

# **PUBLIC POLICY AND SOCIAL CONDITIONS**



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**PUBLIC POLICY  
AND  
SOCIAL CONDITIONS**



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Since 1990 UNICEF has gradually extended its advocacy, information, emergency and - in a few cases - programme assistance activities to the countries of Central and Eastern Europe and to members of the former Soviet Union. This initial report and those that will be produced at regular intervals by the 'Monitoring the Transition in Central and Eastern Europe' (MONEE) project are part of these technical assistance and advocacy activities. The project is carried out in close collaboration with the central statistical offices and a number of policy centres of the region and aims to document and analyse the social impact of reforms initiated since 1989 in a systematic, continuous and comparative way.

While several regional reports have focused on changes in the field of privatization, migration and political democracy, social welfare issues have on the whole remained peripheral to the debate on the Eastern European transition. Indeed, despite the severity of the present social crisis, transition concerns have generally remained narrowly economic or geopolitical.

Though unavoidable, desirable and indispensable, the economic and social reforms introduced since 1989 are facing severe problems of implementation and involve economic, social and political costs far greater than anticipated. Obviously, not all, not even most, recent developments are negative: fundamental personal freedoms have been or are being re-established, supply conditions have improved in several sectors, market skills are being learned and a more self-reliant, humane and sustainable social policy is being developed. Yet, initial hopes for rapid transformation and economic prosperity have quickly been tempered by a considerable and lasting decline in output, employment and incomes and by the worsening of many social indicators.

The crisis is without doubt most pronounced in Eastern and South-Eastern Europe, where the spread of poverty, birth contraction, escalation of death rates, decline in school enrolments and an unstoppable crime wave have reached truly alarming proportions. Between 1989 and 1993, for instance, the crude death rate increased by 17 per cent in Romania, by 12 per cent in Bulgaria, by commensurate amounts in Albania and Ukraine and by 32 per cent in Russia. In this country, the number of yearly deaths in 1993 exceeded that of 1989 by 547,000 units, a figure which more than anything else illustrates the gravity of the current crisis - a crisis which, in relative terms, appears even more acute than that recorded in Latin America and Africa during the 'lost decade' of the 1980s.

Despite recent signs of recovery in several areas, Poland also suffered a considerable surge in poverty and death rates and a deterioration in other demographic and welfare indicators and is still in the grips of rising unemployment. After plummeting in the first and second years of reforms, social conditions stopped deteriorating in the better-off nations of Central Europe (Hungary, Slovakia and the Czech Republic) where past achievements in some areas were protected despite difficult economic conditions. Only the Czech Republic, however, may slowly be returning to normal conditions.

The crisis appears most pronounced and general in the fields of poverty, mortality (particularly for males in the 40-59 age group), marriage and birth rates, pre-school education and youth and overall crime. At least seven of the nine countries monitored by the MONEE project show clear and sizeable deteriorations in each of these areas. For infant and child mortality, nutrition and primary and secondary enrolment rates, dislocation is normally less intense and confined to fewer countries. In the field of maternal mortality, child protection, child care and adoptions, evidence is either positive, ambiguous or difficult to interpret.

The crisis has affected all but a few social groups, and with the exception of Russia and Ukraine (where very many pensioners have been pushed into conditions barely amounting to subsistence), children and youth have been hit the hardest. However, given the extent and virtually all-encompassing nature of the crisis, this project has sought to document the situation



of all social groups, rather than concentrating on that of children and other vulnerable groups as normally targeted by UNICEF. This is particularly important given that profound changes experienced at the household and broader levels inevitably affect child welfare. Child poverty rates have generally risen faster than for any other group because of the rapid spread of unemployment and low-paying jobs or because of the less than proportional indexation of child allowances. Children have also been affected by the increased risk of being orphaned or growing up in a female-headed household, by the contraction and higher cost of pre-school and school services and by the weakening of institutions entrusted with child health care, socialization and leisure. In turn, youth have been confronted with mounting difficulties in entering a protected labour environment and resisting the growing material pressures to become involved in semi-legal, illegal or openly criminal activities.

In general, the long-term unemployed, retrenched low-skilled workers, the 'working poor' (such as farm workers or the employees of budgetary institutions) and recipients of the minimum pension, especially if living alone, disabled and without other sources of subsistence, have also been severely hit.

Four main interrelated factors explain this large and largely unexpected deterioration in human welfare:

- **'Inherited problems'**. Some problems have clearly resulted from poor conditions, policies or behaviours during the socialist era. While the immediate cause of the decline is linked to current changes, deterioration would not have been as drastic had initial conditions not been so unfavourable. For instance, part of the decline in consumption and increase in poverty is due to suppression of inflation and artificial job creation imposed in earlier years; similarly, part of the rise in mortality registered for 1989-93 derives from poor lifestyles, nutritional habits and the severe environmental contamination of the pre-reform years.
- **Exogenous problems**. Dissolution of the socialist trading system and the move to international market prices for oil and raw materials produced large terms-of-trade shocks for most countries, but particularly so for Ukraine and Bulgaria. In addition, protectionism and slow growth in Western Europe have made the reorientation of exports a particularly difficult task while political and ethnic conflicts beleaguering parts of the region have spilled over into some countries bordering war zones (such as Hungary and Russia), causing considerable financial and human costs.
- **Policy design problems**. Contrary to the image suggested by the metaphor of 'shock therapy' (a short and sharp shock leading to a rapid, if painful, solution of the problem), drastic and simultaneous price and trade liberalization, devaluation and privatization do not, and cannot, bring quick fixes. This approach has been shown not to work effectively in practice, overlooks the necessarily slow evolution of economic institutions, property rights and individual behaviours, causes credibility problems and risks aggravating the severe social and economic problems inherited from the past. The largest yearly increases in poverty rates have indeed taken place concurrently with large and unexpected 'price overshooting' caused by 'shock therapy'. At the opposite end of the spectrum, failure to maintain a modicum of macroeconomic balance and to introduce, albeit at a human pace, much needed structural reforms must also be counted among the policy design problems responsible for the significant social costs observed. While lax monetary and fiscal policies and postponement of needed structural reforms may keep surging unemployment at bay for a while, this approach offers no solution to the problem of structural change and inflicts huge welfare costs on large segments of the population through crippling hyperinflation.
- **Institutional vacuum and administrative weakness**. Dismantling of institutions and social norms of the socialist regime has not been accompanied by an equally rapid and extensive development of adequate substitutes, thus causing social costs beyond those due to economic factors. Old cultural, sporting and leisure associations for youth have been weakened or suppressed, though only a few community-based, religious or market substitutes have stepped into their place. On an administrative level, restrictions on freedom of movement and sale of alcohol were rightly lifted, but no parallel effort was made to address the aggravation of problems of vagrancy, alcoholism and crime ensuing from such measures. Health inspections were relaxed, leading to more frequent cases of food poisoning; traffic and labour safety norms are more frequently violated, resulting in considerable additional deaths; health prophylaxis is no longer enforced systematically; and so on.

Whatever the cause of current problems, neglect of social costs of the transition is hardly justifiable. These costs are not only the cause of unnecessary suffering and waste of human lives, but also represent a source of considerable instability and social conflict that could threaten the entire reform process. It is hoped that this more systematic documentation and analysis of welfare changes underway will provide constructive help in formulating improved economic and social policies and in strengthening social safety nets, while alerting national and international opinion to the extent of these profound, though not yet fully perceived, changes. If the reform process is to continue and move toward firmer ground, the human and social costs of the changes need to be clearly recognized and understood, and the problem of how best to minimize them needs to be fully addressed.

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# I INTRODUCTION:

## WHY THIS REPORT?

Since the early to mid 1970s, a steadily growing crisis has affected the countries of Central and Eastern Europe. While a lack or weakness of democratic freedoms gripped, with only few and limited exceptions, the entire region, improvements in human welfare - which had been considerable in the post-World War II period - slowed considerably and, in some cases, were even reversed. The most graphic illustrations of such welfare crises may be seen in the stagnation or increase of the infant mortality rate in the Soviet Union, Yugoslavia and Romania between 1970 and 1989 and the concomitant shortening of life expectancy in most countries of the region. At the same time, economic performance deteriorated after the first oil shock, worsened further during the 1982-88 period, and became negative in 1989, the last year before the transition. By then it had become clear that systemic changes were required.

The recent wave of reforms was therefore unavoidable and it should be no surprise that, starting from late 1989, practically all centrally-planned countries of Central and Eastern Europe (CEE) began introducing radical political and economic changes aimed at transforming their nations into pluralistic, market-based democracies. However, the pervasiveness, suddenness, extent and speed of these reforms and the radical changes they seek to bring about - particularly in the economic sphere - are without historical precedent. Even the most fertile imagination could not have envisaged the profoundness of the changes to be introduced.

Though initiated at various points in time and characterized by several differences from country to country, with few and notable exceptions the reforms introduced bear many similarities in terms of overall approach, priority sectors, time-frame and main policy instruments used. While this process of transformation is far from being accomplished, most of these countries appear to be sharing many of the problems and difficulties encountered thus far. Indeed, while both desirable and indispensable, the economic and social reforms, planned or underway, are facing severe problems of implementation and involve economic, social and political costs that are far greater than anticipated. Obviously, not all, not even most, of the recent developments are negative; many positive changes have been and are taking place, particularly in the countries of Central Europe. Democratic conditions entailing greater personal freedoms have been or are being re-established, supply conditions have improved in several sectors, market skills are being learned, new structures are being created and a more self-reliant, humane and sustainable social policy is being developed. Yet, the initial hopes for rapid transformation and economic prosperity have quickly been tempered by a considerable decline in output, employment and incomes, by further worsening of some social indicators already evident under socialist rule, and by the surfacing of new welfare problems. While the whole region has been negatively affected, the countries of South-Eastern and Eastern Europe have been hit most severely by mounting poverty, an unprecedented fall in births, declining school enrolment rates and escalating death rates. The yearly number of deaths in Russia, for instance, is estimated to have increased between 1989 and 1993 by over half a million, a figure which more than starkly illustrates the gravity of the present crisis.

While a number of comprehensive regional reviews and periodic reports have appeared in recent years on several aspects of the 'Eastern European transition', particularly on the issues of stabilization, privatization, taxation and labour market



adjustment, demographic, distributive and welfare issues have received far less attention. However, the gravity and extent of changes recorded in these latter areas - whatever their origins - are both unprecedented and more pronounced, in relative terms, than those observed in Latin America and Africa during the 'lost decade' of the 1980s. Notwithstanding the severity of the crisis and the efforts of several national and international institutions - including the United Nations, the European Community and the World Bank - transition concerns have generally remained narrowly economic or geo-political.

Neglect of the social costs of the transition is hardly justifiable. These costs are not only the cause of unnecessary suffering and waste of human lives, but also represent a source of considerable instability and social con-

flict that could threaten the entire reform process. This initial report and those that will follow at regular intervals (see Box 1) will attempt to fill some of these gaps by documenting, in a comparative way, the changes in key welfare indicators and living conditions of the population, relating them - whenever possible - to changes in the main economic trends, policy approaches, exogenous factors and variations in initial conditions. It is hoped that this more systematic documentation and analysis of the welfare changes underway, including their causes and the real or potential impact of policy changes, will provide constructive help in the formulation of improved economic and social policies and in the strengthening of social safety nets, while alerting national and international opinion to the extent of these profound, though not yet fully perceived, changes.

### BOX 1 - MAIN FEATURES OF THE MONEE PROJECT

The 'Public Policies and Social Conditions: Monitoring the Transition to the Market Economy in Central and Eastern Europe Project' (MONEE) was initiated by the Florence-based UNICEF International Child Development Centre (ICDC) in late 1992. Its principal aim is to fill an information and policy analysis gap in the current debate on the 'Eastern European transition' regarding changes in social conditions and social policy. The project will also help to monitor the implementation of the National Programmes of Action with which countries of the region, with the support of UNICEF, are aiming to achieve a number of child-related health, education and social protection goals.

While substantial statistical information and excellent professional skills existed, and still exist, in most countries of the region, the limited past experience with, or in some cases, the outright repression of poverty analysis during the socialist era and the complexity of the economic and social changes underway call for additional efforts in this area. Many examples of monitoring systems exist, but MONEE has distinctive features!

**Modus operandi:** Perhaps one of the most original features of the MONEE Project is its underlying network-type structure. The project benefits from the active support of the central statistical offices (CSO) and similar institutions in the nine countries involved as well as from the contribution of an equal number of policy analysts. The CSOs and the policy analysts regularly feed analyses and information in a standardized format to the Florence-based team, who is responsible, formally and substantially, for the contents and production of the report. Without the active participation of the CEE-based institutions, however, this project would not have been possible.

**Countries covered:** Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Russia, Slovakia and Ukraine.

**Baseline and period of reference:** Though not all countries adopted important policy changes in 1990 (Russia, for instance, only introduced major reforms in 1992, while Hungary began its reform process in 1968), 1989 is taken as the baseline of the project, i.e. the last year during which the socialist system was still dominant in the overall region (the different starting points and intensity of reform are obviously taken into account in the analysis of the data). For several variables, however, the database also covers information for the whole of the 1980s.

**Variables monitored:** Three sets of variables are regularly monitored: policy changes, particularly as they pertain to access to basic social services, cash benefits, the labour market, fiscal policies and macroeconomic management; determinants of human welfare, particularly household incomes and their distribution, government expenditure on cash benefits and basic social services and family structure and stability; income- and capabilities-based indicators of human welfare, including poverty rate, infant mortality rate (IMR), school enrolment, among others.

**Frequency of reporting:** The participating institutions feed information regularly to the 'Florence team' who enters it in the MONEE database. Main reportings take place, however, twice a year, in the spring and autumn.

**Monitoring and policy reports produced:** The project aims to produce *Regional Monitoring Reports* every six months, i.e. by May and November. The reports will include approximately 80 standard monitoring tables, which are updated regularly.

**Other expected outputs:** While the *Regional Monitoring Reports* are addressed to a general audience and are therefore 'non-technical', the project is expected to generate a number of analytical papers on specific topics that will be published, in English, in the *Innocenti Occasional Paper* series published by UNICEF ICDC and in professional journals. Country-specific analyses, published in national languages, will also be produced by the in-country researchers.

**Cost effectiveness:** Unlike other monitoring systems which rely on more accurate but very costly, and therefore limited, special-purpose surveys, MONEE makes use of information already collected or easily generated through existing surveys, administrative statistics and other records of the central statistical offices of the region. Considerable value-added can, indeed, be generated just by compiling and analysing regularly and expeditiously the substantial amount of information, often immune to major statistical biases, available or attainable. While correction of existing measurement biases is part of this exercise, and while methodological improvements are needed and welcome, this approach allows the overall cost of generating information for the policy makers to be substantially reduced.



In the late 1980s, the Central and Eastern European countries shared several structural features, both positive and negative. Some of the negative qualities of the former system underlie the reforms introduced, and they may also be responsible for part of the deterioration observed during the last four years. At the same time, the more positive aspects of the superseded system (such as a strongly egalitarian distribution of income and high education levels) have certainly contributed to making the changes underway more bearable and should represent an important advantage for future growth.

### 1. ECONOMIC STRUCTURE AND BALANCE

Following the first oil shock in 1973, all countries of the region suffered a slow but steady decline in economic performance. The gradual intensification of this decline during the 1980s reduced the scope for improvements in living conditions and possibly weakened political consensus. By 1989, the growth of output had turned negative, except in the former USSR and Czechoslovakia. This erosion in performance is traceable to the difficulties inherent in the transition from a pattern of 'extensive growth' to one of 'intensive growth', which was made necessary by the dwindling of the extensive supply of labour from rural areas and the incorporation of women into the labour force. It was also due to the subsequent inability to sustain output growth through increased rates of innovation and technological progress and through greater microeconomic efficiency. These difficulties underscore the escalation of technological, informational and incentive problems faced by central planning when the scale and complexity of the economy grow.

A second factor responsible for the poor performance of these countries pertains to **structural distortions** affecting their economies. With the exception of Hungary and Poland (where private ownership in services and agriculture and open-market transactions were notable), property of the means of production was firmly vested in the State, while the prices of goods and production factors were set administratively. Many of these prices - for goods traded domestically or within the Council for Mutual Economic Assistance (CMEA) bloc - were strongly misaligned in relation to world prices, particularly in the case of energy and raw material prices. In terms of sectoral balance, the countries of the region were affected by an 'inefficient over-industrialization', which was particularly acute in the metallurgical, heavy machinery and defence sectors, as revealed, for instance, by the extremely high share of these sectors in industrial and total output. If valued at international market prices, many of these productions were neither economically and energy efficient nor ecologically sustainable. As a result of this bias and of the alleged primacy of 'productive' over 'non-productive' activities, the agricultural and service sectors were, with few exceptions, deprived of adequate resources.

As for the **macroeconomic conditions** prevailing in these countries immediately before the introduction of market reforms, with the exception of Poland (where inflation had reached 680 per cent in 1989, the budget and current account deficits 7.4 and 2.6 per cent of GDP, and the debt/GDP ratio 80 per cent) none of the nine countries covered in this report had experienced at that time



the massive imbalances that affected many developing countries during the debt and terms-of-trade crisis of the 1980s (see Tables C.3 to C.5 in the Annex). Though Bulgaria was affected in the late 1980s by a considerable payments crisis and though Romania, the USSR and Bulgaria suffered from some degree of 'repressed inflation' and monetary overhang, the initial macroeconomic conditions in these countries were either relatively favourable (as in Czechoslovakia and Romania) or not particularly adverse (as in Hungary). In some of these countries, therefore, the 'shock-therapy' stabilization and price liberalization programmes introduced since 1990 (see below) have reflected more a preference for a given policy approach than an objective necessity.

## 2. INCOME DISTRIBUTION AND POVERTY

In the years immediately preceding the introduction of economic reforms, the countries of Eastern Europe undeniably boasted substantially lower levels of income inequality and poverty rates than those prevailing in the majority of the middle-income and developed countries. This observation holds true despite the worsening or stagnation of these indicators in Poland, Hungary and the USSR in the mid to late 1980s, and despite the considerable efficiency and incentive costs incurred in accomplishing this objective. It also remains true even if account is taken of the privileges of the nomenklatura, of the differential access by various social groups to the 'official', 'preferential' and 'parallel' markets, and of the opportunity cost of queuing.

While the Gini coefficient (an index measuring the inequality of income distribution, which is equal to zero in the case of perfect equality and to 100 in the case of total inequality) in a typical middle-income country had ranged between 40 and 54, in Eastern Europe it oscillated between 20 and 29, i.e. values even lower than those prevailing in Western market economies, with the exception of the Scandinavian countries. At 7 per cent, poverty rates were particularly low in Czechoslovakia - where severe destitution had been completely eradicated - and remained at relatively low levels in Hungary (14 per cent), and in Poland and Russia (15-20 per cent) (no official estimates were available for Bulgaria and

Romania), as opposed to values about 10 points higher for the average middle-income country.

## 3. AN UNBALANCED WELFARE SITUATION

Strong contrasts characterized the social situation in Eastern European countries prior to the transition. On the one hand, the priority accorded to social expenditure in the state budget enabled the provision of universal benefits and social services which, despite problems of efficiency and poor quality, were widely available. The social expenditure/GDP ratio was commensurate to that of Western countries and was considerably higher than that of other countries with the same GDP per capita. In addition, the population benefited from large consumer subsidies on food, housing and other essential goods and services which, while distorting the price structure and draining precious budgetary resources, provided an important contribution to household welfare. Educational services, including a pre-school education system with almost universal coverage, and child and family policies (see Section VI for a more detailed treatment of this issue) were particularly well developed. The generosity and comprehensiveness of child benefits were particularly relevant for families with more than two children or which faced multiple risks (single parenthood, disabilities, and so on). For such families, child benefits accounted for between one third and one half of their total income, thus effectively protecting them from severe deprivation.

At the same time, social conditions suffered from certain systemic biases as well as from specific deficiencies, most notably in health and social assistance. In general, social service delivery suffered from poor management, excessive centralization and lack of incentives. In addition, the centralization, paternalism and lack of popular participation typical of socialist social policies engendered a strong sense of passivity and dependence among the population and contributed to the weakening of the family's role in the socialization, upbringing and education of children. Indeed, the need to rely on two full-time salaries to ensure adequate living conditions, the erosion of the traditional family and the strong role advocated by the state in child socialization have all played a part in the rapid rise of poverty.

### III CHANGES

## IN HUMAN WELFARE 1989-93

Depending on the approach followed, a discussion of welfare changes in the post-reform years requires examination of different sets of variables. A first common approach equates welfare with control over real income (or consumption), wealth and the opportunity cost of leisure by each individual and therefore focuses mainly on monetary variables. With this type of analysis, loss of welfare is normally associated with a decline in incomes or consumption, or with increases in the number of people falling below a pre-established poverty line kept constant over time. This approach relies on the availability of information on changes in the average values and distribution (by income level, age group, region, and so on) of these variables. While useful and widely applied, it suffers from considerable theoretical and informational problems (see page 22) and can in some cases lead to partial conclusions regarding welfare changes.

A second approach to the welfare evaluation focuses instead on the changes in 'capabilities', i.e. in the ability of individuals to have a long and healthy life, to be well nourished, literate, safe, and so on. This approach emphasizes not so much the 'means' (money, wealth, etc.), but the 'ends' (quality of life), the achievement of which depends not only on control over monetary resources but on many other factors as well. This approach therefore requires examination of information deriving from a variety of demographic, health, education and other statistics.

Both approaches are applied below. They tend to provide generally concordant indications of the relative extent and depth of the welfare changes observed over the last four years.

#### 1. INCOME AND CONSUMPTION-BASED MEASURES

##### A. Considerable Impoverishment of the Majority of the Population

Poverty analysis received little attention under socialist rule. However, prior to the reforms of the late 1980s, 'subsistence minimum' and 'social minimum' incomes were calculated in all countries of the region, possibly with the exception of Romania and Albania. The 'subsistence minimum' income was supposed to satisfy - assuming a rational economic behaviour - those necessities essential for survival. The 'social minimum' income, in contrast, allowed the purchase of a few additional consumption items needed to ensure a simple but complete socialization. These two thresholds were calculated for various prototypical families but were seldom used as a base for setting minimum wages and pensions. Typically, the 'subsistence minimum' and the 'social minimum' oscillated respectively around 30-40 and 45-60 per cent of the average wage, while the 'food shares' (i.e., the proportion of total family consumption spent on food) of those with incomes around these levels ranged respectively between 50-60 per cent and 35-50 per cent.

In the following section, the poverty lines or social minima adopted in 1989 (or, in their absence, a hypothetical poverty line equal to 35 to 50 per cent of the average wage of the same year, depending on the development level of each country) are used, after correction for changes in the consumer price index (CPI), to estimate changes in the proportion of people or households living in poverty over the 1989-93 period for those countries and years for which information on



## BOX 2 - REFORM PROCESS AND CONTENT

With the exception of Hungary, which began adopting some significant modifications in its price and ownership system in 1968, 'systemic reforms' were first introduced in Eastern Europe in the second part of 1989, i.e. when Poland adopted a few initial measures which eventually led to the introduction in January 1990 of the first comprehensive 'big bang' reform programme (the 'Balcerowicz Plan', named after the then Minister of Finance). Bulgaria and Romania also introduced some initial measures in 1990, though reforms increased in intensity and scope in February 1991 in Bulgaria and in May of 1992 and of 1993 in Romania. Czechoslovakia (which split into its two former constituents in January 1993) and, in particular, Hungary emphasized the institutional aspects of the transition and followed a more gradualistic approach to price liberalization. In Albania, Ukraine and Russia, the reforms did not start until 1992, have been narrower in scope and have met with considerable difficulties. The main features of these reforms can be briefly summarized as follows, though the sequence with which they were introduced has varied considerably from country to country:

(i) **Macroeconomic measures** combined fiscal and monetary austerity with simultaneous price and trade liberalization and a sharp devaluation of the exchange rate. The aim of assigning a greater role to market prices in the allocation of resources was pursued through the simultaneous dismantling of price controls, an increase in tariffs and the elimination of most producer and practically all consumer subsidies. The only exceptions to this rule concerned subsidies on a few food products, housing, transport and energy and some agricultural inputs. To avoid excessive welfare losses, part of the savings on consumer subsidies was to be turned into theoretically equivalent income subsidies ('compensation for price increases'). Only in the case of the Czech and Slovak Federal Republics (CSFR) did these income subsidies prove, however, to be broadly adequate.

Price liberalization and the inflationary effects of devaluation were expected to generate a large but short-lived bout of 'corrective inflation', which would have eliminated the monetary overhang and price distortions inherited from the socialist era. The subsequent rapid decline in inflation was to be achieved through the adoption of restrictive monetary and fiscal policies and (as in the Polish, Hungarian and Czech cases) by the stability of money wages and the exchange rate, the two 'anchors' of macroeconomic stabilization.

(ii) **Privatization** efforts moved in three directions. First, 'small privatization' (of service units, restaurants, etc.) advanced fairly rapidly in all countries, mostly through local auctions. In CSFR and Hungary, the divestiture of 100,000 small businesses and 10,000 shops and medium-sized services was respectively targeted, and broadly achieved, in the first reform year. Second, 'big privatization' of state-owned enterprises (SOE), land and other assets developed in very different ways. Public sales of SOEs to foreign and domestic investors have taken place in most countries. 'Reprivatization' has instead entailed the return of enterprises or land to their former owners, while 'spontaneous privatization' (often at very convenient terms) by the management and the workers of the enterprises has been allowed in several countries, including Poland and Russia. And finally, as in Czechoslovakia, 'big privatization' has primarily relied on some form of shares distribution. Despite the priority it has received, 'big privatization' has met with numerous legal, accounting and incentive problems and has failed to achieve the transfer of any sizeable amount of the land and capital stock to private or non-state owners. Nor has it been successful in liquidating loss-making SOEs. And, third, private-sector development was encouraged through the removal of barriers to entry and the encouragement of private investment, though comparatively little was done and achieved in this crucial field.

(iii) **Institutional reforms.** With hindsight, it appears that the success of the overall reform effort depends to a considerable extent on the creation of new 'institutions' and on the preservation of that part of the existing 'regulatory framework' dealing with law and order, public health, social protection and other key sectors of the public administration. However, while such ambitious objectives obviously require considerable time, effort and political consensus, actual progress in establishing new 'rules of the game' for property rights, anti-trust, foreign investment, taxation, banking, wage indexation, unemployment compensation and other safety nets, social assistance and protection, family policy and so on has been - with few exceptions in Central Europe - very limited and, in any case, slower than that required by the 'shock-therapy'-type changes introduced in the field of price and trade liberalization and privatization. In Russia and a few other countries, these 'sequencing problems' have been compounded by a serious erosion of the administrative and legal system and by a considerable institutional vacuum.

(iv) **Labour market and social-sector reforms and the creation of 'safety nets'.** Policies on employment, wages and consumer subsidies have undergone radical changes. Artificial full employment and central determination of wages have been abandoned and, with the exception of Russia and Ukraine, unemployment has been allowed to increase sharply. All countries introduced some form of unemployment compensation, although eligibility criteria have become increasingly restrictive over time. Early retirement and extended child-care leave for women have also been used to lighten the unemployment rolls. The scope of 'active labour market' policies, in contrast, remained negligible.

Faced with high inflation rates, all countries have introduced some kind of indexation of wages and benefits. However, with the exception of Poland and Bulgaria, indexation has been and generally remains partial, carried out *ex post* and on an ad hoc basis. Its frequency and extent, furthermore, vary substantially over time, by sector and type of benefit. This approach causes large losses of income and considerable problems of equity. Child allowances, for instance, have been penalized more than pensions in several countries. Though several proposals have been made about targeting child and family allowances on poor families, few steps have been taken in this direction, while in several cases such benefits have been extended to the children of the registered unemployed. In addition, social assistance, practically non-existent under the socialist regime, has been introduced.

Policies governing access to public services in the fields of health, education, child care and other social amenities underwent gradual but significant changes. Obstacles to private provision (particularly important in education) have been removed. Many services provided by central governments and state enterprises (in the field of child care and kindergartens, recreation and vocational training) were discontinued or have been decentralized to local authorities, though



an equivalent decentralization of resources or tax-raising powers has not occurred. Substantial user fees have been instituted for kindergarten and school meals, schoolbooks, drugs and some health services.

**(v) Foreign trade reform.** While all countries devalued their exchange rate, the extent of the devaluation and the exchange rate regime adopted since then have varied widely. CSFR and Poland opted for a fixed exchange rate (subject to realignment only after long periods), while Bulgaria, Russia and Romania adopted an interbank floating rate, and Hungary a managed rate. All countries quickly abandoned whatever form of two-tier exchange rate system they had. Bulgaria, Hungary, Poland and CSFR rapidly made their (devalued) currency convertible for current account transactions. In practically all of these countries, quantitative restrictions to international trade were rapidly eliminated and low to moderate import tariffs were introduced, with the hope that import prices would de facto act as a lid on domestic prices. The biggest and most damaging changes affecting foreign trade, however, were the dismantling of the CMEA trade system, which started in 1990 and became fully effective in early 1991, and the move to a convertible currency basis for the former inter-CMEA trade.

the distribution of per capita household income could be obtained from household budget surveys (HBS). Only for Poland and (in some cases) Russia were the data presented in Table 1 computed by national institutions on the basis of micro data.

This approach obviously allows only a crude assessment of changes in the incidence of poverty within each country over the reference period as the lack of access to micro data and detailed information means that changes in the relative prices of essential goods and in the composition of poor households cannot be taken fully into account. Such data do not, in particular, provide sufficient grounds for intercountry comparisons. Despite these and other problems (such as the underreporting of income in household budget surveys; see below), the extent of the changes of the last years give these data an imperfect but forceful explanatory power in illustrating a fast-changing poverty picture.

### **(i) A rapid increase in poverty rates**

In spite of the above limitations, there is ample evidence that poverty has increased massively in the entire region (see Table 1). The initial year, intensity and duration of such increases vary considerably among the countries, though they normally coincide with the introduction of 'big bang'-type stabilization and price liberalization programmes (see Section IV). The biggest relative increases in the number of poor were observed in Poland in 1990, in Bulgaria, the Czech Republic and Slovakia in 1991, and in Russia and Ukraine in 1992. Furthermore, while at the end of 1992 40 per cent or more of the population of South-Eastern and Eastern Europe and of Poland were affected by low incomes and poverty, its spread had been contained to about 20 per cent or less in the Czech Republic, Slovakia and Hungary. At the end of 1992 poverty was still edging upward in the first group of countries, but had stabilized or experienced a small decline in the latter, particularly in the Czech Republic.

Overall, poverty rates doubled in Poland between 1989 and 1990, the year in which the average net income per capita fell by almost 30 per cent in the aftermath of the introduction of the first comprehensive reform package (Table 1). Since then, they have

wavered around that level, despite the modest output recovery of 1992. While poverty rates broadly stagnated until the end of 1991, they soared in 1992 and the first part of 1993 in Ukraine and Russia. In the latter, assuming a constant poverty line per capita per month of 100 roubles in 1989 prices, the rate increased from 16 per cent to 66.8 per cent between 1989 and November 1992 (though it even reached 70.9 per cent during the first quarter of 1992, i.e. when the CPI jumped by about 350 per cent in January alone following the price liberalization foreseen by the 'Gaidar Plan'). If instead a 75 roubles threshold is used, the rise in poverty is less pronounced but still extremely large, i.e. from 5 per cent to 43.8 per cent in November of 1992. These rates are substantially greater than those computed monthly since January 1992 by the Ministry of Labour on the basis of a constant poverty line of about 60 roubles per capita per month (in 1989 prices), which indicate a gradual climb in the poverty rate from 25.7 per cent in the first quarter of 1992 to 30.4 per cent in the same quarter of 1993. These figures also suggest, however, a steep increase in the number of people living in poverty in relation to the pre-reform period.

In Ukraine, after falling from 20.2 to 10.5 per cent between 1989 and 1991, the proportion of poor households - estimated on the basis of a 100 Rb poverty line in 1989 prices - rose to 23.5 per cent in 1992 (the corresponding number of people in poverty can be estimated to be about 6 to 8 points higher). As in the case of Russia, this was due to the steep rise in prices that followed the liberalization of prices and other economic reforms. Though the latter have come practically to a halt, evidence suggests that poverty is deepening further, particularly in view of the acceleration of inflation in 1993. As noted, these highly tentative estimates have been reached with an assumed poverty line threshold of 100 roubles per capita per month updated with the official price index (which would appear to underestimate somewhat the effective increase in prices). If, instead, the 75 rouble threshold is used, the incidence of poverty drops from 6 to 2.2 per cent between 1989 and 1991, and then rises to an unrealistic 10.1 in 1992. This relatively low level of poverty is explained by the apparently slower increase in retail prices in 1992 in relation to Russia, and thus suggests that a much greater incidence

**Table 1. Estimates of the percentage of the population living in poverty, 1989-93  
(using alternative average poverty lines per capita per month)**

Poverty line/social groups		1989	1990	1991	1992	Q192	Q292	Q392	Q492	Q193
<b>Bulgaria</b>	45% of 1989 average wage				53.6					
	- households	—	—	—						
	50% of 1989 average wage				62.7					
<b>Czech Republic</b>	- households	—	—	—						
	35% of 1989 average wage	5.7	7.7	19.4	18.2					
<b>Hungary</b>	- households									
	40% of 1989 average wage	8.5	—	13.7	—					
	- population	13.7	—	19.2	—					
	- children									
	45% of 1989 average wage	10.1	—	21.3	—					
	- population	14.1	—	29.1	—					
<b>Poland</b>	- children									
	45% of 1989 average wage	20.5	39.7	38.8	42.5					
<b>Romania</b>	- population									
	National poverty line	21.8	40.3	39.3	41.4					
	- population	19.8	37.0	33.0	33.6					
	- urban population	24.4	43.1	48.4	52.4					
	- rural population	28.0	53.4	54.7	57.6					
	- children	32.7	40.6	29.1	33.2					
	- pensioners	18.9	34.0	32.2	34.1					
	- adults	19.8	34.7	31.8	33.3					
	- households									
	45% of 1989 average wage	27.3	18.5	28.1	51.1					
<b>Russia (population)</b>	- households	38.1	30.7	42.1	70.1					
	- children									
	50% of 1989 average wage	47.2	29.5	37.4	60.8					
	- households	53.4	46.0	53.1	81.3					
	- children									
	118 Rb poverty line a)	27.1	24.5	28.7	—	84.6	63.1	70.5*	77.1**	—
<b>Slovakia</b>	100 Rb poverty line b)	16.0	14.8	17.9	—	70.9	51.5	62.3*	66.8**	—
	75 Rb poverty line c)	5.0	8.2	6.5	—	44.1	32.9	46.4*	43.8**	—
	60 Rb poverty line d)	—	—	—	—	—	—	—	—	—
	National poverty line e) f)	—	—	—	27.0	25.7	25.8	29.3	27.0	30.4
<b>Ukraine (households)</b>	35% of 1989 average wage	7.1	7.1	14.2	18.3					
	- households	9.0	9.1	19.7	25.7					
	- children									
	40% of 1989 average wage	8.5	8.9	28.2	30.2					
	- households	10.9	11.2	35.6	41.3					
	- children									

Source: MONEE database unless otherwise stated; a) corresponds to 45 per cent of the 1989 average wage; b) corresponds to 38 per cent of the 1989 average wage; c) corresponds to 28 per cent of the 1989 average wage; d) corresponds to 23 per cent of the 1989 average wage; e) the value in 1989 Rb of the national poverty line per capita in the five quarters reported in the table was respectively: 62.5, 60.6, 59.3, 58.5 and 61.1; f) computed by Ministry of Labour and Social Protection; \* refers to August 1992; \*\* refers to November 1992; \*\*\* the poverty rates appear artificially low due to the likely underestimation of the increase in the retail price index.

of poverty would be found if the retail price increase were to be adjusted to the Russian level or given a more realistic estimate. These poverty estimates, furthermore, appear inconsistent with the changes observed in the food shares (see below).

In Romania, poverty incidence declined from 27 to 18 per cent (using a poverty line equal to 45 per cent of the 1989 real wage) in the first year after the fall of the Ceausescu regime thanks to a series of populist measures involving a general increase in real wages and transfer payments, lowering of the prices of important items (electricity and gas, for instance) and the somewhat artificial creation of half a million new jobs. With the drastic drop in real wages, which started in November of that year and has continued since then, however,

the poverty ratio rose to 28 per cent in 1991 and to 51.5 per cent in 1992. With regard to Bulgaria, lack of data means that not even a crude assessment of the recent changes in poverty levels can be made, as data on the distribution of household income by size are available only for 1992 and the first part of 1993 (thus precluding the possibility of a comparison with the 1989 baseline). For these two years, the proportion of the population with an income per capita below 45 per cent of the 1989 average wage was estimated to have reached 55 per cent in 1992. The poverty rate rises to 63 per cent if instead the poverty line used corresponds to 50 per cent of the 1989 average wage.

Finally, the rise in poverty rates has been more limited in the three countries of Central Europe, where



large inflationary explosions have been avoided, drops in real wages have been more contained and the extensive safety nets created in the past have been maintained. In Hungary, the incidence of poverty rose by more than 50 per cent (i.e., from 10.1 to 21.3 per cent) between 1989 and 1991 (when using the poverty line per capita equal to 45 per cent of the 1989 average wage), though the increase was considerably greater in the rural sector and in small towns. The increase is obviously less pronounced if the poverty line is taken as 45 per cent of the 1989 average wage. In the Czech Republic (where the distribution of gross income per capita was used), the poverty rate more than doubled between 1990 and 1991, followed however by a decline in 1992, despite a continuous drop in industrial output. The evidence from Slovakia points to similar developments.

### (ii) A surge in 'food shares'

Changes in the extent of poverty can also be inferred from changes in the average and decile-specific 'food shares'. Because of the **low price elasticity** and **high income elasticity of the demand** for basic goods (food, heating and other housing charges, private medical expenditure, and so on) at low levels of income per capita, the negative shifts in the relative prices of most essential goods and the substantial drops in real house-

hold income per capita observed in the Central and Eastern European countries over the 1989-92 period would be expected *ex ante* to push the food share of a growing number of people up to or beyond the level (broadly corresponding to the poverty line) which signals the inability to satisfy a minimum set of nutritional and other basic needs. However, there is a need for caution in interpreting changes in the food shares in the post-reform years as they may reflect not only variations in income per capita and relative prices but also other factors which affect consumer preferences, including the shift from a partially rationed (with probable pent-up demand) to a free market distribution system, the liberalization of imports of goods subject to quantitative restrictions (such as cars, televisions and white appliances), the improved availability of certain goods and services due to the privatization of domestic retail trade, the changing public/private mix in the provision of health, education and housing services, and modifications in the demographic composition of the bottom income deciles. The observed increase in the consumption of meat and of consumer durables (for instance, colour television) in Poland, during a period of stagnant real incomes would otherwise be unexplainable on the basis of standard consumer theory.

Despite these and other limitations, the increases observed in the **average food shares** of the eight countries included in Table E.4 in the Annex as well as the

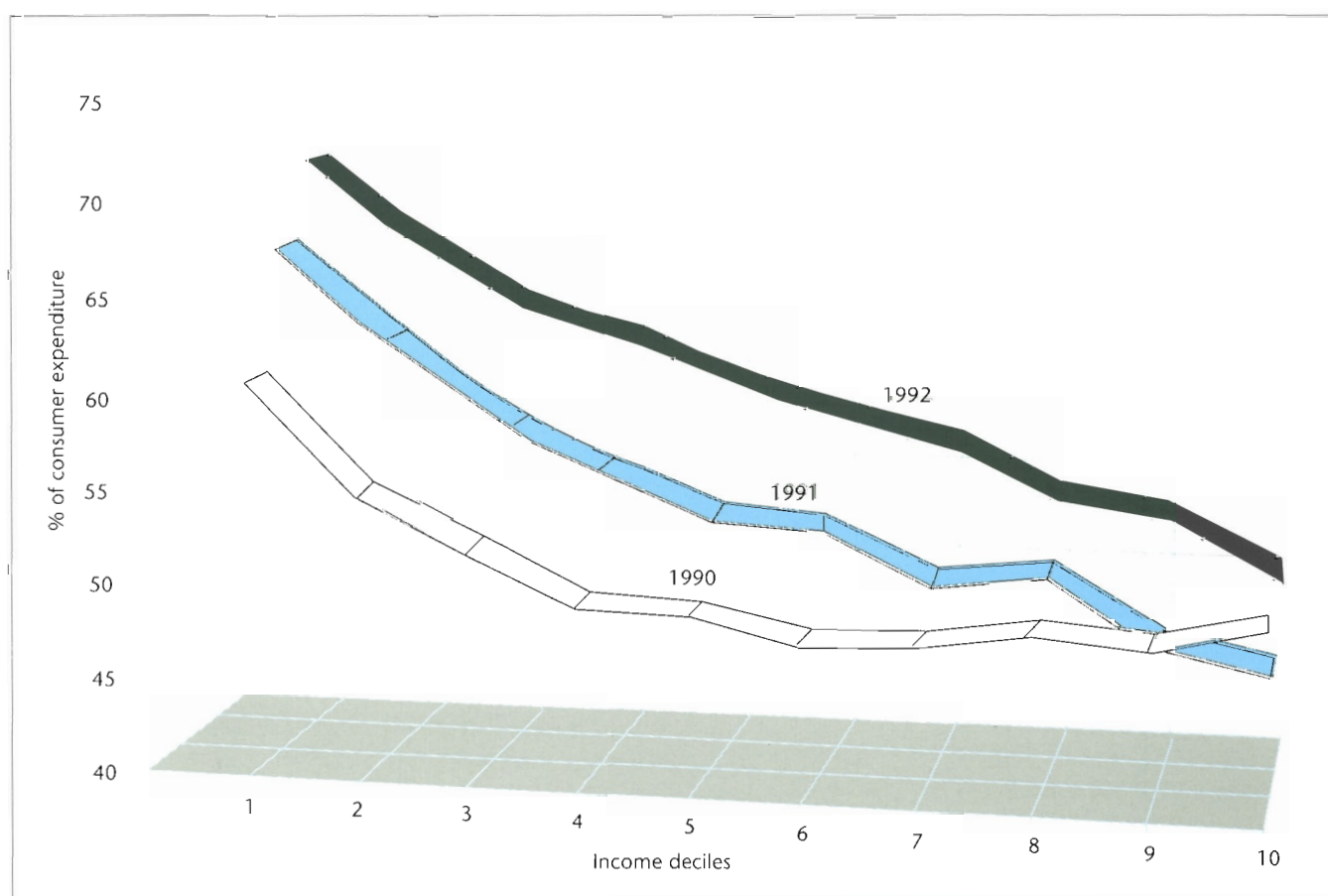


Fig. 1 - Shift in food shares by income decile in Romania, 1990-92

changes in the **food shares of the bottom income deciles** of the Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine over the 1989-92 period broadly confirm the picture drawn in the previous section of skyrocketing poverty rates in South-Eastern and Eastern Europe and Poland, and of more moderate increases in Central Europe.

With the exception of Poland, most of the increases in the average food shares took place in 1991 and 1992. The increases were extremely large in Romania, (from 49.9 to 57.5 between 1990 and 1992, as may be seen in Figure 1), Bulgaria (from 42.5 to 52.1 between 1990 and 1991), Ukraine (from 39.0 in 1989 to 45.6 in 1992) and Russia (from 32.9 to 46.7 between 1990 and 1992). Figure 2 illustrates the changes in average food shares for the Czech Republic, Russia and Ukraine (i.e., countries showing very large or very small variations). Even with these considerable rises, however, these figures might underestimate the true level of the food share in some of these countries, owing to biases in the sampling framework of the household budget surveys which tend to undercount the very poor. For instance, the Russia-wide population and health survey conducted in the third quarter of 1993 estimated the level of the average food share at a staggering but perhaps disputable 67.4 (but the extent to which the sampling frameworks of these two surveys differ is unclear).

The extent of the increase in poverty can be calculated more precisely in those countries for which information about the changes in food shares over time is available by income deciles, i.e. in the Czech Republic, Hungary, Poland, Romania, Slovakia and (in part) in Ukraine. In Romania, the proportion of people with a food share of 50-55 per cent or higher (used here as a proxy of the poverty line) shot up from about 20 per cent in 1990 to over 50 per cent in 1992 (see Figure 1). Similar results are evident for Ukraine, where poverty spread from the first to the third income class between 1989 and 1992, and in Poland. These results broadly coincide with the poverty estimates reported in Table 1.

