

INEQUALITY IN HUMAN DEVELOPMENT – CASE STUDY FOR ROMANIA

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Abstract:

The purpose of the present paper is to highlight the human development progress and the inequality in human development for Romania. We also want to emphasize the biggest or the smallest losses, making a brief analysis of inequality on the three components: health, education and welfare. In our research we start from the idea that an objective measurement of inequality is necessary for policy makers and not only.

Keywords: human development, progress, inequality in human development

JEL Classification: O15

1. Introduction

The Human Development Index (HDI) aims are not only to monitor human development, but also to encourage countries to take actions that promote it. Year after year most countries have registered a significant human development. The 2014 Report shows that the overall global trends are positive and that progress is continuing. In line with the human development paradigm, it takes into consideration the disparities between and within countries and it identifies the ‘structurally vulnerable’ groups of people who are more vulnerable than others by virtue of their history or of their unequal treatment by the rest of society. Also, it makes a number of important recommendations for achieving a world which addresses vulnerabilities and builds resilience to future shocks [2].

Starting from these considerations, in our paper, we make a brief analysis of the human development progress in Romania and we bring into question the inequality in human development and also the losses in the three dimensions: health, education and welfare.

2. Inequality Problems

Over time, many authors brought to attention the increasing inequality and its detrimental social effects. In their work they discussed the inequality in individual dimensions such as income (Atkinson 1999, Ram 1992, Theil 1981), health (Bartley 2004, Deaton 1998), and education (Prasartpornsirichoke and Takahashi 2012, Brock-Utne 2011) to name but a few.

If we talk about the income inequality, we must know that about 65 per cent of total income inequality in the non-communist world is accounted for by international inequality and about 35 per cent by inequality within nations. More than 70 per cent of international inequality is accounted for by the inequality of two major regions [5].

If we talk about health inequality and life expectancy, we know from many studies that there are large differences in life expectancy between the most privileged and the most disadvantaged social groups in industrial societies. But we need to look beyond the figures to the social and biological processes that underlie them in order to understand why this is so [1].

The relationship between income and health is well established: the higher an individual's income, the better his or her health. However, recent research suggests that health may also be affected by the distribution of income within society. The effects of income inequality on health may be explained by underinvestment in social goods, such as public education and health care or disruption of social cohesion and the erosion of social capital [3].

The list of inequalities in human development must be filled with inequality in education. These because, in Europe for example, despite an important increase in number

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of years of schooling in the post-war period, research still shows important differences between social and ethnic groups and even a widening of the gap between the most advantaged and most disadvantaged in some countries [6].

Inequality in different dimensions may be caused by different factors. Jensen and Nielsen, for example, identified that the income distribution is related to employment structure, minimum wage, social security provision, etc. and that the school enrollment depends on the provision of public schools, legislation of child labour or labour markets [2].

So measuring the inequality in human development is part of the concern of numerous experts, and the results of their studies arouse public interest, especially in the current context, of globalization, and competition among nations. According to the new perspective of human development, since 2010, United Nation Development Program (UNDP) started to calculate the Inequality-adjusted Development Index (IHDI). The purpose is to account for the loss in potential human development due to inequality.

3. The Romania's Progress in Human Development

The HDI is not designed to assess progress in human development over a short period of time because some of its component indicators do not change rapidly in response to policy changes, especially for mean years of schooling and life expectancy at birth.

So, in order to characterize the progress in human development it is useful to review HDI advance from medium to long term. Between 1990 and 2013, Romania's HDI value increased from 0.703 to 0.785, a total increase of 11 per cent or average annual increase of about 0.5 per cent. Romania's HDI value for 2013 positions the country at 54 out of 187 countries and territories.

For the year 2013, we mention that HDI was calculated taking into account the four well-known indicators: life expectancy at birth, mean years of schooling, expected years of schooling and gross national income per capita. According to the 2014 HDR the situation most favourable to Romania refers to mean years of schooling and expected years of schooling. For the first indicators, the value 10.7 years situated our country on the top of ranking, near the countries with high human development. A good value was also registered for expected years of schooling. With the value 14.1 years, Romania is situated, and this time, on the top ranking.

Since 2010 UNDP changed the methodology for calculating the HDI. The list of indicators on education was completed with expected years of schooling for children of school-entrance age, GNI per capita is used as an indicator that measures wellbeing in place instead of GDP per capita and HDI is calculated as a geometric mean, and not as an arithmetic mean as it was previously.

Taking into account these changes to the HDR 2010, we found it necessary to emphasize the stage of human development in Romania and that what happened in the recent years.

