

## ANALYSIS OF ECONOMIC AND SOCIAL INEQUALITIES IN THE EUROPEAN UNION

### **Abstract**

Over the past four decades, public interest and the wider academic inequality and poverty has increased substantially. Social inequalities and poverty are realities of all societies, but there are differences of degree between them. Looking at some Eastern countries that joined recently European Union, especially Romania and Bulgaria, article shows that both countries have extreme poverty and social inequalities. The explanations come from past and recent history, but also from the economic measures taken after 1990. This paper deals with the causes and consequences of inequality and poverty in the countries east of the new frontiers of the European Union. Poverty and inequalities in the former socialist countries were partly mitigated by the social policies of the state. The transition processes, however, have resulted in new distributions of income and wealth. The new structural sources of poverty and inequalities have often been more extreme.

**Keywords:** inequalities, economy, social inclusion, poverty

**JEL CODES:** O15, P24

## ANALIZA ECONOMICĂ ȘI SOCIALĂ A INEGALITĂȚILOR ÎN UNIUNEA EUROPEANĂ

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### **Rezumat**

Pe parcursul ultimelor patru decenii, interesul public și inegalitatea mai largă academică și sărăcia a crescut în mod substanțial. Inegalitățile sociale și sărăcia sunt realități ale tuturor societăților, dar există diferențe de grade între ele. Privind către unele țări din Est care au aderat recent Uniunii Europene, în special România și Bulgaria, articolul arată că ambele țări au sărăcia extremă și inegalitățile sociale. Explicațiile vin din trecut și istoria recentă, și de asemenea, cauzate de măsurile economice adoptate după 1990. Această articol urmărește analiza cauzelor și consecințelor inegalității și sărăciei în țările estice, noi frontiere ale Uniunii Europene.

**Cuvinte cheie:** inegalități, economie, incluziunea socială, sărăcie.



## 1. INTRODUCTION

Any analysis of wealth in a society still largely if not include how to make the distribution of resources, goods and services in the community. Economic inequalities are universal and inevitable. Revenues are created in a year is a certain amount and any favouring certain categories of the population means a minus for another segment of society. The economic order is the realm of competition and confrontation of interests. Equality, as too much inequality in income distribution, is as damaging economic development (Ailenei, 2009). Income inequalities can be temporary or permanent, random or systematic, normal or abnormal. Criterion separate types of economic inequality can be statistically (as income distribution, the European average and comparison between countries, etc.) or may include social consequences of inequality on the functioning of society (social cohesion, social conflicts, community problems it creates etc.) quality of life. Concept of inequality is notorious as against the values of EU citizens, the European Commission targets for economic and social cohesion and specific objectives of the "Europe 2020- strategy for" smart, sustainable and inclusive growth ". Many European countries have experienced with slow growth in recent decades, and the trend has worsened in recent years. The recession of recent years has not only increased attention to the growing inequalities in OECD countries, but also mentioned the growing interest in academic and political in finding measures broader economic performance than GDP growth.

## 2. CONCEPTUAL INEQUALITY, POLARIZATION AND SOCIAL INCLUSION

The analysis of social inequality is related to the theoretical structural model defines the dimensions and categories earn of inequality. Research classic inequality focuses on the distribution of scarce resources and building unequal social groups. These groups are subject to several social and societal hierarchies. The transition to economy market, with everything generated, that unemployment, inflation, real income reduced, leading to an increase in the differentiation of economic, amid a decline overall real income. Essentially, unemployment, poverty and social polarization were true shock transition, hard to absorb short-term (Cornia, 2004). These phenomena were interdependent, each time, were either causes or effects that were generated each and represented a vicious circle for much of the population, which faced problems circle that hard or almost impossible they could come and social costs were always signi Liver. New economic mechanisms have not been backed up always and for social policies coherent, effective and efficient and an effective system of social protection of nature to protect those in need and so it came to inequalities rather large to economic polarization leading social bipolarity, they gaining proportions that could disrupt the balance of the whole society. Excessive social polarization is a permanent source of social tensions that might endanger peace and social balance. Social polarization

is strongly determined by economic polarization generated by unequal access to economic resources / materials in society (Ehrenpreis, 2007). The society is polarized, the poverty is more visible and widespread principle. There are examples proving the size of inequalities within a country and between countries. The following important aspects attesting scale that went inequalities can be considered grounds for their study because it is known that there are very close links between inequality and other social phenomena and economic inequality is closely linked to poverty. Increase income inequalities, education, property, etc., almost always lead to higher levels of absolute or relative deprivation in these dimensions; inequality is closely related to growth (Shorrocks and Rolf, 2004).