On the other hand, the data for the Czech Republic, Hungary and Slovakia suggest moderate increases in absolute poverty (see Figure 2 for the Czech Republic). It is important to stress, however, that these results have also been influenced by the less than proportional increase in prices of all foods (with the exception of 'bread and cereals' and 'milk, cheese and eggs', which rose faster than the CPI everywhere) and by the more than proportional increment in the prices of some essential services (heating, water and other housing charges, as well as education and medical charges borne by the households). Indeed, in the above three countries (as well as in Poland and Albania), with very few exceptions, food prices generally went up less quickly than the CPI throughout the 1990-92 period (the opposite occurred in Bulgaria, Romania, Russia

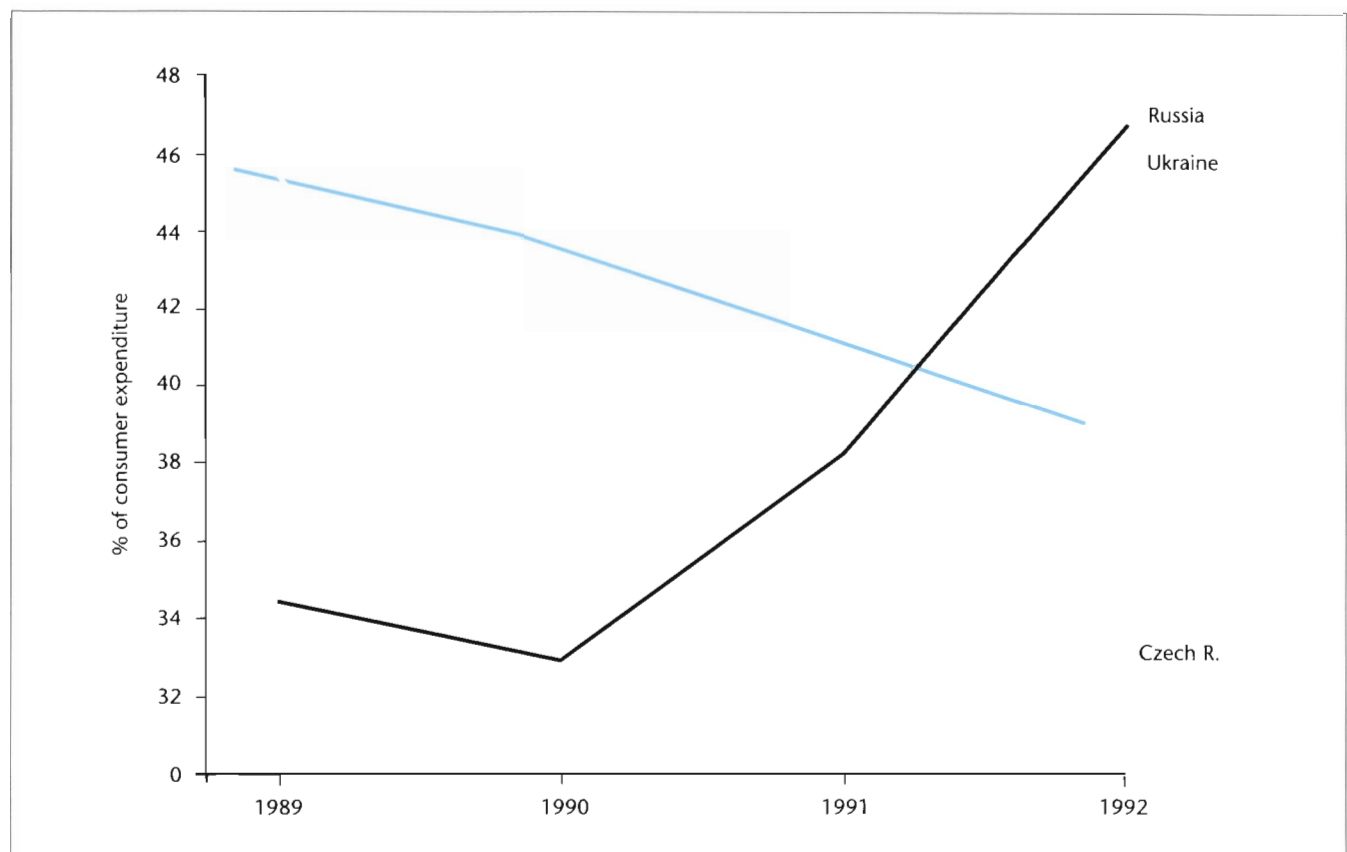


Fig. 2 - Changes in average food shares in the Czech Republic, Russia and Ukraine, 1989 - 92

and Ukraine). Instead, the largest increases in prices were recorded for fuel and power, medical expenses and gross rent and water charges, which had been as, or even more, subsidized than food but whose supply tends to be considerably more inelastic (see Tables E.10 to E.13 in the Annex as well as Table 10 in Section IV). For these countries, the data would therefore suggest the need to extend the analysis of the 'food share' to the 'basic good share'.

### (iii) Other signs of growing poverty

Evidence that poverty is increasing is also provided by changes in indicators of 'income inadequacy' and 'inability to pay'. An upward movement in the first group of indicators suggests that current incomes (including traditional cash benefits) have become increasingly inadequate for the satisfaction of the most essential necessities of a given household. Among these, one can include a surge in the number of people liquidating their financial and physical assets and running into debt, or applying for social assistance in cash or kind at state offices and charities.

As noted earlier, no data are available on changes in the level of financial and physical assets of households. In most countries, extremely high levels of inflation have de facto wiped out the monetary savings of most families, while available HBS data suggest in most countries drastic reductions in saving rates (and likely indebtedness) among households in the bottom income deciles (see Table 8). Other scattered evidence includes the number of people taking consumer durables or jewellery to pawn shops. In Hungary, for instance, the number rose by one third between 1990 and 1992.

More comprehensive and reliable, however, are the data on the number of people receiving social assistance, either on a permanent basis (as in the case of social pensions), or for a specific, one-off purpose (roof repairs, the purchase of schoolbooks, unexpected medical expenses, and so on). The data in Tables F.7 and F.8 in the Annex show that between 1989 and 1992 the number of recipients of social assistance increased, often dramatically, and is still increasing in practically all countries of the region, with the exception of the Czech Republic and Slovakia. While this phenomenon can in part be explained by the underdevelopment of such services during the socialist regime and by the subsequent modifications of the relevant legislation and administrative practices, the dimensions and, in particular, the timing of the increases are strongly suggestive of growing destitution among a significant section of the population. In Bulgaria, for instance, the number of people regularly receiving social aid from the government stagnated between 1989 and 1990, and then jumped 30 times higher between 1990 and 1992 in parallel with a 40 per cent decline in household incomes. Similarly, in Russia, the unprecedented drop in incomes induced by the January

1992 price liberalization pushed the number of people receiving, if occasionally, free or subsidized meals up to more than 10 million and those of pensioners and families with children granted supplementary cash benefits to 10.2 and 2.5 million respectively. While these benefits may be useful in avoiding the most acute forms of deprivation, their value, with few exceptions, is normally very modest and cannot alone lift the recipients out of poverty. In 1992, for instance, the regular monthly benefits paid by social assistance ranged between 6 per cent of the average wage in Bulgaria and 30 per cent in Hungary, with a median of less than 10 per cent. The value of ad hoc benefits is in some cases even lower and is granted only occasionally. While increases in the number of recipients therefore provide a good indicator of the rate of increase in income inadequacy, they are not, however, a good indicator of its spread. Indeed, the usual problems of stigma, self-exclusion and limited administrative and fiscal capacity considerably reduce the uptake among potential beneficiaries.

Evidence of growing 'inability to pay' can generally be deduced from growing delays and accumulation of arrears in the payment of rent, electricity, gas and water charges, in the settlement of mortgage payments and - where legislation permits - from the number of evictions and house repossessions. It is also signalled by a rise in the number of families applying for exemptions from the payment of user charges for those public services requiring some (and now generally growing) degree of cost recovery. Unfortunately, this information is not always compiled, let alone analysed, for policy purposes, though the situation is changing quickly. In Poland, for instance, the central statistical office has included some questions on delays in rent payment in its surveys. From these data, it appears that at the end of 1992 rent was not being paid regularly for 43 per cent of the housing units owned by cooperatives, municipalities and employers, and that payment delays were of three months or more in about 11 per cent of the cases. In Hungary, too, there is evidence that the number of families in arrears with the payment of rents, water and heating bills has risen, though the public utility companies for sanitary and technical reasons have so far avoided disconnecting the families involved. Similarly, in Russia, 12.7 million people were exempted from the payment of public utility charges or received ad hoc subsidies for the purchase of medicines and fuel in the first four months of 1992.

### (iv) Socio-economic groups most affected

The economic difficulties of the last four years have, broadly speaking, affected two groups of people most severely: first, those already near, or below, the poverty line during the socialist regime, i.e. the elderly subsisting on minimum pensions, large families, single-parent families, people with severe disabilities, some minority



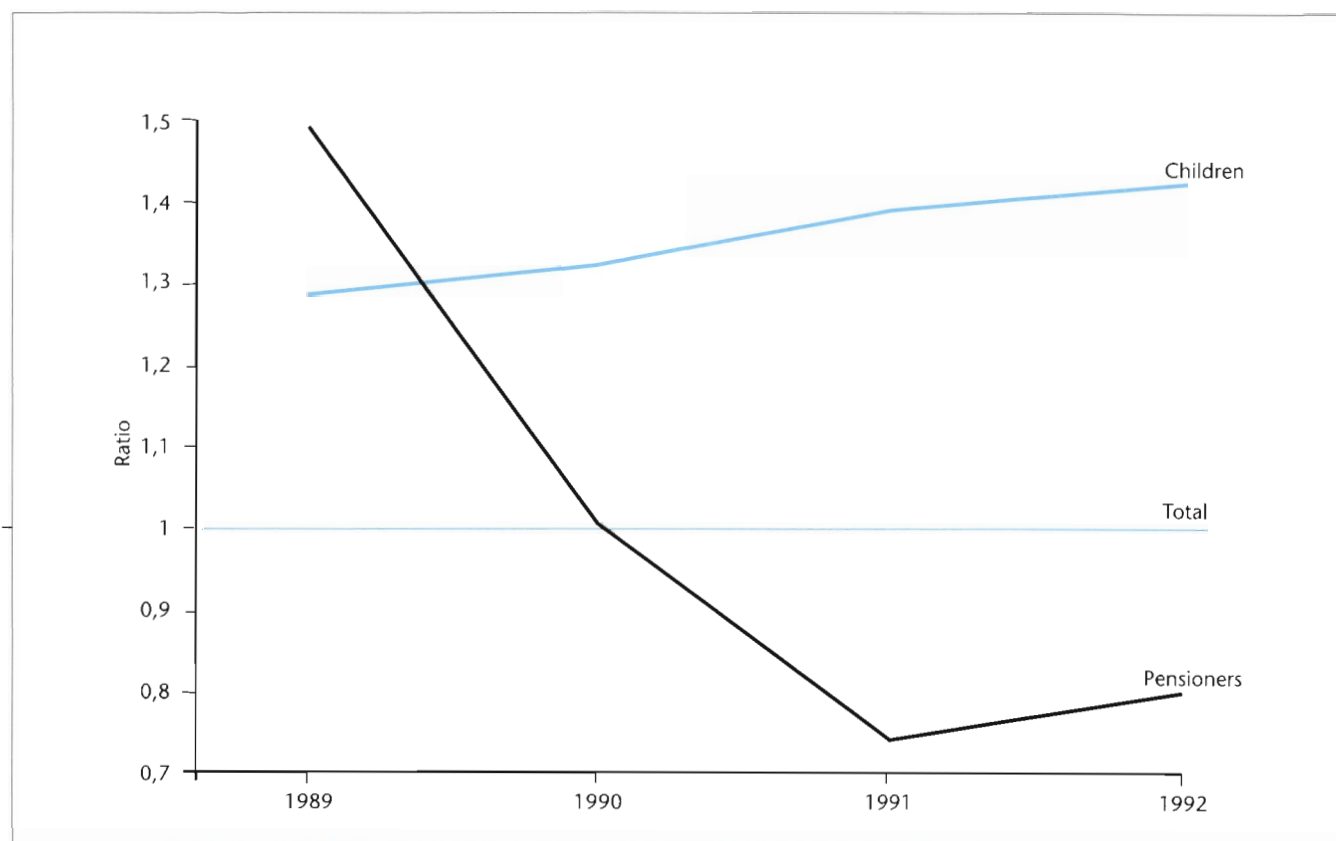


Fig. 3 - Child and pensioner's poverty rate related to the total poverty rate in Poland, 1989-92

groups and marginalized people; second, those sinking into poverty due to the economic and political changes underway. Among these are youth in search of first employment, the unemployed receiving no compensation, retrenched low-skilled workers and their dependents, and a growing number of migrants or refugees. Though broadly the same categories of people are affected now across the region, certain areas, age groups and professional groups have been hit far more severely than others.

To begin with, contrary to widespread expectations about rapid growth of incomes in agriculture (a sector where the Central European countries were seen as having a strong comparative advantage), the limited evidence available indicates that poverty has risen far more rapidly in rural than in urban areas. Indications in this regard are borne out, for instance, by the data in Table 1 for Poland and by similar quantitative evidence available from Hungary. In Poland, rural poverty continued to increase in 1991 and 1992, affecting over half of the rural population in 1992, while urban poverty declined. Limited access to export markets, reduced producer subsidies, weak domestic demand and unfavourable weather conditions in some countries and years, as in 1991 and 1992 in Poland, are the main factors underlying this disproportionate increase in poverty. Sociological reports indicate instead that rural poverty seems to be less acute in Romania where land reform led in 1992 to an important increase in food production for self-consumption

among agricultural families (despite their lower monetary incomes) and also to steep increases in food prices and growing poverty for urban dwellers as well as to expanding food imports.

Poverty rate increments have also varied significantly among the three main age groups, i.e. children below 16 years of age, adults below 60, and the elderly, as a result of the diverging trends observed in unemployment figures, in the number of those employed at minimum or very low wages (particularly if the ratio to average wage deteriorates), in the ratio of average (and minimum) pensions to average wage, and in birth rates.

Where unemployment and/or the number of those employed at very low wages (in relation to the average) have risen significantly and pensions have been better indexed than wages (and child allowances), the incidence of poverty has grown considerably faster among children and the working-age population than among pensioners. This is despite the introduction of unemployment compensation schemes and the decline in births observed over the last three to four years in most of these countries. Poland possibly presents the most graphic illustration of this pattern. While unemployment has grown steadily, reaching 13.6 per cent in 1992 and 14.5 per cent in the second quarter of 1993, the number of those employed with wages below 75 per cent of the average wage has increased from 26 to 34 per cent. At the same time, the ratio of average pension to

average wage rose from .44 in 1989 to .76 and .67 in 1991 and 1992, and the child allowance grew from an extremely low 2.1 per cent of the average wage in 1989 to a still modest 5.3 per cent in 1992. While poverty was traditionally highest among pensioners in the past, this was reversed between 1989 and 1992: poverty rates more than doubled for children and almost doubled for the active population, while they remained broadly constant for the elderly (see Table 1 and Figure 3).

Similar though less pronounced changes are observable in the Czech Republic, Slovakia, Romania and Hungary for the 1989-91 period (1992 for the Czech Republic). Pensioners, who represent between 30 and 40 per cent of the voters in these countries have generally enjoyed a more adequate indexation than those receiving other types of transfers and minimum wages, though the pension spread increased as a result of the greater emphasis placed recently on the relation between contributions and benefits. In Hungary, the proportion of adults (i.e., discouraged workers, inactive adults and, most of all, unemployed and 'working poor') and children in the bottom two deciles (roughly equal in 1991 to the population living in poverty) increased respectively from 13.4 to 16.1 per cent and from 29.6 to 31.1 per cent, while that of pensioners dropped from 17.3 to 11.5 per cent. The poverty rate for children below 16 years of age is now almost three times as high as that of

pensioners and twice as high as that of adults. Even in the Czech Republic, where the spread of low-paying jobs and the growth in unemployment have been much less significant than elsewhere and where both the minimum and average pensions have not undergone significant changes in their relative position *vis à vis* the average wage, an increase in the proportion of children in the bottom income decile may be observed for 1991. This increase was, however, reversed in 1992. In Romania, on the other hand, where unemployment slowly rose until 1992, the observed increase in the proportion of children living in poor families since 1989 is also due to the greater loss of purchasing power of child allowances in relation to pensions.

The trend toward a greater relative impoverishment among children may have intensified in 1992 and 1993 in Hungary, in 1993 in Romania and in 1992-93 in Slovakia, in parallel with the surge in unemployment (see Tables E.2 and E.3 in the Annex) and the spread of low-paying jobs which took place in those years. Indeed, these factors have now emerged as main causes of impoverishment among families with two or more children or with a low ratio between employed earners and children.

The negligible growth in unemployment, the massive contraction in the number of births and the literal collapse of the pension/wage ratio in Russia and Ukraine

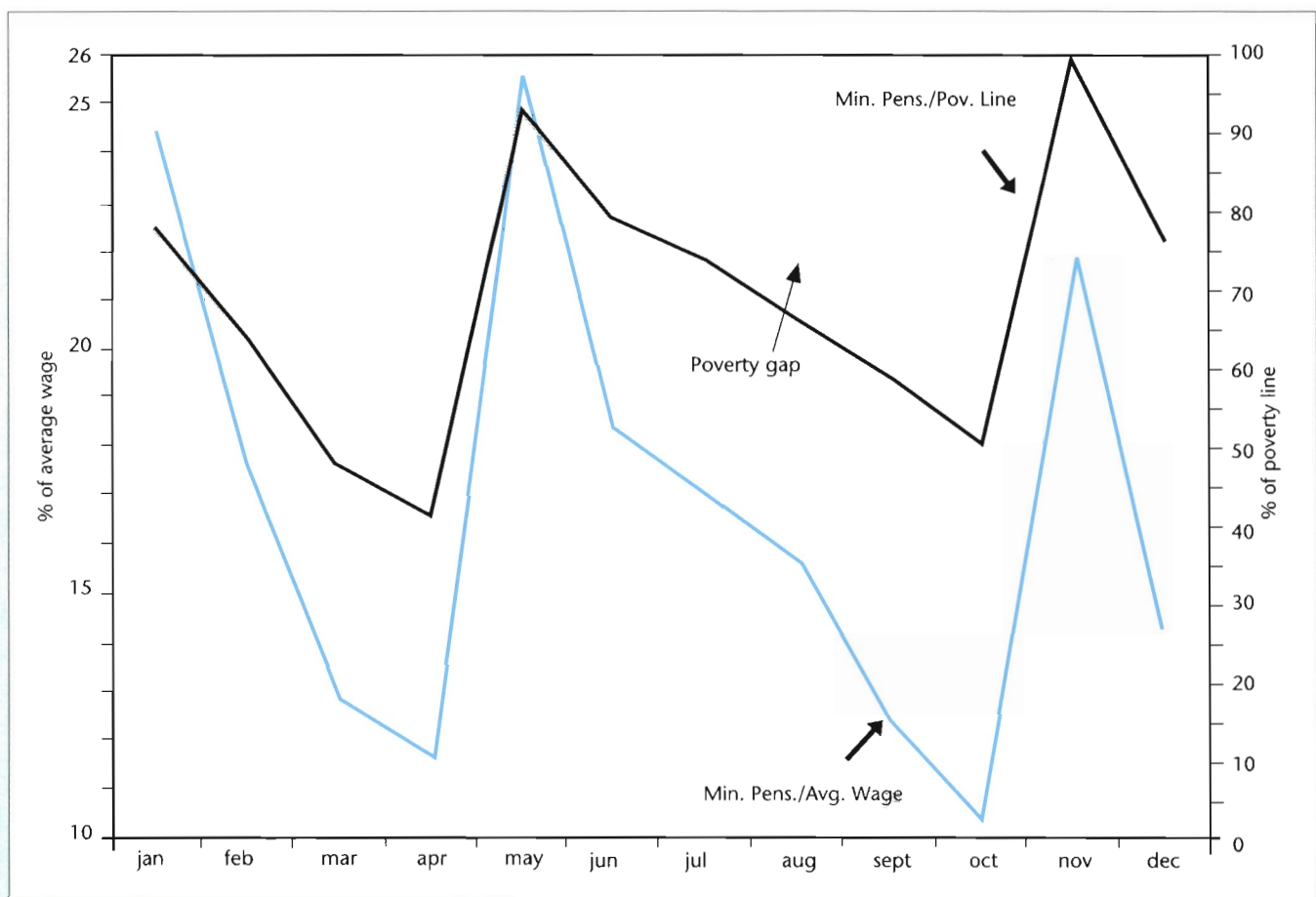


Fig. 4 - Ratios of minimum pension to poverty line (right scale) and to average wage (left scale) in Russia, 1992

suggest instead that the group most severely affected by poverty in these two countries are pensioners, especially those depending on minimum pensions as their sole source of income. Indeed, in Russia, minimum pensions - already low under socialist rule - dropped to an average of only 16.8 per cent of the average wage in 1992 (see Table E.6 in the Annex and Figure 4). The figure remained consistently below the per capita poverty line for pensioners calculated by the Ministry of Labour, which, in turn, was only 42 per cent of the 1989 'social minimum' of 100 roubles. At the end of 1992, 8.7 million elderly were receiving minimum monthly pensions (of about \$US5-10 a month). As shown in Figure 4, the main causes of this impoverishment are the low initial level of minimum pensions and the long delay and ad hoc fashion with which they are adjusted to inflation. Finally, within each country regional poverty incidence and degradation of the standard of living has grown at markedly different rates. Though no regional poverty data could be calculated, indexes of regional inequality were built for unemployment rates, IMR, crime rates and social assistance rates. These data indicate that in most countries the crisis has had a marked regional pattern, which is particularly pronounced in the field of unemployment, dependency on social assistance and crime (IMR, in contrast, seems to be rather invariant over time). In Hungary, for instance, the north-eastern part of the country has been far more affected than average, while Budapest has been the least affected (see Table 2). The areas suffering from particularly severe deterioration are usually dominated by one type of industry - often heavy industry - which has been especially affected by the change in relative prices or by greater competition.

**Table 2. Average difference between the regional values and the national average for selected variables and countries, 1989-92**

	Unemployment Rate	Social Assistance Rate a)	Crime Rate b)	IMR
<b>Bulgaria</b>				
1989	—	0.29	—	1.87
1990	0.38	0.21	—	1.46
1991	1.16	4.64	—	1.28
1992	—	7.08	—	1.07
<b>Hungary</b>				
1989	0.20	3.39	284.4	—
1990	0.45	4.01	583.7	—
1991	1.53	5.18	652.9	—
1992	2.90	—	638.7	—
<b>Czech Rep.</b>				
1989	—	1.50	420.7	—
1990	0.10	1.11	968.9	—
1991	1.50	1.30	1091.1	—
1992	1.08	—	—	—
<b>Poland</b>				
1989	—	—	263.0	0.92
1990	1.26	—	527.3	0.88
1991	2.33	—	458.9	0.82
1992	2.69	—	693.8	0.91

Source: MONEE Database; a/ Per 1,000 pop.; b/ Per 100,000 pop.

## 2. CAPABILITIES-BASED WELFARE MEASURES

During periods of structural transformation, when the composition, structure and use of income radically change, conclusions about shifts in welfare reached on the basis of income-based welfare measures rest on particularly shaky ground for several reasons. First of all, the meaning of income changes considerably when moving from an economy affected by 'shortage-flation' and queuing to one where true market prices prevail. Furthermore, income is only one - though an important one - of the inputs for the production of household welfare. Other relevant factors include: household assets; the 'human capital' (proxied, for instance, by level of education) of family members and of parents in particular; leisure time; family structure, stability and reproductive behaviour; social and health practices (often referred to as 'knowledge, attitudes and practices', or 'KAP'); and the level of public expenditure on welfare-creating 'public goods' (such as health, education, social amenities, public housing and food subsidies). While changes in some of these variables are routinely monitored, alterations in leisure time, assets and KAP are both difficult to define and costly to follow.

In addition, a decline in income normally triggers a series of household and collective responses (including the search for greater efficiency in expenditure, shifts in consumption structure, substitution of more expensive with cheaper sources of nutrition, and so forth) which can cushion many households, though not necessarily those at greater risk, from the negative effects of income reductions. These do not necessarily entail a decline, for instance, in nutritional status. Indeed, it is not uncommon to observe improvements in some social indicators concomitantly with declines in household incomes. As UNICEF has repeatedly pointed out, the economic crisis of the 1980s has not impeded steady progress in IMR reduction where household and community responses were mobilized.

Finally, contrary to an erroneous but common perception, income is not easily observable and measurable, especially during periods of hyperinflation, radical fluctuations in relative prices and rapid changes in the structure of the economy (such as in the public/private mix, growing informalization of the economy, reliance on self-produced goods and services, and so on).

A careful analysis of changes in living conditions therefore requires that conclusions drawn on the basis of income-based welfare criteria be integrated with an analysis of changes in capabilities-based welfare measures. This latter class of measures tries to determine changes in welfare by determining changes in the ability of individuals to function, i.e. on the basis of the 'quantity and quality of their lives'. The welfare changes recorded on the basis of this approach are presented below.



## A. A Drastic 'Demographic Adjustment'

Perhaps the most dramatic indication of the household's reaction to the current crisis is provided by the abrupt and radical changes recorded in the field of family formation and stability, reproductive behaviour, mortality and migration. These changes have led in all countries except Poland, Czech Republic and Slovakia to a **net natural decrease of the population**, which has been further compounded by out-migration. They have also led to a series of undesirable demographic developments which - unless reversed in the immediate future - are bound to negatively affect current levels of child and adult welfare as well as long-term economic growth.

### (i) An abrupt contraction in marriage rates

To begin with, the **crude marriage rate** has fallen abruptly in all countries of the region (Tables B.1 and B.2 in the Annex). On average, the decline from the 1989 or 1990 peak has been in the range of between 35 and 40 per cent in Bulgaria, Romania and Hungary, close to 30 per cent in the Czech Republic, Poland, Russia, and Slovakia, and about 5 per cent in Albania. Only in Ukraine (for which available information does not cover 1992 and 1993, i.e. the years subsequent to the introduction of the January 1992 reforms and the break with Russia) has the crude marriage rate remained constant.

Three observations may be made in order to view this decline in perspective. First, in Bulgaria, Hungary, Poland and Russia the crude marriage rate had started declining slowly during the 1980s, mostly for demographic reasons. The decline which began in 1990 or 1991 is instead characterized by a wide and statistically significant departure from the trend projected on the basis of the 1980s data. While demographic factors, such as the drop in the size of the cohorts reaching the age of most frequent marriage (as in Poland), partly explain this phenomenon, the drop in marriages is mainly attributable to growing 'economic insecurity'. Second, the fall in the **net marriage rate** (per 1,000 women of over 15 years of age) confirms that the decline identified on the basis of the crude marriage rate is due to non-demographic factors. And third, the **net remarriage rate** (per 1,000 women of over 15 years of age) falls at almost the same rate as the crude and the net marriage rate.

The observed decline in nuptiality is therefore mainly due to factors other than changes in the age structure of the population. While formal regression analysis has not been carried out, the following specific aspects of the overall 'economic insecurity' have been identified as explanations of the sharp downturn in marriage rates observed since 1990 or 1991. To start with, unemployment has affected the 16-24 year age

groups far more than other age groups. The current and expected lack of a stable source of income has thus discouraged many young people from creating new families. Second, the worsening housing situation has contributed to the decline. While housing shortages were endemic throughout Central and Eastern Europe (particularly in the former Soviet Union) even prior to the transition, the generalized contraction in the completion of new housing units - which dropped, for instance, by over 50 per cent in Bulgaria, Romania and Hungary, by one third in the Czech Republic and 12 per cent in Poland between 1989 and 1993 - together with the incipient liberalization of the rental market have resulted in drastically reduced chances for new couples to secure even minimum housing. Lastly, the increase in the 20-39 male mortality rate (see Box 3) reduces the number of potential bridegrooms, further reducing the possibility of first marriage or remarriage among women.

### (ii) Broadly constant divorce rates

With the exception of Poland and Russia, the **crude divorce rate** - which remained practically unchanged during the 1980s - has shown a general stability or a marginal decline during the last four years (see Table B.3 in the Annex). In Russia, the crude divorce rate displays a mild upward trend, while in Poland the growing influence of the Catholic Church, resulting mainly in a higher frequency of church marriages, has contributed to a further 33 per cent drop in divorces. In this country, the absolute number of divorces declined in both urban and rural areas to levels comparable to those of 30 years ago.

Several studies have shown that growing unemployment and slumps in family incomes of the dimensions observed in Central and Eastern Europe not only create material problems, but also have repercussions on family organization and stability and on the emotional aspects of family life. In the presence of growing economic difficulties, loss of self-esteem, alcoholism, family conflicts and domestic violence tend to rise, particularly within households characterized by anti-social behaviour and fragile relations. In extreme cases, these conflicts lead to separation or divorce, as well as to the institutionalization or even abandonment of children or other dependents (see below). At the same time, however, mounting poverty exerts converse influences on family stability. Indeed, the 'consumption efficiency' of the family is far greater than that of its members taken individually. Economies of scale in consumption are most obvious in the case of housing, heating and consumer durables, but can be considerable also in food preparation and consumption as well as in child supervision. During periods of rapidly declining real incomes, divorce or separation therefore remains an option only for high-income people.

### BOX 3 - 'STATISTICS IN TRANSITION' IN CENTRAL AND EASTERN EUROPE

How well do the information systems of the Central and Eastern European countries reflect the many changes underway since the beginning of the transition?

The new democracies inherited large and developed information systems, but users may easily be trapped by methodological shortcomings, deviations from international recommendations or by incompleteness of available information. Although most of the shortcomings are due to distinctive characteristics of the former economic and social system, or to political pressures experienced by data collectors and producers under the previous system, transformation of the statistical systems takes time. Caution is therefore required, even when using recent economic and social statistics from the region.

From the viewpoint of this report, conceptual deviations from international statistical standards are particularly perturbing in the case of basic vital statistics, namely on the definition of live birth. This may affect credibility of indicators like infant mortality rate (IMR) and low birth weight (LBW), both regarded as highly sensitive measures of health and nutritional conditions. The concept of live birth follows international recommendations only in the former Czechoslovakia and Hungary. In Poland, infants whose weight at birth is under 1,000 grams and who die within 24 hours have been excluded from the live birth category and are regarded as 'births unable to live'. In countries of the former USSR and in Bulgaria, infants born before 28 weeks of gestation, who weigh less than 1,000 grams or who measure less than 35 centimetres, are not counted as either live births or infant deaths if they die within the first seven days after delivery, irrespective of whether or not they ever took a breath. These differences certainly affect the measurement of IMR and LBW indicators. However, Bulgarian data (where both the number of live births and late foetal deaths are known and where infant mortality showed a considerable increase between 1989 and 1992) show that while these differences may result in somewhat lower rates, the rates of **change** are hardly affected (nor are they affected in the case of rate of change in LBW).

Underreporting of births and deaths can be a further source of bias. Due to pro-natalist policies and strong administrative pressures, registration of foetal deaths and live births presumably suffered from downward biases until recently, mainly in Romania and Albania. Underreporting due to disconnection from administrative organizations might be a source of error only in some regions in the far reaches of the Russian Federation.

One statistical area particularly sensitive to changes due to the transition is that of labour and income. Concepts of economic activity have reflected policies of full employment, with the result that basic information is lacking. Wage surveys suffer from inadequate registration of enterprises/establishments, leading to incomplete or uneven coverage of smaller and privately-run economic units. Concerted efforts are being made at present in these fields to adopt international standards in definitions and data collection. Administrative data sources are enriched with files on unemployment registration and on measures of labour market policies; quarterly figures from household surveys using the ILO-OECD definitions of economic activity became available in 1992 in Poland and Hungary; and a yearly survey was implemented in the Czech and Slovak Republics in 1992. Household surveys on incomes and consumption are also under revision, with the aim of improving timeliness and coverage.

Price statistics were paralysed by the system of centrally regulated prices and the administrative approach to recording prices. However, this well-known measurement problem of the earlier 'crawling inflation' has been dwarfed by the fast pace of present inflation in most countries. This has brought the need for new measures of consumer inflation (cost of living indices and new consumer price index systems). The shift from old time series to new ones, however, can create further problems (regarding the linkage of the former and the new systems). These problems are mainly relevant in Bulgaria, Romania and in countries of the former USSR (in this last group of countries, hyperinflation causes further problems when price indices are used to deflate value data, as shown by the apparently inconsistent data on poverty rates for Ukraine presented in Table 1).

Although it is highly understandable that reforms of the statistical systems in the region presently underway concentrate on the adoption of Western-type surveys and methods on standard issues, such as national income, industrial production, prices, employment and wages, it should be stressed that the improvement of social statistics is also urgently needed. Detailed demographic indicators are compiled only yearly and have long time lags. Data are not yet available for several social problems, including homelessness, drug use, child abandonment, street children and latch-key children. No data collection is carried out in several areas of public (especially local) or private activities in the social field, though this could relatively easily be organized. And finally, little information exists on linkages between economic determinants of welfare and social outcomes, as integrated-type questionnaires are still rare or entirely lacking. If such linkages do exist, and one of the aims of this study is to ascertain whether this is the case, it is essential that they be monitored closely.

Until the 'transition in statistics' is completed, and even beyond, available data must be relentlessly probed. This is what is being done in this report topic by topic.

### (iii) Lower fertility and changes in reproductive behaviour

The above trends - as well as other factors discussed below - have led to a frequent, and in some cases unprecedented, decline in the **crude birth rate** (Table A.1 in the Annex), a far greater decline than that projected on the basis of 1980s data. Between 1989 and 1992, the crude birth rate dropped by about 35 per cent in Russia and Romania (where the pro-natalist policies of the previous regimes were abandoned in early 1990; see Figure 5), by 15-20 per cent in Bulgaria and Poland, by 10 per cent in Ukraine, Slovakia and Hungary (from the 1990 peak) and by a somewhat smaller proportion in Albania. The preliminary estimates for 1993 point to a continuation or even aggravation of this trend. The crude birth rate also decreased in the Czech Republic, but the drop was much less pronounced and not significantly different from that projected on the basis of the changes in population structure. Indeed, a significant recovery seems to have occurred in 1993. In all other countries, the decline in the crude birth rate can be attributed to one 'demographic effect' and two 'economic effects'.

To start with, while the share of women aged 15-39 remained constant in all countries, in Poland, Ukraine and Russia (but not in all the others) the share of women in the most fertile age bracket (i.e., 20-29 years) declined by 5 per cent in the first two countries and 10 per cent in the last as a result of the smaller size of the new cohort of women entering reproductive age (Table 3). Even in these countries, however, this decline explains only a limited part of the drop in birth rates.

Table 3. Share of women in fertile age groups, 1989-92				
	1989	1990	1991	1992
<b>(i) 15-39 age group</b>				
Albania	42.6	42.5	—	—
Bulgaria	33.9	33.6	33.6	33.5
Czech Republic	34.4	34.5	34.5	—
Hungary	33.9	33.9	34.1	34.2
Poland	36.8	36.6	36.4	36.2
Romania	36.3	36.2	36.4	35.9
Russia	35.9	35.6	35.3	35.1
Slovakia	37.3	37.3	37.3	—
Ukraine	33.5	33.4	33.4	33.4
<b>(ii) 20-29 age group</b>				
Albania	18.8	18.3	—	—
Bulgaria	12.9	12.8	12.8	12.8
Czech Republic	12.4	12.6	12.7	—
Hungary	11.9	11.9	12.0	12.2
Poland	13.3	12.9	12.7	12.7
Romania	13.7	14.0	14.3	14.0
Russia	14.0	13.5	13.0	12.5
Slovakia	14.1	14.0	13.8	—
Ukraine	13.2	12.9	12.7	12.5

Source: MONEE Database.

Second, the marriage and divorce rate trends induced by insecurity, as described above (as well as growing death rates among men in the reproductive age group, to be discussed below), have caused a net reduction in the number of married women of fertile age (see Figure 6, which illustrates this phenomenon on the basis of the Bulgarian data). The Polish situation, though not the most worrying, is emblematic: over the last two years, just over 200,000 marriages were celebrated annually, while almost the same number ended through death or divorce. In contrast, the number of new marriages in 1981 had exceeded those ending by 116,000 units.

Third, the average fertility rate of married women of fertile age has declined - though this phenomenon is in part counterbalanced by the growth in out-of-wedlock births, mostly among under-age mothers - leading to a decline in the **total fertility rate** (see Table B.5 in the Annex). Between 1989 and 1992 (or 1991), the latter declined at a considerably faster rate than the 1980s trend, i.e. by close to 20 per cent in Bulgaria and Romania, by 12 per cent in Russia and about 5 per cent in Poland, Ukraine and Hungary, while no major variations were evident in Slovakia, the Czech Republic and Albania (1990 date only). No universal pattern is observed in this fertility decline. In Bulgaria, for instance, the greatest decline occurred in the 20-24 age group, while the least significant drop concerned women of over 35 years of age. In Romania, instead, the sharpest fall has taken place for the 30-39 age group, while the fertility rate of younger women has lessened more slowly (Table 4). In all countries, however, the slowest decline has been observed among teenagers (15-19 years). In Bulgaria, the fertility rate for the 15-17 age group has actually increased (see below), underlining that the traditional deficiencies of the family system have not been substantially modified since the beginning of the transition.

Table 4: Number of births per 1,000 women, total and by age group, 1989-92					
	1989	1990	1991	1992	Cumulative % change, 1989-92
All women	66.3	56.2	48.7	47.2	- 28.8
By age group:					
15 - 19	59.3	51.5	49.8	48.8	- 17.7
20 - 24	169.1	145.2	131.1	126.5	- 25.2
25 - 29	118.0	97.8	78.6	80.6	- 31.7
30 - 34	58.8	46.6	34.2	30.4	- 48.3
35 - 39	25.6	19.4	13.9	13.0	- 49.2
40 - 44	7.1	5.5	4.0	3.8	- 46.5
45 - 49	0.4	0.4	0.3	0.2	- 50.0

Source: MONEE Database.

Growing unemployment, falling wages, continuing drops in standards of living and a general feeling of uncertainty about the future explain why the contraction



in female employment does not appear to have moderated the decline in fertility. In some countries (Romania above all), lower fertility is also the result of the relaxation of more or less open pro-natalist policies (which had, however, proven fairly unsuccessful in the past).

Parallel to this seemingly universal, if at times limited, decline in crude birth rates, the proportion of **births to mothers below age 20** out of total births has increased steadily in all countries of the region, confirming an increase in fertility in this age group, or its slower decline in relation to the higher age groups. A markedly increased proportion has been noted in Russia, Bulgaria, Romania and Slovakia, and a somewhat slower rise in Poland, the Czech Republic and, in particular, Hungary (see Table B.7 in the Annex). While no data are available for Ukraine and Albania, it is possible to surmise

Particularly where the number of births has contracted sharply, there is evidence that the decline in the number of births has generally been achieved through an **increase in the total number of abortions** and not through other birth control methods. Though in some countries, such as the Czech Republic, Hungary, Slovakia and Ukraine (until 1991), the abortion/birth ratio broadly stagnated over the 1989-92 period (though remaining, nevertheless, appreciably higher than in Western European countries), this indicator has steadily increased in Albania, Bulgaria, Russia and Romania (see Table B.8 in the Annex). The staggering eightfold increase in the number of recorded abortions in Romania reflects to some extent the large underestimation of illegal abortions prior to 1990. Indeed, the legislation in place between 1966 and 1989 strictly prohibited volun-

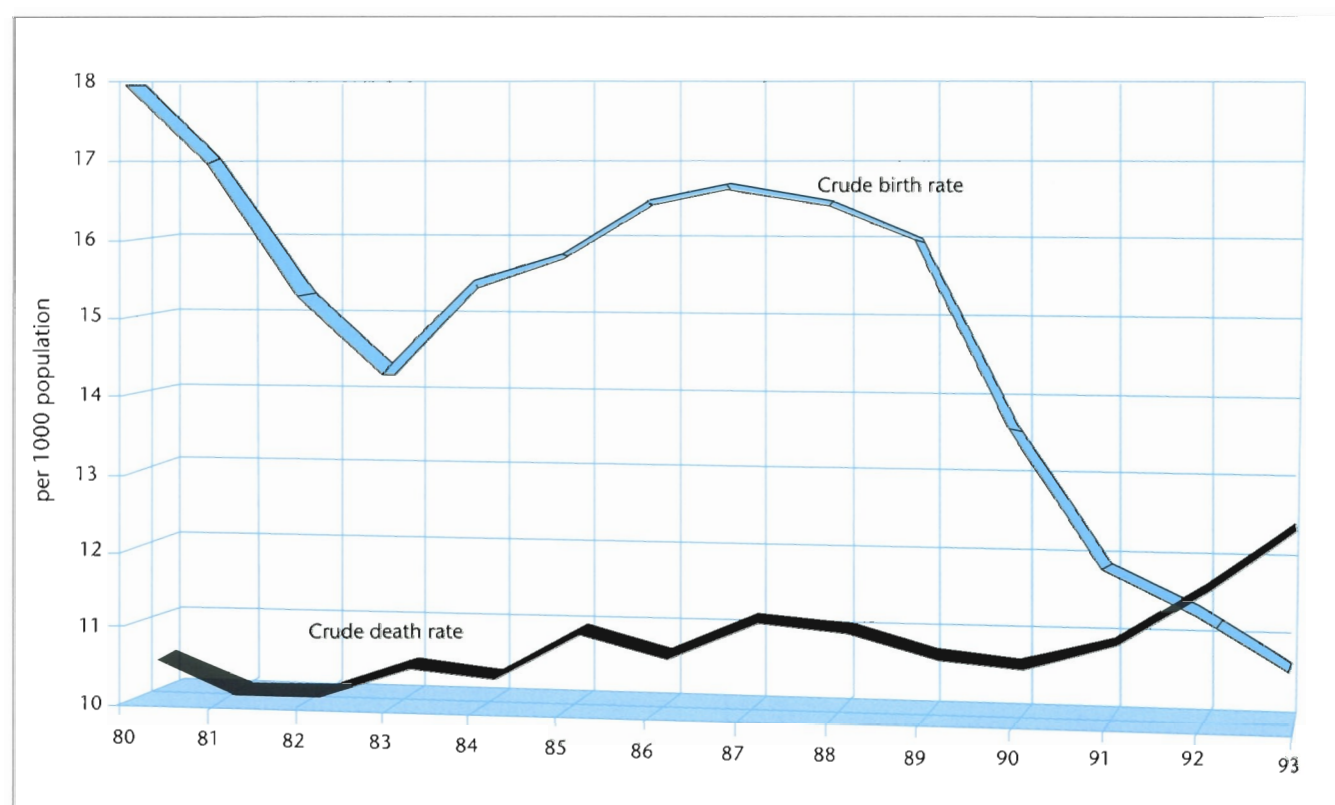


Fig. 5 - Crude birth and death rates in Romania, 1980-93

from the increase in the proportion of total **births to unmarried mothers** (see Table B.6 in the Annex), which tend to correlate closely with that of mothers below 20, that this proportion has also edged up in Ukraine.

It is clear that this trend is the harbinger of considerable problems for both the child and mother. Very young, particularly if single, mothers are generally neither economically independent nor psychologically mature enough to raise a child. In many cases, the advent of a child prevents young women from furthering their professional or educational life. The child, often unwanted, runs a far greater risk of abandonment, institutionalization, poverty and psychological maladjustment than the children of older parents.

tary abortions, except in a very limited number of cases. This resulted in exceptionally high levels of illegal abortions which led, in turn, to overwhelmingly high levels of maternal mortality and infertility as well as to high rates of child abandonment, orphanhood, morbidity and mortality. The recent rise in the abortion rate is, however, also the result of a real increase in the number of abortions as indicated, for instance, by the large drop in the number of births (which declined by 107,000 units between 1989 and 1992). While the abortion/birth ratio declined somewhat between 1990 and 1992, it is clear that this situation remains a major source of preoccupation, not least for the effects it has on the physical and mental health of women.