In Table 1 we present the evolution of the Human Development Index and its components for Romania. As you see the value for the indicators life expectancy at birth, mean years of schooling and expected years of schooling have been relatively constant.

Table 1 – Human Development Index and its components for Romania

Year	Life expectancy at birth	Mean years of schooling	Expected years of schooling	Gross national income per capita	HDI value	HDI Ranking
2010	73.2	10.6	14.8	12 844	0.767	50
2011	74.0	10.4	14.9	11 046	0.781	50
2012	74.2	10.4	14.5	11 011	0.786	56
2013	73.8	10.7	14.1	17 433	0.785	54

Sources: Human Development Reports, 2011-2014

Differences occur at the indicator GNI per capita when this one registered a consistent decrease of 14% in 2011 compared to 2010. The large value of the indicator under discussion for the year 2013 is explained by the fact that the value calculated according to the purchasing power parity of the dollar in 2011, compared with the previous years when the purchasing power was calculated according to 2005. That explains the substantial increase to 11,011 in 2013 from 2012 to 17,433. Another possible explanation is that Romanians are less numerically, as the result of the last census, and when we calculate the GNI per capita dividing the GNI to a lower number, the result is a higher value.

Explanations for the GNI per capita indicator are needed not to get the impression that the Romanian economy grew miraculously. However, we cannot ignore its positive trend as reflected in official statistics.

In this context, it is important to mention that Romania has always kept the position between the countries with high human development.

4. Inequality in Human Development – Case Study for Romanian

To complement the array of human development, in 2010, UNDP introduced a new index, named Inequality-adjusted Human Development Index (IHDI), which it conceals disparities in human development across the population within the same country. Accordingly, it takes into account not only the average achievements of a country on health, education and income, but also how those achievements are distributed among its citizens.

Milanovik argued and described the problem of income inequality and what happened with these during the transition to capitalism in 18 countries, including Romanian. He examined what happened to the real incomes of the population, to the inequality with which incomes and expenditures are distributed. In looking ahead, he concluded that if growth is to make a substantial dent in poverty relatively quickly, it will be necessary to stabilize income inequality at current levels. Assuming that inequality remains at current levels, and using the average growth rate of 5 percent per capita per year, poverty appears to be staying in these transition economies still many years. [4]

As we can see in Table 2, Romania's HDI for 2013 is 0.785. However, when the value is discounted for inequality, the HDI falls to 0.702, a loss of 10.5 per cent due to inequality in the distribution of the dimension indices.

The inequality manifests for all HDI components, but these occur mainly in the area of income. Therefore, if in 2010 the percentage loss due to income inequality was 27.8, for the year 2013 the percentage loss has been 17.3, decreasing year by year.

For the other two dimensions, education and life expectancy, the evolution was similar. Consequently, for education the percentage loss in 2010 was 10.4, but it immediately decreased to 5 per cent the next year, keeping the loss value at that level for the next two years. For inequality in life expectancy the percentage loss in 2010 was 10.9, but in the next years the loss value was lower, arriving in 2013 at 8.8 per cent.

Table 2 – Inequality-adjusted Human Development Index and its components for Romania, 2012

Indicators \ Year	2013	2012	2011	2010
HDI	0.785	0.786	0.781	0.767
IHDI	0.702	0.687	0.683	0.675
Overall Loss (%) for HDI	10.5	12.6	12.6	12.1
Difference from HDI rank	+4	+2	+1	+3
Inequality-adjusted life expectancy index	0.755	0.770	0.770	0.751
Overall loss (%) for inequality in life expectancy	8.8	9.6	9.6	10.9
Inequality-adjusted education	0.710	0.779	0.789	0.636

Year	2013	2012	2011	2010
Indicators				
index				
Overall loss (%) for inequality in education	5.0	5.0	5.0	10.4
Inequality-adjusted income index	0.645	0.540	0.524	0.512
Overall loss (%) for inequality in income	17.3	22.2	22.2	27.8

Source: Human Development Report 2010-2014

5. Conclusions

The human development level for a country at a given time depends on what happens in other countries. The aim is a high level for HDI and also for IHDI, but for Romania to reach a top position in this respect can be considered for the moment a utopia. However, the actions must converge in order to provide a high position in the hierarchy and more favorable results for the entire population of the country.

Romania's position after HDI ranking, according to HDR 2014, is 54, which places it on the first third of the list, but international comparisons with other European Union countries or with other Europe countries, show us a disadvantage in sustainable development in general and especially in human development.

Things are even more worrying, as our position is after countries that have a potential much more modest than ours. Unexploited potential is one of the causes of "backwardness" and among the culprits are the deficient political management and the ineffective governance.

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