### 3. THE RATE AND RISK OF POVERTY THRESHOLD

In 2016, 16.6% of the EU-28 were at risk after social transfers. This rate, calculated as a weighted average of national results, conceals considerable variations between Member States. In five Member States, namely in Greece (23.1%), Romania (22.4%), Bulgaria (21%), Lithuania (20.6%) and Spain (20.4%) considered that over a fifth of the population is at risk of poverty, meeting the same situation in Serbia (24.5%) and the former Yugoslav Republic of Macedonia (24.2%). The lowest percentage of people at risk of poverty were recorded in the Netherlands (10.4%) and the Czech Republic (8.6%). Norway (10.9%) and Iceland (9.3%) reported also relatively low levels of the population at risk of poverty. The risk of poverty (after social transfers) in the EU-28 remained relatively stable between 2011, 2012 and 2016 (see Table 1). Between 2012 and 2016 the risk of poverty rate decreased by at least 1 percentage point in the Czech Republic, Finland and Ireland. In all other 10 Member States reported decreases between 2012 and 2016, ranging from 0.9 percentage points to 0.1 percentage points in Croatia in the UK (OECD, 2016). Switzerland reported a decrease in risk of poverty rate (-1.4 percentage points) in 2016 compared with the previous year. In three Member States, namely Germany, Greece and Austria, the risk of poverty rate remained the same. However, the largest increases in the period 2012-2016 were registered in Lithuania (an increase of 2 percentage points), Estonia (1.1 percentage points) and Slovenia (1 percentage point), while Iceland (1, 4 percentage points) also reported an increase in comparable high. Different social groups are more or less vulnerable to monetary poverty. In 2016 there was a relatively small difference between risk of poverty rate (after social transfers) in men and from women in the EU-28: 16.1% of men compared to 17.2% among women. The biggest difference (2.7 percentage points) was observed in Sweden and Estonia. In 2016, Germany, Lithuania, Cyprus and Bulgaria have also reported that the risk of poverty rates for women exceeded by at least 2 percentage points corresponding rates in men, while in Switzerland the difference was 2.1 percentage points.