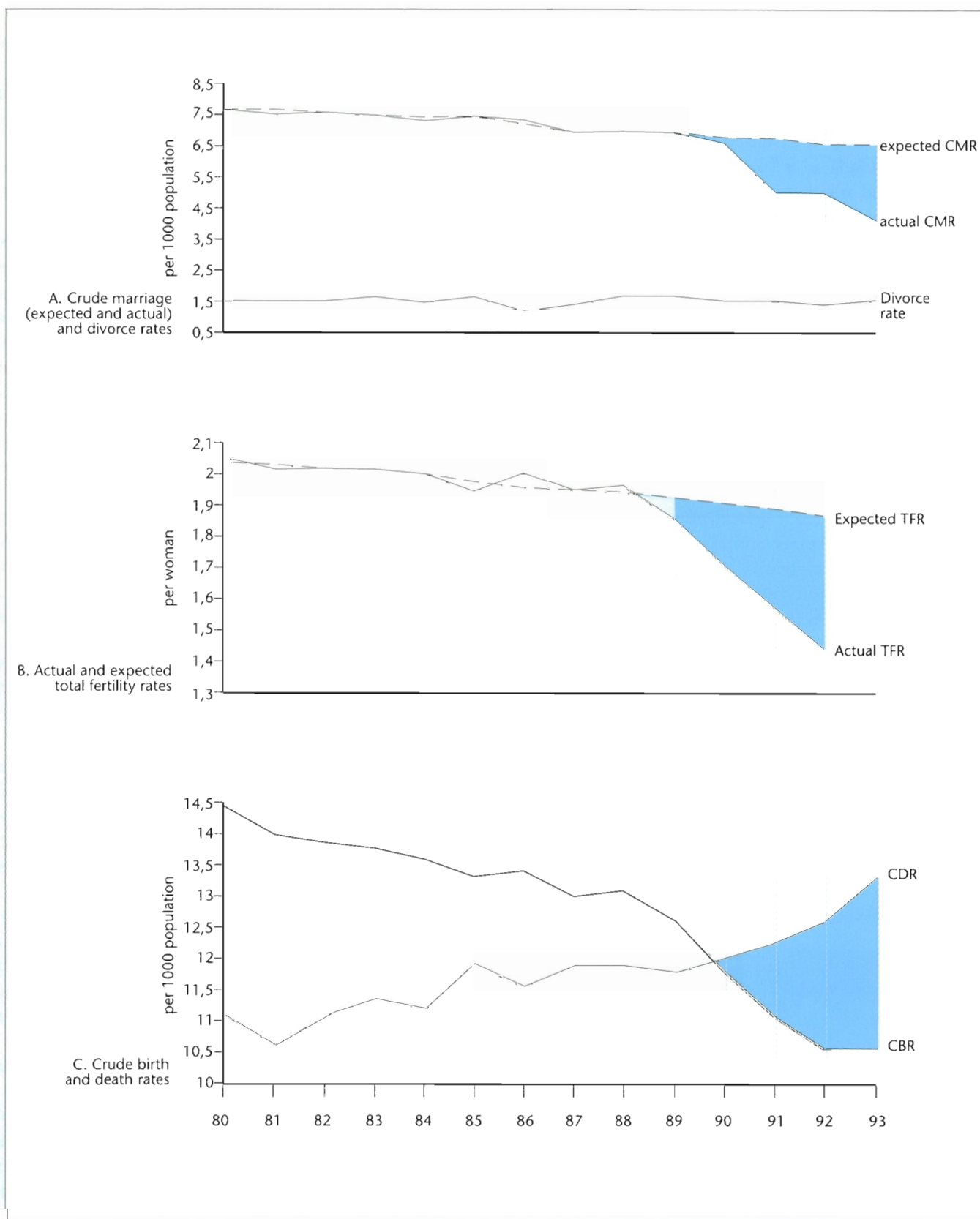


Fig. 6 - Overall demographic adjustment in Bulgaria, 1980-1993



The case of Poland is in some respects symmetrical to that of Romania. The growing influence of the Catholic Church and the recent legislative changes (1992) have led to a sixfold decline in the number of recorded abortions per birth (though the abortion rate has been low for many years, and started declining well before the transition). While it is likely that this rate underestimates the real number of abortions, Poland has traditionally had a considerably lower incidence of abortion (and a higher birth rate) than other Central and Eastern European countries.

#### (iv) A sharp increase in crude death rates

With the exception of the Czech Republic and Slovakia (where overall mortality clearly decreased or stagnated during the 1989-93 period) and possibly of Albania (for which, however, no information is available after 1991), the **crude death rate** (CDR) shows a consistent increase in all countries of the region, an increase that in the case of Russia assumes truly apocalyptic connotations (see Table A.2 in the Annex and Figure 7). Indeed, in this country the CDR increased by 33 per cent (i.e., from 10.8 to 14.4) between 1989 and the first seven months of 1993. If the CDR estimate based on the first seven months of 1993 is confirmed for the whole of 1993, the yearly number of deaths will have increased between 1989 and 1993 by 547,000 units. While the CDR has steadily increased since 1990, it sharply accelerated in 1992 and 1993. As a measure of the extent of this phenomenon, the first six months of 1993 brought 178,000 additional deaths (as well as 120,000 fewer births) as compared to the same period in 1992. While the gradual aging of the population (see Table 5) explains part of this increase, most additional deaths are due to increments in age-specific mortality rates for practically all age groups (see page 22).

**Table 5. Share of the population over 60 in the total 1989-92**

	1989	1990	1991	1992
Albania	7.8	8.0	—	—
Bulgaria	18.9	19.4	19.6	20.2
Czech Republic	17.6	17.7	17.9	—
Hungary	18.8	19.0	19.1	19.2
Poland	14.6	14.9	15.1	15.3
Romania	15.4	15.7	16.0	16.7
Russia	15.3	15.8	16.2	16.5
Slovakia	14.7	14.8	14.9	—
Ukraine	18.0	18.3	18.7	18.8

Source: MONEE Database.

In the other countries, the CDR increase is more contained but nonetheless considerable, and is significantly greater than that expected on the basis of changes in the population structure. Despite a

shrinking population, the number of deaths increased in both Bulgaria and Hungary by 7.3 per cent (and the CDR by 10.2 and 12.5 per cent) over the 1989-93 period. Similar trends have been observed in Poland, Romania and Ukraine, though in Poland the increase in CDR is less pronounced and steady.

#### (v) A net natural decline of the population

As a corollary of the changes in birth and death rates described above, the **resident population** in most countries of the region started declining in absolute terms between 1989 and 1993, or declined faster than before (see Table A.4 in the Annex). While in Hungary the birth rate has fallen below the death rate since 1981, in many of the other countries, as a result of the demographic impact of a rapidly deteriorating economic situation and greater overall uncertainty, this 'cross-over' occurred much earlier than anticipated. Thus, it occurred in 1990 in Bulgaria, in 1991 in Ukraine, and in 1992 in Russia and Romania. In both Poland and Slovakia, the number of births still exceeds that of deaths, though the net yearly addition to the population stock is declining rapidly over time. In Poland, for instance, the net population increase in 1992 (121,000 people) was the lowest recorded since the end of World War II, while that for 1993 is estimated to narrow further to about 100,000 people. Only the Czech Republic - where population increase broadly came to a halt in 1989 and 1990 - is now moving in the opposite direction.

Analysis of the data in Table 6 shows that in Hungary and Russia the speed of population decline is increasing, while it remains constant in Bulgaria and Poland, and is decelerating in Romania. The main factor behind the absolute decrease (or smaller increase) of the population is the acceleration of the decline in births. However, the fall in population is increasingly induced - particularly in Russia - by a rise in deaths. In 1993 (1992 for Romania), for instance, the increase in deaths accounted for about half to 90 per cent of the population decline in the five countries included in Table 6.

Given the dynamics illustrated above, the decline in population level has obviously been accompanied by a modest but steady increase in the share of people over 60 years of age. It grew on average by 1-1.5 points in the countries where the fall in birth rates has been more pronounced and by only 0.2-0.4 per cent in those where the birth rate has been less affected (see Table 5).

#### (vi) An acceleration of emigration

While information on vital statistics is generally of reasonably good quality (though certainly not immune to problems, as described in Box 2), immigration data suffer severely from problems of reliability. No immigration registration system generally exists in most of Eastern

Europe; only those citizens moving permanently abroad are registered as emigrants, while tourist trips have been liberalized for an unlimited time. As a considerable share of migration is illegal, official data grossly underestimate the inflows and, even more so, the outflows of migrants. Furthermore, little or no information is available on the causes and duration of migration or on the age, gender and skill profile of migrants. The following remarks should therefore be considered highly indicative. In any

event, even official data signal considerable net outflows of population during the transition, ranging from 0.2-0.4 per cent of the population in Russia and Ukraine to lower proportions in the Czech Republic and Poland. No data are available for the other countries (see Table A.8 in the Annex). The Polish data, however, are considered very conservative by most Polish demographers. Bulgaria represents an extreme case: between 1989 and 1992, about 470,000 people (roughly equal to 5 per cent

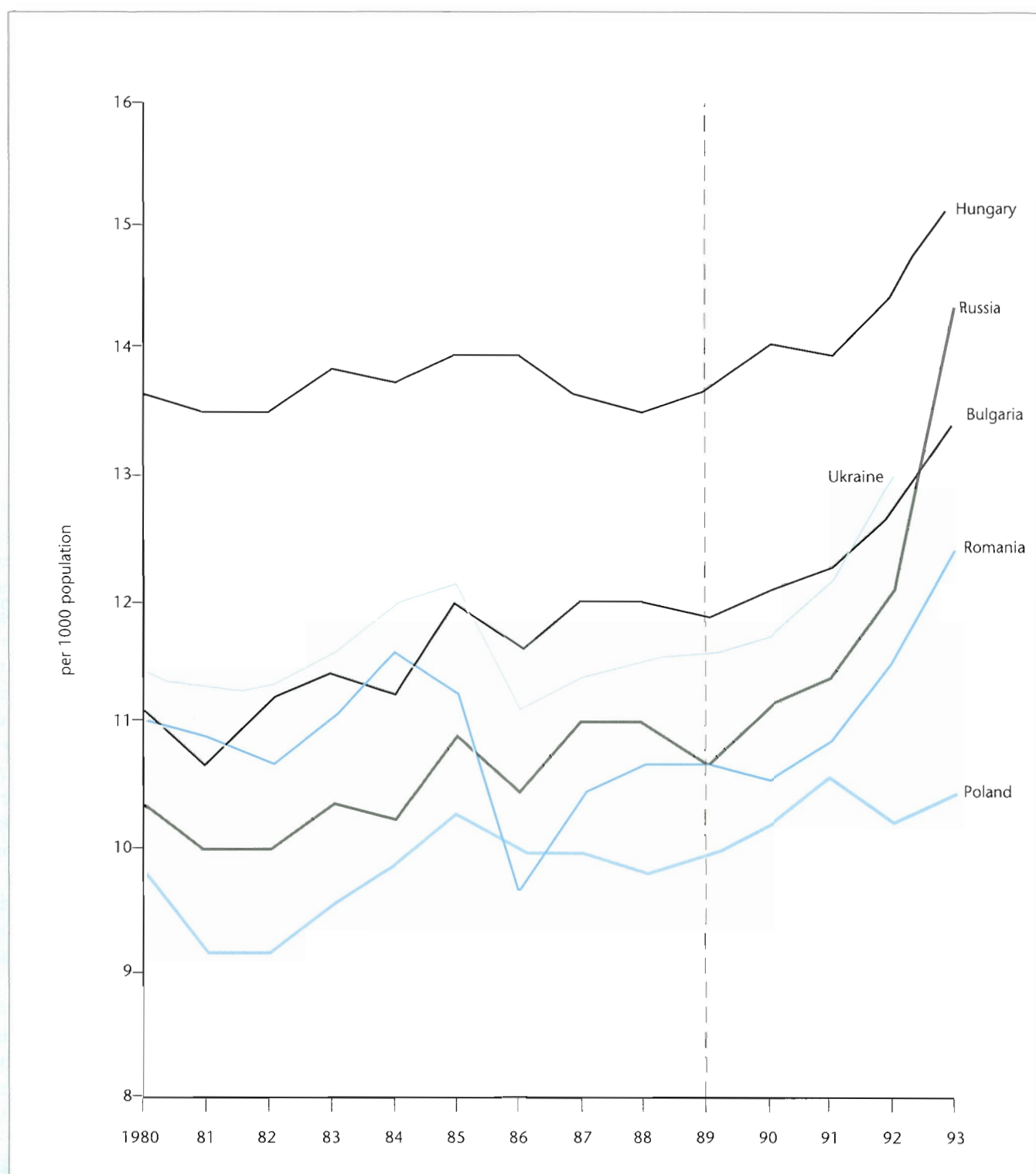


Fig. 7 - Crude death rate in Bulgaria, Hungary, Poland, Romania, Russia and Ukraine, 1980-1993

**Table 6. Natural demographic increase (per thousand population) and its year to year change**

		1989	1990	1991	1992	1993	Total
<b>Bulgaria</b>	Natural increase * (per 1,000)	0.7	-0.4	-1.7	-2.1	-3.1	—
	Yearly change in natural increase of which:	—	-1.1	-1.3	-0.4	-1.0	-3.8
	% due to lower natality	—	54.5	76.9	150.0	10.0	60.5
	% due to higher mortality	—	-45.5	23.1	-50.0	90.0	39.5
<b>Hungary</b>	Natural increase * (per 1,000)	-2.0	-1.9	-1.6	-2.6	-4.1	—
	Yearly change in natural increase of which:	—	+0.1	+0.3	-1.0	-1.5	-2.1
	% due to lower natality	—	500	66.7	60.0	53.3	33.3
	% due to higher mortality	—	-400	33.3	40.0	46.7	66.7
<b>Poland</b>	Natural increase * (per 1,000)	5.0	4.3	3.8	3.3	2.6	—
	Yearly change in natural increase of which:	—	-0.7	-0.5	-0.5	-0.7	-2.4
	% due to lower natality	—	71.4	20.0	180.0	57.1	79.2
	% due to higher mortality	-28.6	80.0	-80.0	42.9	20.8	—
<b>Romania</b>	Natural increase * (per 1,000)	5.4	3.1	1.1	-0.1	-1.4	—
	Yearly change in natural increase of which:	—	-2.3	-2.0	-1.2	-1.3	-6.8
	% due to lower natality	—	104.3	85.0	41.6	38.5	75.0
	% due to higher mortality	—	-4.3	15.0	58.4	61.5	25.0
<b>Russia</b>	Natural increase * (per 1,000)	4.0	2.4	0.8	-1.4	-4.8	—
	Yearly change in natural increase of which:	—	-1.6	-1.6	-2.2	-3.4	-8.8
	% due to lower natality	—	75.0	87.5	63.6	35.2	59.0
	% due to higher mortality	—	25.0	12.5	36.3	64.7	41.0

Source: Based on MONEE database.

\* The natural increase is equal to the difference between the crude birth rate (CBR) and the crude death rate (CDR) (per 1,000 population).

of the population), many of them belonging to the Turkish minority, left the country, while only 4,000 immigrants arrived.

In all countries of the region, with the possible exception of the Czech and Slovak Republics, the natural decline and increased aging of the population have thus been exacerbated by a net outflow of population towards Western countries and by massive relocations of people both within the region and in individual countries of Central and Eastern Europe. Furthermore, with war and ethnic tensions affecting some of the countries of the region, considerable flows of refugees have moved from one country to another, particularly in the countries bordering war-affected zones, such as Hungary and Russia.

The demographic and human capital losses of migration are magnified because, particularly in the case of permanent migrations, a large proportion of the population involved comprises young, healthy and well-educated people. In the case of Poland, for instance, 60 per cent of those who left the country between 1981 and 1991 were below 35 years of age and had higher than average education levels. While migrant remittances can play a vital role in the recovery of the Eastern European countries (particularly when the departing population had no prospects for employment in their own country), the long-term demographic and economic consequences of permanent migration are likely to prove less positive and require closer scrutiny.

#### (vii) Undesirable effects of the 'demographic adjustment' observed

Even leaving aside more questionable, longer-term, economic issues, the demographic changes observed over the 1989-93 period very likely carry some clear and generally adverse short- to medium-term implications for the welfare of children and other vulnerable groups. Their impact is all the more disturbing since all countries of the region, except Albania and Romania (the latter for artificial reasons), were characterized, prior to the transition, by what could be termed a 'weak demography', i.e. by a very slow (or negative, as in Hungary) growth of the population, low to medium levels of fertility and a fairly rapidly aging population. In particular, the side-effects of the various demographic adjustments observed during the transition include the following:

- An absolute decline of the population, particularly when driven by a contraction of births, leads to an average aging of the population and to possible deteriorations of the dependency ratio.
- The shift in the sex ratio of the cohorts of reproductive age caused by higher mortality among men in the central age brackets and by migration make the formation of new families more difficult, even when the direct negative effects of economic insecurity on the propensity to marry are excluded.
- In turn, these factors can cause a considerable **weakening of the fertility potential** of a country in the

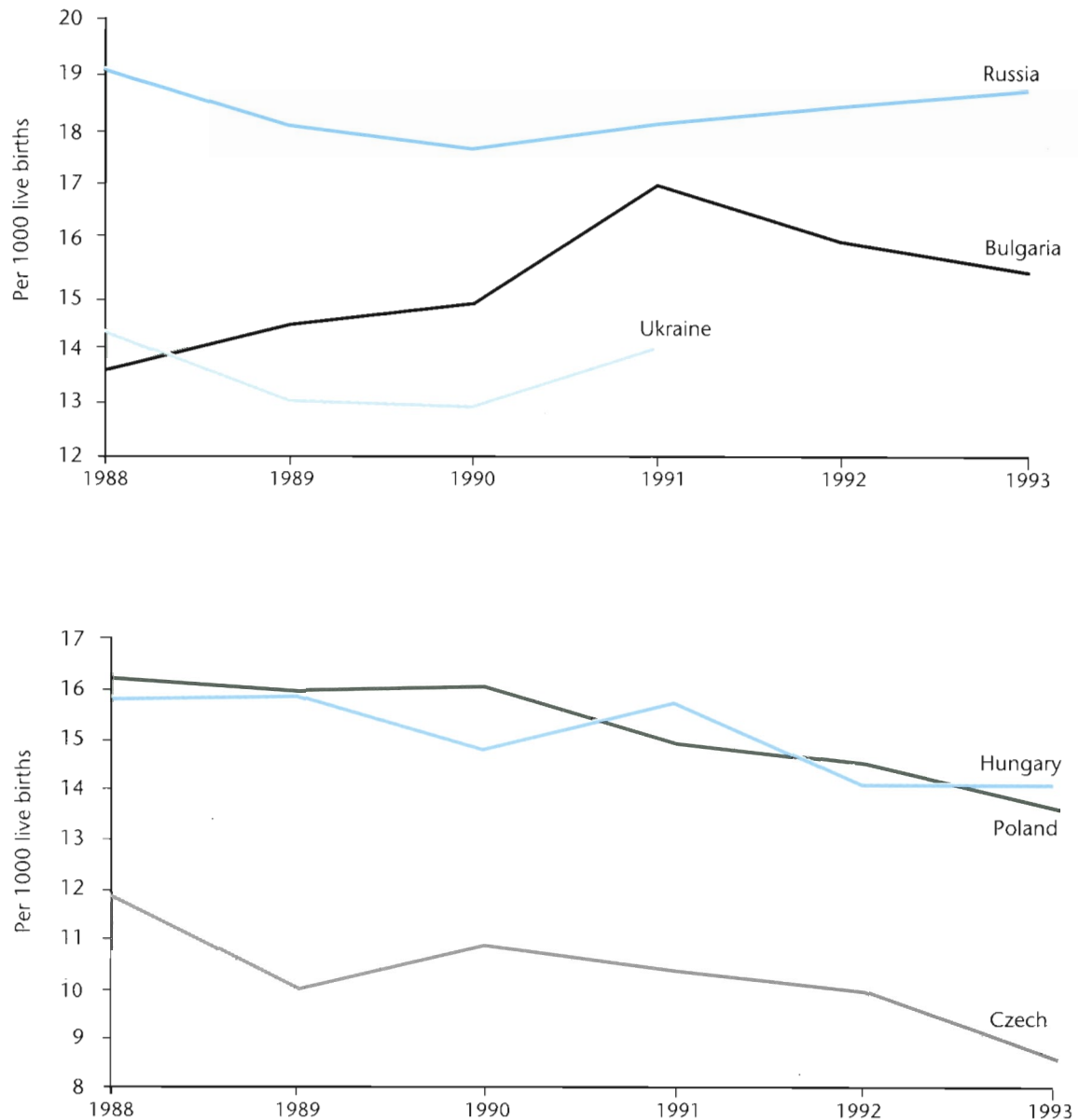


Fig. 8 - Infant mortality rates, 1989-93

short term, while the subsequent drop in birth rates will have the same effect in the long term.

- The large drop in birth rates is bringing about an increase in the number of one-child families. In view of the recent generalized decline in the coverage of pre-school education (see below), a growing proportion of children, particularly from younger couples, risk *ceteris paribus* facing a kind of 'peer socialization gap'.
- At the same time, the increase in the proportion of births to under-age and/or unmarried mothers raises the share and/or the number of 'children at risk' of abandonment, institutionalization and poverty. Such risks, as well as the risks of orphanhood, are obviously exacerbated by rapidly growing mortality rates (see below) among men in the 30-49 age bracket.

- Migration can cause a major 'brain-drain' of human capital and intellectual resources.

#### B. An Increase in Mortality Rates for Most Age Groups and the Shortening of Life Expectancy for Men

As noted in the previous section, overall mortality has shown an upward trend in all countries of the region, with the exception of the Czech Republic and Slovakia. As a result, between 1989 and 1992 **life expectancy for men** diminished by two years in Russia, 0.8 years in Bulgaria and Hungary, 0.7 years in Poland (until 1991) and 0.3 years in Albania (see Table A.3 in the Annex). Negligible changes were recorded in the



Czech Republic and Slovakia, while the increases in CDR and age-specific mortality rates recorded in 1991 through 1993 strongly suggest that in 1992 life expectancy also shortened in Romania and Ukraine (the data in Table A.3 in the Annex seem therefore inconsistent with the trends in CDR). Underscoring the gravity of the mortality crisis in part of the region are the data on **life expectancy for women** in Bulgaria and Russia, which display a fall of almost a year between 1989 and 1992. It has remained broadly constant in the other countries of the region, except for the Czech Republic where an improvement was recorded. While adverse trends in life expectancy are not new in the region, the extent and rapidity of the decline are indicative of a more widespread and profound crisis.

It is important to emphasize that the increased mortality has not involved all age groups and countries nor both sexes with the same intensity. The increase has been **proportionately** most pronounced for the 40-59 age group followed by the 20-39 group and by that of people of over age 60 (Tables H.2 to H.4 in the Annex). In **absolute terms**, however, the largest increases in the number of deaths has occurred in the reverse order. The infant mortality rate (IMR) as well as the mortality rate for the under-5s and the 5-19 age group have instead shown a less general and pronounced increase, though also in this case the trends recorded in the countries of South-Eastern and Eastern Europe are not encouraging (Tables G.4 and G.5 in the Annex, as well as Figure 8 for IMR). Indeed, in Russia, Ukraine and Bulgaria, mortality rates have consistently increased, albeit moderately, in these lower age groups, while increases in Albania and Romania are evident in two out of three of them (the IMR data for the latter two countries are, however, not as reliable as those for the other countries). The increase in IMR is all the more surprising in view of the sharp decline in births which has occurred in all of these countries, except Poland. This should *ceteris paribus* have led to a decline in IMR, as a proportion of the births avoided were by high-parity and by older mothers.

In Bulgaria, the country where the steepest IMR rise was recorded between 1989 and 1991, most of the increase occurred in the perinatal period and has therefore been associated with a worsening of the medical infrastructure. This increase has been particularly pronounced in urban areas and is most likely related to the dramatic worsening of public services and household incomes recorded in 1991 (see Section IV). There is also evidence, however, that this increase is associated with the surge in the number of births to mothers under 20 years of age (whose share rose rapidly during this period). A large proportion of these young women have not completed primary education. There is also evidence in Romania that perinatal mortality explains most of the recent increase in IMR.

While the under-5 mortality rate and 5-19 mortality rate due to accidents and suicide show a modest, but equally worrying, increase in approximately half of the countries, a consistent and large increase for the 20-39 age group is found throughout the region. The greatest proportional increase for the last group was recorded in Russia (31 per cent), Ukraine (14 per cent, for the first three years only), Hungary (11 per cent), Bulgaria (6 per cent) and Poland (where the increase observed until 1991 was however reversed during the following year). Lack of detailed information does not allow comment on changes in Albania and the Czech and Slovak Republics; in the latter two, however, the decline in the crude death rate would exclude negative developments. A similar country ranking applies with regard to increases observed in the 40-59 age group mortality rate. For both age groups, the increment has been substantially faster among males; females have been less affected. These large rises in mortality rates are the cause of much concern, not only because of the growing number of premature deaths recorded, but also because of their negative impact in terms of orphanhood as well as higher risks of poverty and social maladjustment among children and other family members.

Though rigorous analyses of the causes of mortality increases have not been completed for the region as a whole, it appears that three sets of factors are behind these completely unprecedented developments. Firstly, as observed during the 'Great Depression', while mortality due to traditional causes (tumours, infections of the respiratory system, cardiovascular problems, and so on) has generally decreased or stagnated, the harsh burden of economic difficulties of the last few years has caused an increase in a series of pathologies, including anxiety, hypertension, nervous diseases and depression. A dramatic confirmation of this shift is provided by the rapid escalation in suicide rates; between 1989 and 1992 the number of suicides rose by one third (i.e., 1,400 people) in Poland, by 25 per cent (about 600 people) in Romania (from 1990), by 5 per cent in Bulgaria and by a considerable, though not precisely measurable, amount in Russia. By 1992 the total number of suicides in this last country had reached the 46,000 threshold, and in the first six months of 1993 the number of suicides hiked up by one third. Only in Slovakia did the number of suicides show a clear decline; in the other countries it remained broadly stable. It is still unclear whether and to what extent the recession-induced general decline in food expenditure and calorie consumption - as well as the greater dietary imbalances experienced by a growing proportion of the population, and by children and the elderly in particular - have affected health status in the short term. In the most extreme situations, it is possible that the decline in food intake (see below) and the deterioration in hygiene, sanitary and housing conditions have caused an

increase in those pathologies (such as tuberculosis and rickets) traditionally associated with poverty.

Secondly, in some of the countries included in this analysis, the transition in economic and political structures has been accompanied by a **growing institutional and administrative vacuum, lack of social control and erosion of the regulatory role of the state**. All of these factors combine in contributing to a serious increase in violent deaths (particularly among men) due to accidents (domestic, traffic-related, work-related, and others), poisonings and murders. In Russia, for instance, the number of deaths due to casual alcohol poisoning in the first six months of 1993 was 2.4 times higher relative to the first six months of the previous year; and the number of murders multiplied 1.6 times. Paradoxically, greater personal freedoms and greater freedom of commerce can contribute to the rise in some of these social pathologies. The complete liberalization of the sale of domestically-produced and imported alcoholic beverages and the considerable extension of the related commercial network, as observed in Russia and in Poland since 1991, have led to a sharp increase in the sale and consumption of these products, despite an overall decline in income per capita. This has exacerbated the long-standing problem of alcoholism, which is known to be positively correlated with violent crime.

Thirdly, health systems, especially those branches providing free basic public health services, have substantially weakened (see below), and have thus contributed, particularly in Southern-Eastern and Eastern Europe, to an increase in mortality due to cardiovascular problems, malignant tumours, and diseases of the respiratory and digestive systems. This has also led to a greater incidence of serious communicable diseases, which had practically been eradicated. The decline in immunization coverage and drug availability provide two telling examples of the erosion in health infrastructure.

### C. Changes in Morbidity and Nutritional Status

Changes in morbidity levels have broadly followed the trends highlighted above in terms of disease-specific mortality rates. In the countries of Central Europe, one observes the full completion of the 'epidemiological transition' (implying a decline of infectious, parasitic and digestive tract diseases and an increase in degenerative and environmental diseases). In South-Eastern and Eastern Europe, this trend is complicated by the persistence or possible aggravation of environment-related diseases and the resurgence of several 'diseases of poverty', including infectious, parasitic and sexually-transmitted diseases. In Bulgaria, an increase in the number of cases of polio was reported in 1990 and 1991 as well as in the cases of tuberculosis since 1991. In Russia, the number of cases of diphtheria doubled in 1992, those of syphilis and respiratory tuberculosis

increased respectively by 80 and 11 per cent. The situation further worsened in 1993, involving practically all regions of the country (and particularly urban areas), and reached in a few cases epidemic proportions. During the first five months of that year, close to 3,000 cases of diphtheria, 45,000 cases of measles, 20,000 cases of tuberculosis and a large number of cases of syphilis and gonorrhoea were reported, involving increases of 100 per cent, 280 per cent, 24 per cent, 150 per cent and 70 per cent respectively over the corresponding period of 1992.

Budgetary restrictions have led to an extreme shortage of financial, material and technical resources, which have affected the functioning of both preventive health services and of hospitals and clinics. While the situation is more encouraging in the countries of Central Europe, there is evidence that prophylactic services and immunization rates have slipped in Romania (where government efforts, with some UNICEF support, led to a recovery in rates in 1992), Russia, Ukraine, Albania and Bulgaria, while high rates of coverage have been maintained in the remaining countries (see Table G.2 in the Annex). The maintenance of hospitals, let alone the construction of new ones, has declined, and there are even problems in keeping up the regular provision of meals in hospitals.

As another main indication of the weakening of the health systems, the supply of drugs has fallen well below its minimum desirable level in Albania, Ukraine and Russia (where it has dropped to 70 per cent), particularly for imported drugs. In most countries the free distribution of drugs ended during the reform period (in Poland, for instance, the free distribution of drugs to pensioners and health service staff was discontinued in the fourth quarter of 1991).

Reduced compliance with prophylactic norms by the population and the weakening of sanctions for violations further aggravate health conditions. The real or perceived erosion of the health infrastructure has inflated suspicions about the ability of the public health system to provide adequate services. Many patients now seek health care from public institutions only in the case of major health problems; a significant number of parents do not take their children to be immunized (as noted in Bulgaria and Russia); people fail to report communicable diseases to the health authorities (as observed in Russia); and the number of cases of food poisoning is on the increase.

There is little direct information on changes in nutritional status (including anthropometric data on stunting and wasting, average weight, weight for height and arm circumference, or data on the prevalence of specific micronutrient deficiencies). This type of information, however, which is available is probably not entirely appropriate for measuring changes in the nutritional status of the Central and Eastern European countries. Prior to the transition to the market economy, **undernutri-**



tion was very rare and this has mostly remained the case during the last four years. However, the region suffered from several other nutritional problems, including a fairly high prevalence of low birth weight among newborn children, low breastfeeding rates, unbalanced diets (particularly among low-income people) and micronutrient deficiencies.

The high consumption of cholesterol-rich products (such as eggs and animal fats), sugar, salt, bread and alcohol and a low intake of good-quality meat and other sources of protein, vegetables and other fibre sources, fruit and vegetable oils were common throughout the region. This was so for all age groups, including children, and was one of the main causes of the abnormally high incidence of cardiovascular diseases and, in some countries, of a high incidence of overweight children. The data in Table 7 clearly illustrate the nature of this nutritional imbalance in Russia, and can be taken as representative of the entire region. Low-income families - which generally include a larger than average share of children and pensioners - consumed less food per capita, (though this gap is overstated by the lack of standardization in food consumption data in adult-equivalent units). These data also reveal considerable differences in the structure of food consumption. Low-income families were characterized by greater consumption - both in relative and absolute terms - of bread and fats and a lower consumption of more nutritious and healthy foods. The situation was very similar in Hungary: poor people consumed broadly the same amount of bread, pasta, lard, beans and legumes as middle-income people, but their consumption of sugar, milk and potatoes was 5-10 per cent lower and that of vegetables, fresh fruit, cheese, eggs and lean meat as much as 40 per cent lower than that of better-off people.

**Table 7. Yearly food consumption per capita by families with different aggregate per capita incomes, Soviet Union, 1986 (kg/capita/year)**

	Aggregate monthly per capita income, Rb			
	below-75	75-100	100-150	above 150
Meat and meat products	32	51	66	86
Milk and dairy products	224	314	363	448
Eggs (individual)	139	211	247	302
Fish and seafood	7	12	15	19
Sugar	23	28	31	37
Oil and fats	9	8	7	8
Potatoes	71	95	102	119
Vegetables and melons	80	89	96	115
Bread and farinaceous products	146	125	112	120
Fruit	34	41	48	61

Source: Family Budget Survey Data, in: GOSKOMSTAT, Family Composition, Incomes and Housing Conditions of Industrial and Agricultural Workers' and Employees' Families, Moscow, 1988.

The drop in real income per capita and unfavourable shifts in the relative prices of food during the last few years have reduced food consumption and generally aggravated the long-standing dietary imbalance typical of the countries of the region. This has led to a possible worsening of cardiovascular problems and to a reinforcement of poor eating habits among children.

The decline in food purchases in the market and consumption in public canteens and restaurants caused by the sharp escalation of food prices has been partially compensated by the increase in the amount of food produced and consumed by household members (as in many countries of the region, including, for example, Hungary and Romania), or by food aid (as in the case of Albania). In Romania, for instance, the share of consumption of self-produced food increased between 1990 and 1992 from 21 to 31 per cent for the families of employees, from 24 to 34 per cent for pensioner-headed households and from 68 to 80 per cent for peasant families. For this last category of families, this change was clearly facilitated by the redistribution of land from the state sector to private smallholders.

Altogether, between 1989 and 1992, the **average consumption per capita** (in kilogrammes) of many foods dropped significantly. Consumption of meat and fish declined by between 8 and 19 per cent, that of milk by between 12 and 30 per cent (with the exception of the Czech Republic and Romania), while that of bread and similar products rose in all countries by a few percentage points (see Table E.14 to Table E.16 in the Annex), except in Hungary and Romania (where the consumption of both items diminished, though slightly more rapidly for the latter) and in Poland. In this country, the liberalization of the supply and trade of meat has brought an increase in its consumption, but bread consumption has not changed greatly. Except in the Czech Republic - where the overall level and structure of food intake changed only marginally - the overall decline in food consumption has obviously entailed a drop in the number of **average calories consumed per capita** of between 5 and 9 per cent, despite the shift to cheaper sources of calories and other nutrients. In view of the high, and in some cases even excessive, level of calorie consumption per capita in the pre-reform years, this decline is generally not too alarming. In most countries, the current level of average food consumption is still adequate by international standards, except perhaps in some areas of Russia.

In those countries where the decline in **average food and calorie consumption per capita** (in kilogrammes) has been most pronounced (i.e., in the 20-30 per cent range), it is likely that this drop has been considerably larger for low-income households, though precise information in this regard is not available. For these households, the problems caused by an imbalanced and unhealthy diet have likely been compounded by an insufficient food intake. Despite favourable initial nutri-

**Table 8. Growth rate of total income per capita, total consumption expenditure and consumption expenditure per capita on various food items a), e)**

ALL HOUSEHOLDS	BULGARIA d)			CZECH REPUBLIC			HUNGARY b)	POLAND			ROMANIA d)			RUSSIA f)			SLOVAKIA d)	
	1990	1991	1992	1990	1991	1992	1991	1990	1991	1992	1990	1991	1992	1990	1991	1992	1990	1991
Real household income c)	-1.7	-40.4	3.8	n.a	n.a	n.a	-17.9	-27.7	-0.6	-2.1	26.1	-18.1	-13.9	2.1	2.1	-26.1	-2.0	-28.6
Total consumer expenditure c)	0.7	-38.1	-6.9	0.3	-27.0	9.3	-17.4	-22.3	4.1	-3.0	18.8	-13.8	-8.5	7.7	2.5	-26.5	-1.4	-26.2
Total food c)	3.8	-20.6	-12.9	-2.9	-23.4	-7.9	-13.9	-18.3	-7.9	-7.9	14.9	-9.4	-0.2	3.1	9.5	-16.5	-3.1	-23.2
Bread c)	1.5	-6.5	-22.2	-1.7	-10.3	5.7	-5.9	-33.1	4.8	-1.7	n.a	n.a	n.a	1.1	3.8	3.3	-4.2	-16.4
Meat c)	-0.4	-34.5	2.0	-7.4	-16.2	3.2	-1.2	-6.7	5.3	-7.7	n.a	n.a	n.a	-2.3	-6.5	-11.4	-7.0	-19.3
Milk c)	0.0	-15.3	-15.0	-9.7	3.2	-15.7	-6.6	-11.8	2.5	-6.5	n.a	n.a	n.a	-2.6	-7.9	-15.6	-14.6	-19.6

a) Refers to changes over the previous year; b) refers to changes over the 1989-91 period; c) all data are on a per capita basis unless otherwise stated; d) data are computed on a per household basis; e) the data on the consumption expenditure of bread, meat and milk (and their products) do not necessarily coincide with those computed from the Food Balance sheets; f) the data on the consumption of bread, meat and milk are drawn from the Food Balance sheets.

tional conditions throughout the region, the possibility cannot be excluded that a non-negligible number of cases of undernutrition among low-income households may arise, particularly among those such as pensioners and those without access, directly or through family connections, to the land.

The household budget survey data broadly confirm the trends discussed above on the basis of food balance-sheet data. Over the 1989-92 period, **total expenditure per capita in constant prices** dropped in real terms by between 44 per cent in Bulgaria and 4 per cent in Romania (where the fall since 1990 has also been very large). The decline is generally 2 to 5 percentage points lower than the observed decrease in **household income per capita** (see Table 8). **Total food expenditure per capita**, in turn, diminished less rapidly than total consumption, owing to the usual 'substitution effect' between essential and non-essential goods, which was facilitated by the less rapid increase in CPI for food in Hungary, Poland, the Czech Republic and Slovakia. In Poland, however, food consumption declined more rapidly than total consumption in 1991 and 1992, as the liberalization of imports, the appreciation of the zloty and the sharp rise in the absolute and relative prices of other essential items have led to the opposite situation.

Furthermore, a second 'substitution effect' exists between more and less expensive sources of energy and other nutrients. On average, **real household expenditures** declined less rapidly for bread than for meat or milk and their products (except in Poland, for the reasons indicated above, and for Hungary). It is important to note that this substitution between different sources of nutrients has been moderated by changes in relative prices. In Hungary, for instance, the price of bread and milk (and their derivatives) increased much more rapidly than that of meat, while in Poland the price of bread has increased twice as fast that of meat and milk. This shift in dietary composition has compounded the long-standing problem of a diet which is too rich in animal fats and starch and too poor in minerals, vita-

mins and other micronutrients. While the short-term impact on nutrition is not very serious, that on long-term health conditions is likely to be more severe. Preliminary evidence indicates that in Romania and Slovakia (and, most likely, for other countries for which, however, reliable consumption data by decile are not available) the percentage drop in food expenditure per capita has been more pronounced (by several percentage points) for the bottom three deciles of the income distribution. Thus, these families not only suffered from lower consumption levels before the transition but have been forced to reduce it further, and at a faster rate, than that of the middle- or higher-level households.

The direction of change in the nutritional conditions of the population can also be inferred by variations in the prevalence of low birth weight (LBW) among newborns. This indicator reveals, at the same time, a worsening in the nutritional conditions of mothers and in other risk factors (such as stress levels related to work and economic insecurity, smoking and alcohol consumption). It also signals an increase in the number of children requiring additional care and specific nutritional interventions. LBW prevalence has increased in Bulgaria, Romania and Poland; shows a more moderate (and perhaps non-significant) rise in Russia and Slovakia; and a modest decline in Hungary and Albania (see Table G.3 in the Annex). These increases tend to correlate fairly closely with the changes in IMR as the risk of death among LBW children (particularly for premature ones) is considerably higher than the average.

Lastly, the crisis might have had an *a priori* positive impact on the prevalence and duration of breastfeeding, as growing unemployment and inactivity among women together with the general tendency to assign women a more 'traditional role' in the family should have led to an improvement in this indicator and, by implication, in the health and nutritional status of young children. It is unclear, however, whether the 'social values' surrounding breastfeeding have facilitated a move in this direction. In some countries, such



as Poland, where breastfeeding is now actively promoted, with the assistance of UNICEF, there are indications that the proportion of young infants being breastfed is on the rise.

#### D. A Widespread Decline in Child Care and Pre-school Enrolments

Perhaps the most pronounced, generalized and consistent change observed in the post-reform years has been the slump in the proportion of children attending kindergarten (see Table G.10 in the Annex). Though the cognitive, developmental and psychosocial benefits of pre-school education have long been recognized, and despite the remarkable results achieved in the past in this field throughout Central and Eastern Europe, enrolment has always remained voluntary. Though most parents treated pre-school education as mandatory, the choice to withdraw their children without incurring sanctions was always available in case of economic or other difficulties. This situation explains in part the sharp drop in pre-primary enrolment rates recorded throughout the region during the 1989-92 period. Only in Hungary has the enrolment rate for pre-school education remained unchanged. Despite the sharp contraction in birth rates and the subsequent reduction in the size of the cohorts of children of pre-school age, enrolment has shrunk by 16 percentage points in the Czech Republic, by about 13-14 points in Bulgaria, Russia and Slovakia, by 10 points in Romania and by 4-6 points in Ukraine and Poland (where enrolment rates were only half of that found in the other countries in 1989). In Bulgaria, Romania and Slovakia, however, the decline in enrolments seems to have stabilized or even partially reversed in 1992, which some observers interpret as an indication of growing employment in the informal economy. The decline in enrolment is certainly cause for concern, particularly when children in the 5-6 age group are affected. Considerable damage may result in terms of child socialization, peer interaction and preparation for school, all areas in which 'family substitutes' can only be of limited relevance, particularly in the growing number of one-child families and for children in problematic families.

As will be discussed in detail in Section VI, this enrolment slump is explained by **demand, supply and cultural factors**. To start with, the overall supply of places has been negatively affected by the closure of kindergartens managed by state enterprises faced with growing losses and striving to improve their balance sheets. While the new policy on pre-school education aims at transferring most of these services to local authorities, this decentralization of services has been characterized in most cases by considerable administrative and financial problems. In addition, several local authorities have even been forced to close some of the kindergartens they traditionally run due to budgetary

problems, despite drastic increases in user fees and radical 'rationalization' of expenditure and cost-saving efforts - including a reduction in the number and variety of school meals - that have diluted the quality of the services provided. A survey conducted in 25 territories of the Russian Federation, for instance, shows that over the last two years between 2 and 10 per cent of the pre-school facilities were forced to close down because of financial difficulties.

Demand factors seem, however, to have played an even more crucial role in the observed decline in pre-school coverage. Confronted with a mounting financial crisis, municipalities and other local authorities have introduced or raised fees for school meals, uniforms, heating and bus services. In view of the liberalization of prices for food, fuel and other items, the fees introduced have come to represent a substantial proportion of the average wage and have thus triggered an often abrupt contraction in the demand for kindergarten services (see Table 13). The unemployment escalation, particularly among women, and the desire to reduce what was perceived as an excessive role of the State in child socialization by attributing some of these functions to the family (and to mothers in particular) have been contributory factors in the weakening of demand for these services.

A confirmation of the predominance of demand over supply factors is provided by the continuous decline in occupancy rates. The example of Romania offers a clear illustration of the general case (see Table 9).

Similar trends have been observed in the field of infant care (this point is treated in detail in Section VI), though in this case the shift from service-based to family-based care is not, in itself, a source of preoccupation and loss of welfare. It may rather be linked to a deeper bond between the parents and the young child. This shift, however, would require the granting of more frequent parental leaves and allowances to the parents of children in the 0-2 age bracket. As shown in Table 14, with the exception of the Czech Republic (where the substitution of creche-based care by family-based care has been notable, with likely positive effects) all the other countries have shown a tendency for either one or both of these child-care provisions to weaken during the 1989-92 period.

**Table 9. Supply and demand of places, and occupancy and enrolment rates in kindergartens  
Romania, 1989-92**

	1989	1990	1991	1992
Places in kindergartens('000)	814	812	811	801
Children in kindergartens('000)	836	752	742	752
Occupancy rate (%)	103	93	92	94
Overall enrolment rate (%)	63	54	52	53

Source: MONEE Database.

## E. Changes in Primary and Secondary Education Coverage

The gravity of the current crisis is also underscored by the decline in both primary and secondary enrolment rates observed in three of the six countries for which complete information is available. Lack of data for Albania, Ukraine and the Czech Republic impedes the provision of a more comprehensive picture of the changes underway in the educational sector since the inception of the transition. The pervasive difficulties faced by the first two countries since 1991 and 1992 would, however, suggest recent but significant deteriorations for Albania and, perhaps, for Ukraine as well.

Recent policy changes have allowed the opening up of private and denominational schools, the introduction of much needed reforms in the overly rigid pre-reform curricula and other positive changes (such as the reallocation of students from professional secondary schools to grammar and vocational schools observed in Slovakia between 1989 and 1992). The basic principle of free provision of primary education (generally for the 6-14 age group) and secondary education (for the 14-17 year olds, whether in mainstream education, vocational training or specialized schools) has not been abandoned in any of the countries of the region. Nevertheless, enrolments in primary education have declined by 7 percentage points in Bulgaria, 4 in Romania and 1 point in Poland (on the other hand, figures show that near full coverage has been maintained in Hungary, Slovakia and Russia) (see Table G.11 in the Annex).

