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POPULATIONS AT RISK IN CENTRAL AND EASTERN EUROPE
Seventh Report

Project Summary

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Foreword

Remarkable progress has been made in Central and Eastern Europe (CEE) in the transition to market-oriented democracies. Economic policy reforms have been impressive and have contributed to major restructuring. Over sixty percent of GDP in the region is now in private sector hands; this was probably closer to fifteen percent in 1989. On average, the economies have been expanding by roughly four percent annually since 1994, far outstripping economic growth in the EU. Five CEE countries were able to hold 1996 inflation to ten percent or less, and the regional 1996 fiscal deficit average may even have been below the EU Maastricht target of three percent of GDP.

Democratic reforms have been equally, if not more, impressive. Six CEE countries now have democratic freedoms roughly on par with Western Europe. Three of these countries have just been invited to join NATO; five will take part in the next round of negotiations to join the EU.

Yet these gains have been accompanied by significant pain. Equally rapid has been the transformation from relatively eqalitarian societies with little open unemployment and negligible poverty to ones that now must confront very challenging social problems. Real incomes plummeted in the early transition years. In fact, current robust economic growth notwithstanding, only Poland and Slovenia have regained pre-transition average income levels. Open unemployment in most countries is high, and the proportion of long-term unemployed is significant and rising. Income inequality and poverty have also increased substantially. Strapped with fiscal constraints, governments have not been able to adequately address such hardships.

This summary report is the last in a series which has focused on the social dimension. Commissioned by the Program Coordination and Strategy Office of USAID's ENI Bureau and produced by the International Program Center of the Bureau of Census, the series has attempted to identify which segments of the population in CEE have been most at risk during the transition, to gauge the magnitude of this vulnerability, and to explore some of the policy implications. A primary data source has been the Luxembourg Income Study (LIS) data sets. Funded in part through this project, LIS collects and standardizes household survey data (primarily, though not exclusively, income data) from CEE as well as many OECD countries and others (including now Russia).

Earlier reports are available upon request:

Populations at Risk in CEE: An Overview, No. 1 (November 1994). This includes initial assessments of poverty, patterns of mortality, dietary changes, and environmental risks.

Labor Markets in CEE: Employment, Unemployment, and Labor Hoarding, No. 2 (February 1995).

Poverty in Hungary and Poland: Poverty's composition and the Social Safety Net, No. 3 (March 1996).

Health in Eastern Europe, No. 4 (June 1996).

Income and Poverty in Eastern Europe, No. 5 (March 1997).

Gender and Poverty in Poland and Hungary, No. 6 (March 1997).

We welcome your reactions and suggestions.

Ron Sprout
Office of Program Coordination and Strategy
Europe and New Independent States Bureau
USAID
(202) 647-3806

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INTRODUCTION

This is the final report in the series "Populations at Risk in Eastern Europe". Its purpose is twofold: to sum up what has been learned from the set of BUCEN research monographs covered by the contract; and to augment or otherwise modify this characterization, when external research presented at the 1995 LIS summer conference indicates the need.

Initial meetings with AID in 1994 set the research goals, and identified the methodologies and data to be used in pursuit of these objectives. Three questions dominated the agenda: "who were the poor"; "which populations were at risk"; and "what progress was being made in social restructuring?" across the countries in transition. BUCEN I provided a series of preliminary, baseline estimates which addressed these issues from multiple perspectives: living standards, labor force experience, health status, quality of diet, and environmental conditions. As appropriate, an effort was made to indicate areas where significant gender differentials existed. Subsequent reports refined these estimates and explored some of their policy implications. Highlights from this body of research are briefly summarized below to provide context for the LIS conference papers.

REVIEW OF CENSUS RESEARCH

BUCEN I

Recapitulating, BUCEN I examines the comparative status of the transition in Eastern Europe using a series of indicators covering economic, health and dietary risks. The major results of this analysis are embodied in summary statistics used to rank individual country performance relative to that of the Czech Republic. The latter is chosen as the benchmark because its early successes with markets and democracy make it a natural for judging regional progress in social restructuring (see:BUCEN I section 7). To avoid the impression that the rankings are in any way precise, we repeat the caveat from that first report regarding the provisional and incomplete nature of its statistical estimates.

TABLE 1. ECONOMIC RISK

COUNTRY	POVERTY RATE (A)[a]	UNEMPLOYMENT RATE (B)	DEPENDENCY RATIO (C)	ECONOMIC RISK INDEX (B&C)	RANKING
Czech Republic	100	100	100	100	1
Poland	255	530	125	328	5
Lithuania	145	214[b]	114	164	2
Hungary	400	435	104	270	4
Bulgaria	259[c]	604	112	358	6
Romania	na	358	109	234	3
Albania	na	1,250	110	680	8
Macedonia	na	1,064	98	581	7

a. Percent of the population below the subsistence minimum income.

b. Figures are for a sample of the population.

c. Rate for 1989. The abject poverty figure is certainly higher than this in 1993, given the estimated 90+ percent below the social minimum in that year.