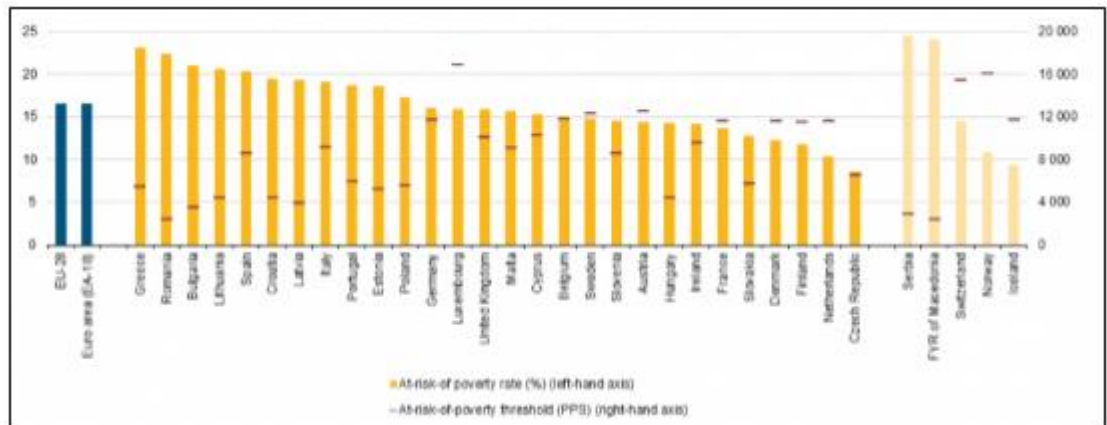


FIGURE 1 - RISK OF POVERTY RATE  
 Sursa: EUROSTAT, 2016

#### 4. INCOME INEQUALITY IN THE EU

In the policy, it pays special attention to inequalities felt by many social categories. One of the categories that are of particular interest is that of the elderly, which is explained in part by increasing the percentage of the EU population aged at least 65 years (Mărginean, 2011). Pension systems can play an important role in combating poverty among the elderly. In this respect, it is interesting to compare the incomes of the elderly with the rest of the population. Across the EU-28 as a whole, people aged at least 65 years have seen a median income which in 2016 reached 93% of median household income less than 65 years. The extent of poverty, which only helps to quantify the poverty of the poor, can be measured by the average gap relative risk of poverty. In 2016, the median income of people at risk of poverty in the EU-28 averaged 23.8% below the poverty line; this threshold is set at 60% of median income per adult-equivalent of all people nationwide. Among EU member states, average gap relative poverty risk was most pronounced in Greece and Romania (32.7% and respectively 32.6%), Bulgaria and Spain (both 30.9%), Croatia (28.1%) and Italy (28%), followed by Latvia (27.5%) and Portugal (27.4%). The lowest risk of poverty gap between EU Member States was observed in Finland (15%), followed by the Netherlands (16.5%), France and the Czech Republic (both 16.6%).

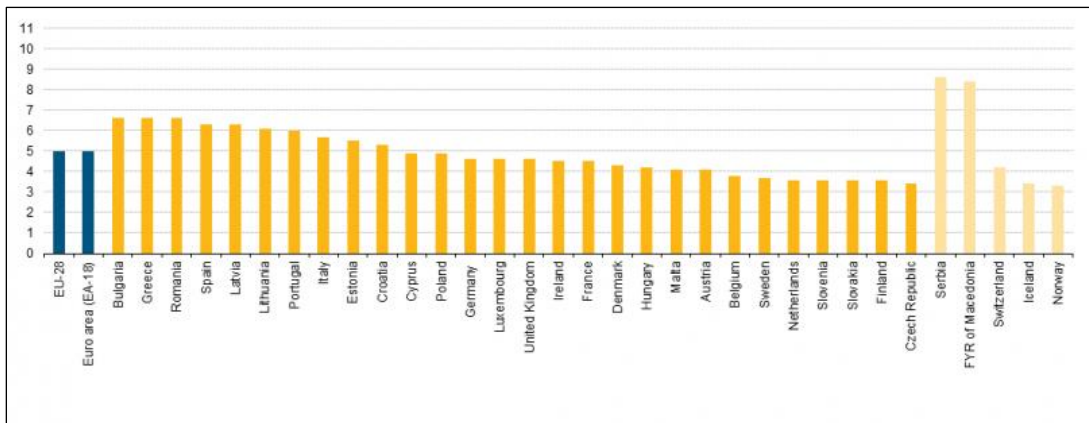


FIGURE 2 - INEQUALITIES IN INCOME DISTRIBUTION, 2016  
Sursa: EUROSTAT, 2016

## CONCLUSIONS

This paper mainly deals with the problems of inequality and poverty in the countries bordering the European Union. Poverty has emerged as an adverse consequence of the transformation process, while inequality was the result of the new distribution of income and wealth and other policies. Different sizes of the transformation process, including integration with global markets and spillover effects of globalization have increased inequality, deindustrialization, de-modernization and widespread poverty. Evolving capitalist economy remains dominated by some political groups connected financial industry centered exploitation of raw materials and relatively small sector and non-dynamic SMEs, which some authors term a "great pasînapoi". The main causes of poverty and inequality in these countries include the decline in production, unemployment and macroeconomic stabilization policies. The inequalities in income, wealth and consumption will have a lasting impact, particularly on marginalized groups, and government intervention is necessary to avoid tensions and conflict. The process of social degradation without compensatory social policies and effective education can become irreversible. From the trends in progress, it is clear that growth without redistribution is not sufficient to moderate the impact of inequality proprietary models.

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