The fall in secondary enrolment rates between 1989 and 1992 was more pronounced, reaching 20 percentage points in Romania, 7 in Bulgaria and 5 in Russia (Table G.12 in the Annex). Even in those countries, such as Hungary, where secondary enrolment rates have not shown a downward drift, the budgetary restrictions of recent years and the significant size of the cohorts of adolescents in the relevant age bracket have resulted in fewer facilities, lower subsidies, higher fees for non-basic activities (for books, meals and teaching materials) and the likely deterioration in the quality of education. The decline in the number of student stipends granted and in the number of places available in student hostels as well as the rising cost of meals in school canteens are typical examples of changes jeopardizing the educational prospects of many students, particularly for those living far away from schools.

While the poor and deteriorating quality of many educational institutions has certainly contributed to this trend, the drop in enrolment rates can primarily be attributed to demand factors. Three specific factors can be identified. First of all, many families have been caught in the pincers of sharply declining real household incomes and growing private costs of education,

as clearly revealed by the increase in the 'education share' in the household budget surveys (Table 10). While the situation varies considerably from country to country, expenditures in these sectors have increased substantially, though in some cases from very low levels. This double-edged and self-reinforcing negative pressure has proven particularly devastating for the bottom decile families with two or more children.

**Table 10. Share of household expenditure on health, education, and rent, water charges and fuel for selected countries, (in current prices) 1989-92**

	Czech R.	Hungary	Poland	Romania	Bulgaria	Slovakia
<b>Education (active households)</b>						
1989	0.29	0.88	0.60	4.51	—	0.22
1992	0.67	1.15 a)	1.54	6.70	—	0.34
<b>Health (all households)</b>						
1989	0.33	1.39	2.55	1.37	0.77	0.13
1992	0.63	1.53 a)	5.25	1.10	1.19	0.18
<b>Rent, water charges and fuel (all households)</b>						
1989	8.41	11.42	3.45	8.11	3.35	6.44
1992	11.69	14.36 a)	12.98	3.62 b)	5.07	7.23

Source: MONEE Database; a) refers to 1991; b) state rents are still frozen at the 1989 level.

Second, the 'opportunity cost' of the child and adolescent's time grows inversely to the decline of the overall family income, particularly in families where the child or adolescent can be easily employed, including farm families and families with small businesses. In Bulgaria, the country where the largest enrolment rate decline has been recorded, an important part of this decline and the increase in drop-out rates seems to be explained by the redistribution of land to farmers and the proliferation of small family shops which has led to increased labour force requirements. Thirdly, with soaring unemployment among school leavers (particularly among younger students) there is a considerable 'loss of relevance' of the school system, particularly for those branches providing industrial and vocational training. While some of these problems can be dealt with through educational reforms (as noted above in the case of Slovakia) this 'loss of relevance' remains a significant problem, particularly for adolescents of minority groups, in rural areas and in small cities suffering from a rapid industrial descent.

## F. An Increasingly Difficult Socialization and Growing Crime Rates Among Youth and Adults

The economic and political changes of the last four years, and the problems swept in by those changes, have been accompanied by a pernicious institutional and cultural vacuum. This has contributed to the weakening of the social fabric, to the collapse of youth



organizations and to an unprecedented surge in crime rates, particularly among teenagers.

The number of reported crime cases has risen sharply and steadily in all countries of the region (see Table G.17 in the Annex), particularly in urban areas. Unfortunately, the number of unresolved cases has also risen and often amounts to more than half of those reported at present. Most of this increase concerns crimes against property, is motivated by material gain and can, to a considerable extent, be related to the deteriorating employment and income situation, to the perception of growing income differentials among social groups and to the diffusion of alcohol consumption. In Russia, one in three criminal offenders in 1992 had no permanent income source and one in eleven was unemployed; in Poland the number of reported crimes rose in line with unemployment and the number of alcoholics (estimated to have risen from 6-900,000 people in the mid to late 1980s to over one million in 1991). In Hungary, 40 per cent of the people sentenced had committed their crime under the influence of alcohol.

Overall, the increase in crime rates is of precipitous proportions. In Hungary, for instance, the number of reported crimes went up from 225,000 in 1989 to 447,000 in 1992, while the share of offences against property (including burglaries, thefts and armed robberies) surged from 71 to 78 per cent. Because of the exponential increase in car thefts, several insurance companies no longer offer insurance against this risk in Budapest. Together with crimes against property, rapes and murders have also gone up massively and have contributed to the escalation of crude death rates in the region. In Romania, for instance, these two offences rose respectively by 51 and 70 per cent between 1990 and 1992, while in Russia the increases reported between the first six months of 1991 and the corresponding period of 1993 were respectively equal to 109 and 12 per cent. Reported cases of violence against children (including sexual harassment) increased in some countries (such as Poland) but not in others (Hungary), and qualitative assessments by sociologists and reporters suggest that economic difficulties have provoked an increase in the number of cases of child prostitution (and of prostitution more generally).

One of the most alarming features of the recent 'crime wave' is the growing share of young offenders in the total. According to some, delinquency is undergoing a rapid 'juvenization' and 'feminization'. In Slovakia, for instance, the proportion of crimes committed by youngsters rose from 14 per cent in 1989 to 28 per cent in the first half of 1993 (forcing the authorities to establish a special committee in April 1993 with the aim of preventing further deterioration). In Hungary, the share of traced indictable young offenders (including young adults) rose from an already high 37.7 per cent in 1989 to an even higher 41.7 per cent in

1992 (see Table 11). Similar trends have been observed in Romania, Russia and other countries of the region.

**Table 11. Number of traced indictable offenders, Hungary, 1989-92**

	1989	1990	1991	1992
Traced offenders (total)	88932	112254	122835	132644
Young adult offenders	20178	28242	34007	35460
Juvenile delinquents	9661	12848	13509	15476
Child delinquents	3723	3744	4240	4448

Source: MONEE Database.

This alarming growth in youth crime can basically be traced to the negative developments in the main 'institutions' entrusted with the socialization of children, adolescents and young adults (i.e., the family, school, work and youth associations) and to the weakening of the administrative and police controls that have accompanied the tumultuous democratic developments of these last years.

To start with, budgetary problems and political changes have contributed to the dismantling or weakening of pre-existing youth organizations. During the socialist period, an extensive network of youth associations, including the 'pioneers', numerous musical and artistic associations, various types of sports clubs, libraries, youth theatres and summer camps, had been created in the region. While only a small fraction of these groups was set up by independent NGOs and non-state associations and while many of them also pursued objectives of political education and social control, their role in the socialization of children and teenagers, in ameliorating their physical conditions and health status, and in containing youth crime and deviance (together with strict police control) was appreciable.

Despite the modest volume of resources they were allocated in the past, youth associations have suffered more severe budgetary cuts than other sectors in recent years, possibly because they are erroneously perceived as non-essential. Public libraries and subsidized art centres have folded, the 'pioneers' have been disbanded or have lost government support and summer camp attendance has declined considerably. In Russia, for instance, the number of children attending health-enhancing vacation camps declined in 1992 by 25 per cent and similar or greater declines have been observed in other countries of the region. It should be stressed that the collapse of these organizations has not coincided with a commensurate creation of alternative community-based, religious or other structures.

This type of development will undoubtedly take some time, particularly in view of the limited experience with or outright suppression of NGOs in the past, together with the financial difficulties and uncertain values of the present time. In the meantime, a considerable **institutional vacuum** has emerged, with nega-



tive consequences for youth socialization and the crime rate. At the same time, the disintegration of the old value system and the absence or slow development of new values has given rise to a new **ideological vacuum** on which pseudo values and deviant behaviours can take root easily.

Secondly, as noted above, the problems mushrooming in the school system (overcrowding, loss of relevance and greater private costs) and the subsequent decline in enrolment rates and rise in drop-out rates have certainly contributed to pushing an increasing number of adolescents 'onto the street', particularly in urban areas.

Thirdly, even for those youth able to complete their school education and professional training, the difficulties faced by new graduates in finding their way into a protected work environment have increased considerably. In Russia, for instance, 59 per cent of the graduates of construction and administrative colleges, 38 per cent of those in higher education institutes and about half of those from professional schools could not be assigned or find jobs in 1992.

These difficulties have created growing pressures to seek some income from any kind of activity, whether informal, semi-legal or illegal. With the flourishing of the 'informal economy', the number of income-earning opportunities has multiplied. While many of these activities are not necessarily reproachable (and may indeed help families in the struggle to stay one step ahead of poverty), the lack of legal regulation of this new phenomenon offers innumerable possibilities for abuse, exploitative labour and, worse still, for the involvement of some youth in criminal activities.

Fourthly, faced with declining real incomes, greater economic insecurity, the erosion of customs and values and the need to struggle hard just to ensure basic survival (often entailing long absences from home), many families - already weakened during the socialist period - have seen their supervisory and control role further weakened.

## **G. Abandonment, Adoption and Institutionalization of Children**

Traditional policies in the region have always emphasized the placement of children from problem families under the 'protective supervision' of state institutions, rather than trying to solve the problem by means of appropriate social support. In CSFR, for instance, of the children in institutions (roughly 1 per cent of the

respective age group) only 2 per cent were complete orphans and only 10 per cent and 3 per cent respectively were adopted or placed in foster families. A similar situation prevails in Hungary, where in 1992 only 2 per cent of children in institutions had lost both parents and 12 per cent were fatherless or motherless.

There are no reliable comparative figures on the yearly number of children entering children's homes. Suggestions that their number might have increased over the last few years can be neither accepted nor rejected because of lack of data. A consistent decline can be seen in the number of children living in orphanages and similar state institutions in all the eight countries for which comparable data could be compiled (see Table G.15 in the Annex) and would therefore suggest a decline in abandonment, though many would interpret these data as a reflection of the financial difficulties being encountered by these institutions. The sharp contraction in births has certainly contributed to the drop in the number of children being abandoned, though the sharp rise in the proportion of the number of births to unwed and/or under-age mothers and the higher mortality rates recorded for the 20-59 age brackets will have the opposite effect.

The decline in the number of institutionalized children may also derive, however, from an increase in the number of children adopted or placed in foster families. In this regard, it must be noted that the absolute number of adoptions has clearly edged up in Ukraine, Russia and Slovakia, while it has remained broadly constant in all other countries (except Bulgaria which experienced a 20 per cent decline in the number of adoptions between 1989 and 1992) (see Table G.13 in the Annex). Despite fears that the number of foster families would diminish due to economic difficulties and a decline in the real value of the state subsidy given, the number of children placed in foster families has also remained constant throughout the region (Table G.14 in the Annex). Positive policy and behavioural changes may therefore underlie these welcome changes, perhaps signalling that improvements are feasible, even in difficult times. The legislation on adoption and fostering is undergoing revision in several of these countries, while the gradual dwindling of the birth rate makes the desire to adopt an infant highly appealing to a growing number of childless families. Evidence suggests that the demand for adoptions of small and healthy children often exceeds the supply of children whose parents have fully relinquished their parental rights.



This section presents an initial discussion of the immediate causes of the changes in social conditions which have taken place since the beginning of the transition to the market economy. In view of the vastness and complexity of this topic and of space limitations, this report obviously cannot do justice to all aspects of the situation. Future issues of this report and related publications will further consider these issues. The present discussion focuses predominantly on two main themes: the causes of the rapid growth of poverty rates and the changes in public expenditure and policies in the social sector.

## 1. ECONOMIC RECESSION AND THE COLLAPSE OF HOUSEHOLD INCOMES

The large GDP declines of the last few years have been translated into considerable and continuing deterioration of living conditions and steep increases in the number of the poor. At the aggregate level, the disappointing economic performance has had a substantial and negative impact on the level and distribution of final net household income **per capita**, which has in turn led to a sharp surge in poverty rates. Changes in total net personal income per capita can, in turn, be attributed to **changes** in three sets of variables, namely:

- changes in the level of average earnings (and other primary incomes);
- changes in their distribution;
- changes in the extent and types of traditional safety nets, and the introduction of new benefits, such as unemployment compensation and social assistance, to cover new risks.

In order to disentangle and understand the magnitude, direction and relative importance of changes in these three factors, this subsection will discuss separately the evidence available on changes in each of these variables, after first reviewing the changes registered in total net personal income per capita.

### A. Changes in the Level, Structure and Distribution of Net Income per Capita

Real household net incomes per capita have declined steadily since 1990 (Table F.1 in the Annex). The drop has been particularly marked in Bulgaria, Poland, Romania, Russia and Ukraine (in 1993), all of which have experienced very high inflation or hyperinflation. At the end of 1992, average incomes in these countries were as low as 60-70 per cent or less of their 1989 (or 1990) level. In Central Europe, in contrast, the drop in average incomes per capita has been more contained, though the national account data reported in Table F.1 in the Annex probably understate the extent of their decline. (It is interesting to compare this, for instance, with the HBS data used in Table 8).

In a few countries, for example Poland, the decline in average incomes has been slower for pensioners than for wage earners, as pensions have been better indexed to inflation than salaries and other cash benefits. In general, high inflation offers the opportunity for considerable shifts in the hierarchy of the various forms of remuneration. In Russia, for instance, while minimum wages and pensions were broadly equal during the first six months of 1992, by mid 1993 the latter amounted to twice



as much as the former. Meanwhile, average pensions declined from 40 to less than 20 per cent of average wages during the course of 1992.

The decline in total net household income per capita has been accompanied by considerable shifts in income structure. With growing unemployment and wage repression (see below), the share of wages in total incomes dropped considerably (Table F.2 in the Annex). The decline in the wage share was particularly pronounced in Bulgaria and Poland (the two countries with the highest unemployment rate), but all countries have been affected. Only Romania (where unemployment was only allowed to rise gradually until the end of 1992) seems to have moved in the opposite direction, though, numerically, this phenomenon stems from the greater decline of transfer payments and other forms of income or from greater than average underreporting of self-employment income.

The greater informalization of the economy has entailed some increase in self-employment incomes which, according to the definition adopted in Table F.2 in the Annex to this report, also includes incomes from self-employment in agriculture and from agricultural cooperatives. Four of the six countries included in this table confirm this shift, and it is probable that Poland would also show an increase if agricultural incomes (which, as noted earlier, have dropped) could be separated from the total.

Lack of detailed data does not allow a verification of the expected increment in property incomes. This information was (and still is) seldom collected as a separate item in the household budget surveys. However, information on 'other incomes' would suggest a shift in this direction (this hypothesis is indirectly confirmed by information on employment in private firms, growth in bank deposits and privatization of land and other assets). There is, instead, clear evidence of a rise in transfer payments, relative to total income. This is confirmed for all countries except Romania, Russia and Ukraine, where the extent of income redistribution via the government budget seems to have stagnated or declined drastically. In the other countries, growth in the share of total transfer payments is explained primarily by increases in pensions and, to a lesser extent, 'other transfers'. The relative importance of child allowances has only increased, marginally, in Hungary. Such trends - a large decline in wages and child allowances accompanied by an increase in non-wage earnings and pensions - would suggest that in several countries, but not Russia and probably not Ukraine, the burden of adjustment has increasingly shifted from the elderly and the autonomous workers to low wage earners and to children.

At the onset of the transition, most analysts foresaw an increase in the extent of **income inequality**. This was to come about through a rise in the share of self-employment and property incomes (whose dispersion is generally greater than that of other types of income) and

through an increase in the concentration of wage income. Though it has not been possible to compile the same information for all countries, the picture which emerges from Table F.3 in the Annex indicates that shifts in this direction seem indeed to have occurred, though in a less intense and general fashion than expected *ex ante*. Indeed, while inequality in the distribution of per capita household income has intensified (after a decline in 1990) in most Eastern and South-Eastern European countries and in Poland, it does not seem to have altered appreciably in Central Europe nor, more surprisingly, in Russia, where income survey data suffer from large and growing biases.

The Gini coefficient shows a modest decline in Hungary and the Czech Republic and no significant change in Slovakia (Table F.3 in the Annex). In view of the increase in earnings dispersion (see below), the decline of the Gini coefficient in Hungary and the Czech Republic appears somewhat puzzling. A first factor (considered in detail in the following section) which could explain this apparent contradiction is the increasing weight of transfer payments in total income. Second, governments have drastically taxed the increases in gross wages in state-owned enterprises, thus effectively contributing to the preservation of a low level of overall income disparity in the still dominant public industrial sector. Third, preliminary analysis seems to show that income disparity in the informal sector is less marked than expected, and that it may not have increased much. Fourth, the results in Table F.3 might reflect growing underreporting of certain types of income in the household budget surveys. In Hungary, for instance, overall income inequality would seem to increase if a different data set (also not immune to problems) is used. Indeed, the Gini coefficient estimated through a micro simulation model (updating the results of the income survey of 1987 on the basis of estimates derived from tax and bank records and the national accounts) increased from 23.5 to 26.0 between 1987 and 1992. Even this increase in inequality appears, however, relatively modest.

In contrast, after an initial fall in 1990, or 1990-91, a sizeable increase in income inequality appears to have taken place in Ukraine (see Figure 9), Romania and Poland. The Polish data indicate, in particular, a considerable fall in income concentration in 1990, the year in which GDP dropped by 11.6 per cent, average wages by 27 per cent and the employment of high-income workers fell far more than the average. Over the following two years, income disparity clearly rose (see Figure 10) because of the greater informalization of the economy combined with a massive increase in the volume and dispersion of pensions. In Romania, after the widespread increase in all wages in 1990, income inequality mounted steadily due to increased dispersion in wages and the reduced weight and less progressive incidence of transfer payments in total

income (see below) as well as the upturn in the increase in the share of self-employment incomes in the total (see Figure 11).

As Figures 10 and 11 show, there are considerable differences regarding the social groups affected by the rise in income inequality. In Poland, it would appear that the income share of all the first nine population deciles fell by broadly the same amount between 1990 and 1992, while that of the top decile increased by no less than 5 points. In relative terms, the bottom deciles have however suffered a much larger adjustment than the middle deciles. In Romania, on the other hand, the redistribution of income in the 1990-92 period has mainly involved the bottom three and top three income deciles, leaving the middle deciles basically unaffected.

The only available information on income inequality for Bulgaria refers to 1992, and there are no baseline data against which to make comparisons. The relatively high value of the Gini coefficient for 1992 - as well as the extremely high level of unemployment and growing dispersion of earnings - support the view that overall income inequality has worsened since the beginning of the transition.

The above results were obtained mainly on the basis of household budget survey (HBS) data. Prior analyses

have concluded that until 1989, the HBS data from Poland, Hungary and Czechoslovakia were of comparable quality to those produced in Britain (see Box 2). On the other hand, the USSR data were considered less reliable, owing to the systematic bias affecting the sampling framework of household surveys. The degree of representativeness of such surveys, however, is likely to have deteriorated to some extent since 1989 as a result of the growing underestimation of self-employment and property incomes, declines in response rates (in those countries which introduced income tax) and the probable undercounting of the very poor. There is no doubt, therefore, that reporting and measurement problems are clouding the picture; income inequality is likely to have grown faster than revealed by the HBS data. Yet, it is necessary to recognize that several factors discussed in this report (an adjustment to the recession mainly through wage reductions, and particularly for higher wage earners, rather than through employment reductions (see Figure 12); a stiff wage policy aimed at containing wage increases; limited progress with the privatization of state-owned enterprises; and stepped-up transfer payments in some countries) are at the same time exerting influences on the distribution of income which are contrary to those generated by an increase in informal-sector and property incomes, the

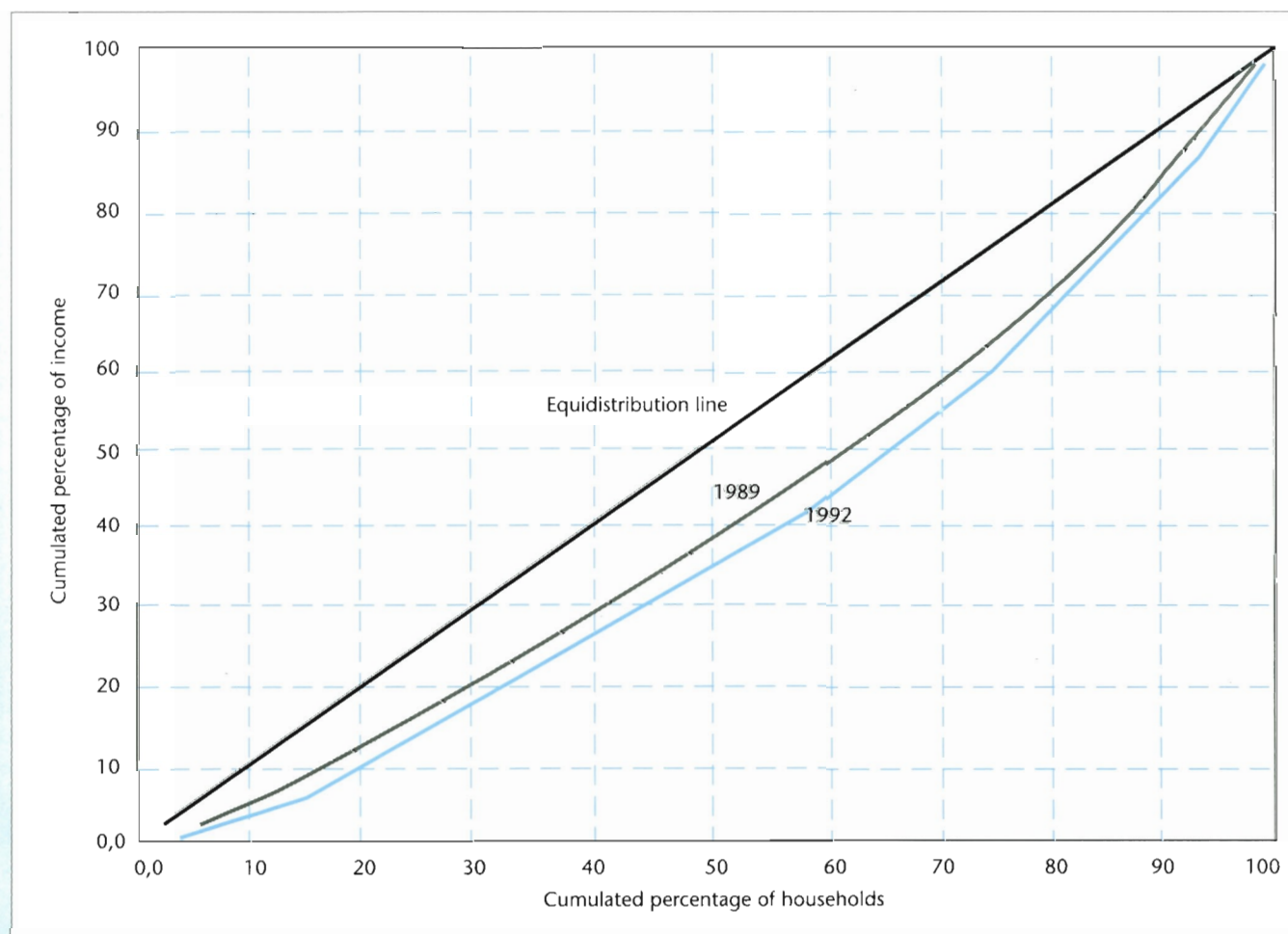


Fig. 9 - Concentration curves of gross income per capita of households, Ukraine, 1989 and 1992

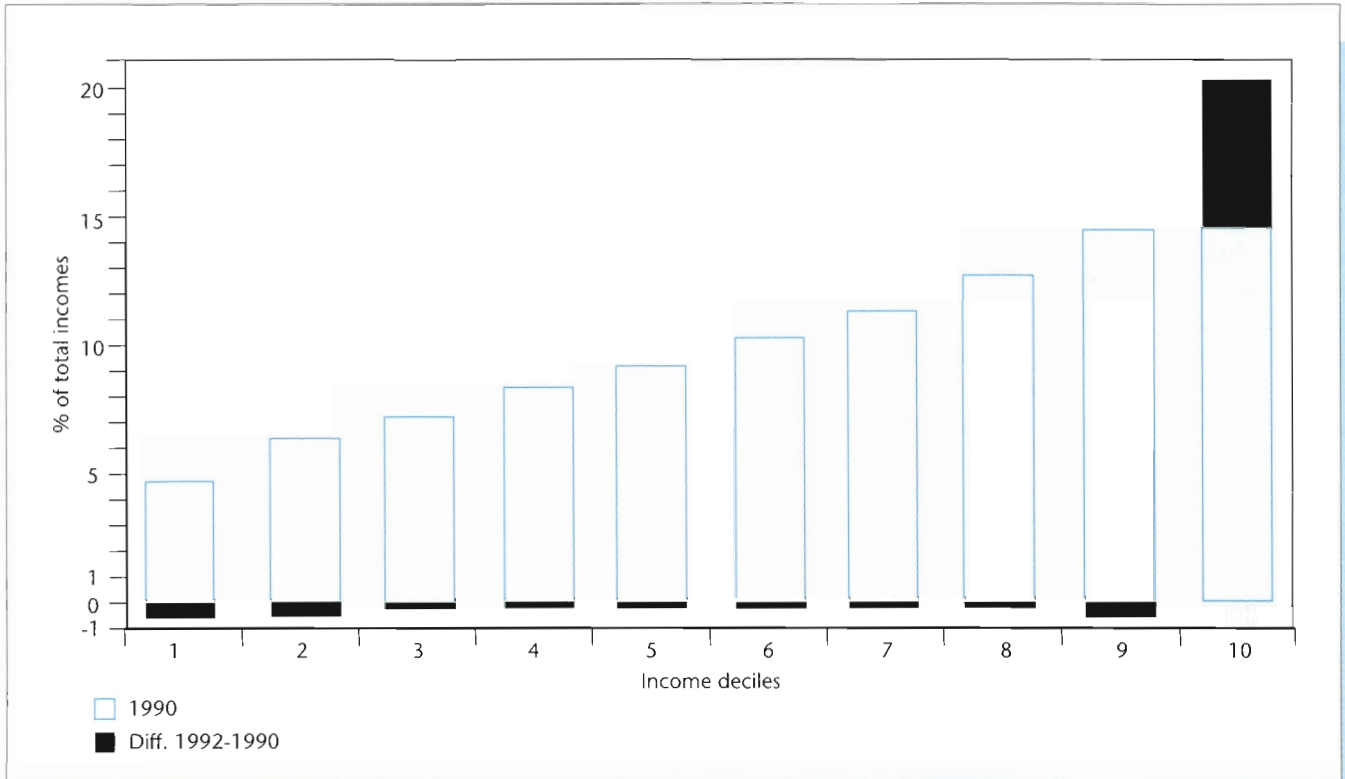


Fig. 10 - Income shares by decile in Poland, 1990 and 1992

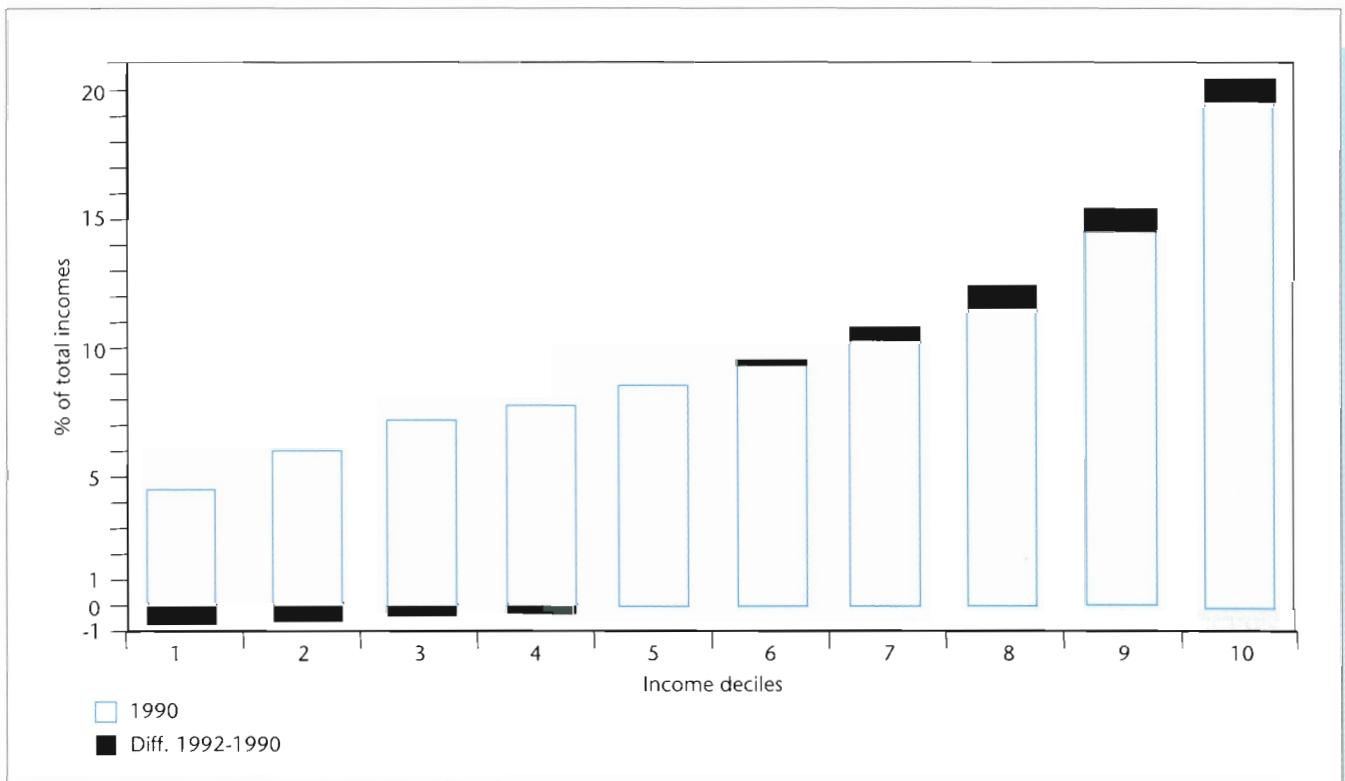


Fig. 11 - Income shares by decile in Romania, 1990 and 1992



acceleration of unemployment and the privatization of the economy. Relatively few years have elapsed since the onset of reforms, and large increases in income inequality do not seem to have occurred during this period, though it is probable that such increases are only being postponed.

## B. A Sharp Decline in Average Gross Earnings

Over the last four years, real wages have fallen massively and without exception in all countries of the region (Table E.3 in the Annex). The timing, extent and duration of the decline, however, have varied considerably.

Wage survey data show that, in general, the sharpest

from that decision contributed, in turn, to a large negative adjustment in the level of output through the reverse functioning of the Keynesian multiplier.

The force of the wage collapse which followed is without precedent, and explains to a very large extent the massive decline in average net income per capita discussed above. Indeed, by the end of 1992, the wage fall had reached, and in several cases exceeded, the 30 per cent mark in all countries of the region, with the single exception of Hungary where the drop had been contained to about 15 per cent. In Russia and Albania - the two countries most affected - real wages had dropped, by the end of 1992 and mid 1993 respectively, to around 60 per cent of the 1989 level, an all but apocalyptic outcome. While wages rose in Bulgaria in

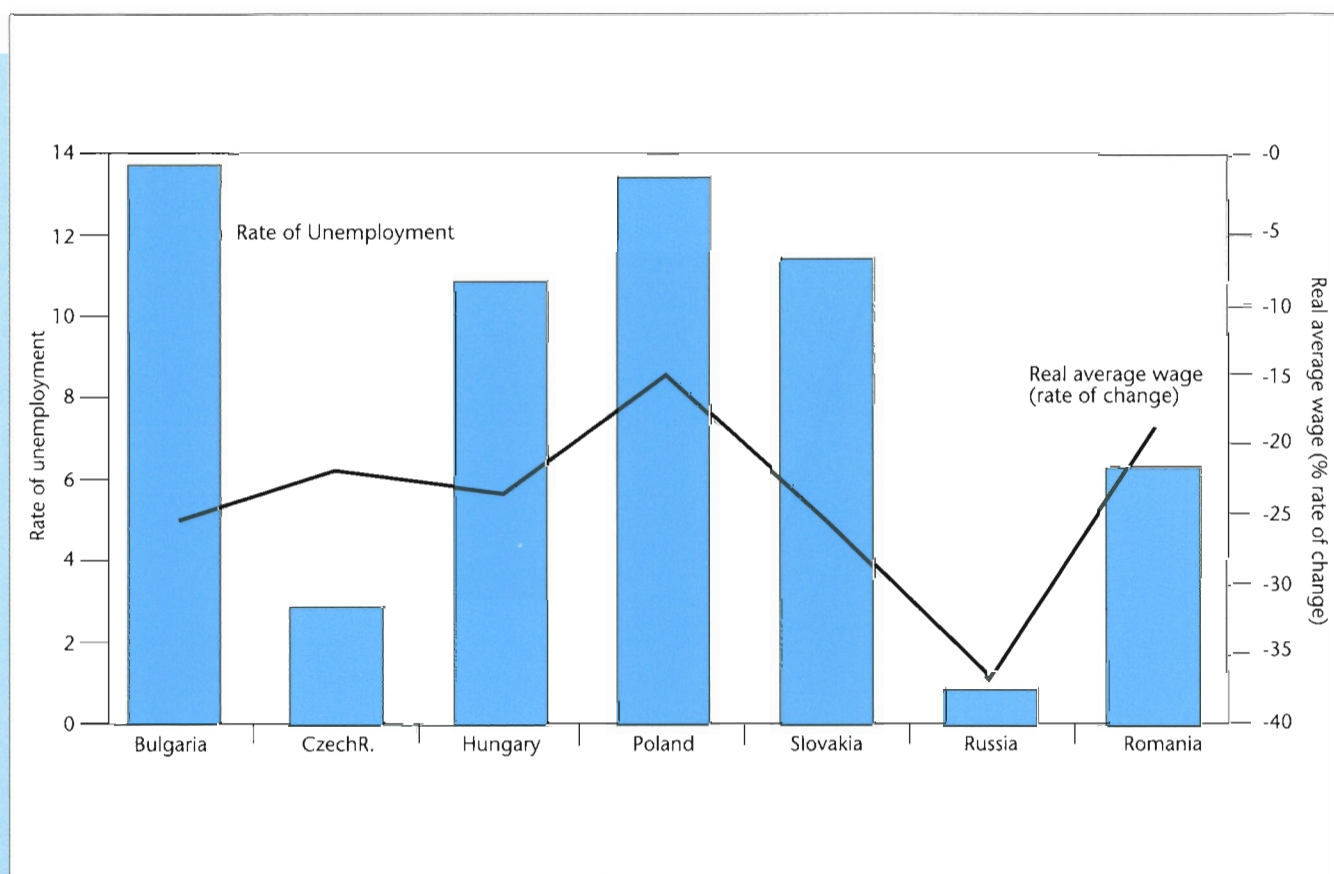


Fig. 12 - 1989-1992 total increase in unemployment rate (left scale); 1989-92 cumulative decline in average wage (right scale)

falls coincided with the introduction of 'big bang' reforms on price and trade liberalization; namely 1990 for Poland, 1991 for most of the other countries, and 1992 for Russia and Ukraine. Though the governments had hoped to contain the drop in real wages to 10-15 percentage points and had anticipated providing compensation for the 'corrective inflation' expected from price liberalization, the considerable and unexpected 'price overshooting' which followed meant that wages were left to fall, particularly as wage restraint represented one of the main anchors of the stabilization programmes. The excessively large wage contraction which resulted

in 1992, their recovery seems to have already halted in the first part of 1993 (see Section V).

## C. Greater Inequality in the Distribution of Gross Earnings

Parallel to these large declines, wage differentials and wage dispersion seem to have widened considerably (relative data are not included in this report). The Gini coefficients of **gross wages** have shown a consistent tendency to increase over the last three to four years for all countries for which **gross earnings** data

could be compiled. While in the Czech Republic and Hungary wage dispersion rose only marginally, in Bulgaria, Poland and Romania the increase was more substantial (3-4 points) and in Russia it was exceptionally large. In all countries, the increase in wage dispersion may be explained by similar factors: namely, the beginning of industrial restructuring, the growth of private-sector employment (though from a very low base), an initial opening up of the wage spread in relation to human capital and skill levels, and the growing differentiation between the wages of industrial workers and those of government employees. The relative weight of each of these factors in the overall increase of wage dispersion differs substantially from one country to another. In the case of Russia, the differentials between

average industrial wages and the wages in public institutions (in the health, education and cultural sector) grew from 1.3-1.5 in January 1991 to 2.0-2.5 in November 1992. In the meantime, minimum wages dropped from 25 per cent of average wages to only 7 per cent in the third quarter of 1992.

Altogether, except for the very notable increase in Russia, the rise in earning disparity appears however less marked than anticipated (particularly in Central Europe; see Figure 13, which refers to the distribution of earning in the Czech Republic), suggesting that 'systemic' transformations have taken place at a slower pace than generally envisaged in the early phases of the transition. Progress on the privatization front is slower and more difficult than expected, partly because of the

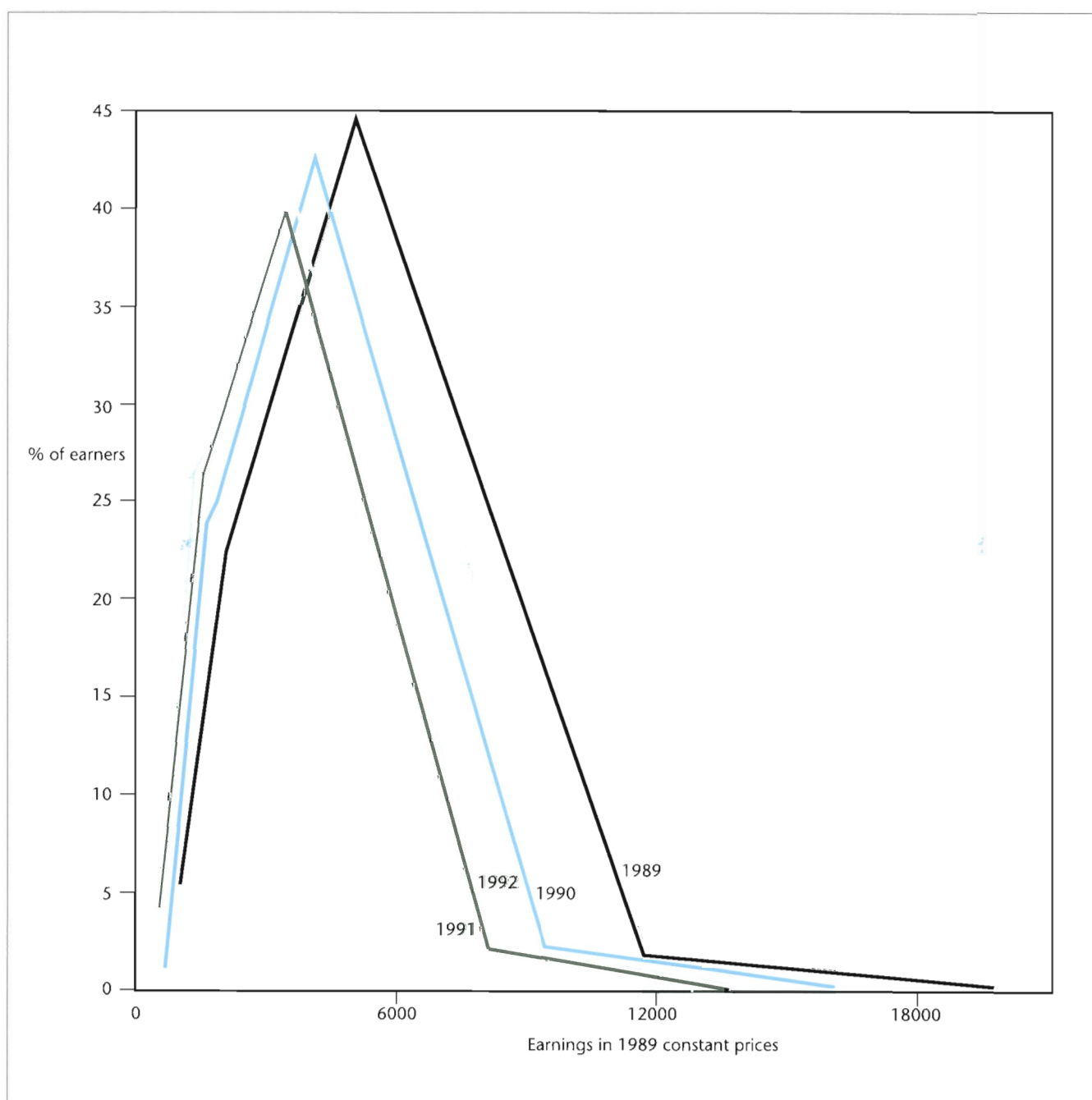


Fig. 13 - Distribution of earners by gross earnings in the Czech Republic, 1989-92

recessionary conditions prevailing throughout the region and partly owing to the slow development of an adequate institutional framework, which has acted as a brake on new investments. The establishment of new private enterprises characterized by greater spread in the distribution of wages has also been slow.

For some countries, data on the distribution of other sources of primary incomes can be obtained from the HBS. As expected, the Gini coefficients of self-employment income are considerably higher than those of earnings. However, with the exception of Poland, Gini coefficients do not generally show any meaningful change in trend for the last four years.

#### D. Changes in the Redistributive Role of the Government

From the above discussion, it would appear that in practically all Eastern European countries the increase in income inequality has been more pronounced in the case of gross earnings than for the distribution of total net income per capita (which comprises all sources of income, including transfers from the State, net of taxes). In those countries (i.e., Hungary, Slovakia, Romania and Poland) where household budget survey data allow the computation of both the 'primary' and 'final' distribution of income (i.e., the distribution of pre-tax, pre-transfer income per capita or per household, and the distribution of post-tax, post-transfer income), it consistently appears that the 'final distribution' of income is more egalitarian than the primary distribution. This is of course due to the redistributive role of the State, which reduces the inequality of the distribution of primary incomes through the tax and transfer system.

The 'primary distribution' (pre-tax, pre-transfer) worsened, though modestly, between 1989 and 1992 (or 1991) in Hungary and Slovakia, while the 'final distribution' improved. In Poland and Romania, on the other hand, an opposite shift has occurred since 1990.

These apparently contradictory trends may be accounted for by changes over time in the volume of resources (relative to GDP) redistributed via the state budget, and by the progressivity with which they are allocated to the various income groups. Indeed, the income equalizing effect of the tax and transfer system seems to have **increased**, albeit moderately, in Hungary and Slovakia, whereas it has decreased in Poland and Romania. (It was not possible to test the same hypothesis for the other countries).

In the first two countries the share of transfer payments (i.e., of pensions, child and family allowances, sick payments, unemployment compensation and social assistance benefits) in total final household income per capita has increased respectively from 28.0 to 30.1 per cent and from 16.7 to 17.7 per cent (see Table F.2 in the Annex on the structure of final household income and

Tables D.6 to D.8 in the Annex). The distribution (or incidence) by population deciles of these cash transfers has retained a degree of income equality far above that of primary incomes. In particular, in Hungary, the incidence of child and family allowances, social assistance and sick payments improved, while the distribution of unemployment benefits has remained fairly well targeted to the lower income deciles. The incidence of pensions has instead marginally worsened. A fairly similar picture emerges from the Slovak data.

In Romania, on the contrary, the share of transfer payments in total final household income per capita declined from 12.5 to 9.3 per cent between 1989 and 1992 (Table F.2 in the Annex), pointing to a sizeable and undesirable weakening of the 'social safety nets' (particularly pronounced in the case of child and family allowances) during a period of marked recession. In addition, the distribution of pensions (and of social assistance benefits) became less progressive in Romania, while that of the other transfer payments remained constant.

Finally, Poland presents an anomalous picture. The share of pensions in total income has grown considerably since May 1990 as a result of the introduction of a more favourable method of pension calculation, the anchoring of minimum pensions to 35 per cent of the average wage, the mandatory quarterly indexation of old-age and disability pensions and the generous increases granted in December of the same year to pensioners above 80 years of age. Although the distribution of pensions is generally more egalitarian than that of other sources of income, this increase in pensions in Poland has been accompanied by a clear worsening of their distribution (see Figure 14) which, despite the stability of the primary distribution of income between 1990 and 1992, has brought about an increase in overall income inequality since 1990. Indeed, while the share of transfer payments in total final net household income per capita rose massively (and perhaps unsustainably) from 21.4 to 33.6 per cent, its incidence by decile worsened substantially in the case of pensions (which represent three quarters of overall transfers) and moderately in the case of social assistance benefits, while it improved for child and family allowances. To give an idea of the massive shift in the incidence of pensions, it should be pointed out that while the top two pensioner deciles received about 22 per cent of total pensions in 1989, their share had risen to 29 per cent by 1992.

It is not possible to replicate this analysis for the other countries covered by this report due to lack of data. Information on the decline in the share of pensions in total incomes in Ukraine and Russia would tend to suggest, however, a considerable weakening of social safety nets (particularly, as noted elsewhere, for the recipients of minimum pensions) and for children of large families.