TABLE 2. MORTALITY RISKS AND SOCIAL STRESS						
COUNTRY	**INFANT MORTALITY RATE (BOTH SEXES)**	**MORTALITY RISK RANKING**	**SUICIDE RATE (MALE) A**	**SUICIDE RATE (FEMALE) B**	**SUICIDE RISK INDEX A&B**	**SUICIDE RISK RANKING**
Czech Republic	100	1	100	100	100	4
Poland	144	3	85	53	69	2
Lithuania	161	4-5	150	102	126	5
Hungary	142	2	200	208	204	6
Bulgaria	161	4-5	89	100	95	3
Romania	218	6	63	52	58	1
Albania	374	8	na	na	na	na
Macedonia	309	7	na	na	na	na

TABLE 3. DIET RISK				
COUNTRY	**CALORIES/DAY/CAPITA (INVERTED)**	**STARCHY- STAPLE RATIO**	**DIET RISK INDEX**	**RANKING**
Czech Republic	100	100	100	2
Poland	112	93	103	3
Lithuania	125	90	108	4
Hungary	116	79	98	1
Bulgaria	133	126	130	6
Romania	119	119	119	5
Albania	119	167	143	7
Macedonia	143	162	153	8

When the information from all three tables is averaged together, it suggests a very tentative grouping of countries into low, medium and high social risk. The first tier group (low risk) is comprised of : Czech Republic, Lithuania and Romania. Poland, Hungary and Bulgaria occupy the middle ground, while Albania and Macedonia fare the worst.

BUCEN II

Economic risks are the focus of BUCEN II. One aspect of the economic transition in the countries of Eastern Europe is the emergence of unemployment as a major economic and societal concern. The formerly Socialist countries in this region are struggling to develop the institutional and policy apparatus to cope with unemployment from a basis of little or no experience. Unemployment is an unfamiliar and alarming phenomenon to the citizens of these countries, whose societies provide, at best, limited safety nets to protect their populations from unemployment as well as other kinds of economic adversity. There is good reason to believe that the incidence and impact of unemployment is more pronounced among certain especially vulnerable population segments.

In recent years, the absolute size of the labor force has declined in all of the countries under review. It is not possible to say precisely why this is happening in each case. It is possible to say, however, that the labor force in many instances was inflated due to over estimates by the countries' statistical offices. Thus, the reductions discussed here may be simply a reflection of the natural adjustment that would be expected as the countries move towards market economies and Western standards of statistics. In addition, the reduction in the labor force may be evidence of discouraged workers.[1]

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[1] People who are no longer counted in the labor force because they are not actively seeking employment or are not registered at an employment office because they believe they can not find job, but would work if a position was given to them.

Part of the conventional wisdom emerging from the literature on labor force transitions is that older populations have suffered unduly from unemployment. Older workers who have lost their jobs often do face unique difficulties. For instance, they are not the prime candidates for retraining (enterprises are more likely to invest in younger workers who will provide more years of return on their investment) and consequently may not be given preferential treatment when enterprises have job openings. While it may be true that older unemployed workers face difficulties that younger unemployed workers do not, it appears that older employees are not the ones experiencing the highest unemployment rates. In all countries for which data are available, the young (those under age 25) are the most at risk for unemployment. Although it is not possible to explain what is happening in each country, it seems that some enterprises may be reducing employment through natural attrition and hiring freezes.

Women are another group that are generally at greater risk of unemployment. Women comprised at least half of the total number of unemployed in most countries. In all countries, except Hungary and Romania (in the beginning of 1994), women experienced higher unemployment rates than did men. Since many of the decreases in employment have been in industrial sectors where men tend to predominate, these rates could be an indication of men being favored over women in layoff decisions.

All of the countries discussed in this report have developed some sort of system to aid the unemployed. These systems are not identical although each does impose limitations on the receipt of benefits. In some countries, important differences in the treatment of certain population groups are evident from the nature of the linkage of unemployment compensation to prior earnings and length of service. Hence, people who have not had many years of work (the young) and people who worked in lower paying sectors (often the less educated who also tend to have higher unemployment rates), are supported to a lesser extent. In Bulgaria for instance, unemployed school graduates with no work experience receive monetary support for three months, while people who have 25 years of service receive benefits for one year. There is no standardized benefit of last resort in any of these countries. What does exist is an ad hoc welfare system often run at the local level.

