. 554), a considerable expertise has been accumulated in Romania, in the research of the phenomenon of poverty. In the first years after 1989, there was no specific program of controlling poverty, in spite of the increase of this phenomenon, and a widening gap between social strata. In 1998 a first strategy was developed to fight poverty. Romania drew up its first Country Report on the Objectives of development of the Millennium in the year 2004, becoming one of the 191 participating countries in the global agenda of UNO for development. The Framework-Objective of this strategy is cutting back severe poverty, being complete with a series of more specific objectives, such as the increase of the rate of graduation in mandatory education or improvement of maternal health.

At conceptual level, the last years have marked the shift of the emphasis from poverty control, as lack of economic resources, to the fight against social exclusion, understood as a multidimensional phenomenon, of lack of access to various social services. This shift of accent involved a more comprehensive approach of social policies, where social transfers are completed with the reform of social services (education, health) and the construction of a national system of services of social assistance.

Social programmes help the poor, but do not eliminate poverty from society. The phenomenon of poverty is not strange to any society. Therefore, the aim of poverty control is in fact guiding the social efforts towards reducing risks for poverty becoming permanent or chronic and for social marginalization and exclusion.

Thinking in terms of human rights, poverty and social exclusion can be construed as infringement of people's fundamental social rights. Efficiency of national policies of providing access of the population to fundamental rights depends on the accuracy of identification and removal of mechanisms that hinder individuals to enjoy these social rights.

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