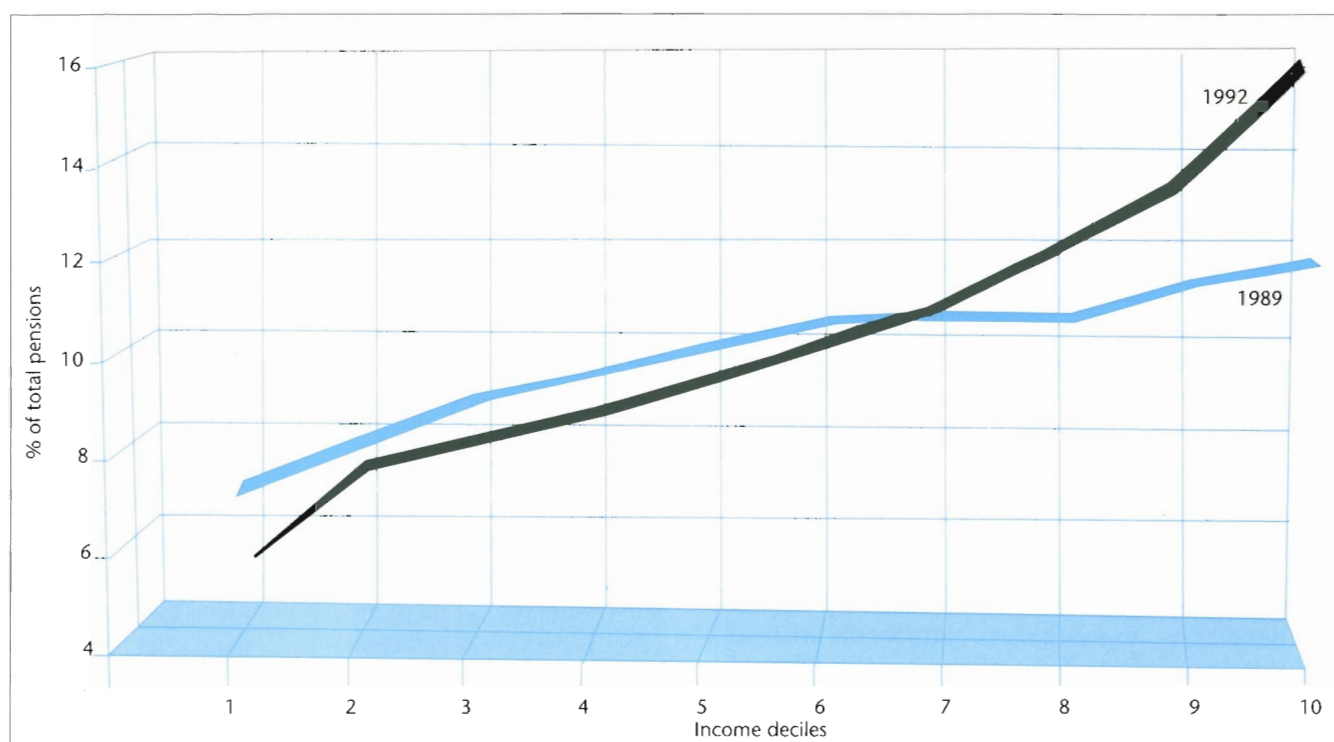


Fig. 14 - Distribution of pensions by income decile in Poland in 1989 and 1992

### E. Relative Importance of the Above Factors in the Increase in Poverty

To which of the three main variables discussed above - a contraction in real average earnings (and other incomes), a surge in income inequality, and the shrinkage in 'safety nets' - should the precipitous rises in poverty rates and the worsening of many welfare indicators be attributed? Two main patterns seem to emerge.

In Bulgaria, the Czech Republic, Hungary, Poland and Slovakia, the increase in poverty is mainly related to the contraction in real average wages which has generally marked the beginning or stiffening of the reforms. Indeed, with the exception of Poland and (possibly) of Bulgaria - where the increase in income inequality explains a small part of the ever deeper slide into poverty - the observed increase in poverty cannot be attributed to a significant worsening of the distribution of income, nor to an excessive contraction of social transfers, and nor to a 'retreat of the State'. In these countries, the extensive safety nets in place prior to the transition have been broadly maintained and extended so as to include unemployment compensation and social assistance benefits. Although the real value of the transfers has generally declined, their relative share in total income has augmented significantly. Furthermore, with the exception of Poland (where massive increases in pensions benefited the middle- and upper-income groups), social transfers generally have been targeted in a fairly progressive way.

The situation is somewhat different in Romania, Russia, Ukraine and, presumably, in Albania. In these countries too, the main cause of the unprecedented rise

in poverty has been, by far, the sharp drop in real wages and incomes per capita caused by the 'price explosions' associated with price liberalization and other Draconian macroeconomic stabilization measures. However, in these countries, and particularly in Russia, the surge in poverty rates and the dramatic deterioration in living conditions illustrated above have been compounded by widening wage differentials, an upturn in overall income inequality in 1992 and the erosion of already weaker pre-existing social safety nets (including a devastating drop in minimum pensions and child allowances).

While measurement problems, underreporting of self-employment and property incomes and the unavoidable problems encountered in estimating incomes and income inequality in periods of high inflation weaken this conclusion, there appears to be considerable evidence that - with some exceptions - social policy has had a moderating influence on the spread of poverty, and that the much expected deterioration in income distribution has not yet taken place in any general and significant way. By implication, it must be concluded that the massive rise in the number of the poor and the worsening of welfare indicators is to be attributed to the decline in average incomes, which - as repeatedly noted - often coincided with 'price overshooting' in the wake of price liberalization and other macroeconomic adjustments.

With the exception of Hungary, price liberalization has been instantaneous and comprehensive, resulting in price increases substantially higher than those - already very large - foreseen. In Poland, the projected price shock during the first year of reform was esti-

mated at less than 100 per cent, while it actually reached about 250 per cent. Romania, Bulgaria and Russia suffered similar problems. Even in CSFR, the 25 per cent increase in prices projected for the first quarter of 1991 instead reached 40 per cent. Only in Hungary, which had gradually removed price controls over the 1968-88 period, did the 1991 liberalization cause a more moderate initial price shock of 10 per cent (or about 25 per cent on a yearly basis).

## 2. PUBLIC EXPENDITURE PROBLEMS, CHANGES IN THE PROVISION OF PUBLIC SERVICES AND WORSENING SOCIAL CONDITIONS

The decline in household incomes has significantly contributed to a sharp contraction in the demand for welfare-enhancing public services. However, this decline in **demand** often originated from the contraction of public expenditure in key social sectors and from changes in the organizational structure of, eligibility for and access to public services. Second, welfare deterioration can also be traced to a significant worsening in the **quality** of the services offered and to some contraction in the **supply** of these essential services. Finally, the overall degradation of the administrative framework and a growing **institutional vacuum** affecting some countries have contributed to this worsening situation.

### A. Trends in the Level and Allocation of Public Expenditure

Assessing the impact of fiscal changes during the transition in Eastern Europe is by no means easy. First, hyperinflation makes annual estimates of GDP and public expenditures carried out in different moments of the year both difficult and unreliable. A second source of confusion arises from the lack of internationally standardized accounting methods and from their continuous evolution during the last few years (see Box 3). Despite these caveats, some broad trends emerge.

As noted in Section II, of the nine countries included in this report, only Poland and, to a considerably lesser extent, Bulgaria and the former USSR, initiated the transition to the market economy under conditions of severe fiscal imbalance. Though suffering from different degrees of repressed inflation, the conditions in CSFR, Hungary and Romania were either favourable or not particularly detrimental. Despite this variety in initial situations, most countries followed a restrictive or moderately restrictive fiscal policy during the first phase of their reform programme, centred primarily on the reduction of public expenditure and consumer subsidies and defence spending and on a rapid decline in budget deficits where such need arose. In the first year, all countries experienced a reduction in the

deficit/GDP ratio (Table C.3 in the Annex). With the exception of Bulgaria and Albania (which had not yet initiated their reform programmes), all economies in transition realized a fiscal surplus in 1990.

In a few cases, the extent of the contraction in the deficit/GDP ratio (obviously achieved only on the expenditure side) and overall expenditure were simply overwhelming. In the extreme case, Poland, the 1989 fiscal deficit (equal to 8 per cent of GDP) was transformed into a 5 per cent surplus in the first nine months of 1990, therefore implying a deflation of 13 per cent of GDP, though for the whole of 1990 the contraction in the deficit/GDP ratio was 'only' of 8.5 per cent (see Table C.4 in the Annex). Similar, though less pronounced, patterns of adjustments were observed in CSFR and Hungary (in 1990), Russia and Bulgaria (in 1991). Even where initial fiscal balance was favourable, however, the recourse to stiff expenditure cuts and overall stabilization efforts were rendered necessary by the price overshooting (see above) which followed the liberalization of prices and foreign trade.

During the initial phase of the reforms, the inability to finance adequate levels of public expenditure and service coverage in key social sectors and the sorry state of health, education and child-care facilities has therefore been influenced by the attempt to rapidly reduce budget deficits or public expenditure.

The policy stance changed considerably as soon as it appeared that the reforms were leading to a rapid fall in government revenue and to an increasingly fragile fiscal balance. Since then, practically all countries of the region, with the exception of the Czech Republic, have had far greater deficit/GDP ratios than targeted. In 1991 and 1992, deficits chiefly resulted from budget revenues falling much below planned levels, the gap being notably large in Hungary and Poland. Revenue shortfalls were caused essentially by three factors: the protracted and deep recession which reduced taxable incomes and sales; the inadequacy of the tax system, which was still excessively dependent upon the taxation of enterprise profits (and the inevitably slow or even negative initial improvements of tax reforms recently introduced or at the planning stage); poor tax administration and compliance (including tax evasion from a swelling informal sector).

The widening of the deficits is also the result of the inflexibility of cash benefits expenditure. As noted earlier (see Box 2), the extension of the 'safety net system' has entailed growing budgetary expenditures as the number of recipients of unemployment compensation and/or social assistance has expanded more rapidly than anticipated, despite a gradual tightening of eligibility criteria and the declining real value of most benefits. In addition, the massive granting of early retirement (as in Bulgaria) and child-care grants (as in Hungary), or the surge in the number of pensioners over the age of 60 due to the aging of the population

have contributed to a further expansion of public expenditure on cash benefits. In Romania and, even more so, in Russia and Ukraine, the impact of revenue shortfalls and escalating expenditures on cash benefits was compounded by a flood of direct and indirect subsidies to ailing state-owned companies.

**Table 12. Employment level in the health and education sectors, various countries, 1989-92 (in 1,000s)**

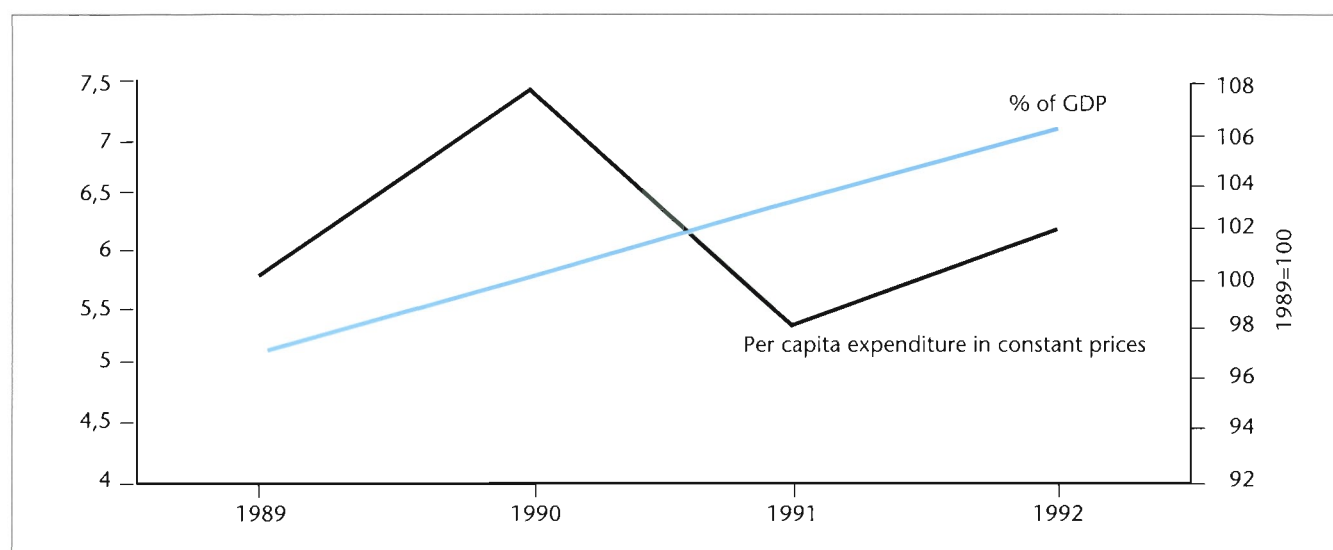
	Health		Education		Social Ass. & Welfare	
	1989	1992	1989	1992	1989	1992
Albania	41	40*	63	65*	n.a.	n.a.
Bulgaria	168	166	276	263	12	18
Czech Rep.	238	223	312	286	39	29
Slovakia	127	125	185	158	18	12
Hungary	199	204	243	241	38	40
Romania	292	303	364	474	—	—
Ukraine	1480	1520*	2361	2367*	—	—

Source: MONEE Database; \* refers to 1991

In general terms, the **share of public expenditure** allocated to health, education, child care and other welfare-enhancing social services increased as real expenditure cuts affected predominantly producer and consumer subsidies and the defence sector. Because of the sharp decline in GDP suffered by all countries of the region, even the **share of GDP** assigned to these sectors has generally increased (Tables D.4 and D.5 in the Annex). With no exception, per capita public expenditures in constant 1989 prices on health and education have, however, dwindled, particularly in the countries of Eastern and South-Eastern Europe where the decline in GDP has reached catastrophic proportions. Figure 15 presents the case of Slovakia. Much of this decline in real public expenditure has consisted of a quasi proportional decline in real wages (which

account for 60 to 90 per cent of total expenditure in health and education) in these two sectors. As shown in Table 12, the impact on employment appears to have been considerably milder than suggested by the contraction of real expenditure. Except in a few specific sectors (such as that dealing with cultural, sport and leisure programmes) where there was a clear reduction in employment and activities, the adjustment in the social sector - and in many others - has so far taken place mainly through a considerable depression of wages rather than through massive redundancies.

There is little quantitative evidence on the effects of the large wage losses in the public sector on work discipline, dedication, efficiency and honesty. Experience from other countries shows, however, that whenever wages drop below what could be termed an 'efficiency wage', survival considerations take precedence over contractual obligations and professional pride. The low morale, requests for 'gratitude money' (not infrequent even in the past) in exchange for services supposedly provided free of charge, and greater absenteeism which, according to scattered evidence, has affected public-sector employees over the last years, have certainly affected the overall efficiency of health, education and similar services. However, while the impact on the **volume of services** provided has been only moderate, the **impact on quality** has been substantial and, in some cases, devastating. Indeed, the real expenditure on the **non-wage components** of health and education expenditure (i.e., on construction of new facilities and maintenance of old ones, on health equipment and consumables - including medicines, vaccines, heating fuel, meals for patients and students, teaching aids, books, furniture, sanitary equipment, and so on) has dropped massively, particularly for imported components, the prices of which have generally increased far more rapidly than inflation.



**Fig. 15 - Public expenditure on health in Slovakia, 1989-92**



The increase in perinatal mortality (despite no decline in hospital deliveries or loss of health coverage) observed in Bulgaria, Romania, and probably Russia, Ukraine and Albania seems to be traceable more to the obsolescence of existing medical equipment and to the inability to acquire new ones rather than to a contraction in service supply or in the number of obstetrical personnel. Similar considerations apply to the problems induced by vaccine and drug shortages (which reduce the efficacy of health interventions and contribute to higher mortality and morbidity); to the lack of teaching equipment and books and to overcrowded classrooms (which reduce the relevance and attractiveness of public education, worsen the drop-out rate problem and hamper the acquisition of literacy and numeracy in spite of teachers' efforts); to the closure of student hostels (which negatively affects the educational opportunities of students from peripheral areas); to the inadequate heating and supply of hot water in institutions for children and the elderly (which aggravate the incidence of certain diseases and exacerbate sanitation problems); and so on. The effect on human welfare of significant deterioration in the quality of services is certainly no less severe than in the case of an open contraction in their supply.

## B. Organizational and Efficiency Issues

Sectoral reforms initiated by most countries in transition have helped raise the overall efficiency and relevance of health and education services by providing greater incentives, stimulating independence and competition among providers, removing some of the rigidities and biases inherited from the previous regime and providing greater choice to the users, thus generating contrary tendencies to those caused by the tightening of public expenditure. Modifying the school curricula (by including new topics and courses and dropping some old ones), rebalancing the mix of the various branches of secondary education (as in Slovakia), permitting the establishment of private schools and clinics (as in Poland, Hungary, Russia and other countries), reducing of the length of compulsory secondary education (as in Ukraine), granting greater independence to hospitals and universities (in the Czech Republic, Slovakia and elsewhere) and moving towards health insurance (already introduced or at the planning stage, despite the surrounding controversy, in all countries of the region), among other innovations, are only some of the institutional changes which might in the long term bring efficiency gains to the social sector. In the short term, however, their benefits remain more circumscribed: the initial spurt towards the privatization of education, for instance, has quickly come to a halt because of declining living standards, problems involved in finding and equipping suitable premises,

the hypothetical nature and long delays of government subsidies, and so on.

In addition, some organizational changes introduced since the beginning of the transition have unexpectedly contributed to the drop in service coverage and the worsening of some welfare indicators. Two examples may illustrate the general case. The recent reform of local government has consistently emphasized the **decentralization** of many social services. Local authorities are now responsible, and will be even more so in the future, for health care, education, culture and social assistance in their areas. Normally, the state budget and contributions from local individuals and associations are expected to support the weaker municipalities as self-financing ability varies considerably across regions within individual countries. It is now apparent that, though desirable in principle, this process is causing considerable problems of service coverage, widely different service standards and regional imbalance. Caught between the obligation to provide a growing number of services and lean allocations from the central government, municipal and village authorities have been forced to either face a growing fiscal crisis or to raise additional local taxes or user fees for the services provided locally, or to transfer a growing share of the total cost to households. Lack of clarity about institutional responsibilities among various levels of government together with limited experience compound the problem.

Second, **user fees** have been raised or introduced for a great number of activities. 'Nominal fees' can have a positive effect on the efficiency of service use while 'substantial (but tolerable) fees' (graduated by income level) may help the local or central government sustain the provision of much needed services during a recessionary period, particularly if the communities are associated with the management of the funds so generated. However, in many cases the drive toward cost recovery is carried out in a legally undefined environment. In many instances, particularly in Russia, the managers of public facilities take over the services and introduce user fees without authorization and without any improvement in quality. Even where this process is conducted in a more transparent manner, the mere introduction of fees often opens the door to all kinds of requests for money by the service providers. And finally, in several cases the fees requested (for enrolment, tuition, school meals, medical check-ups, participation in summer camps, and so on) exceed by far the paying capacity of considerable segments of the population, thus effectively excluding them from service utilization.

These and other organizational changes certainly require closer scrutiny and testing before their introduction, as well as continuous monitoring during their implementation.

### C. Institutional and Administrative Vacuum

Throughout the region, economic reforms were undertaken in the wake of the political collapse of the socialist regimes. The shape of these reforms was influenced by the desire to rapidly and totally replace the model of social organization imposed on these nations in the past, even in those areas where positive results had been objectively achieved. In some respects, the decline in service coverage can be attributed not so much, or not only, to insufficient public expenditure, to incentive problems or to excessive user fees but to the rapid erosion of the regulatory function of the state and the lack of a new institutional framework to replace the old one. Generally, these activities have a negligible fiscal cost but can have a very important impact on efficiency, equity and welfare. The popular backlash against state intervention has concerned even those areas in which state involvement is considerable in the Western economies, i.e. in the regulatory framework and the social sector. As noted by a Polish political commentator, "As 'socialist' is a discredited word, 'social' is also suspect, while even 'public' sounds dubious."

In the absence of a clear institutional and regulatory framework, many other reforms produce minimum or perhaps even negative effects, and the expected efficiency gains remain elusive. Examples of this institutional weakness abound: prophylactic services have been severely eroded; sanctions against parents for failing to enrol their children in school or for health check-ups have been relaxed; controls against accidents at work or for illegal home-manufacturing of alcohol have become intermittent; the diplomas granted by new private schools (created with the consent of the government) are not recognized by the state educational authorities; user fees remain unregulated; and the decentralization of service provision is not accompanied by the devolution of tax power to the local level. And, most importantly, tax reform has started late and has not received sufficient priority.

### 3. SUMMING UP THE EVIDENCE

While the political and economic reforms of the last four years have generated many fundamental improvements, it is evident that early hopes for a rapid move to prosperity have dissipated, that the process of transition will take much longer than anticipated, and that considerable social costs have been and are being incurred. If this process is to continue and move toward firmer ground, the human and social costs of the changes need to be clearly recognized and understood, and the problem of how best to minimize them needs to be squarely addressed. As the social and political costs of the transition are felt much more quickly than its benefits, the growth of new employment opportunities, the establishment of new institutions and the

extent of safety nets in place determine the scale of the shock and the speed of reform that can be tolerated without derailing the entire programme.

The depth, spread and duration of the welfare crisis affecting the region has varied considerably from country to country. To begin with, while all countries have suffered a decline in living standards, the broad range of economic and welfare indicators examined in this report consistently points to a comparatively worse performance in the cluster of Eastern and South-Eastern European countries, i.e. Albania, Bulgaria, Romania, Russia and Ukraine than in the Central European countries. If the evidence presented in this report is correct, some of these countries - Albania and Russia, in particular - are experiencing a process of social disintegration which has reached truly alarming proportions. This evidence, in particular, is indicative of a far deeper malaise than could have been expected, even from the transformation of an ailing economy and authoritarian state. Despite recent signs of recovery in some areas, Poland has also recorded a considerable deterioration in poverty rates, death rates and other demographic and welfare indicators, and is still in the grips of a steady rise in unemployment. In a sense, Poland is situated at some point between this group of countries and the cluster of richer Central European nations (Hungary, Slovakia and the Czech Republic). In the latter group of countries, the process of deterioration appears to have been less pronounced. Only the Czech Republic, however, may be seen to be slowly returning to normal conditions.

Second, it is important to note that after an initial 'jump' in the first and second year following the introduction of 'big bang' type reforms, social conditions seem to have stabilized at a lower level of welfare in quite a few countries. Only a few indicators and countries have shown a reverse trend. In contrast, in Romania, Russia and Ukraine, the situation continues to worsen in many areas and will likely continue to degenerate in the future, according to most national and foreign commentators.

Third, the crisis appears most pronounced in the fields of poverty, mortality, fertility, pre-school education and crime. Steep increases in poverty rates, overall mortality, mortality for the 40-59 male age group, and in youth and overall crime rates, as well as sharp declines in fertility, birth rates and pre-primary enrolment rates are the most prominent and widespread indications of the crisis. All or at least seven of the nine countries included in this project show clear and greater deteriorations in these areas, while for other variables (such as IMR and U5MR, LBW, primary and secondary enrolment rates) the dislocation is normally less intense and confined to four to six countries. Finally, in the field of nutrition, the lack of anthropometric data precludes the possibility of drawing specific conclusions despite knowledge of a large decline in food consumption per capita. For other indicators,



(maternal mortality, child protection and child care, and adoptions) the evidence is either positive, ambiguous or difficult to interpret.

Fourth, except in Russia and Ukraine, the crisis has most severely affected children and adolescents. Child poverty rates have risen faster than for any other group because of the rapid spread of unemployment and/or low-paying jobs and - in some countries - because of the less than proportional indexation of child allowances (in relation to wages and pensions). The situation of children has also been negatively affected by the greater risk of being orphaned or growing up in a female-headed household, by the contraction and higher cost of pre-school and school services and by the weakening of the institutions entrusted with child health care, socialization and leisure. Children (and other members) of large families or those living in depressed economic areas, disabled children, children suffering from multiple social risks, and refugee and minority children have been particularly badly hit. In addition, adolescents and youth have been confronted with mounting difficulties in trying to enter a protected labour environment and in resisting the growing material pressures to enter semi-legal, illegal or openly criminal activities. Other social groups have not fared much better. Among them are the long-term unemployed, the retrenched low-skilled workers, people employed with salaries that do not guarantee minimum standards of living (such as farm workers or the employees of budgetary institutions) and the recipients of the minimum pension, especially if living alone, disabled and without other sources of subsistence. While in some of the Central European countries social policy has protected the living conditions of these people relatively well, in Russia many pensioners have been pushed into conditions barely amounting to subsistence.

Fifthly, several interrelated factors explain this large and largely unexpected deterioration in human welfare. To begin with, some of the problems which have emerged during the last four years are '**inherited problems**', i.e. ensuing from poor conditions, policies or behaviours during the socialist era and, in more general terms, from the manifest economic and political failures of the former regimes. While the immediate cause of the decline is linked to current changes, the deterioration would not have been as drastic if initial conditions had not been so fragile and unfavourable. Part of the decline in consumption and the increase in poverty are due to the suppression of inflation and artificial job creation imposed in earlier years; part of the rise in mortality registered for 1989-93 derives from the poor lifestyles and nutritional habits of the past; similarly, the worsening in morbidity is partly due to cardiovascular problems and neoplasms, which would have occurred regardless of the transition because of the severe contamination of the environment in the past; and so on. Second, the **external environment** in which the transition is taking place has been far from

favourable. The dissolution of the CMEA and the rapid elimination of oil and raw material subsidies in 1990 and 1991 produced large negative terms of trade shocks for all the countries in the region except Russia, but particularly so for Ukraine and Bulgaria. In this last country, the 1990 'oil shock' has been estimated to equal a staggering 12 per cent of GDP. In addition, protectionism and slow growth in Western Europe in 1992 and 1993 have made the much needed reorientation of exports a particularly difficult task. Third, **policy design problems** (particularly severe in view of the fragile 'initial conditions') have certainly aggravated an already complex situation. Two contrasting situations can be briefly noted here. While the rigorous but orderly macroeconomic adjustment introduced in a few countries was unavoidable and has indeed proved preferable to a spontaneous and confused adjustment, the same cannot be said for the policies of simultaneous price and trade liberalization, large devaluations of the real exchange rate and instantaneous privatization. Contrary to the misleading image implicitly suggested by the metaphor of 'shock therapy' (a short and sharp shock leading to a rapid, if painful, solution to the problem), this approach does not, and cannot, bring quick fixes. Indeed, it remains very controversial as an approach, lacks historical precedents and has been shown to not work effectively in practice, ignores the necessarily slow transformations in institutions (stock market, banking system, antitrust and bankruptcy legislation, among others) and behaviors which are a precondition for the success of the overall exercise, causes credibility problems to the whole reform process, and carries a heavy risk - as observed in practically all countries of the region, except Hungary and the Czech and Slovak Federal Republics - of aggravating the severe social and economic problems inherited from the past. As argued in this report, the largest yearly increases in poverty rates have indeed been directly related to a large and unexpected 'price overshooting' linked with simultaneous price and trade liberalization and exchange rate depreciation.

At the opposite end of the spectrum, failure to adhere to and maintain a modicum of fiscal discipline and macroeconomic balance or to introduce, if at a human pace, much needed structural reforms (provision of greater incentives, privatization, social sector reform, and so on) must also be included among the **policy-induced problems**. The continuation of lax monetary and/or fiscal policy is no solution to the problem of structural change, as underlined by the failure of the 1992 and 1993 stabilization programme in Russia and Ukraine. This certainly does not represent an alternative to the approach criticized above. While '**shock without therapy**' and continuous postponement of needed structural reforms may keep a surge of unemployment at bay in the short term, this approach has certainly inflicted a huge welfare cost on many weaker



social groups (including children and pensioners) through crippling hyperinflation.

A fourth, less emphasized, cause of the loss of welfare observed during the last four years relates to the **institutional vacuum** and the **administrative weakness** which has followed, to various degrees, from the demise of the socialist state in Eastern Europe. What is underscored here is not so much, or not only, the lack of new national 'economic institutions' necessary for the functioning of a capitalist economy, or the breakdown of the former international socialist institutions (such as the CMEA). It refers, instead, to a much more diffused, less visible but highly pernicious weakening of the social, administrative and regulatory institutions, which is causing considerable human and social costs even beyond those caused by more explicit economic factors. The general problem here seems to be that of the abolishment of old 'institutions' and 'rules of the game' without having adequate substitutes. For instance, many of the previous cultural, sporting and leisure associations for youth have been weakened or suppressed, and only a modest number of new community-based, religious or even profit-oriented institutions have replaced them. Restrictions concerning the freedom of movement and the importation of alcohol were rightly lifted, but no parallel effort was made to address the aggravation of the problems of vagrancy, alcoholism and crime which such measures have entailed. The dangerously large drop in

pre-school enrolment rates and participation in much needed summer camps for children can be explained by economic factors but also partly reflects the abrupt dismantling of these services which were previously funded and provided by state enterprises. User fees have been introduced but often lack a clear legal status. The list could continue. These problems have been compounded by a substantial weakening of the administrative and regulatory role of the state. Health inspections have been relaxed leading to more frequent cases of food poisoning and deaths; traffic and labour safety norms are more frequently violated, resulting in considerable additional deaths, while offenders often escape trial; health prophylaxis is no longer enforced systematically and could indeed lead to the resurgence of diseases which had previously been controlled; the police forces and the courts seem unable to deal with a growing wave of violent crimes, and are at times suspected of collusion.

Finally, though none of the nine countries included in this project is affected by major **ethnic problems** or military conflicts, it is undeniable that the problems beleaguering various parts of Central and Eastern Europe spill over into many of the countries analysed. Large numbers of political, ethnic and economic refugees are indeed moving across the region (as in Hungary and Russia), which inevitably means considerable costs for these countries, including possible outbreaks of contagious diseases in some cases.

The above discussion has emphasized three points. First, for the 1989-92 period there is a strong correlation between several welfare indicators and 'leading' economic variables (such as unemployment rate, real value and distribution of wages, child allowances and pensions). Second, large price shocks generally cause very significant drops in real incomes with only a **short time lag**. And third, the effective coverage of basic public services is affected, also with fairly short time lags, by supply factors (including the level, composition and efficiency of public expenditure), demand factors (such as the cost of utilization of services borne by the consumers) and evolution of the institutional and administrative framework.

Recent changes in these 'leading variables', government policies and exogenous factors, can therefore be used to assess welfare changes expected in the short term. To this end, one can rely upon quarterly data on wages, unemployment and prices (covering changes until the second quarter of 1993) included in the Annex and information on recent tax and expenditure policies included in Box 4.

With the exception of the Czech Republic and Slovakia, real value of **average wages** declined in the first six months of 1993, both in relation to the end of the previous year and/or to the corresponding period of 1992, thus 'freezing' hopes for a recovery in living standards and overall welfare (Table E.3a in the Annex). The wage decline is particularly marked in Romania and Bulgaria. The extent of short-term changes in capabilities-based welfare measures will also be influenced by variations in wage dispersion. It has been broadly estimated that, in the Eastern European context, an increase of one point in the Gini coefficient will push the poverty rate upwards by about one percentage point. With a slower than anticipated increase in wage inequality over the 1989-92 period, wage dispersion is projected to escalate over the short and, even more so, over the long term. The 1993 trends in wage differentials in Russia suggest that the impact of the 'distributive shock' on poverty is increasing.

As data on the first two quarters of 1993 show (see Table E.2a in the Annex), unemployment is continuing to grow, at times at a reduced pace, throughout the region. Only the Czech Republic and, perhaps, Hungary (where in mid 1993 unemployment was significantly higher than in 1992) have shown a clear inversion of this trend. The surge in unemployment is expected to be particularly acute in Russia, Ukraine and, to a lesser degree, in Romania, i.e. in all countries where a rise in the number of jobless has been significantly, or totally, circumvented until recently. Earlier in 1993, the Government of Ukraine estimated that unemployment would reach 6 per cent by the end of the year (from a minuscule 0.3 per cent at the end of the previous year). The continuation of essential structural and institutional reforms (privatization and bankruptcy legislation, for instance) will certainly accelerate the steep rise in unemployment and withdrawal from the labour force in these countries as well as in the rest of the region. Active labour market policies to counteract this trend have been, and are being, introduced on a relatively limited scale and only in a few countries. At the beginning of 1993, the Government of Bulgaria - the country with the highest unemployment rate in the region - introduced a short-term employment programme designed to provide 24.3 thousand work places. Overall, however, the 1993 trends in unemployment do not suggest a



**BOX 4 - MAIN FISCAL POLICY CHANGES IN 1993****TAX POLICY****1. Introduction or Modification of Value-Added Tax (VAT)**

- Jan - VAT tax rate on all vital consumption goods (previously 'zero-rated') to increase to either 6% or 25% (Hungary);
- As part of new tax reform, turn-over tax on food ('zero rated') is replaced by 5% VAT. Excise tax also introduced (Slovakia);
- May - VAT replaces sale tax (Romania);
- July - VAT introduced. Also excise tax on alcohol, tobacco, fuels, casinos, and lotteries (Poland);
- ... - VAT lowered from 28% to 10% for foodstuffs and children's goods and to 20% for rest of goods and services. VAT revenues to be maintained by new tax on energy producers and extension of VAT to imported goods and services (Russia).

**2. Introduction or Modification of Personal Income Tax (PIT) and Corporate Income Tax (CIT)**

- ... - Threshold of minimal income exempt from PIT raised; marginal tax rate lowered from 60% to 40%. Regressivity increased (Russia);
- ... - Socially-oriented tax credits and deductions to be enlarged (Russia);
- ... - New PIT system put in place (Slovakia).
- ... - Revision of PIT (Hungary)
- ... - Base rate of tax on profits from enterprises to remain at 32%, with 1/3 of overall amount of profit being tax-exempt. Tax allowance to keep average tax rate to 26% (Russia).
- ... - New tax relief measures leads to a reduction of tax revenues by 17% (Russia).

**EXPENDITURE POLICIES****1. Removal of Subsidies**

- Jan - Cash subsidies for residential rents removed (Poland);
- ... - Plan to decrease subsidies to agriculture and food producers so that by 1994 only meat and milk production to be subsidized; cuts to affect also fixed investment and military spending (Russia);
- ... - Consumer subsidies reduced to 1.4% of state budget (Poland);
- May - Elimination of all subsidies on food and industrial products; state rents still frozen at 1989 levels (Romania);
- June - Acceptance of IMF recommendations to reduce transportation, heating, and agricultural subsidies (Slovakia);
- ... - Drug subsidies abolished except for those under poverty line (Bulgaria);
- Sept - Cuts in a wide range of consumer subsidies (Ukraine);

**2. Expenditure on Health, Education and Social Welfare**

- ... - Government expenditures on social services to decline to 30.1% from 32.2% of overall public expenditure in 1993 (Bulgaria);
- ... - Government expenditures on social services to be cut to 32.1% from 33.5% of the total in 1993 (Slovakia);

*(continued)*

lessening of poverty and are cause for particular concern because of their expected effects on child poverty.

The situation is somewhat different on the **inflation** front. The increase in price levels over the first half of 1993 has been contained between 11 and 17 per cent in Hungary, Slovakia, the Czech Republic and Poland, but has accelerated substantially in Romania and Ukraine (for which only scattered data could be obtained) and declined only marginally (from a very high level) in Russia. In these countries, and particularly for the last two, persistence or acceleration of high levels of inflation will continue to exert negative pressures on welfare during the remaining part of 1993 and beyond. Part of this increase can be traced to large-scale **price liberalization**,

including most food products, carried out in Romania (in May 1993) and Ukraine (in September 1993). In Russia, energy, transportation, housing and utility prices were to be decontrolled by the end of 1993, though the extent to which these measures have actually been implemented is not entirely evident. As discussed elsewhere, these measures - regardless of their rationale - will produce a significant effect on consumer prices and on family welfare. In the other countries of the region, removal of remaining consumer subsidies (on fuel, transport, drugs, and so on) and liberalization of remaining price controls is expected to contribute to a creeping rise in inflation. Widespread introduction or increase of value-added tax (VAT) rates (see Box 4) in all of these



- ... - Government expenditures on social services as % total expenditures to increase to 28.2% in 1993 from 21.2% in 1992 (Romania);
- ... - Combined health and education expenditure projected to drop from 15.9% of total expenditures in 1992 to 14.6% in 1993 (Hungary);
- March - Reduction in PIT exemptions and reduction of PIT implicit rate for single-parent families (Poland);
- June - Reduction in CIT as incentive for investment in high unemployment areas (Poland).

### 3. Structural Health Care Reform

- ... - Movement toward insurance-based health care system (Czech Republic, Hungary, Russia and Slovakia).

### 4. Introduction or Increase in User Fees

- ... - User fees introduced for universal child care (equal to 15% of cost) and increased (to 45% of cost) for university enrolment (Bulgaria);

### 5. Changes in Cash Benefits Policy

- Jan - Family benefit extended to children up to age 20 as well as to students and children of unemployed (Poland);
- Jan - Tightening of cap on unemployment benefits. Maximum duration reduced to 12 months (Hungary);
- Jan - Unemployment benefits indexed twice at 90% of inflation (Bulgaria);
- ... - Eligibility age for unemployment benefits geared to new entrants increased to 29 from 25 (Russia);
- Jan - Reduction of indexation rate of old age and invalid pensions from 100% to 91%. (Poland);
- March - Pensions increased by 10-22%, max. 1840 crowns per person, 3060 crowns per couple (Czech Republic);
- National Insurance Law and Pension Insurance Fund put into place (Slovakia);
- March - Absolute minimum set for pensions (Hungary);
- April - Unemployment benefits extended to seven months (Poland);
- June - Pension benefits increased by 3.6% on average. All insurance contributions become revenue of state budget again (Russia);
- ... - Movement toward private pension system (Russia);
- March - Supplementary allowance for price increase compensation of 220 Kr per pensioner cancelled (Slovakia);
- Jan - Child allowance and related compensation for price increases transformed from universal to means-tested (Slovakia);
- Jan - Compensation for price increase (part of child allowance) transformed from universal to means tested (Czech Republic);
- ... - Maternity benefit reduced to 67% of previous salary, max. daily benefit set (Czech Republic);
- ... - Parental leave payment increased to 1360 crowns (Czech Republic);
- Jan - Family Allowance benefits increased, and their provision extended to pregnant women (Hungary);
- ... - New law reduces child allowance to 5% from 10% of average wage (Russia);
- Jan - Means-tested social benefits provided to long-term unemployed whose benefits had expired; special child-care allowances provided to mothers with three or more children (Hungary);
- May - White Paper of Ministry of Labour and Social Protection advocated move to American residual model of social protection heavily based on means-tested benefits (Romania);
- ... - Eligibility for social support more tightly related to income level (Russia);

countries (including for previously exempted essential goods) is likely to have a far more severe impact on the welfare of the poor.

The ability of governments to extend or even to sustain adequate 'social safety nets' in the immediate future will be constrained by the persistence of a **fragile fiscal balance**. This fragility is caused by continuing difficulties in sustaining government revenue (because of enduring recession, the delayed introduction and slow take up of tax reforms, and tax evasion). Despite subsidy cuts in the order of 8-10 per cent of GDP over the last few years, it appears that the drop in enterprise profit taxes is likely to continue to exceed the net drop in expenditure. While greater emphasis on faster paced tax reform and

institutional change is required, pressures to reduce budget deficits through further cuts in cash benefits, remaining subsidies and social expenditure are very likely to intensify. The inventory of measures adopted or proposed in 1993 (see Box 4) in this regard eloquently illustrates the nature of fiscal problems in the region. While this situation creates the risk of compressing or delaying needed social expenditures, gains in efficiency and targeting of social expenditure can offset some of these negative tendencies and would provide some room to manoeuvre in order to sustain welfare even in periods of stagnant or declining budgetary resources.

Lastly, similar considerations apply to the case of cash benefits. While growth of the number of unemployed and

potential recipients of social assistance in 1993 and beyond would increase *ceteris paribus* expenditure on cash benefits, the inability to raise an adequate amount of revenue will increase the urgency to curtail eligibility to some benefits, to shorten their duration or to reduce their real value. These preoccupations apply both to countries - such as Hungary, Slovakia or the Czech Republic - with extensive safety nets and to those with less-developed social protection systems. The number of people dropping out of income maintenance programmes is likely to rise significantly over the next 12 months.

Two additional considerations are in order before proceeding to a discussion of the expected evolution of welfare in a few identifiable country clusters over the next year. First, as noted above, in Central Europe and Poland, welfare deterioration observed in 1990 and 1991 has stabilized, though at less satisfactory levels than those of the pre-reform years. Therefore, barring further large shocks, human conditions should not deteriorate further for **inertial reasons**. Much will depend on changes in 'leading indicators' and in the 'external environment'. The latter, however, is not expected to improve significantly in 1994 because of sluggish growth in Western European economies and the uncertain outcome and unknown impact of the Uruguay Round on Eastern European exports to OECD countries.

Of the nine countries comprising this report, only the Czech Republic seems on its way to a recovery in welfare, though the separation with Slovakia in 1993 affected negatively the growth of output and trade. Unemployment is very low and declining, the rate of inflation remains significantly below the Central European average and wages are increasing steadily, though still remain well below their 1989 level. In addition, the budget deficit is very low and structural reforms (bankruptcy, privatization) are being kept on a steady course. Cash benefits (maternity, and pensions) have been trimmed or have become means-tested as part of fiscal austerity (see Box 4) but do not seem yet to have caused major problems. The move to health insurance is also well under way, while the 1993 estimates of IMR and other demographic variables suggest a possible continuation in 1994 of the positive trend initiated in 1992. Barring the emergence of large and unforeseen exogenous shocks, an improvement in social indicators seems therefore possible and likely. One potential source of preoccupation, however, concerns future changes in income inequality. While the limited increase observed so far (see Figure 13) has contributed to keeping poverty rates within moderate limits, an increase over the near and medium terms seems unavoidable, though its effects on poverty rates, particularly in case of a pronounced increase, would not be positive. Indeed, too fast a move towards greater income inequality would inflict a considerable welfare and efficiency cost to the overall reform programme. The low

level of unemployment should, however, moderate the effects of an eventual increase in earning dispersion.

At the other end of the spectrum, Russia and Ukraine are expected to continue to suffer from persistently high levels of poverty and serious welfare problems. The very high level of inflation in these two countries throughout 1993 continues to inflict very high welfare costs on most social groups (large families, and particularly families with members employed at minimum wages, children suffering from multiple deprivations, the elderly subsisting only on minimum pensions, refugees, and many other groups) with limited influence and no access to land, foreign currency or other sources of real income. For them, wages, pensions and allowances are bound to trail persistently behind the price level; it is doubtful whether any indexation system can work under conditions of hyperinflation. In addition, while the material wealth of these countries and the talent of their citizens offer unlimited potential for growth and prosperity (as indicated for instance by the bumper 1993 harvest in Ukraine), over the short and medium terms, additional social dislocations could be caused by the urgent need to stabilize inflation and the budget deficit and by structural changes which form the very core of structural reforms. In Russia and Ukraine, 'price and unemployment shocks' expected from privatization, further realignment of domestic to international prices, and reallocation of labour and other resources from heavy industry to agriculture, light industry and services are potentially very large. While over the medium term these reforms are very likely to produce significant benefits, protection of vulnerable groups in this process requires that adequate time and resources to strengthen existing social safety nets be made available. The budgetary resources needed for this '**adjustment with a human face and at a human pace**' are reasonable, but considerable political consensus and budgetary restructuring are required to produce the desired effects. Equally important is the need to fill the present institutional and administrative vacuum undermining reforms introduced so far. While all these radical departures from the present situation are certainly feasible, it would be unrealistic to expect a rapid solution to present difficulties. While industrial wages have already stopped declining, the wages of state employees and most types of pensions have continued to fall until recently, unemployment will likely increase in the near future (unless reforms change their course dramatically). While offering scope for large efficiency gains, real public expenditure on health, education, social welfare and cash benefits cannot be increased easily and may indeed even fall, unless drastic changes in tax policy and compliance are introduced. Under these circumstances, short-term prospects for a recovery in welfare remain relatively limited. While it is possible that the slump observed in 1992 and 1993 will stop in the months ahead, it would



be a flight into fantasy to imagine a rapid improvement in poverty and mortality rates, school enrolments, crime rates and other welfare indicators reviewed in this study.