BUCEN III

This study examines how labor force status affects poverty in Poland and Hungary during the early years of their transitions towards capitalism and democracy. Previous reports in this series operated under a broad mandate to identify "who the poor were ", and how their lives and working careers were being transformed by the abandonment of socialism. While the earlier research was provocative, it raised almost as many questions as it answered. BUCEN felt that AID/ENI could go only so far with the limited information and heuristic measurement techniques at hand, and that model precision and the ability to assess tradeoffs would have to be improved before prospective policy initiatives could be addressed.

With these concerns in mind, BUCEN first constructed a multivariate statistical framework for understanding risk. Then BUCEN demonstrated the utility of the LIS (Luxembourg Income

Study) data base by estimating the risk parameters from its household panel data sets. Unfortunately, the move to firmer methodological ground entailed the sacrifice of simplicity. Discussing how parameter estimates graduate the data lacked the intuitive appeal of previous efforts where comparisons were made based upon surpassing or falling short of some mean value threshold. Rigor was achieved at the cost of limiting the audience to technical specialists. To make the key findings "user friendly", we refrain in this summary from using excessive jargon or engaging in involved technical commentary.

Based on the multivariate statistical framework, the following specific information is derived:

1) quantitative measures of the household's risks of being poor based upon variations in six socio-demographic characteristics: labor force status, age, family size, gender, educational attainment and place of residence;

2) quantification of how poverty risks depend upon the provision of social assistance;

3) quantitative estimates of the size of a program to eliminate poverty for one year, and a general assessment of the correlation between regional needs and social transfers.

The body of the report contains details on: the construction and estimation of the above models; parameter interpretation; and methodological issues in statistics and economics.

Poverty Risks

Poverty risks for four of the six socio-demographic variables are discussed. The two omitted, age and family size, are overly complicated and cannot be easily accommodated in an executive summary. It is important to recognize that each result is relative to the definition of the poverty threshold (an absolute index based on physical need, or a relative measure based on the median of the income distribution) and the choice of contrast group. The latter's poverty risks serve as the base or "numeraire" and are, by convention, set equal to "one".

The major findings are:

- For Polish households, economic risks reach a maximum when the head is out of the labor force, female, lacking a high school education and living in region 6 (Central East). At the other extreme is a working male who graduated from college and lives in region 4 (South).

- For Hungarian households, the worst case scenario is where the head is female, unemployed and residing in region 1 (Farmsteads). Economic status is most secure when the head is male, employed and a resident of a major city (including Budapest).

Impacts of Social Assistance

To answer the question "does the social safety net protect the most vulnerable members of society?" , national poverty rates and odds ratios are re-calculated under the extreme assumption that all social transfers have been netted out of disposable income, and there has been no offsetting reduction in taxes. In effect, the exercise measures how much one's exposure to poverty might increase if the government did not intervene. For the results which are unambiguous and/or statistically significant, we find:

- In Poland, national poverty rates jump by approximately 36 percentage points to just under 45%, regardless of the choice of threshold.

● In Hungary, national estimates are sensitive to the threshold. In the median case, the increase is over 37 percentage points (to 45+%). In the absolute case, removing the net raises the rate by 22 percentage points to 68%.

● In Poland, individual risks are amplified for those who are unemployed, out of the labor force, or educated at the post-secondary level. The opposite is true with regard to gender and education at the primary level. Contrary signals are given off for secondary education, depending on the poverty threshold chosen.

● In Hungary, age becomes a greater risk factor, while unemployment and female gender produces less adverse economic selection.

● Unexpected shifts in the risk ratios may be indicative of programmatic bias in the level and delivery of social welfare benefits.

Financial Assessment of Need

This study identifies the groups most at risk, means tests them, and locates them on the map. Such information is sufficient to generate rough dollar estimates of the magnitude of a national poverty eradication program. At the regional level, inferences about the distributional equity of social transfers are drawn by comparing needs to allocations.

● In Poland, authorities might have to spend between $365 and $388 million to raise households out of poverty for one year.

● In Hungary, a program with similar goals could cost between $203 and $1,704 million, depending upon the choice of poverty threshold.

● In Poland, the excess of the needs share over allocation share is highest in the Central East and lowest in the South. Thus, if equity requires that social transfers be allocated in proportion to regional need, then people residing in the Central East are being discriminated against, while those in the South are favored.

● In Hungary, the excess of the needs share over allocation shares is greatest in Budapest or Farmsteads and lowest in Major Cities, depending on the definition of poverty.

BUCEN IV

There have been many reports on the deteriorating health status for the countries of Eastern Europe and the former Soviet republics since the fall of Communism. In this report we examined changes in mortality in detail for several of the countries of Eastern Europe (Albania, Bulgaria, Hungary, Lithuania, Poland, and Romania) and attempted to determine if in fact there had been a deterioration. If there was a worsening of mortality, we examined what age groups experienced increases in mortality and what specific causes of death were responsible for the increases.