Between these contrasting poles, one finds a continuum of situations. In Slovakia, Hungary and Poland (where output is expected to grow also in 1993) the situation is relatively closer to that of the Czech Republic than to that of Russia and Ukraine, though considerable difficulties are retarding - at times considerably - the recovery in economic conditions and human welfare. To start with, the international environment is likely to improve only modestly over the next year. In addition, unemployment is still on the rise in Poland and Slovakia; despite a small decline in the second quarter of 1993, it is also expected to continue to edge up in Hungary. Real wages are either stagnant or declining, while - as argued in this report - the limited increase in income inequality observed in the last four years results from postponement of the 'distributive shock'. In addition, ballooning budget deficits and the 'fragile fiscal balance' referred to earlier are causing and will cause even more so in the future a continuous erosion in duration, generosity of and eligibility for cash benefits and in real level of expenditure per capita (as illustrated in some detail in Box 4). Continuous efficiency gains and better objective targeting of existing household and public resources do represent, however, a considerable source of welfare improvements, while erosion of the institutional and administrative framework are less acute problems. The

most likely outcome of these contradictory tendencies is an ongoing stagnation in some of the welfare areas discussed above, though - as in the past, in these countries as elsewhere - continued progress seems feasible even under somewhat adverse conditions (as in the case of school enrolment, nutritional conditions, IMR and the institutionalization of children).

Though Bulgaria, Romania and Albania differ profoundly, and have achieved different levels of progress on the road to the market economy, the situation in these three countries can be considered as intermediary relative to that of Russia and Ukraine on the one side and that of the Czech Republic on the other. Albania is recovering from a very profound political and welfare crisis. Bulgaria and Romania have, on the other hand, made considerable adjustments in their economies, though the conditions do not yet seem favourable for a recovery in economic conditions and in human welfare. A review of the price, wage, unemployment and budgetary situation of these countries reveals indeed that the turnaround point has not been reached yet while - as in all the other countries - structural and institutional adjustment is far from accomplished. The 1993 welfare data, in addition, suggest that in several areas (including birth and death rates) there is continuing deterioration, though it appears that in others (for instance, pre-school education) improvements are already underway. For the next year, it is therefore difficult to envisage a recovery in welfare levels, and in some areas the downward trend is likely to continue.





## VI SPECIAL FOCUS: CHANGES IN CHILD AND FAMILY POLICIES

The new democracies in Central and Eastern Europe have inherited a broad set of policies influencing health, education and child well-being. Some of these policies, such as full employment, have since lost their relevance. While others, instituted to counterbalance low and equalized wages, e.g. generous family allowances and other cash transfers as well as maternity and parental leave, may be retained. Others, such as housing policies, which had had an ambiguous impact during socialism will also undergo revision. How far should - and can - these policies survive the transition is still in question today. To what extent are recent changes in these policies founded on a new market-based rationale or the result of inertia and growing budgetary constraints? This section reviews and comments on recent changes in policies and related outcomes.

### 1. THE TRADITIONAL ROLE OF CHILD AND FAMILY POLICIES IN CENTRAL AND EASTERN EUROPE

In the majority of industrialized nations employment conditions have tended to affect birth rates by reducing traditional economic motivations for child-bearing. Similarly, unless uncorrected through child allowances or comparable transfer payments, wage policy tends to discriminate against families with children. This situation is normally counterbalanced by measures, under the broad umbrella of family policies promoting childbirth and the care of children.

With spreading industrialization and the proletarianization of most agricultural labour, Central and Eastern Europe developed similar family policies. Policies also aimed to expand and improve the education level of the labour force and to provide social welfare to large sections of the population. These measures were accompanied by universal job availability and low wages - necessitating a two-earner family model and high female participation rates - and a comprehensive state social security system. The political conditions of this policy approach entailed prohibition or discouragement of any private or grass-roots initiatives in social and humanitarian areas.

Child and family policies in Central and Eastern Europe were therefore compelled to respond to the following challenges. Firstly, they had to promote child delivery and child and maternal health under conditions of low wages and with (almost) full female employment. This was facilitated by:

- providing long maternity leaves both before and after delivery;
- placing pregnancy, childbirth and abortion under the control of medical personnel;
- building up maternity and child health services as separate branches of the health system, with paediatricians and facilities organized according to health districts; and
- making health services accessible to all, free of charge.

Secondly, there was a need to ease the work/child care dichotomy which had been magnified by high female labour force participation rates. The traditional response was to establish child-care institutions. This worked well with kindergartens, but much less so for institutions for infants under age three. The public policy response to situations which could not be resolved by nurseries and day-care centres was the promotion of home care through parental leave. Extended parental

leave added to maternity leave made it unnecessary, in most cases, for very young children to be sent to pre-school institutions.

Thirdly, policies had to support the manpower needs of fast-paced industrialization of countries with agricultural traditions and low wage levels. The promotion of higher levels of education than parents themselves would support was facilitated by:

- limiting self-employment and discouraging child labour;
- strict administrative control over compulsory school attendance;
- provision of free or highly subsidized services and equipment (basic and additional courses, summer camps, books, and so on).

Finally, policies had to compensate households for the burden of child-rearing. In part, this was because the introduction of universal pensions and restrictions on child labour removed the economic motivation for having children. As well, the flat income distribution resulting from the egalitarian wage structure and lack of property income penalized households with children. Income-support policies embraced:

- non-cash compensations (preferential treatment in the allocation of shortage goods like housing, and high subsidies on children's goods); and
- cash support for families with children.

While many of the aims and measures employed were quite similar to those in most industrialized market economies, the measures tended to be broader in Central and Eastern European countries. This was because gaps between objectives and possibilities were deeper and tensions higher, and because elements of these policies easily fit into the general organization of economic and social institutions in Central and Eastern Europe.

Within this basic uniformity, child and family policies in Central and Eastern Europe reflected a variety of approaches and instruments; policy performance also showed considerable differences over time. Large improvements in health and education took place in the 1950s and 1960s, but later tapered off or were reversed. Most advances in child care were not made until the 1970s and 1980s when considerable progress occurred in most countries, partly to compensate for stagnating wages.

## 2. THE TRANSITION AND CHANGES IN POLICIES

### A. The Initial Conditions

**Maternity and child health services** were available free of charge in all countries of the region at the beginning of the transition. In most countries they were incorporated into a comprehensive social security system (pro-

viding both health and social insurance), and were accessible through employment in the state and cooperative sector or, in the case of (the few) self-employed persons (farmers, craftsmen, small traders), through membership in state-controlled associations. In some countries, such as Hungary, free health services were de jure provided by citizenship.

Accessibility was based on a rigid territorial principle and showed both regional and occupational inequalities. Nevertheless, coverage was high: almost 100 per cent of deliveries were attended by trained personnel; immunization rates stood at 95-100 per cent for tuberculosis, 85-100 per cent for measles, diphtheria, tetanus, pertussis and polio; and pregnancy consultation services built into the health system in many countries had attendance rates close to 100 per cent.

Abortion constituted one of the most controversial issues throughout the region before the transition. Policies oscillated between extremes - an almost total ban in Romania and liberal access in most other countries, resulting in its use as a major tool in birth control. The ratio of abortions to 100 live births was between 150-200 in the USSR, 118 in Bulgaria, 87 in the Czech Republic, 73 in Hungary and 61 in Slovakia, at the end of the 1980s.

**Maternity leave** was available as paid leave to employed mothers before and after delivery of a child. It was paid from social security funds for a period ranging from four to seven months and provided 50-100 per cent of the former salary (the actual replacement rate often depended on the employment record or on birth order).

**Sick child leave** - a paid leave for employed parents to care for a sick child at home - was available in almost all countries until the child reached 9-14 years of age. Leave days were either limited per year (usually 60 days), or for each illness (1-3 weeks). In Romania, leave was available only until the child reached age three, but was unlimited for the duration of a sickness. The allowance was set at 50-100 per cent of the wage, depending on length of service.

**Parental leave** - an extended leave available to either parent - was either paid or unpaid, however, the parent's job (and last wage) was protected by law. In most countries, paid leave lasting until the child was 1-2 years old was replaced by leave without or with less pay for an additional year. Romanians, however, were offered only non-paid leave until their child reached age three. Eligibility for paid leave was attached to a minimum (often six months) employment record (in Hungary parents who had not been employed could get a minimum allowance). The benefit was usually equal to the minimum wage or a portion of it. In Hungary, for instance, employed parents were granted 75 per cent of their last wage. In Czechoslovakia and Poland, the benefit - of a social assistance nature - was offered to single mothers, or was means-tested (income-based eligibility was set according to a national standard in



Poland, while decisions were left to the discretion of local authorities in Czechoslovakia). In most countries, both parents - and also grandparents in Bulgaria and the USSR - could take the leave. Allowances, provided by the employer, were paid from social security funds (except in Czechoslovakia).

This complex system of paid leave (maternity, parental and sick child leave) was developed gradually over the last decades. A considerable proportion of mothers (especially those with higher education and working in more responsible jobs) did not take advantage of the full length of parental leave even before the transition period, and many parents chose nurseries instead, if available.

A widely held misconception is that most nurseries and kindergartens belonged to workplaces under the communist regimes, however, the share of enterprise-run units was already relatively low at the onset of the transition. In the 1970s and 1980s - at the time of real expansion of these institutions - mainly public units were established. The share of enterprise-run units was 8 per cent in Hungary, 15 per cent in Russia, and relatively higher in Czechoslovakia: 27 and 20 per cent respectively in the Czech Republic and Slovakia.

**Nurseries** offering child-care services for infants under age three operated under the supervision of the health administration. Facilities, staff and practices often reflected these health-care origins. Nurseries provided by workplaces offered the advantage that mothers could remain in contact with their very small babies (and could continue breastfeeding); on the negative side, commuting with children was difficult. Generally, services were better in employer-run units.

The number and capacity of nurseries grew until the end of the 1970s, though overcrowding remained a permanent problem. In most countries, this congestion eased in the 1980s, even with a slow decline in the number of available places. This was due to the fall in demand resulting from the increase in the number of parents taking extended maternity and parental leave. In Czechoslovakia and the USSR, on the other hand, the number of children in nurseries rose until the late 1980s. Poorer and less highly-educated parents tended to use nurseries more than those who could afford to stay home. The system always covered only a minority of children, with large differences between urban and rural areas. The proportion of the child population covered ranged between 8-9 per cent (Poland) and 30-40 per cent (USSR) at the end of the 1980s.

**Kindergartens** offered full-day pre-school education for three to six year old children of employed women. As kindergartens were under the supervision of educational ministries and followed a curriculum, they were seen as providing not simply day care, but also child socialization and development.

The number and capacity of kindergartens grew at a fast pace in the 1970s and 1980s, easing acute over-

crowding, improving coverage rates, and considerably decreasing urban/rural differences. Around 70-85 per cent of the relevant child population was covered by public or semi-public (state enterprise-run) kindergartens by the end of the 1980s.

Despite political declarations to the contrary, the State assumed no specific obligation to provide either nurseries or kindergartens for children of working parents; universal entitlement could be attained if capacities allowed it. If there were vacant 'places', nurseries and kindergartens run by municipalities were obliged to take children of working parents living in the district. Fees usually depended on the parents' earnings, but were very low as no adjustment had been made for several decades. (State) enterprise-run units were also available for children on a territorial principle, but priority was given to the children of parents employed by firms providing the facility. There were also facilities for children of non-working mothers, but priority was given to those with both parents working.

**Monthly child or family allowances** were intended to compensate families (to a certain degree) for the additional expenditure involved in child-raising. The measure was also usually designed to encourage parents to reach a targeted number of children. In the majority of countries, the allowance increased when the second child was born and was reduced or remained unchanged after the third or fourth child. The benefit varied between 3-20 per cent of the average wage, and was paid from social security funds with eligibility tied to a (full-time) employment record.

In many countries, family allowance was explicitly targeted at lower-income families by differentiating either on the basis of benefit levels (Bulgaria and Poland until 1989), eligibility (USSR), or both (Romania) according to household income level. Allowances in most countries were more favourable for larger families or for single-parent households (except in Czechoslovakia). As several studies have pointed out, the incidence of family allowance was strongly progressive. Throughout the region in 1989, family allowances were conditional on parental employment, but self-employed households were often excluded.

**Compulsory and free education** embraced primary education in most countries, while in some (for example, Hungary and Poland) a part of secondary education was also provided on this basis. The lower age limit was 6-7 years, the upper 15 and sometimes 16 years. Almost 100 per cent of the relevant cohorts were usually covered; repetitions and drop-outs were rare events. No private schools were permitted (in some countries, however, the Church could administer some). Most often, not only were the basic services free, but also special courses in languages, music, gymnastics, and the like (or a minimal fee was required). School meals and often after-school care were available free of charge or for a subsidized fee. Several other sub-

sides, including for books and equipment, meant that schooling could be available at a very low cost. Vocational training, as part of secondary education, was widely supported by state enterprises and also offered on-the-job training and grants.

**Summer camps, sporting and recreation facilities** for children or for families with children were provided, partly by schools and partly by enterprises and trade unions. These were available for very modest fees, larger families were given priority on waiting lists for subsidized summer vacation facilities, and attendance rates were high. Cultural services, including theatres, music performances and libraries also enjoyed high state subsidies.

**Subsidies** on most goods, in addition to family allowances, also contributed to lessening the burden of child-rearing. Items targeted for children were highly subsidized; while most food products were subsidized, subsidies on milk and milk products were often largest. Clothing, footwear and furniture for children, as well as nappies and other baby goods, toys, children's books, schoolbooks, among others, were all subsidized and therefore available at very low prices.

**Housing** was also highly subsidized, and families with children enjoyed priority, both when queuing for rented apartments and in the allocation of grants or subsidies on mortgage loans.

## B. Changes in Policy Conditions

As political, natalist and labour considerations played a major role in the development of the network described above, changes in these policies must first be understood before analyzing recent changes in child and family policies.

### (i) The political context

Political decision makers tend to be caught between two fires when deciding what to do with inherited child and family policies. Any restriction of entitlements would be highly unpopular, considerations of by no means negligible importance in the new democracies. The need to balance the budget over the short and medium term, as well as long-term change in the public/private mix of the economy, tend to exert pressure in this direction.

Reduction of entitlements and benefits, therefore, tend to happen by default - as a result of major transformations in the economy, such as price and tax changes, or through inflation. As well, microdecisions taken by families facing continually deteriorating economic conditions contribute to the erosion. For example, many parents may be reluctant to take advantage of parental leave entitlements because of the ensuing drop in already declining real family incomes and because of the very real fear that their job may have disappeared in the interim.

### (ii) Changes in the labour market

Changes in economic activity and employment of women may affect child and family policies in several regards. A decline in employment of women in activities outside the household may lead to attitudinal changes towards motherhood, pregnancy and child delivery, thereby easing the work/child-care dichotomy, and pressures on related policies. On the other hand, a drop in female employment and subsequent return to the one-earner family model will result in a deterioration of the income position of households built on the two-earner model, unless changes are also made in wage distribution. The size of working-age female cohorts (usually regarded in these countries as those between ages 15-55) increased in the region, despite an overall population decline. Nevertheless, between 1989 and 1992, the number of employed women fell in all countries. Two factors were at work: increases in the number of women opting out of the labour force and increasing unemployment.

Formerly very high participation rates of women (80-90 per cent) dropped by 5-10 points during this period in all countries but Poland and Romania. In Poland, participation rates increased slightly as women took advantage of new unemployment entitlements which allowed them to stay at home without having to leave the labour force. In Romania, considerable growth in agricultural employment between 1989 and 1992 contributed to a large increase in economic activity among women (unique during this period). As a result, the total number of women employed increased until 1992, when rapidly rising female unemployment overtook, by a narrow margin, gains made by the increased labour force participation of women.

Unemployment, unknown in the socialist era, grew rapidly in the other countries as well, such that the drop in employment levels of working-age women was much larger than that of participation rates in most countries. Female employment rates declined to 66 per cent from 93 per cent in Bulgaria, to 70-62 per cent from 82 per cent in the Czech and Slovak Republics, to 66 from 78 per cent in Hungary, and to 60 from 70 per cent in Poland, and marginally in Romania in 1992, following increases from 1989 to 1991. In Russia and Ukraine, the decline in employment rates of women has also been modest. This is because problems of low productivity and widespread labour hoarding, endemic in these countries prior to the transition, still remain.

Abandonment of full-time industrial employment among both men and women, formerly typical in Central and Eastern Europe, has also had positive results, opening up opportunities for flexible employment patterns, part-time employment or self-employment, including in traditional sectors such as agriculture. This new flexibility in parents' schedules allows them to be more actively involved in the care and nurturing of their children than in the past.

In response to these changes, new patterns of child



care will emerge in Central and Eastern Europe. In the short term, demand for full-time institutionalized child care may fall. However, for some parents, it will remain a necessity, particularly if over the long run incomes are not adjusted to compensate for the reduction in number of earners, or if entitlement to unemployment and child care benefits is further restricted. As well, demand for alternate forms of child care will likely surface as parents try to mesh family responsibilities with increasingly complicated work schedules.

### **(iii) Changes in demographic trends**

Changing demographic trends are both cause and effect of changes in family and child policies. Demographic trends discussed earlier in this report, such as declining marriages, births and young child cohorts, reduce the burden on maternity and child health services and on pre-school institutions and may also lead to cash benefit savings. In the longer run, as these demographic waves work their way through the system, social and economic effects can be quite costly. More generous provision of income, housing, and other family-related benefits, on the other hand, may result in a reversal or moderation of some of these demographic trends.

### **(iv) Changes in the financial background of policies**

In general, fiscal resources available to support child and family policies have declined. As discussed in earlier sections of this report, decreasing revenues and fragility of the budget create strong pressure to reduce expenditures. GDP has declined in all countries under discussion; and with falling output, the share of government revenues has also declined in most cases. The state budget deficit has reached considerable proportions in Bulgaria, Hungary and Slovakia and has become extremely large in Albania, Russia and Ukraine. Besides cuts in state expenditures, there has been a general tendency to delegate responsibilities for provision of health, education, welfare services and social assistance to local levels. In most cases, since this was not accompanied by a transfer of budget resources, services have eroded.

## **C. Changes in Policies**

### **(i) Changes in child delivery and health policies**

Health systems are in the process of reorganization and transformation in all countries of the region from a *de facto* or *de jure* universal and free service to insurance-based and partially commercialized systems. Pace and timing of these changes, however, vary from country to country.

In Hungary, an insurance system based on free choice of family doctors replaced the former health system (available on citizenship grounds, but with territorial limitations) in January 1992. In Russia, a mandatory health insurance system was established in January 1993. In both countries, payroll taxes, with contributions paid partly by employers and partly by employees, go to separate funds which also receive contributions from general budget revenues. A distinction is made between 'basic' and 'non-basic' services, and additional fees are paid by users in the latter case. Maternal and child health is regarded as part of 'basic' health services in the new systems, inasmuch as no additional fees are required.

Developments in other countries tend to follow similar paths. While greater choice and efficiency may result, there is at the same time an increased risk of excluding marginal, low-income, and other groups not meeting eligibility requirements - those not employed, unemployment beneficiaries, pensioners - and their children. Formal access or eligibility of non-insured persons was granted only after a one-year interim period in Hungary - from 1993 when the new law on Social Assistance came into effect. In other countries, this issue is still being debated.

In all countries, health institutions are in dire financial straits. Subsidies for drugs have been seriously cut everywhere. To find additional sources of finance, public health institutions in Russia have had to build up special relations with large enterprises. In other countries too, hospitals increasingly charge for services or rely on contributions from patients or their relatives for the provision of food, drugs and nursing services. Certainly, under such conditions, less attention is paid to non-paying patients supported by the state insurance system, even though their right to free care remains unchanged. Doctors have been allowed to operate private practices in most countries since 1990 (in Russia, medical cooperatives have been given the go-ahead).

With regard to preventive care, the loosening of government control has resulted in lower levels of cooperation on the part of users (and sometimes in a reduction in quality and availability of medicines), and in turn has led to a deterioration in coverage and services. Data on immunization rates (see earlier sections) suggest that preventive health care has suffered more in the countries of the former USSR than in other parts of Eastern Europe. In Romania, the liberalization of abortion policies has contributed to the decrease in maternal deaths, as well as to drops in the number of birth and baby cohorts.

It has not been possible for any Eastern European countries to maintain the high profile given to pregnancy consultations before 1989. In the Czech Republic, Slovakia, Hungary and Romania, the policy of giving birth grants (a lump-sum cash allowance paid after



delivery) only if pregnancy check-ups were attended has been maintained, and birth grants have been aligned with inflation (with some time lags). This practice contributes to the maintenance of attendance rates close to 100 per cent. In Bulgaria, however, where birth allowances are no longer dependent on reporting for consultations, attendance rates had declined to 86 per cent by 1992. The countries of the former USSR present a similar picture to that of Bulgaria. In Ukraine, however, as of 1992, birth grants were paid only if mothers had attended consultations within the first 12 weeks of pregnancy. No such policy has yet been introduced in Russia or Romania.

Maternity and sick child leave conditions generally have not been reduced. On the contrary, duration of paid maternity leave (the mother receives 100 per cent of her former wage) was lengthened from 112 days to 126 days in the USSR in 1990, and to 140 days in Russia from 1992, and eligibility was extended to unemployed women dismissed during pregnancy. As benefits are linked to wages, inflation is buffered by the extent to which wages rise with inflation. Still, in times of high inflation or price shocks, benefits for long maternity leaves could considerably lose their purchasing power.

Sick child leave benefits remain relatively intact. In Bulgaria, the replacement of earnings was reduced to 70-90 per cent from 100 per cent for children above the age of nine, and a cap has been put on benefits in the Czech Republic and Hungary. Benefits remain unchanged in Poland and Romania, though in the latter, care is still available only for parents with children below age three. In Russia, benefits have been set uniformly at 100 per cent, an improvement for non-union members who formerly had been entitled to replacement levels of only 50 per cent.

## (ii) Changes in child-care and education policies

The role of government to provide basic educational services has not been questioned. However, responsibility for care of pre-school age children has been shifted from government to parents in some countries. In Russia, for example, the newly adopted Law on Education (1992) guarantees that the State provides financial and material support for pre-school education, while also emphasizing that the pre-school network is considered complementary to family upbringing. A governmental decree established minimum programmes for child care in Poland in 1992. These should be seen in the light of relatively major changes occurring as a result of other policy changes including the introduction of a variety of providers and the transfer of part of costs of services to the child's family.

The State has retained its responsibility for the provision of child-care services in Bulgaria, Slovakia and Romania. In Hungary and the former USSR, administrative responsibilities were transferred to

municipalities some time ago, while in the Czech Republic, this transfer was more recent (1991). In these countries, the State provides grants to municipalities to finance nurseries and kindergartens. Beginning with the enactment of the new Law on Education in 1991, the State in Poland began to hand over not only administrative tasks to municipalities, but also financing and maintenance of nurseries, kindergartens and primary and secondary school institutions.

Enterprise-provided child care is becoming less frequent. This trend is fuelled by financial difficulties facing most firms and by privatization of the sector - which strengthens the profit motive and tends to reduce the average size of firms. As well, termination of government regulations requiring enterprises to provide these services, and easing of public expectations have also contributed to their demise. In addition, with increases in short-term supply of labour, enterprises no longer find it necessary to supply child care facilities to attract workers. While 773 kindergartens had been run by enterprises in Slovakia in 1989, by 1992 only 196 remained. In Hungary, only 1 per cent of children in the relevant age group attends enterprise-run kindergartens at present. The policy response to the closure of enterprise-run units has been to transfer management to municipalities (sometimes with preferential treatment for employees of the donor firm).

**In the case of nurseries**, demand has also declined considerably due, in part, to the drop in both female employment rates and child cohorts. After 1989, as nurseries closed, enrolment rates (the proportion of each age cohort enrolled) fell considerably in all countries. In Bulgaria, a stabilization in the number of places resulted in somewhat higher enrolment figures in 1992.

Children may be affected negatively by closures if parents are not able to remain at home with them or cannot find suitable alternative solutions with grandparents or other adults. On the other hand, nurseries may not necessarily be the best place for infants. In most instances, one-on-one care provided by parents or comparable adults is preferable to institutionalized care. As well, regulation of conditions in institutions can be problematic. Prior to the transition for example, many nurseries in Central and Eastern Europe were neglected, crowded and provided low levels of care. Health considerations kept many parents from using these facilities.

To what extent can **parental leave** replace the loss of nursery support? Parental leave had a rather uneven profile prior to the transition; while in some countries appropriately long leaves with adequate wage replacement were offered, in others this was not the case. Changes in availability after 1989 made parental leave more appealing in those countries where previously it had been more limited.

In Romania, where no paid leave had been provided before 1989, a leave with cash benefit (65 per

cent of the last wage) was introduced for full-time employed parents, available until the child's first birthday. In Russia, 'nursing leave' was extended in 1991 to 1.5 years from one year, and the benefit level was raised to 45-60 from 40 per cent of the minimum wage. 'Child care leave', available before 1991 in the form of a six-month unpaid leave, was extended to cover children in the 1.5-3 age group, and a minimal payment was attached. As the minimum wage has lagged far behind inflation, in an attempt to save benefits from the effects of hyperinflation, ad hoc compensations have been offered since 1992. In Ukraine 'nursing leave' compensation was raised to the minimum wage in 1991. The flat-rate benefit has kept its real value in the Czech Republic and Slovakia.

In Poland, the situation has become more restrictive, with benefits further targeted toward the very poor. In 1992, the income threshold for entitlement was decreased to 18 from 25 per cent of the average wage (measured by per capita income of households). The value of the benefit was reduced to a flat rate of 21 per cent of the average wage from 25 per cent of one's previous wage. Benefits for single mothers were set slightly higher - 33 per cent of the average wage, from 40 per cent of their previous wage.

Leave conditions are not the only factors influencing use. The overall decrease in real household income has required many parents to return to work before completing their leave. Together with increasing unemployment, this explains the recent decrease in parental leave uptake, even in Hungary where leave conditions are otherwise generous. Nevertheless, preservation and improvement of the institution of parental leave has contributed considerably to lessening tensions between work and early child care in most countries in transition.

Despite theoretically unchanged policies, provisions for education to all pre-school age children seem to have been abandoned. The reason is all too often simply a lack of money. The State has cut its contribution; in turn, municipalities - where responsibilities tend to be delegated both from the 'centre' and from employers - do not have funding to take over kindergartens and/or are forced to limit or decrease the number of children accepted.

In 1990, most countries attempted to solve the problem by raising kindergarten tuition and other associated fees (see Table 13). The immediate decline in enrolments gave proof of the inadequacy of this approach. From 1991, fees were frozen or limited almost everywhere. This appears to have been a temporary measure: in Bulgaria, after a declining trend, fees were more than doubled in 1993 when universal fees amounting to 15 per cent of the average wage replaced income-tested fees. In Poland, fees have since steadily risen to reach one third of the average wage. In Romania, fee increases introduced in September 1993, are

now close to 16 per cent of the average wage. In Russia, a regulation introduced in 1992, limited user fees to 20 per cent of costs and to 10 per cent for parents with three or more children.

Lack of funding for kindergartens has resulted in declining enrolments. While increasing unemployment may also contribute to the decline, its role appears to be minimal. The drop in enrolment is larger than the increase in unemployment (which often lasts only a few months), and is also occurring in those countries where unemployment rates are low.

**Kindergarten** enrolment declines have been considerable in all countries, with the exception of Hungary (see Table 13 and Figure 16). This trend is considered by many to be very unfavourable, as 3-5 year old children's social development is enhanced by communication and interaction with their peers. Moreover, kindergartens serve as preparatory ground for school for children aged five to six. In Russia, where the enrolment age for elementary schools was lowered in the 1980s to six years from seven, (only 18 per cent of schools were able to comply by the beginning of the 1990s), the preparatory role performed by kindergartens has considerably increased.

Previous enrolment rates of 70-90 per cent could relatively easily be raised to close to 100 per cent as children born during the transition reach kindergarten age, because 3-5 year-old child cohorts will decline year by year. However, the drop in enrolment may result in the disappearance of many kindergartens by that time.

Official attitudes toward private child-care institutions changed with the political transformations, and grass-roots initiatives resulted in the establishment of private kindergartens even before relevant laws had been modified. In Hungary, 48 such kindergartens provided care for 0.6 per cent of the relevant child population in 1992. In Bulgaria, ten private kindergartens were in operation in 1991, one year ahead of their legalization. By 1993, they had increased in number to 56, in spite of their fees being about 13 times higher than those of public kindergartens. Following the 1992 Law on Education in Russia, several existing kindergartens were privatized or turned into cooperative enterprises.

Private kindergartens (which may provide better quality services or extra facilities such as language courses) tend to be available only for higher-income families. Their effect on public units is ambiguous; low-income earners could be crowded out if public units are privatized. On the other hand, they may ease the burden on municipality-run units. However, private initiatives have remained sporadic, hence failing to prevent a large drop in pre-school attendance in the region.

Policies concerning **primary education** remain relatively intact. Neither the general obligation of governments to provide free basic public education to all children, nor the mandatory nature of either public or non-public (religious or private) basic education has



**Table 13. Children in nurseries and parents on parental leave: enrolment and fees in kindergartens, 1989-92**

	1989	1990	1991	1992
<b>Children in crèches as % of 0-2 age group</b>				
Bulgaria	12.8	11.7	11.7	14.0
Czech Republic	13.8	8.1	4.0*	3.5*
Hungary	8.1	7.5	6.7	6.4
Poland	8.5	8.0	6.7	5.4
Romania	4.4	4.3	4.2	4.0*
Russia	34.7	28.6	24.3	—
Slovakia	12.8	9.3	—	—
Ukraine	28.3	22.4	18.8	—
<b>Parents on parental leave per 100 children aged 0-2</b>				
Bulgaria	34.0	33.0	32.0	—
Czech Republic	50.0*	51.0	72.9	75.0*
Hungary	69.0	69.0	53.0*	43.0*
Poland	41.4	36.9	31.3	26.3
Romania	—	—	—	—
Russia	—	—	—	—
Slovakia	—	—	—	—
Ukraine	—	—	—	—
<b>Enrolment rates in pre-primary education, (%)</b>				
Bulgaria	72.8	67.0	56.1	59.8
Czech Republic b)	99.0	90.0	83.0	—
Hungary	85.7	84.9	85.9	86.4
Poland	48.7	47.1	43.9	42.6
Romania	63.2	54.3	51.9	53.5
Russia	69.3	66.4	63.9	56.8
Slovakia	91.5	83.7	75.7	77.7
Ukraine g)	85.6*	—	81.9*	—
<b>Fees paid by households as % of average wage a)</b>				
Bulgaria a)	13	10	9	15
Czech Republic	c)	c)	c)	c)
Hungary	d)	d)	d)	d)
Poland	25.0	30.9	36.7	—
Romania e)	10.0	21.4	14.5	10.6
Russia	3.0	2.8	1.4	f)
Slovakia	c)	c)	c)	c)
Ukraine	6.0*	6.0*	6.0*	6.0*

\* Estimate

a) Fees also depend on family income

b) Covers the 5 year-old group

c) Parents pay for meals only

d) Parents pay for meals in public units; they may pay extra fees in other units

e) Share of costs borne by users: 1989: 69 per cent; 1990: 82 per cent; 1991: 59 per cent; 1992: 51 per cent

f) Share of costs borne by users cannot exceed 20 per cent (or 10 per cent for parents with three or more children) according to a new regulation introduced in April 1992

g) Total number of enrolments as percentage of 3-5 year-old cohorts. Share of children receiving preparatory education in kindergartens or in schools at age 6: 1990: 55.1 per cent; 1991: 50.2 per cent; 1992: 46.3 per cent.

been modified. Minor policy changes have permitted new curricula to be used and, in some cases, responsibility for schools has been transferred to municipalities or to the Church. Private primary schools have remained insignificant in those countries where they were allowed, largely due to high fees. In Russia for example, where private schools have been legal since 1992, private tuition fees amounted to between 10 and 50 per cent of the average wage.

The definition of basic free education, however, has been narrowed in public education. Fees were introduced for services other than mandatory subjects (such as for additional language hours) and subsidies for books and other school equipment were dropped in many cases. Estimated costs for users of primary education per child rose from 3 to 4 per cent of the average wage in Poland, where users had already been paying 20 per cent of expenditures (100 per cent of boarding costs and books) in 1989. In Russia, such costs were estimated to have increased to 3% of the average wage in 1991, from 1 per cent in 1989. In Hungary, parents are pressed to support schools through voluntary payments to special founda-

tions which finance all kinds of expenses, excluding wage costs for provision of basic subjects and minimal maintenance of basic facilities. Schoolbooks are still subsidized, to some extent, through school distribution (often via school libraries) in Hungary and Poland. In Bulgaria, free provision of schoolbooks was terminated in 1992.

The practice of charging fees for all 'additional' services creates a dualism in basic education. Even in public schools, paid services increase in importance and non-paid ones tend to lose appeal for the providers. As a result, children from poorer families may be at a disadvantage from the beginning of their education.

Without greater social assistance, many children from marginalized or minority groups may not be able to afford these additional fees. Recent declines in primary school enrolment rates in most countries - from close to 100 per cent prior to 1989, could be a reflection of this phenomenon. One solution may be to modify cash-benefit conditions, such that entitlements to family allowance benefits, for example, become linked to enrolment or school attendance, even for those age groups subject to compulsory education.



### (iii) Policies on support of families with children

General support for families with children had two main channels before the transition: family/child cash allowances and price subsidies. The rapid price liberalization and overall removal of price subsidies - generally seen as the first step in economic transformation, as discussed earlier - meant that this latter channel ceased to exist as an instrument of child and family policy. Price subsidies on children's goods were not

exempt from drastic cuts; quite the contrary, as the highest subsidies tended to be on goods consumed by children, the initial inflation shocks often hit households with children the hardest.

In theory, due to their universal nature (although they often benefitted higher-income people more - since they could buy more goods and thus receive more subsidies), the phasing out of price subsidies produced savings, part of which could be used to provide cash compensations. The transformation of indirect subsi-

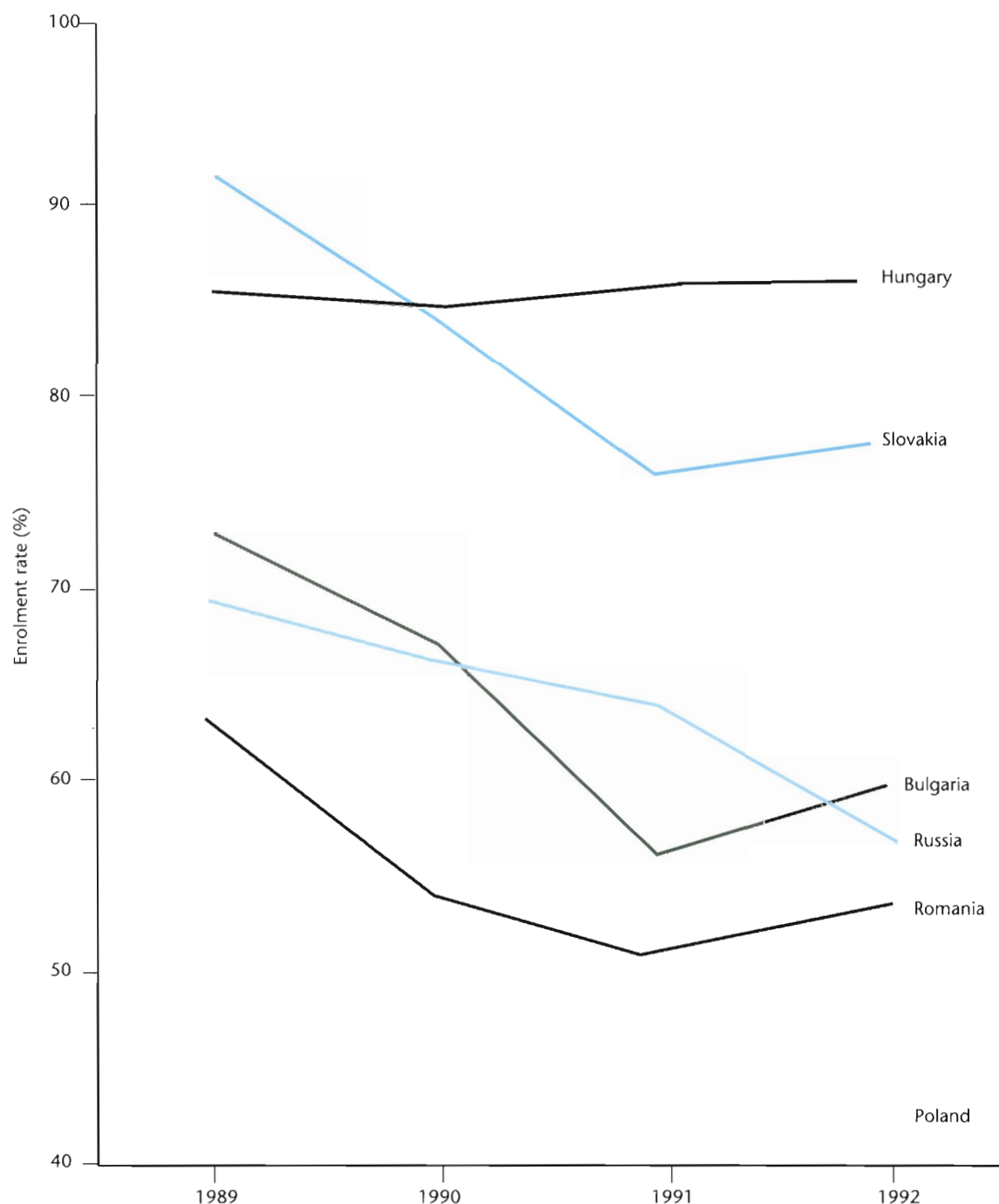
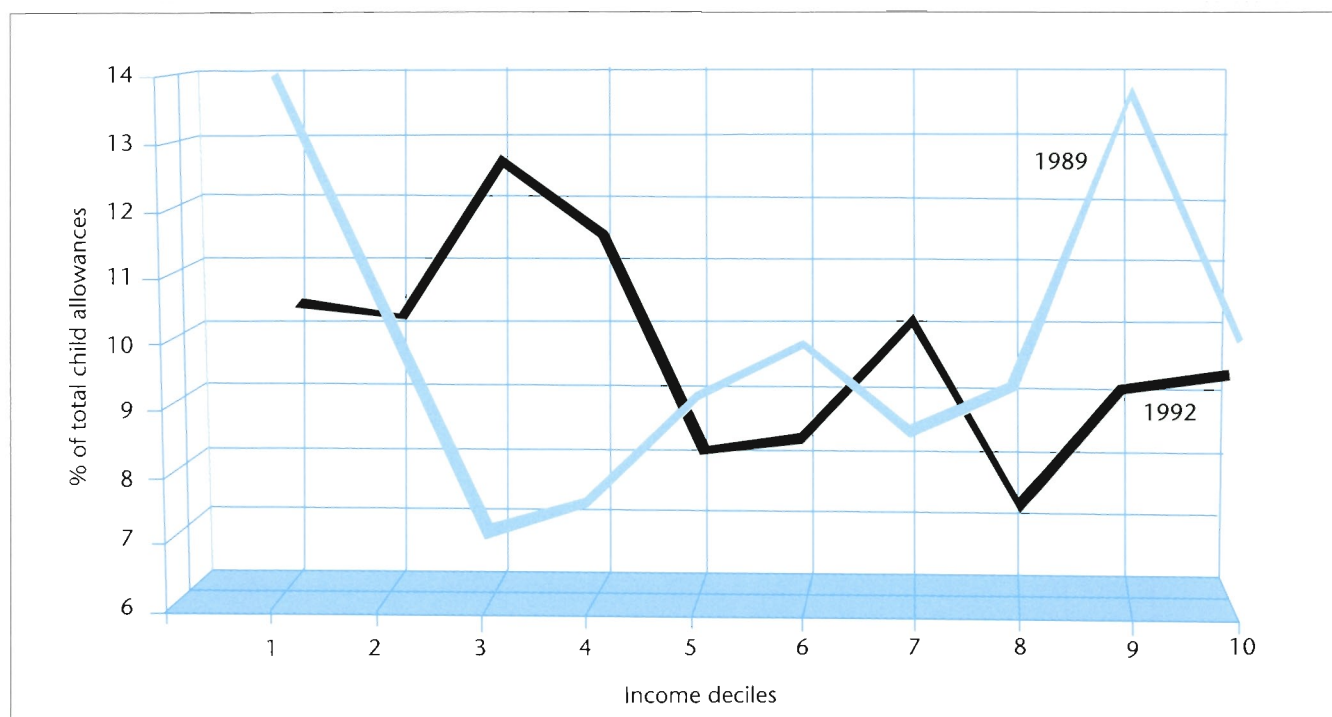


Fig. 16 - Pre-primary enrolment rates in six countries, 1989-92



**Fig. 17 - Distribution of child allowances by income decile in Poland, 1989 and 1992**

dies into cash support was attempted in some countries (the Czech Republic, Slovakia and Hungary) where the family allowance was almost as universally accessible as price subsidies had been. In other countries, where cash allowances played only a minor role (countries of the former USSR or Romania, for instance) government savings were not translated into additional cash support for families with children.

While coverage varies from country to country, on the whole, the picture that emerges is of declining compensations. In 1993, eligibility conditions for family allowances were explicitly tightened only in the Czech Republic and Slovakia, where family allowances (and compensations) became means-tested. In Russia, where the benefit has traditionally played a minor role, eligibility remains restricted. The entitlement period for children of single mothers has been prolonged until the child reaches age 16 (18, if a student), while children in low-income families remained entitled only until age six. Regulations excluding children below the age of one and a half have not been changed. In Hungary, eligibility became less restricted. In 1990, already widely available family allowances became universal; limitations for families with one child were removed and although several proposals for 'better targeting' have been put forward, no restrictions have yet been introduced.

Eligibility for family allowances in most countries still reflects former conditions when allowances were used to increase the appeal of full-time employment in the public sector. In most countries, eligibility remains limited to employed parents (with additional limitations in some countries), rather than being universally

available (as in Hungary or many Western countries). Eligibility is also often tied to school attendance to discourage child labour and to encourage investment in human capital.

In the past, the practice of full-employment in the public sector rendered the distinction between universal and work-related entitlements meaningless. However, as the share of self-employed, employed in the non-formal sector, or unemployed people grows, this distinction may contribute to the exclusion of a large number of families with children, many of whom most require the additional income support.

In some cases loss of benefits has been temporary. In several countries, as happened in Poland in 1992, people making the transition from unemployment to social assistance benefits were temporarily deprived of family allowance benefits. In other cases, the exclusion is long-standing. In Romania, children of the self-employed, of those working in private enterprises and of non-working parents not registered at public labour offices remain ineligible for family allowance. In other countries, children of the self-employed receive benefits only if parents pay insurance contributions (which are avoided by many - typically by those in less well-off positions - even though they may be compulsory). Registration with labour offices is crucial for the unemployed; failure to do so usually results in loss of eligibility for family allowance.

Information on family-allowance coverage levels throughout the region is not uniformly available. While coverage increased in Hungary between 1989 and 1991 following the shift to a universal benefit system, it appears to have declined in other countries.

Planned changes towards a more comprehensive system from 1994, may reverse this trend in Romania. Movement to insurance-based systems tied to employment and to means-tested benefits, as well as declining secondary school enrolment rates have been the major factors contributing to the drop in the proportion of children aged 0-18 receiving benefits.

Coverage dropped in the Czech Republic and Slovakia following the introduction of means-tested benefits. In the Czech Republic, only families with an income of less than 12,000 Czech Crowns (CK) are now eligible. This threshold amounts to about double the average wage, typical of the two-earner family model. In Slovakia, the threshold is higher: 16,800 Slovak Crowns (SK).

In most countries of the region, distribution of family allowances by income level seems to be fairly progressive. For instance, while the proportion of children in the bottom deciles grew between 1989 and 1992 in Poland, the share of family allowances received by them improved considerably over the same period (Figure 17).

Real value of the benefit, however, has declined considerably throughout the region, with the exception of Poland, (see Table 14 and Figure 18 which illustrates the decline in real value of child allowances in Bulgaria and its decline in relation to average wage). Cash supplements to benefits reduced the extent of decline, but did not fully compensate for cuts in subsidies nor for price increases due to soaring inflation. In some countries (including Bulgaria, Russia and Ukraine), price compensations have become more important than the allowances themselves. In Poland,

real value of benefits has increased, staying well ahead of inflation, except for a slight erosion in 1992.

Restriction of cash benefits compensating for inflation may reflect fiscal policies and the need for budget stabilization. The way that compensations are distributed, on the other hand, reveals more regarding the priorities in wage and social policies. If only wage compensations are made, this may reflect a policy to increase the incentive power of wages (according to the theory that wage distribution was compressed under socialism), rather than improving the economic situation for families with children (or perhaps for wage earners outside the state sector and non-wage earners). Compensating both wages and family or child benefits is a more balanced, but costly decision. Finally, compensations focused only on family and child benefits, may reflect a continuation of policies favouring subsidization of children's goods only in a new, more 'market conforming' way.