What we found was that there were different population groups at risk, in terms of health status, in the different countries. For instance, adult males in Hungary have experienced large increases in their mortality rates over the last 5 years. On the other hand, in Romania, women of reproductive age have relatively high mortality rates when compared with the other countries of Eastern Europe. In order to facilitate the identification of policy issues, we have grouped the countries in this report into three distinct population groups that experience significant health risks.

Infants

The latest reported infant mortality rates for Albania, Macedonia, and Romania all were over 20 deaths per 1000 live births. If infant health is a concern for funding agencies then these countries should be targeted with programs that address infant health. Although Bulgaria's infant mortality rate was below 20, the infant cause of death profile indicates that a higher than average proportion of infants were dying of respiratory diseases, a condition typically related to living conditions. The same problem was apparent in Albania.

Women of Reproductive Age

Women in the reproductive age groups warrant special attention in Albania, Bulgaria, and Romania. Of all of the Eastern European countries, these three had the lowest female life expectancies, the highest maternal mortality rates, as well as the highest abortion rates. All of these measures taken together indicate a need for family planning programs for these countries. Because of the recent change in the abortion law in Poland, maternal mortality rates should be carefully monitored in this country.

Adult Males

Almost all of the Eastern European countries experienced a decline in male life expectancy between the late 1980s and the early 1990s, but for Hungary and Lithuania, the drop was especially pronounced. The proximate cause in these latter countries was an increase in adult male mortality. Further analysis of Hungarian cause of death data indicated that a large proportion of the decrease in life expectancy was the result of rising mortality associated with cirrhosis of the liver. Bulgaria also experienced increases in adult male mortality.

BUCEN V

The economies of the Eastern European and former Soviet countries have experienced significant shocks and downturns since the fall of Communism. In this report we have updated the information presented in the first report, *Populations at Risk in Central and Eastern Europe*. We examined the economic status (poverty) in detail for six East European countries (Albania, Hungary, Lithuania, the Former Yugoslav Republic of Macedonia, Poland, and Slovakia). In addition, we provided some information on the Czech Republic for comparison purposes. We have attempted to identify which population groups are at risk in terms of poverty in each of these countries.

We have found that while certain core population groups are at risk in all countries, the cross national experience for the remaining population groups is quite varied. For example, in each of the countries discussed, nearly all of the household groups headed by the elderly (those age 60 and older) had a median equivalent income (MEI) below that for their country as a whole. However, households headed by a single parent were at risk in some countries (Poland and Slovakia), but not to the same extent in others (Hungary and Lithuania). We have grouped the countries of this report into several distinct population groups that are at risk in terms of poverty.

Single Female Headed Households

For all countries where sex disaggregated data were available, nearly every household type headed by a single female had a MEI less than their male counterpart. Not all of the single female headed household types had a MEI below the country's total MEI, however. The following countries had at least one household group headed by a single female where the MEI was below the total MEI: Hungary (all groups without children), Lithuania (age 60+ household groups), Poland (all household groups), and the Former Yugoslav Republic of Macedonia (all household groups without children).

Families with Children

In some countries, household groups with children had notably low MEI's; in others, this was not the case. For example, in Poland, all household groups with children had a MEI at or below the total MEI. In Hungary, where a generous family benefit exists, however, all household types with children had a MEI equal to or greater than the total.

Elderly Headed Households

The elderly (age 60+) appear to be the most consistently disadvantaged group. For all elderly headed households in all countries of this report, the MEI of the group was equal to or less than the total MEI.

Sub-National Regional Variations

Unfortunately, few countries have good regionally disaggregated data. Where such data existed, however, we found that the national averages often masked some significant regional variations.

BUCEN VI

In this report, BUCEN revisits the question of poverty, but now special emphasis is placed on differences by gender. The data used to explore this issue come from the Luxembourg Income Study for Poland (1992) and Hungary (1991 and 1995). Our investigation shows that the manner in which men and women experience economic risk is gender sensitive. These contrasts are brought out by examining how the incidence of poverty correlates with five key demographic variables (e.g., marital status, parental status, educational attainment, work status, and age).

Key Findings

- In both Poland and Hungary, women exhibit slightly higher rates of poverty than men. For the median poverty threshold, the differential is between 3 and 15%. There is also some indication that the poverty gap in Hungary increased between 1991 and 1995.

- As found in previous reports, being single; being a parent; being poorly educated; and being without work all contribute to one's chances of adverse economic selection.

- For Polish and Hungarian women, (1991, 1992) low levels of education have the largest impact on their chances of falling into poverty (it increases the risk of poverty by 3 times in Poland and 4 times in Hungary).

- Work status is also an important determinant of poverty status in both countries, but more so in Hungary than in Poland (Hungarian women who don't have jobs are roughly 3 times as likely to be poor as their sisters who are employed. In Poland the comparable figure is under 2).

Because these same socio-economic characteristics are successful in explaining male poverty, their very generality tends to overshadow the more subtle, but equally important, underlying gender and national differences in the intensity of adverse economic selection.

In Poland, careful examination of pooled samples reveals that the impact age has on poverty risks varies substantially by sex. The statistics characterizing the pooled Hungarian samples depict a somewhat different and perhaps more fluid situation.

- While both face adverse economic selection, older Polish women are much more likely than older Polish men to live in destitution.
- For Hungarians in 1991, age does not discriminate between men and women, but work and marital status do exhibit gender sensitivity. In particular, the consequences of not having a job or not being married are worse for women than for men.
- But, four years later, the Hungarian dynamics appear to be different. For reasons that are not fully understood, the impact of work status and age undergo modification as the country goes further into its transition to a market-based economy. As a result, the situation in Hungary begins to resemble events in Poland. In particular, Hungarian women, like their Polish sisters, gain an edge on men when it comes to avoiding the poverty associated with unemployment. Moreover, this cross-national similarity extends to the age impact wherein older women incur higher poverty risks than older men.

LIS SUMMER CONFERENCE PAPERS

The easiest way to evaluate the contribution made by the research presented at the LIS conference in July 1995 is to highlight the major findings and compare them to what was learned from the BUCEN monographs. Reports were prepared for six countries: Czech Republic, Hungary, Lithuania, FYR Macedonia, Poland and Slovakia. In general, the focus was on changes in the level and distribution of income. However, considerable effort was made to broaden the perspective to include other quality of life factors, and to highlight some of the coping strategies used to preserve previous standards of living. To facilitate the discussion, each country assessment is self-contained, unless issues with regional-wide implications are involved.

CZECH REPUBLIC

Key Findings:

•**Household incomes and poverty:** Over the period 1988-1992, the proportion of households deemed to be legally poor fell from 4.5% to 2.9%. During these years, the locus of poverty shifted from single and elderly headed households to families with more than 3 children.

•**Income inequality dynamics:** The distribution of income became more unequal in the five years under review, with the Gini coefficient rising from 0.19 to 0.21. Analysis of the first three income deciles indicated that the state protected these poorest members of society, preserving their share of the income pie at roughly 19% on an adult equivalent basis. At the same time, the top three deciles increased their share from 41.6% to 44.6%. Thus the middle deciles were squeezed. The paper argued that the operation of the labor market, in which wage and salary levels were tied to productivity and performance (education, skills and occupation), supplanted administrative rules leftover from the communist regime that emphasized demographic characteristics (age, household size, need etc.) as the basis for remuneration. Interestingly, survey results indicated that people believe the skewing of the income distribution is worse than the documented figures reveal. Moreover, while public acceptance of market principles may have been growing, there was still a large contingent of the population which viewed " new wealth" as ill-gotten, and supported a return to the previous regime's policies of transfer and redistribution.

•**Household coping strategies:** Households have largely compensated for the income and consumption shocks experienced during the transition by economizing, participating in the informal economy, enhancing human capital, and seeking financial assistance from friends and relatives.

Contrasts with BUCEN:

Where common material is presented, the major findings in this paper are consistent with what was reported in BUCEN I. However, the LIS paper adds new detail on income inequality and coping strategies which were absent in BUCEN I.

HUNGARY

Key findings:

●**Household incomes and poverty:** The authors reported that the real income of the population fell by 8-10% over the years 1989-1993. Paralleling these trends, consumption of both durable and non-durable goods decreased; construction of private housing fell to 50% of the level realized in the 1970-s; and entertainment/cultural expenses dropped sharply. Based on a relative definition of poverty in which deprivation occurs when respondents fall into the bottom quintile of the income distribution, less than 5% of households, but over 7% on individuals were considered poor during the benchmark years. Moreover, certain disturbing patterns emerged: children, especially those under age three, were increasingly at risk. The percentage of this group living in poverty grew from just over 7% in 1987 to roughly 29% in 1994. The circumstances were only marginally better for older children. On the hand, the elderly improved their relative standing by moving from the bottom deciles into the mid-positioned groups. Finally, the survey data suggested that poverty was both spatially and chronologically concentrated. Regions east of the Danube; one person households (especially elderly females); and nearly 50% of the Gypsy population experienced serious deprivation.

●**Income inequality dynamics:** Income inequality became more pronounced over the period of observation (1987-1994), with the decile ratio rising from 5.58 to 6.40. As in the Czech Republic, the bottom income deciles maintained their standing relative to the middle part of the distribution, while the upper deciles increased their overall share of the income pie.