In general, family allowance benefits have also declined in relation to average wages. The family allowance benefit/average wage ratio (see Table 14) increased in the first years when and where large reforms were introduced (or where the value had been very low). In ensuing years, a trend toward declining values of child allowances - unproportional to wages - occurred. Nowhere have allowances been indexed according to price increases or pegged to the average wage, which could have provided at least some moderate protection against inflation in the longer term. Price compensations often were kept separate from allowances. In the Czech Republic and Slovakia, flat-rate compensations attached both to wages and allow-

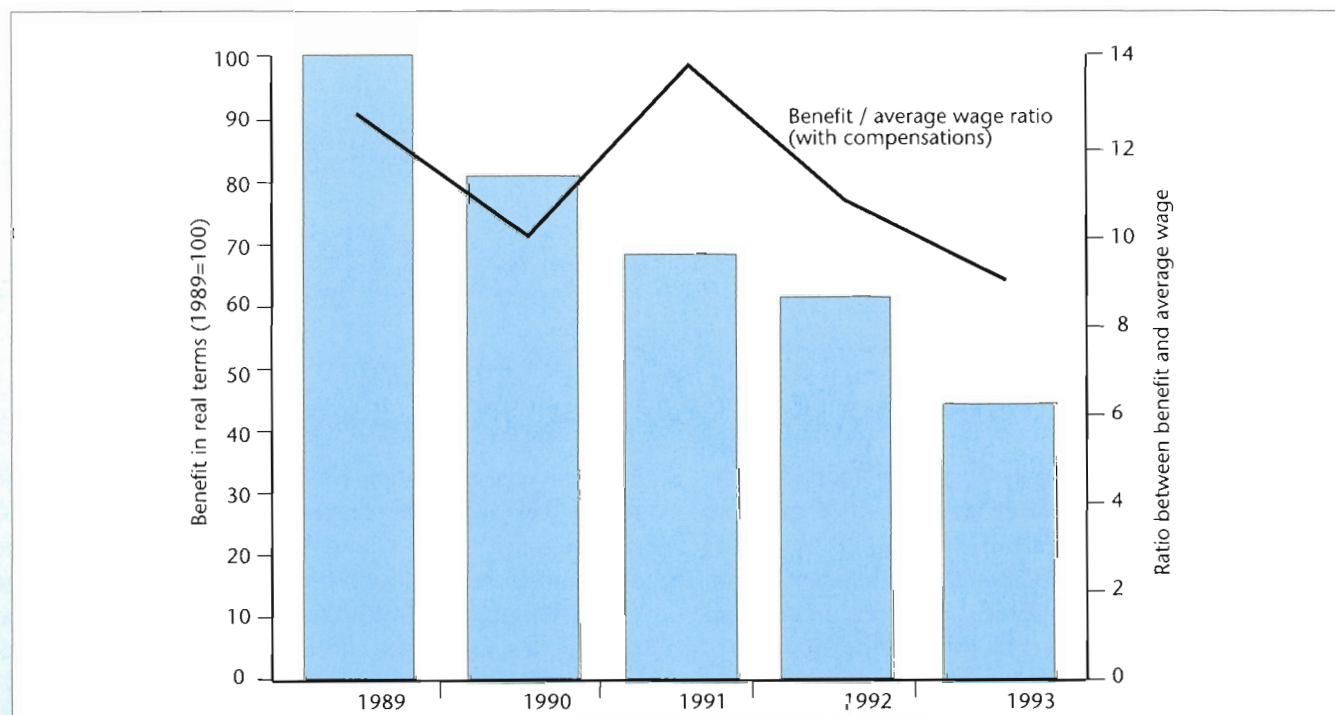


Fig. 18 - Child allowances in Bulgaria, 1989-93



Table 14. Main features of family allowance systems a) (%)

	1989	1990	1991	1992	1993
<b>Bulgaria</b>					
coverage	76.7	80.3	81.0	69.9	—
benefit in real terms	100.0	80.8	18.4	10.3	6*
- (including compensation for price increases)	100.0	80.8	68.3	61.6	44*
benefit/average wage ratio b)	12.8	9.8	3.7	1.8	1*
- (including compensation for price increases)	—	—	13.8	10.7	9*
progressivity a) in relation to # of children	3.66	3.66	1.41 d)	1.24 d)	1.19 d)
<b>Czech Republic</b>					
coverage	99.5	99.4	97.1	92.1	— c)
benefit in real terms	100.0	91.0	58.1	52.3	—
- (including compensation for price increases)	100.0	110.6	92.6	87.7	—
benefit/average wage ratio b)	10.4	9.8	8.3	7.0	—
- (including compensation for price increases) c)	—	11.9	13.2	11.7	—
progressivity in relation to # of children	2.80	2.80	2.80	2.80	—
<b>Hungary</b>					
coverage	84.3	91.1	93.1	91.5	—
benefit in real terms	100.0	98.1	87.7	78.3	73.4*
benefit/average wage ratio b)	20.5	21.8	19.9	18.1	17*
progressivity in relation to # of children	1.29	1.13	1.34	1.37	1.36
<b>Poland</b>					
coverage	—	—	—	—	—
benefit in real terms	100.0	165.1	185.8	183.3	—
benefit/average wage ratio	2.6	5.8	6.5	6.7	5.4*
progressivity in relation to # of children	2.96	1.00	1.00	1.00	1.00
<b>Romania</b>					
coverage e)	63.8	71.0	66.3	65.0	—
benefit in real terms	100.0	95.1	60.9	40.9	—
value related to wages b)	9.8	8.9	6.6	5.3	—
progressivity in relation to # of children	1.34	1.34	1.17	1.08	—
<b>Russia</b>					
coverage	—	—	—	28.8 f)	26.3 f)
benefit in real terms	—	—	—	—	78.4 g) i)
benefit/average wage ratio	—	—	—	5.8 h)	3.6 h) i)
progressivity in relation to # of children	—	—	—	—	—
<b>Slovakia</b>					
coverage	92.4	92.0	89.5	90*	— d)
benefit in real terms	100.0	90.7	56.2	51.2	44.4
- (including compensation for price increases)	100.0	101.6	85.9	77.4	67.1
benefit/average wage ratio c)	10.5	9.9	8.3	7.2	—
- (including compensation for price increases) c)	—	12.1	13.2	12.1	—
progressivity in relation to # of children	2.80	2.80	2.80	2.80	2.80
<b>Ukraine</b>					
coverage	—	—	—	55 j)	—
benefit in real terms*	—	—	—	—	—
benefit/average wage ratio*	7.4	14.0	21.3	k)	k)
progressivity in relation to # of children	—	—	—	—	—

a) Coverage: Total number of recipient children as percentage of child population aged 0-18 years.

Benefit: yearly average of per child monthly allowance of a two-child couple (or the most typical group of receivers)

- deflated with the average consumer price index in the case of 'in real terms 1989 = 100.0' and

- related to the average net wage in the case of 'benefit/average wage ratio'.

Progressivity: the size of the third child's provision in relation to the first child's allowance in two-parent families.

b) Related to net wages. In Hungary, for instance, if gross wages are used the ratios are 15.9, 16.7, 12.3, 12.6 % respectively for the years 1989-1992 and 13.2% in the first half of 1993.

c) From 1993 family allowance and the related compensation for price increases have been means-tested in Slovakia (the family income threshold is 16,800 SK and 12,000 SK respectively).

In the Czech Republic only the compensation for price increases has become means-tested.

d) With compensations.

e) For Romania coverage shows the number of recipients as percentage of children aged 0-16.

f) Includes number of children aged 1.5-6 receiving allowances and those of since mothers' children in April.

g) Real value index of allowances of children aged 1.5-6 between April 1993 and April 1992.

h) Allowances in April related to wages in the same months.

i) From 1 April 1993, 1,188 roubles were quoted as price compensations for all children under six, and 1,425 roubles for children aged 6-13 (the value of these compensations was somewhat higher than the per child value of family allowances).

j) The allowance is means-tested.

k) In 1992: 50 per cent of the minimum wage; in 1993: 90 per cent of the minimum wage plus bread allowance.

\* Estimate.

ances provided full protection against inflation, and the ratio between family allowance and wages became more favourable after the first price shock in 1990 (a policy which presumably reflected the recognition that termination of subsidies had affected children more than other groups). Allowances then lost considerable part of their purchasing power due to further inflation, but declined less than wages did - if further compensations are also considered. As price compensations have not

been incorporated into family allowances (as was the case in 1992 with the compensations attached to wages) they may be readily eliminated. In Bulgaria, where the allowance itself has not been altered (similar to the Czech Republic and Slovakia), three-digit inflation and plummeting real wages have resulted in the loss of practically all of the value and importance of the benefit. Family allowances traditionally differentiated allowance values according to birth order or family size; this

is best illustrated by relating the allowance for the third child to that of the first (see Table 14). Only in Hungary was this ratio increased (after an initial drop). In all other countries differentiation decreased or ceased between 1989 and 1992, presumably as a consequence of the abandonment of pro-natalist policies.

The effect of this change, however, may be to increase the number of children in poverty. Analysis shows that differentiation played a larger role in reducing poverty than in increasing number of births. Several studies on the effectiveness of the differentiated benefit stress the positive role that the benefit plays in preventing larger families from falling into poverty and in enabling them to educate their children.

### **3. THE ADEQUACY OF POLICY CHANGES**

Changes in child and family policies to date have not been as large as might have been expected, nor as extreme as foreseen during the revolutionary period of 1989. Creeping changes, rather than declared withdrawals, have led to considerable erosion of some family and child benefits and entitlements.

Further policy changes should be approached with caution. As discussed earlier in this report, transformation of the institutional framework of the economy has been much slower, and the crises escorting it more serious than anticipated. Cuts in the social area might exacerbate the situation. Better that changes in this area follow, and adjust to new situations brought about by changes in the markets, rather than preceding market changes. Most measures surviving the first period of drastic changes, with minor modifications, have been useful and viable features of the social safety net put into place.

This comes as no surprise, as the measures have their origin in the market economies of Western Europe. The only authentically 'Eastern' instrument - parental leave (a 1967 Hungarian innovation) - has spread with success to Western Europe and other non-communist parts of the world during the last two decades.

#### **How adequate have policy responses been in the light of outcomes and changes in circumstances?**

Child and family policies have been reviewed in this report from three broad perspectives: their effectiveness in improving child and maternal health, in easing the work/child care dichotomy, and in offering adequate support for families with children. While policies relating to the first two issues have been partially successful, it is clear that designated policy instruments have not yet successfully reduced the disadvantages faced by families with children vis à vis their childless counterparts.

The abandonment of the extreme pro-natalist policies prevailing in some countries had immediate and positive results in the area of child and maternal health. It is, however, too early to assess the impact of the movement towards an insurance-based health sys-

tem on child and maternal health. There are, for instance, alarming signs that deterioration in coverage and drops in finances in this area are having a negative affect. The decrease in IMR has drawn to a halt and the number of at-risk births is on the rise. The rate of women screened during pregnancy has declined in some countries, and immunization rates have dropped. This latter development is extremely dangerous, especially in less-developed areas or close to territories suffering from ethnic, political, or other turbulence or engaged in civil war.

The work/child care dichotomy has been reduced in most countries as a result of declines in the young child cohorts, in labour market participation, and more importantly, in employment rates of women. The main policy response to diminished financial sources and closures of nurseries has been to improve or to maintain parental leave conditions, a cheaper and more effective - from a child development viewpoint - measure than to invest in nurseries. A broader and more generous use of parental leave, involving a temporary withdrawal from the labour market, is more remunerative than the unemployment benefit and helps to reduce the over supply of labour on the market.

A very unfavourable outcome of the transition has been the drop in pre-school education in almost all countries. Policy responses, such as the transfer of workplace-run units to municipalities have often been hindered by financial considerations. Other policy changes have exacerbated the situation. A sharp and uniform rise in kindergarten fees, as recently occurred in Bulgaria, has resulted in the exclusion of those most in need, and in other countries has proven to be not viable as a device for increasing efficiency. Efforts to find local sponsors, if underpinned with proper tax and public relation policies, may prove to be more expedient.

Provision of adequate support to families with children remains one of the greatest challenges. Cuts in price subsidies and introduction of fees for formerly free services have reduced purchasing power more for families with children than for others and have contributed to the growing impoverishment of children. Policies designed to preventing further erosion of family resources have not yet been successfully put into place. Family allowances benefits not only have declined in real value, but have also lost much of their importance in relation to wages in most countries. Only Hungary has used savings from price subsidy reductions to turn child allowances into universal systems, while Romania has declared its intention to universalize child allowances from 1994. In Slovakia, on the other hand, child allowances and the related compensation for price increases became means-tested in 1993. In the Czech Republic only the latter became subject to means-testing at that time. No information is yet available on how this has actually affected the poor in these countries. Nevertheless, better targeting could be achieved in simpler

ways by relying on objective characteristics of the poor. A stronger differentiation in benefits according to birth order would be welcomed from both anti-poverty and demographic perspectives. Need for such a differentiation is underlined by the growing share of larger families living in poverty, as discussed in the first part of this study. Revival of limited pro-natalist policies might seem

untimely in the short term and may appear as badly reasoned in light of experiences of countries where efforts to stimulate fertility have proven unsuccessful in the long term. However, some tempering of present trends of declining marriage and births and family stability may well be needed to avoid negative long-term impacts on population and human resources.



## STANDARD TABLES TO MONITOR THE SOCIAL CONDITIONS DURING THE TRANSITION TO THE MARKET ECONOMY

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All data in this annex are included in the MONEE database and originate in the central statistical offices of the countries included in this report **unless otherwise stated** in the footnotes in the relevant tables. These institutions should not be considered responsible for the data included here as in some cases adjustments have been made to standardize the data.



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**1. CRUDE BIRTH RATE**

(per 1,000 population)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	26.5	26.2	24.7	25.2	23.4	23.6	19.2 <sup>b)</sup>
BULGARIA	14.6	13.4	12.7	12.1	11.1	10.5	10.4 <sup>b)</sup>
CZECH REPUBLIC	16.4 <sup>c)</sup>	14.7 <sup>c)</sup>	12.4	12.7	12.6	11.8	12.2 <sup>d)</sup>
SLOVAKIA	— <sup>c)</sup>	— <sup>c)</sup>	15.3	15.2	14.9	14.1	14.0 <sup>d)</sup>
HUNGARY	14.0	12.4	11.7	12.2	12.4	11.8	11.0 <sup>d)</sup>
POLAND	19.6	18.3	15.0	14.5	14.4	13.5	12.9 <sup>d)</sup>
ROMANIA	18.1	15.9	16.1	13.7	12.0	11.5	11.0 <sup>d)</sup>
RUSSIA	16.0	16.7	14.6	13.4	12.1	10.7	9.6 <sup>e)</sup>
UKRAINE	15.0	15.1	13.5	12.8	12.2	—	—

**2. CRUDE DEATH RATE**

(per 1,000 population)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	6.4	5.8	5.7	5.5	5.4	—	—
BULGARIA	11.1	12.0	12.0	12.5	12.8	12.6	13.5 <sup>b)</sup>
CZECH REPUBLIC	12.2 <sup>c)</sup>	11.9 <sup>c)</sup>	12.3	12.5	12.1	11.7	11.6 <sup>d)</sup>
SLOVAKIA	— <sup>c)</sup>	— <sup>c)</sup>	10.2	10.3	10.3	10.1	10.2 <sup>d)</sup>
HUNGARY	13.6	14.0	13.7	14.1	14.0	14.4	15.1 <sup>d)</sup>
POLAND	9.8	10.3	10.0	10.2	10.6	10.2	10.5 <sup>d)</sup>
ROMANIA	10.4	10.9	10.7	10.6	10.9	11.6	12.4 <sup>d)</sup>
RUSSIA	11.0	11.3	10.7	11.2	11.4	12.2	14.4 <sup>e)</sup>
UKRAINE	11.4	12.1	11.7	12.2	13.0	—	—

**3. LIFE EXPECTANCY AT BIRTH**

(years)

	1980 <sup>a)</sup>	1985 <sup>f)</sup>	1989	1990	1991	1992	1993
ALBANIA	67.7	68.5	69.6	69.3	—	—	—
women	72.2	73.9	75.5	75.4	—	—	—
BULGARIA	68.4	—	68.6	68.4	68.0	67.8	—
women	73.6	—	75.1	75.2	74.7	74.4	—
CZECH REPUBLIC	66.8 <sup>c)</sup>	67.3 <sup>c)</sup>	68.1	67.5	68.2	68.5	—
women	74.0 <sup>c)</sup>	74.7 <sup>c)</sup>	75.4	76.0	75.7	76.1	—
SLOVAKIA	— <sup>c)</sup>	— <sup>c)</sup>	66.9	66.6	66.8	66.6	—
women	— <sup>c)</sup>	— <sup>c)</sup>	75.4	75.4	75.2	75.4	—
HUNGARY	65.5	—	65.4	65.1	65.0	64.6	—
women	72.7	—	73.8	73.7	73.8	73.7	—
POLAND	66.9	66.9	66.8	66.5	66.1	66.7	—
women	75.4	75.3	75.5	75.5	75.3	75.7	—
ROMANIA	66.5	—	66.6	66.6	66.6	66.6	—
women	71.8	—	72.7	73.1	73.2	73.2	—
RUSSIA	61.5	—	64.0 <sup>g)</sup>	— <sup>g)</sup>	63.5 <sup>h)</sup>	62.0	—
women	73.0	—	74.4 <sup>g)</sup>	— <sup>g)</sup>	74.3 <sup>h)</sup>	73.8	—
UKRAINE	64.6	—	66.0	66.0	66.0	—	—
women	74.0	—	75.0	75.0	75.0	—	—

**4. POPULATION SIZE**

(midyear population in 1,000s)

	1980 <sup>a)</sup>	1985 <sup>i)</sup>	1989	1990	1991	1992	1993
ALBANIA	2671	2957	3199	3256	3260 <sup>j)</sup>	3190 <sup>i)</sup>	3167 <sup>i)</sup>
BULGARIA	8862	8961	8877 <sup>j)</sup>	8719 <sup>j)</sup>	8657 <sup>j)</sup>	8540 <sup>j)</sup>	8468 <sup>k)</sup>
CZECH REPUBLIC	10320 <sup>j)</sup>	—	10362	10363	10309	—	—
SLOVAKIA	4991 <sup>j)</sup>	—	5276	5298	5283	—	—
HUNGARY	10708	10579	10578	10365	10346	10324	—
POLAND	35578	37203	37964	38119	38245	38365	—
ROMANIA	22201	22725	23152	23207	23185	22786 <sup>m)</sup>	—
RUSSIA <sup>n)</sup>	138660	143329	147022	147662	148164	148326	148257
UKRAINE	50044	50941	51452	51584	51690	51802	—

## 5. SHARE OF POPULATION AGED 0-4

(%)	1980 <sup>a)</sup>	1985 <sup>f)</sup>	1989	1990	1991	1992	1993
ALBANIA	15.0	—	11.9	11.6	11.5	11.5	11.4 <sup>j)</sup>
BULGARIA	7.9	6.6	6.5	6.4	6.2	5.8	—
CZECH REPUBLIC	7.9	—	6.4	6.3	6.2	—	—
SLOVAKIA	9.6	—	8.0	7.8	7.5	—	—
HUNGARY	7.5	6.0 <sup>p)</sup>	5.9	5.9	5.9	5.9	—
POLAND	9.0	9.1 <sup>p)</sup>	8.1	7.7	7.4	7.2	—
ROMANIA	9.0	—	7.8	7.8	7.4	—	—
RUSSIA <sup>n)</sup>	—	—	8.2	7.9	7.6	7.2	6.6
UKRAINE	—	—	7.4	7.2	7.0	6.7	—

## 6. SHARE OF POPULATION AGED 5-18

(%)	1980 <sup>f)</sup>	1985 <sup>f)</sup>	1989	1990	1991	1992	1993
ALBANIA	—	—	29.1	28.8	28.9	29.3	29.5 <sup>j)</sup>
BULGARIA	21.5	21.5	20.0	19.8	19.7	19.6	—
CZECH REPUBLIC	21.2 <sup>c)</sup>	—	22.0	21.9	21.6	—	—
SLOVAKIA	— <sup>c)</sup>	—	24.1	24.2	24.2	—	—
HUNGARY	20.1	22.3	20.4	20.5	20.4	20.2	—
POLAND	22.9	23.5	23.2	23.5	23.6	23.6	—
ROMANIA	24.1	25.8	22.5	22.3	22.1	—	—
RUSSIA <sup>n)</sup>	0.0	—	20.4	20.6	20.8	21.1	21.4
UKRAINE	0.0	—	19.9	20.0	20.1	20.2	—

## 7. SHARE OF POPULATION AGED 60+

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	7.8	8.0	8.2	8.6	8.9 <sup>j)</sup>
BULGARIA	—	—	18.9	19.4	19.6	20.2	—
CZECH REPUBLIC	—	—	17.6	17.7	17.9	—	—
SLOVAKIA	—	—	14.7	14.8	14.9	—	—
HUNGARY	—	—	18.8	19.0	19.1	19.2	—
POLAND	—	—	14.6	14.9	15.1	15.3	—
ROMANIA	—	—	15.4	15.7	16.0	16.7	—
RUSSIA <sup>n)</sup>	—	—	15.3	15.8	16.2	16.5	16.7
UKRAINE	—	—	18.0	18.3	18.7	18.8	—

## 8. NET EXTERNAL MIGRATION

(1,000s)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	-224.6	-94.6	-59.5	-90.2	—
CZECH REPUBLIC	—	—	-1.3	-1.8	—	—	—
SLOVAKIA	—	—	—	—	—	—	—
HUNGARY <sup>q)</sup>	—	—	17.2	30.0	18.4	—	—
POLAND	—	—	-24.4	-15.8	-15.9	-11.6	—
ROMANIA <sup>r)</sup>	—	—	-41.4	-96.9	-44.2	—	—
RUSSIA	—	—	-82.5	-199.9	-671.5	-230.6	—
UKRAINE	—	—	-108.9	-139.3	-180.4	—	—

a) Source: Council of Europe, Recent Demographic Developments in Europe and North America, 1992

b) First 8 months

c) Data refer to Czechoslovakia

d) First 6 months

e) First 7 months

f) Source: UN Demographic Yearbook

g) Data refer to 1989-1990

h) Data refer to 1990-1991

i) Estimate by the Statistical Institute of Albania

j) Data do not include emigration

k) July 1993; data do not include emigration

l) Data from the 1.11.1980 Czechoslovak Population Census

m) 1992 data estimated from a 3% sample of the 7.01.1993 Romanian Population Survey

n) Data refer to the beginning of the year

o) Source: UNICEF, The State of the World's Children, 1984

p) 1986

q) Data include only immigration

r) Data include only emigration

**1. CRUDE MARRIAGE RATE**

(per 1,000 population)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	8.1	8.5	8.7	8.6	8.9	7.5	8.3 <sup>b)</sup>
BULGARIA	7.9	7.4	7.1	6.9	5.6	5.2	4.6 <sup>c)</sup>
CZECH REPUBLIC	7.7 <sup>d)</sup>	7.7 <sup>d)</sup>	7.8	8.8	7.0	7.2	6.1 <sup>e)</sup>
SLOVAKIA	— <sup>d)</sup>	— <sup>d)</sup>	6.9	7.6	6.2	6.3	5.6 <sup>e)</sup>
HUNGARY	7.5	6.9	6.3	6.4	5.9	5.5	4.4 <sup>e)</sup>
POLAND	8.6	7.2	6.7	6.7	6.1	5.7	5.2 <sup>c)</sup>
ROMANIA	8.2	7.1	7.7	8.3	7.9	7.7	5.9 <sup>e)</sup>
RUSSIA	10.6	9.7	9.4	8.9	8.6	7.1	6.8 <sup>f)</sup>
UKRAINE	9.3	9.6	9.5	9.3	9.5	—	—

**2. CRUDE REMARRIAGE RATE**

(per 1,000 population)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	0.9	0.8	0.6	0.5	—
CZECH REPUBLIC	—	—	2.4	2.5	—	—	—
SLOVAKIA	—	—	1.3	1.3	0.6	—	—
HUNGARY	—	—	1.8	1.8	1.6	1.4	—
POLAND	—	—	1.0	1.0	0.8	0.7	—
ROMANIA	—	—	1.4	1.3	1.2	1.2	—
RUSSIA	—	—	2.5	2.3	2.2	1.9	—
UKRAINE	—	—	—	—	—	—	—

**3. CRUDE DIVORCE RATE**

(per 1,000 population)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	0.8	0.9	0.8	0.8	0.7	—	—
BULGARIA	1.5	1.6	1.4	1.3	1.3	—	—
CZECH REPUBLIC	2.2 <sup>d)</sup>	2.5 <sup>d)</sup>	3.0	3.1	2.9	2.8	3.0 <sup>e)</sup>
SLOVAKIA	— <sup>d)</sup>	— <sup>d)</sup>	1.6	1.7	1.5	1.5	1.6 <sup>e)</sup>
HUNGARY	2.6	2.8	2.4	2.4	2.4	2.1	—
POLAND	1.1	1.3	1.2	1.1	0.9	0.8	0.7 <sup>e)</sup>
ROMANIA	1.5	1.4	1.6	1.4	1.6	1.3	1.3
RUSSIA	4.2	4.0	4.0	3.8	4.0	4.3	4.4 <sup>e)</sup>
UKRAINE	3.6	3.6	3.8	3.7	3.9	—	— <sup>e)</sup>

**4. NUMBER OF CHILDREN AGED 0-18 INVOLVED IN DIVORCE**

(1,000s)

	1980 <sup>g)</sup>	1985 <sup>g)</sup>	1989	1990	1991	1992	1993
ALBANIA	1.2	1.2	1.3	1.4	1.2	—	—
BULGARIA	13.6	15.6	13.9	12.0	12.7	—	—
CZECH REPUBLIC	37.7 <sup>d)</sup>	—	22.6	23.1	—	—	—
SLOVAKIA	— <sup>d)</sup>	—	10.9	13.5	10.3	—	—
HUNGARY	15.1	30.5	26.1	26.1	25.4	22.9	—
POLAND	34.2	48.2	50.1	45.1	35.8	33.5	—
ROMANIA	—	28.8	30.6	27.7	30.5	23.6	—
RUSSIA	—	—	479.1	466.1	522.2	569.1	—
UKRAINE	—	—	155.9	158.5	170.7	—	—



## 5. TOTAL FERTILITY RATE

(children per women)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	3.62	3.26	2.96	3.03	—	—	—
BULGARIA	2.05	1.95	1.90	1.81	1.65	1.54	—
CZECH REPUBLIC	2.15 <sup>d)</sup>	2.06 <sup>d)</sup>	1.87	1.89	1.84	—	—
SLOVAKIA	— <sup>d)</sup>	— <sup>d)</sup>	2.08	2.09	2.04	1.97	—
HUNGARY	1.92	1.83	1.78	1.84	1.86	1.77	—
POLAND	2.28	2.33	2.05	2.04	2.05	1.93	—
ROMANIA	2.45	2.26	1.92	1.83	1.56	1.52	—
RUSSIA	1.87	2.05	2.01	1.89	1.75	1.55	—
UKRAINE	1.95	2.02	1.90	1.90	1.81	—	—

## 6. PERCENTAGE OF BIRTHS TO UNMARRIED MOTHERS

(%)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	10.9	11.7	11.5	12.4	15.6	18.5	—
CZECH REPUBLIC	5.7 <sup>d)</sup>	7.0 <sup>d)</sup>	7.7 <sup>d)</sup>	8.2 <sup>d)</sup>	—	—	—
SLOVAKIA	— <sup>d)</sup>	— <sup>d)</sup>	— <sup>d)</sup>	— <sup>d)</sup>	—	—	—
HUNGARY	7.1	9.2	12.4	13.2	14.1	15.6	—
POLAND	4.7	5.0	5.8	6.2	6.7	7.2	—
ROMANIA	2.8	3.7	4.3	4.0	4.2	—	—
RUSSIA	10.8	12.0	13.5	14.6	16.0	17.1	—
UKRAINE	8.8	8.3	10.8	11.2	11.9	—	—

## 7. PERCENTAGE OF BIRTHS TO MOTHERS BELOW AGE 20

(%)

	1980 <sup>g)</sup>	1985 <sup>g)</sup>	1989	1990	1991	1992	1993
ALBANIA	4.5	3.2	—	—	—	—	—
BULGARIA	19.2	19.5	20.9	21.4	23.5	24.6	—
CZECH REPUBLIC	11.2 <sup>d)</sup>	12.5 <sup>d)</sup>	13.6	14.1	—	—	—
SLOVAKIA	— <sup>d)</sup>	— <sup>d)</sup>	11.9	12.1	14.0	—	—
HUNGARY	14.5	13.8	12.2	12.3	12.3	12.4	—
POLAND	6.4	6.4	7.4	8.0	8.5	8.5	—
ROMANIA	12.8	15.7	15.1	15.2	16.9	17.3	—
RUSSIA	—	—	11.0	13.9	15.4	16.5	—
UKRAINE	—	—	—	—	—	—	—

## 8. ABORTION RATE

(per 100 live births)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	22.5	26.4	29.6	31.8	39.3	28.1	—
BULGARIA	121.7	111.2	117.6	137.5	144.3	148.2	—
CZECH REPUBLIC	51.1 <sup>d)</sup>	64.1 <sup>d)</sup>	87.0	85.2	—	—	72.9 <sup>e)</sup>
SLOVAKIA	— <sup>d)</sup>	— <sup>d)</sup>	61.3	60.6	58.4	66.4	63.6 <sup>e)</sup>
HUNGARY	54.4	63.0	73.4	71.9	70.7	71.5	67.0 <sup>e)</sup>
POLAND	19.9	20.0	14.6	10.9	5.7	2.3	—
ROMANIA	—	—	39.8	315.3	314.9	265.7	—
RUSSIA	204.6	191.6	196.3	197.1	201.0	216.5	—
UKRAINE	153.2	148.9	153.2	155.1	151.7	—	—

a) Source: Council of Europe, Recent Demographic Developments in Europe and North America, 1992

b) Estimates of the Albanian Statistical Institute

c) First 8 months

d) Data refer to Czechoslovakia

e) First 6 months

f) First 7 months

g) Source: UN Demographic Yearbook, 1990

**1. GDP GROWTH RATES**

(yearly change per capita)

	1980-84 a)	1985-88 a)	1989 b)	1990 b)	1991 b)	1992 b)	1993 b/c)
ALBANIA	1.6 d)	0.4	11.7	-13.1	-29.4	-6.0	3.0/4.0
BULGARIA	4.5	3.7	-0.3	-17.5	-16.7	-7.7	-6.0
CZECH REPUBLIC	1.8 e)	2.5 e)	2.4	0.8	-14.9	-7.1	-0.5
SLOVAKIA	— e)	— e)	1.1	-3.8	-15.3	-6.0	-6.5
HUNGARY	1.8	1.0	0.4	-3.3	-11.9	-5.0	-2.0
POLAND	-2.4	3.8	0.2	-11.6	-7.6	1.0	4.0
ROMANIA	3.8	5.3	-5.8	-7.4	-13.7	-15.4	—
RUSSIA	—	2.5	1.6	-4.0	-14.3	-22.0	-15.0
UKRAINE	—	3.1	5.0	-3.6	-11.2	-16.0	-12.0

**2. GROWTH RATE OF INDUSTRIAL PRODUCTION**

(yearly change, %)

	1980 a)	1985 a)	1989 b)	1990 b)	1991 b)	1992 b)	1993 b/c)
ALBANIA	7.6	-1.5	5.0	-7.5	-30.0	—	—
BULGARIA	—	4.1 f)	2.2	-17.2	-22.2	-16.2	-9.7
CZECH REPUBLIC	2.7 e/f)	2.8 e/f)	1.7	-3.3	-24.4	-10.6	-7.5
SLOVAKIA	— e/f)	— e/f)	-1.3	-4.0	-25.4	-12.9	-15.5
HUNGARY	1.5 f)	1.4 f)	-2.5	-4.5	-19.1	-9.8	2.4
POLAND	-0.3 f)	4.5 f/g)	-0.5	-24.2	-11.9	4.2	8.1
ROMANIA	4.3 f)	5.2 f)	-2.1	-19.0	-18.7	-22.1	-4.7
RUSSIA	3.6 h)	3.9 h)	1.4	-0.1	-8.0	-18.8	-17.5
UKRAINE	— h)	— h)	2.8	-0.1	-4.8	-9.0	-7.0

**3. BUDGET DEFICIT / GDP RATIO**

(%)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	-5.9	-4.6	-25.8	—	—
BULGARIA	—	—	-0.6	-4.9 b)	-3.6 b)	-5.6 b)	—
CZECH REPUBLIC j)	—	—	-0.3	0.9	-2.5	-0.2	—
SLOVAKIA	—	—	-0.2	0.0	-3.0	-2.6	—
HUNGARY	—	—	-2.7	1.1 b)	-4.9 b)	-7.4 b)	—
POLAND	—	—	-7.4 j)	0.4 b)	-3.8 b)	-6.0 b)	—
ROMANIA	—	—	—	1.0 b)	1.9 b)	-2.0 b)	—
RUSSIA	—	—	—	—	-10.0 b)	-4.9 b)	—
UKRAINE	—	—	—	0.1	-10.5	-11.3	—

**4. CURRENT ACCOUNT BALANCE** b)

(billion US dollars)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	0.9	-0.1	-1.3	-1.2	-0.1	—	—
CZECH REPUBLIC	-0.3 e)	0.7 e)	0.3 e)	-1.1 e)	0.4 e)	—	—
SLOVAKIA	— e)	— e)	— e)	— e)	— e)	—	—
HUNGARY	-0.4	-0.8	-1.5	0.1	0.3	—	—
POLAND	-2.5	-0.6	-1.8	0.7	-1.4	—	—
ROMANIA	-2.4	0.9	2.9	-1.6	-1.4	—	—
RUSSIA b)	3.0	0.1	0.8	-4.8	-0.8	—	—
UKRAINE	—	—	—	—	—	—	—

## 5. ANNUAL INFLATION

(Consumer Price Index 1989 = 100)

	1980 <sup>k)</sup>	1985 <sup>k)</sup>	1989	1990	1991	1992	1993
ALBANIA <sup>l)</sup>	—	—	100.0	102.5	209.1	704.0	—
BULGARIA	89.6	93.7	100.0	123.8	542.7	973.7	—
CZECH REPUBLIC	88.7 <sup>e)</sup>	97.8 <sup>e)</sup>	100.0	109.9	172.2	191.3	—
SLOVAKIA	— <sup>e)</sup>	— <sup>e)</sup>	100.0	110.4	178.0	195.8	—
HUNGARY	46.4	64.4	100.0	128.9	174.0	214.0	—
POLAND	2.9	11.9	100.0	685.8	1167.9	1670.1	—
ROMANIA	70.7	93.5	100.0	105.1	271.2	800.3	—
RUSSIA	89.9 <sup>h)</sup>	94.4 <sup>h)</sup>	100.0	105.4	208.9	3198.7 <sup>m)</sup>	—
UKRAINE	— <sup>h)</sup>	— <sup>h)</sup>	100.0	104.0	194.5	2620.0	—

### 5a. QUARTERLY INFLATION 1992-93

(Consumer Price Index 1989 = 100)

	1. Q. 1992	2. Q. 1992	3. Q. 1992	4. Q. 1992	1. Q. 1993	2. Q. 1993	3. Q. 1993
ALBANIA	261.5	341.3	517.5	690.0	—	—	—
BULGARIA	768.6	911.3	1027.0	1187.8	1403.5	1610.6	—
CZECH REPUBLIC	184.0	187.2	192.0	201.9	224.0	228.1	—
SLOVAKIA	191.5	191.9	194.5	204.1	228.1	234.7	—
HUNGARY	201.2	210.9	217.2	226.7	244.9	250.4	—
POLAND	1421.3	1550.6	1667.7	1833.8	2009.6	2142.7	—
ROMANIA	595.3	754.5	877.2	1180.0	1613.3	2363.8	—
RUSSIA	1311.4	2366.7	3332.0	5784.6	11408.0	20794.0	—
UKRAINE	—	—	—	—	—	—	—

a) Net Material Product except Hungary. Source: UN Economic Commission for Europe, except Albania

b) Source: Economic Survey of Europe in 1992-1993, U.N., 1993

c) Provisional estimates

d) Yearly change in national income between 1981 and 1985

e) Data refer to Czechoslovakia

f) Source: UN Economic Commission for Europe

g) 1981-84

h) Data refer to the U.S.S.R.

i) Surplus / Deficit data refer to State Budget, not General Govt. Budget

j) Source: Michael Bruno (1992), "Stabilization and Reform in Eastern Europe", IMF Staff Papers Vol. 39, No. 4, December 1992

k) Source: CMEA Yearbook, 1990

l) Inflation index of December of each year (December 1989 = 100)

m) Estimation based on data from the Russian Federation Goskomstat and from IMF Occasional Paper no. 104 ("Price Liberalization in Russia", Vincent Kohen and Steven Philip)

n) Oct. 1990 = 100 which is a good proxy for 1989 = 100 as inflation in 1989 and first 10 months of 1990 was very low



**1. PUBLIC REVENUE / GDP RATIO** (Because of incomplete information and changing definitions, these data are highly tentative)

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	47.0	44.7	39.3	—	—
BULGARIA	—	—	57.9	52.9	43.5	41.8	39.3 b)
CZECH REPUBLIC	—	—	53.1 a)	54.8 a)	45.5 a)	44.4 a)	—
SLOVAKIA	—	—	a)	a)	a)	a)	55.9 b)
HUNGARY	—	—	58.7	57.6	57.7	56.5	—
POLAND	—	—	—	—	42.3	44.2	—
ROMANIA	—	—	—	40.8	39.6	40.9	—
RUSSIA	—	—	c)	c)	c)	c)	—
UKRAINE	—	—	—	27.3	26.2	36.6	—

**2. PUBLIC EXPENDITURE / GDP RATIO** (Because of incomplete information and changing definitions, these data are highly tentative)

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	52.9	49.3	65.1	—	—
BULGARIA	—	—	58.5	57.8	47.1	47.3	—
CZECH REPUBLIC	—	—	53.3 a)	54.8 a)	47.0 a)	47.4 a)	—
SLOVAKIA	—	—	a)	a)	a)	a)	—
HUNGARY	—	—	61.3 d)	59.6 d)	59.7 d)	63.6 d)	—
POLAND	—	—	—	—	44.9	50.3	—
ROMANIA	—	—	—	39.8 d)	37.7 d)	42.9 d)	—
RUSSIA	—	—	c)	c)	c)	c)	—
UKRAINE	—	—	—	27.2	36.6	47.9	—

**3. PUBLIC SOCIAL EXPENDITURE / GDP RATIO** <sup>f)</sup>

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	13.4	15.8	28.9	—	—
BULGARIA	—	—	19.9	20.6	24.7	27.0	24.4 b)
CZECH REPUBLIC	—	—	22.2	22.9	22.5	26.3	—
SLOVAKIA	—	—	24.4	25.5	27.3	31.7	28.6 b)
HUNGARY	—	—	24.5	26.6	31.5	33.2	—
POLAND	—	—	—	—	—	—	—
ROMANIA	—	—	14.2	16.7	16.5	16.3	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	10.8	11.8	15.6	18.2	—

**4. PUBLIC EXPENDITURE ON HEALTH / GDP RATIO**

(%)	1980 <sup>d)</sup>	1985 <sup>d)</sup>	1989	1990	1991	1992	1993
ALBANIA	2.5	2.7	2.7	3.1	5.1	—	—
BULGARIA	—	—	3.0	3.6	4.4	5.5	4.8 b)
CZECH REPUBLIC	—	—	4.8	5.1	5.2	9.4	—
SLOVAKIA	—	—	5.1	5.7	6.4	7.1	5.6 b)
HUNGARY	3.9 <sup>g)</sup>	4.3	4.0	4.5	5.1	5.2	—
POLAND	—	—	3.4	5.5	4.9	5.1	—
ROMANIA	2.5	2.3	2.5	2.9	3.2	3.3	—
RUSSIA	—	—	2.6 <sup>c)</sup>	—	—	2.4 <sup>e)</sup>	—
UKRAINE	—	—	2.4	2.7	3.1	3.9	—

## 5. PUBLIC EXPENDITURE ON EDUCATION / GDP RATIO

(%)	1980 d)	1985 d)	1989	1990	1991	1992	1993
ALBANIA	—	—	3.5	4.0	8.4	—	—
BULGARIA	—	—	4.5	4.6	5.7	6.2	5.4 b)
CZECH REPUBLIC	—	—	4.3	4.4	4.9	5.0	—
SLOVAKIA	—	—	5.5	5.8	6.0	7.3	6.1 b)
HUNGARY	4.5 g)	4.9	4.8	5.6	6.4	5.6	—
POLAND	—	—	3.7	4.8	4.0	4.1	—
ROMANIA	3.3	2.2	2.2	3.0	3.6	3.6	—
RUSSIA	—	—	4.7 c)	—	—	3.5 e)	—
UKRAINE	—	—	3.8	4.0	5.1	5.4	—

## 6. PUBLIC EXPENDITURE ON FAMILY AND MATERNITY ALLOWANCES / GDP RATIO

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	0.7	0.8	1.0	—	—
BULGARIA	—	—	2.6	2.7	3.3	2.6	2.4 b)
CZECH REPUBLIC	—	—	2.8	3.7	3.2	3.1	—
SLOVAKIA	—	—	3.9	3.8	3.1	3.4	—
HUNGARY	2.5	2.7	4.0	4.0	4.6	4.7	—
POLAND	—	—	2.1	1.7	2.3	—	—
ROMANIA	—	—	3.2	3.1	1.9	—	—
RUSSIA	—	—	—	—	—	0.4 e)	—
UKRAINE	—	—	0.1	0.1	0.3	1.0	—

## 7. PUBLIC EXPENDITURE ON SOCIAL ASSISTANCE AND UNEMPLOYMENT COMPENSATION / GDP RATIO

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	0.1	0.1	0.2	0.4	0.4 b)
CZECH REPUBLIC	—	—	—	—	0.2	0.2	—
SLOVAKIA	—	—	0.3	0.4	1.1	1.5	1.8 b)
HUNGARY	—	—	0.1	0.4	1.2	—	—
POLAND	—	—	—	—	—	—	—
ROMANIA	—	—	—	—	0.3	—	—
RUSSIA	—	—	—	—	—	0.3 e)	—
UKRAINE	—	—	—	—	—	—	—

## 8. PUBLIC EXPENDITURE ON PENSIONS / GDP RATIO

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	3.4	4.7	5.7	6.8	12.7	—	—
BULGARIA	7.8 h)	8.7 h)	9.1	8.8	9.5	10.2	9.0
CZECH REPUBLIC	—	—	8.3	8.0	7.9	8.3	—
SLOVAKIA	—	—	7.7	7.8	8.5	10.4	10.2
HUNGARY	7.8	8.9	9.1	9.7	11.3	11.6	—
POLAND	—	—	6.5	8.1	12.4	14.7	—
ROMANIA	—	—	5.2	6.2	5.8	—	—
RUSSIA	—	—	—	—	—	6.0 e)	—
UKRAINE	—	—	4.4	4.9	6.9	7.1	—

a) Data refer to Czechoslovakia

b) Forecast or projection

c) Though estimates for Russia are available, these data are affected by excessive variation and are not, therefore, presented

d) Obtained by adding up the data in Tables D.1 and C.3

e) Estimation

f) Sum of public expenditures on social security, health and education

g) 1981

h) Source: ILO, The Cost of Social Security 1992

**I. EMPLOYMENT RATE**

(as % of the working age population)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA a)	—	—	78.5	75.0	73.0	36.6	—
BULGARIA	—	—	88.6	84.8	74.2	65.4	—
CZECH REPUBLIC	—	—	91.1	89.3	86.3	—	—
SLOVAKIA	—	—	87.3	85.7	75.1	73.6 b)	—
HUNGARY c)	—	—	79.3	80.2	77.6	70.2	—
POLAND	—	—	78.4	75.3	70.9	68.3	—
ROMANIA	—	—	84.3	83.3	82.6	—	—
RUSSIA c)	—	—	—	87.5	85.7	84.0	—
UKRAINE	—	—	86.3	86.0	84.5	—	—