●**Other inequality measures:** In an effort to broaden the discussion of the differential impacts of transition, the authors examined data on labor markets, housing, and consumption. They found that the young, the poorly educated and the rural populations experienced the greatest risks of being unemployed. And, as a consequence, their prospects for moving out of the lowest income quintile were considered bleak. In graphic terms, being poor practically ruled out the chances of home ownership. Depending on the quality of housing, it could take first quintile households between 13 and 24 years worth of income to purchase a flat, while those in the next quintile could afford the same quarters in half the time. The same separation between income groups occurred with regard to meeting daily living expenses. In the first quintile, almost 57% of households reported financial difficulties towards the end of the month. For the next quintile, the number is just over 40%. Running out of money did not appear to be a problem for 40% of the population.

Contrasts with BUCEN:

Given that many of the same data sets are being analyzed, it is not surprising that there is substantial agreement between the findings in the LIS-H paper and the results presented in BUCEN I,II,III, V and VI. More specifically : BUCEN I (p.7), V (p.2) and LIS-H (pp.20-21) confirm the economic vulnerability of the elderly and single person households; similar regional inequalities are noted in BUCEN III (p.19), V (p.3) and LIS-H (pp.19-20); the lack of adverse economic selection for single parent households is noted in LIS-H (p.21) and BUCEN I (p.7); adverse selection by gender is found in LIS-H (p.21), BUCEN III (p.19) and BUCEN VI (p. 34 and 40); the dependence of unemployment on education and age, but not on gender is found in LIS-H (p. 22) and BUCEN II (p. 14); and finally pensioners are not singled out as being at risk (LIS-H p. 21 and BUCEN VI p.39).

The few important distinctions that can be drawn between LIS and BUCEN are the former's inclusion of material on childhood poverty and the dynamics of income inequality. To a lesser extent, the comments on gypsy vulnerability, cost of housing and coping strategies (LIS-H p.22-24) also added useful detail not found in BUCEN.

LITHUANIA

Key findings:

- **Household incomes and poverty:** According to household budget survey data, per capita household incomes fell by 60% between December 1990 and 1994 (month uncertain). Disaggregated 1995 data (month uncertain) indicated that the declines were more severe in rural than urban areas (72 vs.55%). The poorest households (bottom decile) tended to be those headed by single parents (usually female), and those with five or more persons. Typical members of this group were rural households whose heads were over 30; not educated beyond high school; and rearing children under the age of 18. At the other extreme (top decile) were single person households whose heads were young (<30), living in urban areas and college educated.

•**Income inequality dynamics:** Over the period 1989-1994, the amount of income inequality grew substantially. At the national level, decile ratios increased from around 4 to just under 11. Once again, conditions in the countryside were more extreme than those in the cities: decile ratios in the former were on the order of 14 compared to 8 in the latter.

•**Other inequality measures:** The uneven impact of the transition manifested itself in employment opportunities and consumption patterns. Based on April 1994 Labor Force Survey data, residents of urban areas were three times as likely to be unemployed as those living in the countryside (11.4% vs. 3.6 %).[2] Furthermore, roughly half of those unemployed were under the age of 29 and more likely to be male. Declining incomes, whether tied to employment status or not, affected the share of personal consumption expenditures budgeted for food. Data for 1994 indicate 57% of total consumption expenditures were on such products. Not surprisingly, the burden by income decile was more onerous on the poor: the lowest decile spent 66%, while the top decile spent 44%. The situation was actually worse then these figures suggest since the upper decile per capita expenditures were three times as high as the lowest.

Contrasts with BUCEN:

By way of contrast with BUCEN, the LIS-Lithuanian paper, like its Czech and Hungarian counterparts, more completely identifies the populations at risk of poverty,

[2] There may be as many as 100,000 rural inhabitants farming small private plots for personal consumption. According to the LFS, such people are classified as self-employed. But, outside of their marginal attachment to the land, most of these people are without work. Thus, it is probably more revealing to treat them as "hidden unemployed". If this is association is made, then the higher rural unemployment rates found in the administrative data can be reconciled with the lower LFS rates.

while pointing out extremes in the incidence of this economic burden. Adding to the distinction, LIS-L addresses the housing question, and makes some new comments in the health section on abortion (p.20).

There is a potential conflict between the BUCEN I and LIS-L discussions on the food situation. While both use official data from the Lithuanian statistical abstract, the authors of LIS-L point out rather tersely that the consumption of meat, fish and dairy products fell by 33, 55 and 29% respectively, while that of bread and grain products rose by 17% (pp. 15-16). As presented, these trends are in conflict with the constant starchy-staple ratio reported in table 5.1 (BUCEN I p.30). Either the percentage of starches in the diet remained fixed or it didn't. However, since BUCEN based its findings on a more complete enumeration of food products consumed, inconsistency may be the result of narrowing the scope of the investigation and ignoring certain possibilities for food substitution.