**2. ANNUAL REGISTERED UNEMPLOYMENT RATE**

(%)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA a)	—	—	—	—	5.1 d)	36.8 d)	—
BULGARIA	—	—	—	1.7 e)	7.5	13.1	—
CZECH REPUBLIC	—	—	—	0.8 e)	3.1	2.9	—
SLOVAKIA	—	—	—	1.6 e)	7.8	11.1	—
HUNGARY	—	—	0.4	0.8	4.1	10.3	—
POLAND	—	—	0.1	6.1 e)	9.6	12.9	—
ROMANIA	—	—	—	—	1.8	6.2	—
RUSSIA	—	—	—	—	0.1	0.8	—
UKRAINE	—	—	—	—	0.0	0.3	—

**2a. QUARTERLY REGISTERED UNEMPLOYMENT RATE, 1992-93**

(%)

	1. Q. 1992	2. Q. 1992	3. Q. 1992	4. Q. 1992	1. Q. 1993	2. Q. 1993	3. Q. 1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	11.6	12.5	13.9	14.4	15.6	15.7	—
CZECH REPUBLIC	4.1	2.9	2.7	2.5	3.0	2.6	—
SLOVAKIA	12.3	11.3	10.6	10.4	11.7	12.2	—
HUNGARY	8.5	9.7	11.1	11.9	13.4	12.9	—
POLAND	12.2	12.4	13.4	13.5	14.3	14.5	—
ROMANIA	3.9	5.4	7.0	8.5	8.9	9.1	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	—	—	—	—	—

**3. ANNUAL INDEX OF REAL WAGES**

1989 = 100 (%)

	1980 i)	1985 i)	1989	1990	1991	1992	1993
ALBANIA	—	—	100.0	—	—	71.6	—
BULGARIA	76.1	85.8	100.0	106.4	64.4	74.6	—
CZECH REPUBLIC g)	95.2 h)	94.4 h)	100.0	94.2	70.1	77.7	—
SLOVAKIA	— h)	— h)	100.0	94.1	70.3	76.1	—
HUNGARY	108.7	113.9	100.0	94.3	87.7	85.9	—
POLAND	95.8	81.1	100.0	75.6	75.4	73.3	—
ROMANIA g)	103.4	98.8	100.0	105.1	90.2	82.5	—
RUSSIA g)	78.3 i)	83.9 i)	100.0	108.6	102.9	64.2	—
UKRAINE g)	— i)	— i)	100.0	110.0	111.9	—	—

**3a. QUARTERLY INDEX OF REAL WAGES**

1989 = 100 (%)

	1. Q. 1992	2. Q. 1992	3. Q. 1992	4. Q. 1992	1. Q. 1993	2. Q. 1993	3. Q. 1993
ALBANIA	—	—	—	—	62.3	61.7	—
BULGARIA	73.2	72.2	75.5	77.5	63.7	66.7	—
CZECH REPUBLIC	70.3	78.4	76.8	86.2	73.6	82.4	—
SLOVAKIA	65.8	72.0	73.2	85.2	80.6	85.3	—
HUNGARY	84.5	86.1	91.6	96.3	81.0	86.4	—
POLAND	71.5	70.0	74.7	77.0	72.7	70.8	—
ROMANIA	80.1	82.3	73.3	83.9	67.9	73.0	—
RUSSIA	57.8	62.2	70.5	78.7	64.4	70.4	—
UKRAINE	—	—	—	—	—	—	—



#### 4. MINIMUM WAGE / AVERAGE WAGE RATIO

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	47.1	—
BULGARIA	—	—	51.1	45.7	68.0	41.5	—
CZECH REPUBLIC	—	—	—	—	52.8	47.1	—
SLOVAKIA	—	—	—	—	52.8	48.3	—
HUNGARY	—	—	44.6	48.7	51.9	51.3	—
POLAND	—	—	11.1	19.4	32.0	31.7	—
ROMANIA	—	—	65.3	59.1	61.6	45.8	—
RUSSIA	—	—	26.6	23.3	23.5	11.9	11.3 k)
UKRAINE	—	—	32.2	28.1	42.6	—	—

#### 5. AVERAGE PENSION / AVERAGE WAGE RATIO <sup>l)</sup>

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	76.9	74.2	74.6	45.5	—
BULGARIA	—	—	57.3	48.2	53.5	42.9	—
CZECH REPUBLIC	—	—	52.2	54.3	55.6	48.9	—
SLOVAKIA	—	—	60.9	63.4	65.9	59.8	—
HUNGARY	—	—	63.1	62.6	64.3	60.9	—
POLAND	—	—	53.3	65.0	76.2	86.3	—
ROMANIA	—	—	54.9	53.3	48.4	47.7	—
RUSSIA	—	—	35.7	40.1 m)	39.0 n)	31.3 n)	23.9 n)
UKRAINE	—	—	—	31.6 m)	23.2 m)	19.5 n)	—

#### 6. MINIMUM PENSION / AVERAGE WAGE RATIO

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	25.6	35.1	31.5	24.1	—
CZECH REPUBLIC	—	—	31.9	41.3	46.4	37.7	—
SLOVAKIA	—	—	39.5	50.8	57.3	47.8	—
HUNGARY	—	—	40.7	40.7	40.3	36.5	—
POLAND	—	—	25.8	33.5	34.0	35.2	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	21.8 n)	16.8	13.9 n)
UKRAINE	—	—	—	24.6 m)	18.6 m)	—	—

#### 7. CHILD ALLOWANCE / AVERAGE WAGE RATIO <sup>o)</sup>

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA q)	—	—	12.8	9.8	13.8 p)	10.7 p)	9.0 p)
CZECH REPUBLIC	—	—	10.4	11.9 p)	13.2 p)	11.7 p)	—
SLOVAKIA	—	—	10.5	12.1 p)	13.2 p)	12.1 p)	—
HUNGARY q)	—	—	20.5	21.8	19.9	18.1	17.0
POLAND	—	—	2.6	5.8	6.5	6.7	5.4
ROMANIA q)	—	—	9.8	8.9	6.6	5.3	—
RUSSIA	—	—	—	—	—	5.8 r)	3.6 r)
UKRAINE j)	—	—	7.4	14.0	21.3	— l)	— l)

#### 8. RELATIVE PRICE OF FOOD AND NON-ALCOHOLIC BEVERAGES

1989 = 100	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	100.0	96.1	104.1	101.4	—
CZECH REPUBLIC	—	—	100.0	102.5	96.0	94.5	—
SLOVAKIA	—	—	100.0	100.5	91.9	89.3	—
HUNGARY	—	—	100.0	104.1	93.4	90.7	—
POLAND	—	—	100.0	98.5	83.5	79.4	—
ROMANIA	—	—	100.0	99.0	105.3	120.2	—
RUSSIA	—	—	100.0	102.5	117.3	104.3	—
UKRAINE	—	—	—	—	—	—	—

**9. RELATIVE PRICE OF MILK AND MILK PRODUCTS**

1989 = 100

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	100.0	105.3	91.0	—	—
BULGARIA	—	—	100.0	81.6	107.9	109.2	—
CZECH REPUBLIC	—	—	100.0	109.4	117.8	126.6	—
SLOVAKIA	—	—	100.0	115.3	128.9	143.1	—
HUNGARY	—	—	100.0	110.6	93.5	92.4	—
POLAND	—	—	100.0	94.7	106.8	112.6	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	—	—	—	—	—

**10. RELATIVE PRICE OF GROSS RENT AND WATER CHARGES**

1989 = 100

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	100.0	80.8	104.5	99.7	—
CZECH REPUBLIC	—	—	100.0	93.5	95.4	124.5	—
SLOVAKIA	—	—	100.0	90.7	82.0	101.2	—
HUNGARY	—	—	100.0	137.7	149.3	145.9	—
POLAND	—	—	100.0	120.2	158.1	176.5	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	—	—	—	—	—

**11. RELATIVE PRICE OF FUEL AND POWER**

1989 = 100

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	100.0	93.0	52.5	—	—
BULGARIA	—	—	100.0	84.0	71.8	54.0	—
CZECH REPUBLIC	—	—	100.0	91.7	98.4	117.8	—
SLOVAKIA	—	—	100.0	94.8	146.5	165.2	—
HUNGARY	—	—	100.0	99.0	132.7	154.5	—
POLAND	—	—	100.0	182.4	304.8	413.9	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	—	—	—	—	—

**12. RELATIVE PRICE OF HEALTH**

1989 = 100

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	100.0	97.6	47.8	—	—
BULGARIA	—	—	100.0	90.5	108.4	132.5	—
CZECH REPUBLIC	—	—	100.0	109.9	112.5	125.3	—
SLOVAKIA	—	—	100.0	161.0	148.7	134.6	—
HUNGARY	—	—	100.0	93.2	93.9	104.5	—
POLAND	—	—	100.0	136.1	155.0	169.0	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	—	—	—	—	—

**13. RELATIVE PRICE OF EDUCATION**

1989 = 100

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	100.0	97.6	97.0	—	—
BULGARIA	—	—	100.0	118.0	101.8	104.4	—
CZECH REPUBLIC	—	—	100.0	92.4	78.2	95.0	—
SLOVAKIA	—	—	100.0	99.1	85.1	89.8	—
HUNGARY	—	—	100.0	98.3	94.0	94.7	—
POLAND	—	—	100.0	97.4	129.4	136.3	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	—	—	—	—	—

#### 14. AVERAGE PER CAPITA CONSUMPTION OF BREAD AND CEREALS <sup>s)</sup>

(Kg.)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	158.2	168.1	179.3	160.4	—
CZECH REPUBLIC	—	—	156.0	155.5	161.4	—	—
SLOVAKIA <sup>t)</sup>	—	—	153.4	158.6	158.2	156.4	—
HUNGARY	—	—	112.2	110.4	102.9	—	—
POLAND	—	—	120.5	118.4	121.1	120.6	—
ROMANIA	—	—	157.3	158.5	145.3	139.8	—
RUSSIA	—	—	95.9	96.9	100.6	103.9	—
UKRAINE	—	—	—	—	—	—	—

#### 15. AVERAGE PER CAPITA CONSUMPTION OF MEAT, FISH AND THEIR PRODUCTS

(Kg.)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	56.7	57.1	42.7	52.4	—
CZECH REPUBLIC	—	—	103.4	101.9	99.3	—	—
SLOVAKIA	—	—	83.9	84.0	77.2	70.0 <sup>g)</sup>	—
HUNGARY	—	—	81.0	75.8	74.3	—	—
POLAND	—	—	64.3	68.9	72.1	69.5	—
ROMANIA	—	—	57.1	66.1	61.1	45.8	—
RUSSIA	—	—	71.7	69.8	65.3	57.9	—
UKRAINE	—	—	—	—	—	—	—

#### 16. AVERAGE PER CAPITA CONSUMPTION OF MILK AND MILK PRODUCTS <sup>u)</sup>

(Kg.)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	128.3	152.7	—	—	—
BULGARIA	—	—	132.2	136.1	114.8	92.5	—
CZECH REPUBLIC	—	—	259.6	256.2	257.1	—	—
SLOVAKIA	—	—	253.2	226.3	211.8	192.9	—
HUNGARY	—	—	189.6	169.9	167.9	—	—
POLAND	—	—	125.8	121.3	119.0	114.4	—
ROMANIA	—	—	135.9	140.1	163.3	164.2	—
RUSSIA	—	—	388.6	378.4	348.5	294.2	—
UKRAINE	—	—	—	—	—	—	—

#### 17. AVERAGE CALORIES CONSUMED PER CAPITA

(calories per day)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	3049	3115	—	—	—
BULGARIA	—	—	3417	3416	3149	—	—
CZECH REPUBLIC	—	—	3243	3304	—	—	—
SLOVAKIA	—	—	—	—	—	—	—
HUNGARY	—	—	3499	3386	3218	—	—
POLAND	—	—	2891	—	2767	2744	—
ROMANIA	—	—	2949	3038	2832	2679	—
RUSSIA	—	—	2603	2590	2527	2438	—
UKRAINE	—	—	—	—	—	—	—

a) Without self-employment in agriculture

b) Preliminary data

c) People on parental leave are not included in employment data

d) Data refer to years' end

e) Data refer to last quarter of the year

f) COMECON Data, 1990

g) Estimated by deflating nominal wage changes by consumer or retail trade price index

h) Data refer to Czechoslovakia

i) Data refer to the U.S.S.R.

j) Preliminary estimates

k) First 6 months

l) Average monthly own right old age pension related to the average wage

m) January values related to the yearly average of monthly wages of the same year

n) January values related to January wages of the same year which, due to delays in benefit adjustments, might be considerably different from ratio of yearly average values

o) Yearly average per child allowance of a 2-child couple (or the most typical group of recipients) related to the average wages without separate price compensations. (See also part of the Report "Changes in Child and Family Policies")

p) With (separate) price compensations

q) Allowance related to net (as opposed to gross) wages

r) Allowances in April related to wages in the same month

s) Bread and cereals in flour-equivalent

t) Data refer to grain consumption

u) Milk and milk products in kilogram-equivalents



**1. INDEX OF PER CAPITA REAL INCOME** <sup>a)</sup>

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	100.0	98.3	58.5	60.8	—
CZECH REPUBLIC	—	—	100.0	98.9	88.5	94.0	—
SLOVAKIA	—	—	100.0	98.0	69.9	—	—
HUNGARY	—	—	100.0	98.2	96.5	91.8	—
POLAND	—	—	100.0	72.3	71.8	70.3	—
ROMANIA	—	—	100.0	126.1	103.2	88.9	—
RUSSIA	—	—	100.0	99.7	105.3	61.7 <sup>c)</sup>	—
UKRAINE	—	—	100.0	—	108.8	96.3	—

**2. INCOME STRUCTURE BY INCOME SOURCES**

(%)		Wages	Self Empl.	Pensions	Child Benefits	Other Transfers	Property Income	Other Incomes
ALBANIA	1989	—	—	—	—	—	—	—
	1992	—	—	—	—	—	—	—
BULGARIA	1989	58.5 <sup>d)</sup>	16.2	17.1	3.7	1.1 <sup>e)</sup>	0.4	2.9
	1992	49.9 <sup>d)</sup>	25.1	17.2	3.4	1.5 <sup>e)</sup>	0.3	2.7
CZECH REPUBLIC	1989	—	—	—	—	—	—	—
	1992	—	—	—	—	—	—	—
SLOVAKIA	1989	64.4	18.5	7.1	6.8	2.8	—	0.1
	1991	66.3	16.0	8.1	5.6	4.0	—	0.1
HUNGARY	1989	62.8 <sup>d)</sup>	8.9	16.0	7.9	2.2 <sup>e)</sup>	0.2	1.9
	1991	59.9 <sup>d)</sup>	9.5	17.5	8.0	2.7 <sup>e)</sup>	0.2	2.0
POLAND	1989	56.4	18.9 <sup>g)</sup>	14.6	5.4	1.4	— <sup>g)</sup>	3.2
	1992	50.7	12.2 <sup>g)</sup>	25.9	4.5	3.2	— <sup>g)</sup>	3.5
ROMANIA	1989	67.7	8.8	6.4	4.5	1.6	— <sup>h)</sup>	10.8
	1992	73.3	9.9	5.7	2.1	1.5	— <sup>h)</sup>	7.1
RUSSIA	1989	72.0	8.2 <sup>g)</sup>	8.1	— <sup>g)</sup>	4.2	— <sup>g)</sup>	7.4
	1992	66.7	12.1 <sup>g)</sup>	6.7	— <sup>g)</sup>	5.7	— <sup>g)</sup>	8.8
UKRAINE	1989	63.5 <sup>k)</sup>	10.1	16.3	— <sup>g)</sup>	—	—	10.1
	1992	58.0 <sup>k)</sup>	20.1 <sup>g)</sup>	11.2	— <sup>g)</sup>	—	—	10.6

**3. INDEX OF INCOME INEQUALITY**

(Gini coefficient of net per capita household income) (%)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA <sup>m)</sup>	—	—	—	—	—	—	—
BULGARIA <sup>m)</sup>	—	—	—	—	—	28.9	—
CZECH REPUBLIC <sup>m)</sup>	—	—	20.4	19.7	19.6	18.9	—
SLOVAKIA <sup>m)</sup>	—	—	18.1	17.9	18.0	18.8	—
HUNGARY	—	—	21.4	—	20.5	—	—
POLAND	—	—	24.9	19.1	23.2	24.0	—
ROMANIA <sup>m)</sup>	—	—	23.3	22.9	24.3	25.1	—
RUSSIA	—	—	—	24.1	25.9	26.9 <sup>n)</sup>	—
UKRAINE	—	—	24.0	—	18.9	27.4	—

**4. FOOD SHARE**

(% of consumption expenditures spent on food)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	42.5	40.6	52.1	48.7	—
CZECH REPUBLIC	—	—	33.4	32.4	34.0	33.5	—
SLOVAKIA	—	—	—	—	33.5	32.3	—
HUNGARY	—	—	37.4	—	37.6	—	—
POLAND	—	—	49.2	51.8	45.8	43.5	—
ROMANIA	—	—	51.6	49.9	52.5	57.5	—
RUSSIA	—	—	34.4	32.9	38.2	46.7	—
UKRAINE	—	—	39.0	—	43.8	45.6	—

## 5. PERCENTAGE OF WAGE EARNERS WITH WAGE BELOW 50% OF AVERAGE WAGE

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	—	3.5	10.1	—	—
CZECH REPUBLIC	—	—	4.4	3.2	0.5	4.1	—
SLOVAKIA	—	—	3.9	—	—	—	—
HUNGARY	—	—	—	13.0	—	12.2	—
POLAND	—	—	3.8	—	6.4	6.7	—
ROMANIA	—	—	4.4	—	4.2	—	—
RUSSIA	—	—	11.9 o)	12.3 o)	20.3 p)	28.3 o)	—
UKRAINE	—	—	—	—	—	—	—

## 6. PERCENTAGE OF PENSIONERS WITH PENSIONS BELOW 50% OF AVERAGE WAGE

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	62.7	36.8	—	67.0	—
CZECH REPUBLIC	—	—	43.1	40.2	36.4	62.9	—
SLOVAKIA	—	—	64.6	59.8	54.9	66.4	—
HUNGARY	—	—	40.9	28.5	34.7	43.1	—
POLAND	—	—	74.8	58.0	—	40.4	—
ROMANIA	—	—	62.5	—	89.1	83.3	—
RUSSIA	—	—	—	—	—	— q)	—
UKRAINE	—	—	—	—	—	—	—

## 7. PEOPLE RECEIVING SOCIAL ASSISTANCE REGULARLY

(per 10,000 population)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	978.0	—
BULGARIA	—	—	10.4	8.5	162.5	259.4	—
CZECH REPUBLIC	—	—	94.7	108.7	95.0	96.5	—
SLOVAKIA	—	—	96.9	107.0	84.7	69.8	—
HUNGARY	—	—	116.4	132.9	162.7	226.1	—
POLAND	—	—	22.1	23.2	28.3	30.8	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	—	991.1 r)	—
UKRAINE	—	—	—	—	—	—	—

## 8. CASES OF OCCASIONAL SOCIAL ASSISTANCE

(per 10,000 population)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	190.5	208.7	381.4	553.6	—
CZECH REPUBLIC	—	—	241.3	215.5	250.0	220.5	—
SLOVAKIA	—	—	209.1	179.2	68.5	94.2	—
HUNGARY	—	—	792.6	845.7	962.2	1306.5	—
POLAND	—	—	262.1	571.0	448.7	456.3	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	—	—	—	2200.0 s)	—
UKRAINE	—	—	—	—	—	—	—

a) From national accounts

b) Source: Household Budget Surveys

c) This data is the arithmetic average of the data from the first two quarters of 1992 (50.0 and 62.3) as well as that of the months of August (87.1) and November (47.5) 1992

d) Includes income from cooperatives

e) Includes sick payments, unemployment & other benefits

f) Includes income from private agriculture

g) Included in part in other incomes and in part in self-employment incomes

h) Included in other incomes (which also contains income-in-kind)

i) Includes income from cooperatives and from small subsidiary plots

j) Included in other transfers

k) Includes income of collective farmers

l) Included in pensions

m) Gini coefficient of net per household income

n) This data is the arithmetic average of the data from two quarters of 1992 (25.5 and 28.4) as well as that of the months of August (27.2) and November (26.6) 1992

o) December

p) September

q) In January 1993, 23% of old age pensioners and 63% of recipients of survivors' pensioners received minimum pensions from the Russian Federation

r) Data from a one-time survey showing that 10.2 million pensioners and 2.5 million families with children and 2 million students received additional payments from local administrations in the first 4 months of 1992

s) Number of free or reduced-price meals supplied by local administrations. Estimate based on survey mentioned under r)

**1. BIRTHS ATTENDED BY HEALTH PERSONNEL**

(%)	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	99.3	99.1	99.5	—	—
CZECH REPUBLIC	—	—	100.0	100.0	100.0	100.0	—
SLOVAKIA	—	—	100.0	100.0	100.0	100.0	—
HUNGARY	—	—	99.4	99.4	99.4	99.5	—
POLAND	—	—	99.6	99.6	99.6	99.6	—
ROMANIA	—	—	99.9	99.8	99.9	—	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	—	—	—	—	—

**2. IMMUNIZATION RATES**

(% of children aged 1 - 2)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	93.0 <sup>f)</sup>	—
	—	—	—	—	—	96.5 <sup>f)</sup>	—
	—	—	—	—	—	87.2 <sup>f)</sup>	—
BULGARIA	—	—	99.5	99.5	99.4	97.9	—
	—	—	99.7	99.7	99.0	98.8	—
	—	—	99.6	99.6	97.8	92.2	—
CZECH REPUBLIC	—	—	99.1	99.2	99.3	99.2	—
	—	—	99.0	98.7	98.7	98.8	—
	—	—	99.3	99.5	99.2	99.3	—
SLOVAKIA	—	—	—	—	—	99.0	—
	—	—	—	—	—	99.0	—
	—	—	—	—	—	96.0	—
HUNGARY	—	—	99.9	99.9	99.9	99.9	—
	—	—	98.5	98.6	98.6	98.6	—
	—	—	99.9	99.0	99.2	99.1	—
POLAND	—	—	99.1	99.3	99.2	99.1	—
	—	—	98.4	98.4	98.5	98.3	—
	—	—	96.7	96.8	96.1	96.0	—
ROMANIA	—	—	79.3	75.5	77.3	86.8	—
	—	—	89.4	80.5	83.5	92.3	—
	—	—	86.2	93.0	87.6	90.8	—
RUSSIA	—	—	71.5	64.4	63.8	67.3	—
	—	—	63.6	66.3	67.3	59.1	—
	—	—	82.0	81.1	78.7	61.7	—
UKRAINE	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—

**3. LOW BIRTH WEIGHT**

(% of live births)

	1979-81 <sup>a)</sup>	1982-87 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	—	7.0	6.5	6.5	6.3	— <sup>m)</sup>	—
BULGARIA	—	6.0	6.2	6.4	7.4	7.7	—
CZECH REPUBLIC	6.1 <sup>b)</sup>	6.0 <sup>b)</sup>	5.2	5.5	—	—	—
SLOVAKIA	— <sup>b)</sup>	— <sup>b)</sup>	5.6	5.8	6.1	—	—
HUNGARY	12.0	10.0	9.2	9.3	9.3	9.0	—
POLAND	8.0	8.0	7.6	8.1	8.0	7.9	—
ROMANIA	—	6.0	7.3	7.1	7.9	8.2	—
RUSSIA	8.0 <sup>c)</sup>	6.0 <sup>c)</sup>	5.6	5.6	5.6	5.8	—
UKRAINE	— <sup>c)</sup>	— <sup>c)</sup>	—	—	—	—	—

**4. INFANT MORTALITY RATE**

(per 1,000 live births)

	1980 <sup>d)</sup>	1985 <sup>d)</sup>	1989	1990	1991	1992	1993
ALBANIA <sup>n)</sup>	50.3	30.1	30.8	28.3	32.9	30.9	33.2 <sup>e)</sup>
BULGARIA	20.2	15.4	14.4	14.8	16.9	15.9	15.4 <sup>e)</sup>
CZECH REPUBLIC	18.4 <sup>b)</sup>	14.0 <sup>b)</sup>	10.0	10.8	10.4	9.9	8.6 <sup>e)</sup>
SLOVAKIA	— <sup>b)</sup>	— <sup>b)</sup>	13.5	12.0	13.2	12.6	9.9 <sup>e)</sup>
HUNGARY	23.2	20.4	15.7	14.8	15.6	14.1	14.0 <sup>e)</sup>
POLAND	21.3	18.5	16.0	16.0	15.0	14.3	13.6 <sup>e)</sup>
ROMANIA	29.3	25.6	26.9	26.9	22.7	23.3	24.3 <sup>e)</sup>
RUSSIA	22.0	20.8	17.8	17.4	17.8	18.0	18.6 <sup>f)</sup>
UKRAINE	16.6	15.9	13.1	13.0	14.0	—	—



## 5. UNDER-5 MORTALITY RATE

(per 1,000 live births)

	1980 a)	1985 a)	1989	1990	1991	1992	1993
ALBANIA n)	58.0	52.0	45.5	41.5	44.1	—	—
BULGARIA	24.0	21.0	18.3	18.7	21.4	20.6	—
CZECH REPUBLIC	20.0 b)	17.0 b)	11.8	12.4	—	—	—
SLOVAKIA	— b)	— b)	15.8	14.1	15.4	—	—
HUNGARY	26.0	21.0	18.0	16.8	17.6	15.9	—
POLAND	25.0	21.0	18.7	18.6	17.2	16.8	—
ROMANIA	36.0	31.0	34.9	35.7	30.8	30.5	—
RUSSIA	37.0 c)	29.0 c)	22.8	22.3	23.2	23.7	—
UKRAINE	— c)	— c)	17.6	17.3	18.5	—	—

## 6. DISEASE-SPECIFIC UNDER-5 MORTALITY RATE

(per 1,000 live births)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA							
Infectious diseases	—	—	—	—	—	—	—
Respiratory diseases	—	—	—	—	—	—	—
Accidents, poisonings & violence	—	—	—	—	—	—	—
BULGARIA							
Infectious diseases	—	—	0.84	0.84	1.08	0.98	—
Respiratory diseases	—	—	4.40	4.64	5.14	4.22	—
Accidents, poisonings & violence	—	—	1.80	1.84	2.09	2.09	—
CZECH REPUBLIC							
Infectious diseases	—	—	0.09	0.13	—	—	—
Respiratory diseases	—	—	0.54	0.51	—	—	—
Accidents, poisonings & violence	—	—	1.06	1.10	—	—	—
SLOVAKIA							
Infectious diseases	—	—	0.20	0.09	0.13	—	—
Respiratory diseases	—	—	1.88	1.90	2.19	—	—
Accidents, poisonings & violence	—	—	1.16	1.14	1.21	—	—
HUNGARY							
Infectious diseases	—	—	0.31	0.29	0.24	0.21	—
Respiratory diseases	—	—	1.18	1.09	1.08	0.99	—
Accidents, poisonings & violence	—	—	0.98	1.02	0.91	0.82	—
POLAND							
Infectious diseases	—	—	1.09	1.12	0.96	1.04	—
Respiratory diseases	—	—	1.06	0.89	0.81	0.76	—
Accidents, poisonings & violence	—	—	1.36	1.29	1.21	1.21	—
ROMANIA							
Infectious diseases	—	—	2.63	2.51	1.75	—	—
Respiratory diseases	—	—	12.19	13.12	10.69	—	—
Accidents, poisonings & violence	—	—	3.90	3.90	4.01	—	—
RUSSIA							
Infectious diseases	—	—	1.98	1.73	1.64	1.55	—
Respiratory diseases	—	—	3.76	3.24	3.47	3.36	—
Accidents, poisonings & violence	—	—	2.42	2.56	2.88	3.27	—
UKRAINE							
Infectious diseases	—	—	1.30	1.02	1.16	—	—
Respiratory diseases	—	—	2.12	1.98	1.98	—	—
Accidents, poisonings & violence	—	—	2.36	2.32	2.60	—	—

## 7. AGE 5-19 MORTALITY RATE

(per 1,000 relevant population)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	0.64	0.64	—	—	—
BULGARIA	—	—	0.50	0.53	0.51	0.52	—
CZECH REPUBLIC	—	—	0.33	0.35	—	—	—
SLOVAKIA	—	—	0.36	0.37	0.38	0.20	—
HUNGARY	—	—	0.41	0.44	0.39	0.40	—
POLAND	—	—	0.41	0.40	0.41	0.39	—
ROMANIA	—	—	0.64	0.60	0.57	—	—
RUSSIA	—	—	0.70	0.69	0.75	0.77	—
UKRAINE	—	—	0.60	0.58	0.62	—	—

## 8. AGE 5-19 MORTALITY RATE DUE ACCIDENTS, POISONING AND VIOLENCE

(per 1,000 relevant population)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	0.24	0.27	0.23	0.26	—
CZECH REPUBLIC	—	—	0.16	0.19	—	—	—
SLOVAKIA	—	—	0.18	0.19	0.20	—	—
HUNGARY	—	—	0.23	0.26	0.22	0.20	—
POLAND	—	—	0.23	0.24	0.25	0.23	—
ROMANIA	—	—	0.56	0.54	0.51	—	—
RUSSIA	—	—	—	—	—	0.51	—
UKRAINE	—	—	—	—	—	—	—

**9. AGE 5-19 SUICIDE RATE**

(per 1,000 relevant population)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	0.77	0.78	0.76	0.85	—
CZECH REPUBLIC	—	—	0.79	0.83	—	—	—
SLOVAKIA	—	—	—	—	—	—	—
HUNGARY	—	—	1.91	1.82	1.77	1.79	—
POLAND	—	—	0.46	0.52	0.56	0.59	—
ROMANIA	—	—	0.45	0.38	0.39	0.39	—
RUSSIA	—	—	—	—	—	—	—
UKRAINE	—	—	1.00	0.97	0.96	—	—

**10. PRE-PRIMARY ENROLMENT RATE**

(as % of relevant population)

	1980 <sup>a)</sup>	1985 <sup>a)</sup>	1989	1990	1991	1992	1993
ALBANIA	46.0	52.0	58.0 <sup>a)</sup>	60.0 <sup>a)</sup>	—	—	—
BULGARIA	104.0	93.0	72.8	67.0	56.1	59.8	—
CZECH REPUBLIC	84.0 <sup>b)</sup>	84.0 <sup>b)</sup>	99.0 <sup>b)</sup>	90.0 <sup>b)</sup>	83.0 <sup>b)</sup>	—	—
SLOVAKIA	— <sup>b)</sup>	— <sup>b)</sup>	91.5	83.7	75.7	77.0 <sup>i)</sup>	—
HUNGARY	96.0	91.0	85.7	84.9	85.9	86.5	—
POLAND	55.0	51.0	48.7	47.1	43.9	42.6	—
ROMANIA	83.0	75.0	63.2	54.3	51.9	53.5	—
RUSSIA	57.0 <sup>c)</sup>	60.0 <sup>c)</sup>	69.3	66.4	63.9	56.8	—
UKRAINE	— <sup>c)</sup>	— <sup>c)</sup>	85.6	—	81.9	—	—

**11. PRIMARY ENROLMENT RATE**

(% of relevant population)

	1980 <sup>j)</sup>	1985 <sup>j)</sup>	1989	1990	1991	1992	1993
ALBANIA	113.0	103.0	—	—	—	—	—
BULGARIA	98.0	102.0	95.5	94.3	92.2	88.9	—
CZECH REPUBLIC	92.0 <sup>b)</sup>	99.0 <sup>b)</sup>	—	—	—	—	—
SLOVAKIA	— <sup>b)</sup>	— <sup>b)</sup>	97.7	98.1	99.5	99.5 <sup>i)</sup>	—
HUNGARY	95.0	97.0	99.0	99.1	99.2	99.2	—
POLAND	98.0	99.0	98.1	97.6	97.4	97.1	—
ROMANIA	102.0	98.0	97.3	95.2	95.9	93.9	—
RUSSIA	104.0 <sup>c)</sup>	105.0 <sup>c)</sup>	97.1	95.2	98.4	97.7	—
UKRAINE	— <sup>c)</sup>	— <sup>c)</sup>	—	—	—	—	—

**12. SECONDARY ENROLMENT RATE**

(% of relevant population)

	1980 <sup>j)</sup>	1985 <sup>j)</sup>	1989	1990	1991	1992	1993
ALBANIA	67.0	72.0	—	—	—	—	—
BULGARIA	84.0	102.0	75.7	73.5	86.0	68.2	—
CZECH REPUBLIC	89.0 <sup>b)</sup>	84.0 <sup>b)</sup>	—	—	—	—	—
SLOVAKIA	— <sup>b)</sup>	— <sup>b)</sup>	88.7	88.2	88.0	88.2	—
HUNGARY	69.0	72.0	74.9	74.5	74.6	75.5	—
POLAND	77.0	78.0	78.9	78.5	78.7	79.3	—
ROMANIA	71.0	84.0	91.1	81.9	75.4	71.3	—
RUSSIA	93.0 <sup>c)</sup>	98.0 <sup>c)</sup>	79.3	80.4	75.4	74.5	—
UKRAINE	— <sup>c)</sup>	— <sup>c)</sup>	—	—	—	—	—

**13. CHILDREN ADOPTED ANNUALLY**

(absolute numbers)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	1123	1084	928	905	—
CZECH REPUBLIC	—	—	546	499	530	460	—
SLOVAKIA	—	—	597	682	789	799	—
HUNGARY	—	—	982	958	1016	923	—
POLAND	—	—	4176	4294	3911	3550	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	12329	12828	12964	13942	—
UKRAINE	—	—	42900	46000	49200	—	—

#### 14. CHILDREN IN FOSTER FAMILIES

(absolute numbers)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	—	—	—	—	—
CZECH REPUBLIC	—	—	5262	5340	5348	5242	—
SLOVAKIA	—	—	2348	2309	2350	2356	—
HUNGARY	—	—	8717	8705	8499	8487	—
POLAND	—	—	32087	31881	32130	32968	—
ROMANIA	—	—	—	—	—	—	—
RUSSIA	—	—	125067	128021	131183	135766	—
UKRAINE	—	—	81000	84500	89400	—	—

#### 15. CHILDREN IN INSTITUTIONS

(absolute numbers)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	13035	12117	11926	12006	—
CZECH REPUBLIC	—	—	15701	16400	15241	13302	—
SLOVAKIA	—	—	4864	4372	4419	4361	—
HUNGARY	—	—	19663	17492	16237	14971	—
POLAND	—	—	32476	31684	31986	31007	—
ROMANIA	—	—	—	90688	93799	80441	—
RUSSIA	—	—	122284	113425	102942	100026	—
UKRAINE	—	—	27500	26100	24400	—	—

#### 16. NUMBER OF YOUTHS AGED 14-18 SENTENCED

(per 100,000 population)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	19.3	11.0	11.9	12.4	—
CZECH REPUBLIC	—	—	50.6	21.4	33.6	—	—
SLOVAKIA	—	—	41.0	27.0	46.0	19.0	—
HUNGARY	—	—	60.1	49.7	59.9	66.8	—
POLAND	—	—	37.8	52.1	68.5	75.2	—
ROMANIA	—	—	12.0	8.6	16.0	19.0 <sup>k)</sup>	—
RUSSIA	—	—	62.4	79.3	85.0	91.0	—
UKRAINE	—	—	20.0	24.0	22.0	—	—

#### 17. TOTAL NUMBER OF CRIMES

(1989 = 100)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	—	—	100.0	112.8	307.5	394.6	—
CZECH REPUBLIC	—	—	100.0	179.6	234.3	285.8	—
SLOVAKIA	—	—	100.0	150.6	190.0	226.4	—
HUNGARY	—	—	100.0	151.3	195.4	198.4	—
POLAND	—	—	100.0	161.3	158.2	178.1	—
ROMANIA	—	—	100.0	184.2	183.9	187.1	—
RUSSIA	—	—	100.0	113.1	133.4	169.4	—
UKRAINE	—	—	100.0	114.4	125.2	—	—

a) Source: UNICEF, The State of the World's Children, 1985, 1988

b) Data refer to Czechoslovakia

c) Data refer to the U.S.S.R.

d) Source: Council of Europe, Recent Demographic Developments in Europe and North America, 1991

e) First 6 months of 1993

f) First 8 months of 1993

g) Gross enrolment rates, Source: UNESCO Yearbook, 1992

h) Covering 5 year old children

i) Estimation of the Statistical Office of Slovakia

j) Gross enrolment rates except for Hungary and Poland. Source: UNESCO Yearbook, 1992

k) Estimation

l) Supplied by UNICEF-Tirana

m) According to the latest official estimates the 1992 figure is still below 7 per cent. However, experts estimate that it may be up to 11 per cent.

n) Unofficial estimates put IMR and U5MR much higher.



**I. MATERNAL MORTALITY RATE**

(per 100,000 live births)

	1980 a)	1985 a)	1989	1990	1991	1992	1993
ALBANIA	—	—	—	—	—	—	—
BULGARIA	0.21	0.13	0.19	0.21	0.10	0.21	—
CZECH REPUBLIC	0.09 b)	0.08 b)	0.09	0.08	—	—	—
SLOVAKIA	— b)	— b)	0.05	0.04	0.14	—	—
HUNGARY	0.21	0.26	0.15	0.21	0.13	0.10	—
POLAND	0.12	0.11	0.11	0.13	0.13	0.10	—
ROMANIA	1.32	—	1.69	0.84	0.66	0.60	—
RUSSIA	—	—	0.49	0.47	0.52	0.51	—
UKRAINE	—	—	0.41	0.32	0.30	—	—

**2. MORTALITY RATE OF YOUNG ADULTS**

(per 1,000 population aged 10 to 39)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	0.97	0.98	—	—	—
BULGARIA	—	—	1.37	1.45	1.36	1.46	—
CZECH REPUBLIC	—	—	1.11	1.22	—	—	—
SLOVAKIA	—	—	1.36	1.45	1.41	—	—
HUNGARY	—	—	2.00	2.12	2.10	2.22	—
POLAND	—	—	1.63	1.70	1.77	1.66	—
ROMANIA	—	—	1.74	1.69	1.62	1.73	—
RUSSIA	—	—	2.43	2.53	2.69	3.20	—
UKRAINE	—	—	2.01	2.09	2.29	—	—

**3. MORTALITY RATE OF MIDDLE AGE ADULTS**

(per 1,000 population aged 40 to 59)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	3.81	3.45	—	—	—
BULGARIA	—	—	7.07	7.06	6.85	7.27	—
CZECH REPUBLIC	—	—	6.68	6.93	—	—	—
SLOVAKIA	—	—	8.11	8.27	7.94	—	—
HUNGARY	—	—	9.67	9.85	9.90	10.56	—
POLAND	—	—	8.05	8.04	8.30	7.91	—
ROMANIA	—	—	7.69	7.88	7.83	8.44	—
RUSSIA	—	—	9.18	9.44	9.52	10.76	—
UKRAINE	—	—	8.27	8.67	9.34	—	—

**4. MORTALITY RATE OF ELDERLY ADULTS**

(per 1,000 population aged 60+)

	1980	1985	1989	1990	1991	1992	1993
ALBANIA	—	—	43.94	42.20	—	—	—
BULGARIA	—	—	50.36	51.11	52.29	49.74	—
CZECH REPUBLIC	—	—	57.71	57.60	—	—	—
SLOVAKIA	—	—	52.89	52.76	52.98	—	—
HUNGARY	—	—	55.33	56.30	55.50	56.40	—
POLAND	—	—	50.73	50.73	51.91	49.98	—
ROMANIA	—	—	49.90	49.07	50.27	51.44	—
RUSSIA	—	—	48.32	49.45	48.92	50.05	—
UKRAINE	—	—	48.22	49.83	51.79	—	—

a) Source: UN Demographic Yearbook, 1984, 1990

b) Data refer to Czechoslovakia

## DEFINITIONS

## Children in foster families

Children cared for by foster parents on a temporary base (usually for some fees) as an alternative to child institutionalization.

## Consumer price index (CPI)

The most widely used measure of inflation, based partly on actual recordings of prices of consumer goods and services in retail trade outlets and service units and partly on the recordings of actual consumer expenditure pattern of households through surveys. Proxies for consumer price index include the retail trade index (which usually does not cover services, and where price data are often obtained from producers' or retailers' reports or price lists), and the living-cost index (where the expenditure pattern is based on a normative basket).

## Consumption expenditures

Final consumption of new durable and non-durable goods and services plus second-hand purchases made by households.

## Crude birth rate (CBR)

Number of total births (live births and still-births) in a year per 1,000 midyear population.

## Crude death rate (CDR)

Number of deaths in a year per 1,000 midyear population.

## Employed population

Number of persons with permanent and temporary employment contracts and the self-employed; therefore it includes persons temporarily away from work (also those on maternity and parental leave).

## Government (or public) expenditures

Consolidated expenditures of all levels and units of government operating in a country (eliminating payments and receipts between units or levels of government; see also the concept of General government expenditures and lending minus repayment of the Government Finance Statistics (GFS) of the International Monetary Fund (IMF)).

## Government (or public) revenues

Consolidated tax, non-tax, and capital revenues of all levels and units of government operating in a country (eliminating payments and receipts between units or levels of government) and grants from abroad (see also the concept of General government revenues and grants of the Government Finance Statistics (GFS) of the International Monetary Fund (IMF)).

## Gross Domestic Product (GDP)

The most widely used concept of national income defined in the System of National Accounts (SNA); represents the total final output of goods and services produced by an economy, regardless of the allocation to domestic and foreign claims and calculated without making deductions for depreciation.

## Gross personal income

Pre-taxation cash and non-cash income of households, including income from self-employment. Does not include imputed value for public services received free of charge (neither imputed rents of owner-occupied dwellings in this case).

## Household expenditures

Consumption expenditures, mortgage payments, and other housing expenditures of households.

## Income from self-employment

Entrepreneurial income from non-corporate enterprises (households) including the value of consumption from own account production and cash revenues from self-employment netted with expenditures incurred in relation to these activities.

## Industrial production

Gross output of activities in industry (a sector defined somewhat differently in each country), covering both final and intermediate goods and services.

## Infant mortality rate (IMR)

Annual number of infant deaths per 1,000 live births. More specifically, this is the probability of dying between birth and one year of age.

## Life expectancy at birth

Widely used measure of the general level of mortality representing for a given year, the summarization of series of mortality rates for all ages combined; it is the theoretical length of life of a newborn taken the given year's mortality rates as constant.

## Live birth

All births with the exception of still-births, regardless of size, gestational age, 'viability' or death of the newborn soon after birth or his/her death before the required registration date (standard UN definition).

## Low birth weight rate (LBW)

The percentage of babies born with a weight less than 2,500 grams related to total live births. It is a sensitive measure of mother's health and nutrition before and during pregnancy. The further the infant's birth weight is below 2,500 grams, the greater the infant's vulnerability to infections and other problems, and the greater the risk of sickness and death.

## Maternal mortality rate

Annual number of deaths of women from puerperal and childbirth causes per 100,000 live births.

## Minimum wage and minimum pension

Minimum legislated remuneration for a full-time job and minimum benefit of own-right pensions replacing earnings.

## Net Material Product (NMP)

A concept of national income widely used in Central and Eastern Europe before the transition; it includes the total final output of goods and 'productive' services but disregards activities (e.g. health, education or public administration) which do not result in material output.

## Net external migration

The balance of gross immigration and gross emigration for a given country.

## Own-account production for consumption

Subsistence production of primary products (typically agricultural products) where both the production and consumption units are the household itself.

## Population

De facto population (present in area).

## Real wages

Net wages or salaries corrected by changes in consumer prices; its index reflects changes in the purchasing power of earnings.

## Registered unemployment

Unemployed population registered at Labour Offices. This 'administrative' approach to unemployment reflects national rules and conditions and usually gives results different from unemployment measured by surveys using the so called ILO-OECD concept of unemployment.

## Relative prices

Changes in prices of a certain item related to changes in the average of prices (total CPI).

## Social security

The institutions and measures of social insurance and social assistance aimed at providing existential security to the population. There are five 'pillars' of social security assistance. (1) pensions and survivors' benefits; (2) health care, sickness and disability transfers; (3) family and maternal benefits; (4) social assistance; and (5) unemployment compensation.

## Social assistance

State-financed means-tested public transfers provided to people meeting certain eligibility conditions for regular or occasional income support.

## Social expenditure

The sum of public expenditures on health, education, and social security.

## Total Fertility Rate (TFR)

Overall measure of fertility representing the sum of age-specific birth rates over all ages of the child bearing period.

## Under-5 year mortality rate

Annual number of deaths of children under age 5 per 1,000 live births. More specifically, this is the probability of dying between birth and age five.

## Working age population

Population older than the compulsory education age and younger than the official retirement age. Most often this includes men aged 15-59 years and women aged 15-54 in Central and Eastern Europe; except in Bulgaria and Romania (where it covers 16-59/54) and Poland (where it embraces 18-64/59 years).

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