FYR MACEDONIA

Key findings:

•**Household incomes and poverty:** The LIS-Macedonia report added very little beyond the income data already discussed in BUCEN V. There were some scattered pieces of information which seemed to suggest that the dimensions of poverty grew between 1992 and 1996 (estimate). In 1992, 14,149 households were receiving social assistance; three years later, the expected number was put at 60,000 (estimate 1996). Personal consumption expenditures also pointed to mounting economic stress: in 1990, the food share was 37.6%. By 1994, the share had risen to 42.2%. On the other hand, conflicting signals were given off by income sufficiency statistics: 1992 average net pay covered only 60% of the total cost of purchasing a market basket of food and beverage items. But three years later coverage hovered in the 80-90% range.

POLAND

Key findings:

•**Household incomes and poverty:** The major findings in this study are: 1) real incomes fall 15% between 1987 and 1992; 2) national poverty[3] rates are several times lower when calculated on a per equivalent adult as opposed to per capita basis. This reflects the relatively large size of Polish households and equivalence scale conversions which embody economies of scale in consumption; 3) between 1990 and 1992, poverty amongst the elderly rises sharply to over 10%, but falls back one year later to roughly 5% when pension indexation goes into effect; 4) gender of the household head does not exercise a significant effect on family well-being; 5) by 1993, households whose heads are under the age of 45 begin to experience higher poverty rates than those whose heads are older; 6) poverty rates increase substantially with the number of children in both two parent and single mother households; 7) investment in human capital matters. Poverty rates for households whose heads have less than a secondary school education rise by more than a factor of three between 1987 and 1993; and 8) rural poverty rates exceed those in the urban areas.

•**Income inequality dynamics:** The major conclusion to be drawn about inequality is that national levels did not increase between 1989 and 1992. However, certain segments of society fared notably worse than others. Farmers, which comprised roughly 25% of the population, lost up to 60% of their income when price deregulation and import competition began after 1989. Pensioners, on the other hand, registered modest gains in their relative position in the income scale.

Contrasts with BUCEN:

Given the use of common data sets, one would expect there to be substantial agreement between BUCEN research and the findings in LIS-Poland. Both teams report that poverty increases with the number of children, decreases with the level of education (LIS-P pp.7-8 and BUCEN III Table 1, p.9), and selects against farmers disproportionately (LIS-P pp.4, 7 and BUCEN I p.6). Nevertheless, on the issue of gender, there is some conflict. LIS-P

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[3]Poland does not have an officially recognized poverty threshold. In this study, the authors set the threshold at the level of the minimum pension.

concludes that the sex of the household head does not systematically discriminate against women (LIS-P pp.7 and 20), even though it notes the peril of elderly women and single parent mothers. BUCEN III (p.9), V (p.9) and VI (p.28) disagree, and demonstrate, by means of rigorous logistic models, that systematic adverse selection exists, and can be quantified in the form of statistically significant gender risk ratios.

The contribution made by the LIS-P paper to ENI's knowledge base is primarily one of detail. Specifically: 1) the added information on the socio-economic background of the poor could be helpful for targeting future financial assistance; 2) the discussion of the rough parity between rich and poor household living standards, when judged by housing conditions and asset ownership, is a reminder that reliance on income measures is likely to ignore some quality of life dimensions; and 3) the comments on the depth of poverty and the quantitative decrease in food consumption (around 20%) experienced by the least fortunate households confer a physical reality on the face of need.

SLOVAKIA

Key findings:

•**Household incomes and poverty:** The transition in Slovakia has involved real economic costs: between 1989 and 1993, GDP declined by 22 %[4] . Thus it comes as something of a surprise when LIS-Slovakia reports that only 2.8% of all households could be categorized as poor in 1992[5]. On the other hand, this figure is 50% higher than the level

[4]Real average wages declined by 45% between 1989 and 1994.

[5]Based upon a relative poverty measure where the need threshold is set at 50% of median equivalent income (MEI).

recorded in 1988, and while it doesn't signal widespread immiseration, there are some indications that the burdens of transition were not shared equally. In particular, significant numbers of children, unemployed, single parents and households headed by persons under 25 were economically marginalized. Twenty five percent of households with four or more children were poor. Likewise, fifteen percent of families with unemployed members were living in poverty. Ten percent of single parent households were poor. And finally, more than twelve percent of households with heads under 25 fell below the median equivalent income threshold. By way of contrast, households whose heads were approaching retirement age (50-59); were in possession of higher education; or who engaged in agricultural pursuits had above average incomes.

●**Income inequality dynamics:** According to LIS-S, Slovakia has one of the most equal income distributions in the developed world. This equalization has largely held up during the transition years 1988-1992[6], although there has been some polarization with the bottom and top deciles gaining share at the expense of the middle part of the distribution.[7] LIS-S calculations show that the lowest decile gained a half percentage point in share while the richest gained a full percentage point. As a result, the decile ratio falls from 3.25 : 1 to 3.19 : 1.

●**Other inequality measures:** Survey research points to consumption deprivation. Based on Eurostat methodology, real consumption expenditures fell by 36% between 1989 and 1994. In 1991, the percentage of households whose reported incomes were just sufficient to cover expenses on food and clothing stood at 8.5%. By 1994, this figure was 14.1%. For households experiencing unemployment of one or more members, the figures were 20% in 1991 and 14 percentage points higher 3 years later. Budget data on the rising burden of feeding a family support this picture of hardship: households allocated 28.4% of total consumption expenditures to foodstuffs in 1989 and 32.1 % in 1993.

Contrasts with BUCEN:

Many of the major points made by LIS-S are confirmed by BUCEN. BUCEN V (p.16) notes that adverse selection was particularly harsh for younger household heads, children and the elderly, single parents and the unemployed. On the positive side of the ledger, it

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[6]The Gini coefficient was 0.179 in 1988 and 0.183 in 1992.

[7]It is worth pointing out that both the Czech and Hungarian middle classes are experiencing a similar squeeze.

also finds that higher education reduces poverty risks.

As far as the data on farmers' incomes and unemployment are concerned, there are disagreements. BUCEN V (p.17) reports that farmers' incomes, expressed as a multiple of the mean subsistence level, fell to 2.7 in 1993. For employees, the multiple was 2.9. This would seem to contradict the LIS-S finding that agricultural households held the most favorable income position in the country (p.3). Minor discrepancies in unemployment rates are also evident. BUCEN II reports unemployment at 13% in the fourth quarter of 1993 (p.132) ; LIS-S puts the figure at 12.6%. Of those who were out of work, LIS-S (p.16) indicates that 30.3% were off the job for more than a year (1993.4); BUCEN II (p. 28) suggests a higher level 33.2% (1993.1) and 33.9% (1994.1). The percentage of males in the pool of the long-term unemployed is also in question: LIS-S reports 51%, BUCEN II puts it at 55%.

CONCLUSIONS AND DISCUSSION OF UNFINISHED BUSINESS

The body of research reviewed in these pages represents a significant initial contribution to USAID/ENI's knowledge of social conditions in Eastern Europe during the region's transition to market based democracies. BUCEN I-VI compiled, analyzed and made cross national comparisons of many of the major issues covering poverty, labor force experience, diet, health, gender and environment. We found many common threads as we surveyed the different countries and subject areas: the economic vulnerability of women and children, the cycle of job destruction and destitution, the skewing of income distributions and deteriorating health conditions. We basically know who faces adverse economic selection; what the magnitude of those risks are; and where to locate these vulnerable groups on the map. Our research allows us to characterize quality of life down to the point where changes in general diets, life expectancies and morbidity can be evaluated. The LIS conference papers add important details on income inequality, consumption and physical living arrangements.

It is hoped that this work will make it easier for USAID/ENI to design and evaluate assistance programs which further US objectives in Eastern Europe. But, it must be stated that these monographs have only begun to scratch the surface. More specifically, our understanding of social conditions other than health, in Albania, Bulgaria, FYR Macedonia, and Romania, is rudimentary. And even for those countries in which the necessary data are available, there are still many unanswered questions about the direction and stability of the transition.

We are particularly concerned that program and policy judgements could ultimately be led astray by flaws or gaps in the basic information sets. It has been apparent from the inception of this project that even the most reputable organizations' estimates of national unemployment rates, consumption, and informal sector income are incorrect. But even if this weren't a problem, there is still reason to be apprehensive about using national aggregates, as opposed to their detailed regional analogs, when making country transition evaluations. Time and budget limitations prevent us from assessing the data for completeness, consistency, reliability or relevance to upcoming "graduation" decisions. Consequently, we are uncertain about how much noise the statistics contain, and cannot comment on the robustness of potential policy conclusions derived from data.

Leaving aside the question of measurement error and other data deficiencies, additional research is required to address whether movements in important social indicators are transitory or irreversible. For example: preliminary calculations indicate that present trends in dependency ratios will, if unchecked, quickly overwhelm the financial capacity of existing pension programs and present a probable political threat. Similar problems are inherent in the build-up of wage and inter-enterprise arrears, and there is no reason to believe these imbalances are self-correcting. The inconvenient fact is that millions of people are or will be affected by these developments. Thus, proactive policy makers at USAID would be well advised to examine the depth and porosity of the social safety net as they relate to government budgets and revenue sustainability. This means taking a long and hard look at both the national, but especially regional, fiscal balances. In short, we complete the project knowing that important linkages between target democratic, economic and demographic variables are being ignored. And, as a consequence, ENI is not as well equipped as it might be to diagnose threats to social stability which lurk below the surface of the current set of statistical indicators. These remarks are reason for caution but not despair. The obvious way to overcome the lack of data and to increase understanding of the dynamics of transition is to mount a new research initiative.

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