

## Social Inclusion

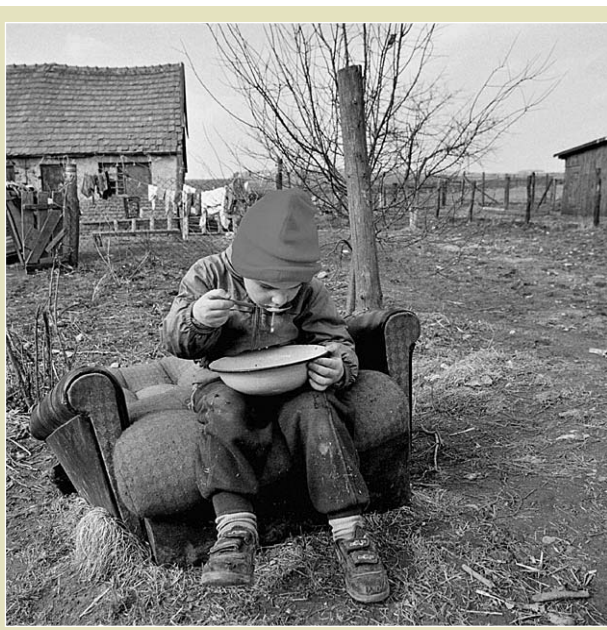
This issue of *Development and Transition* is devoted to the social inclusion paradigm and related analyses of social policy reform in the transition and developing economies of Europe and Central Asia. Although transition has expanded opportunities and rights for many people in the region, the benefits of economic growth, political freedoms and social opportunities have not been equally distributed. Demographic and other pressures on public expenditures often leave the elderly, people with disabilities, or families with multiple dependents and care responsibilities in poverty. Discrimination against social and ethnic minorities threatens social cohesion and solidarity. Traditional monetary poverty indicators are unable to capture the complexity of these threats—underscoring the need for other approaches to measuring vulnerability. Social inclusion, which aims to address inequalities in both development opportunities and results, is such an approach.

Drawing on primary research from an upcoming UNDP report on social inclusion, Susanne Milcher presents initial findings on levels and processes of social exclusion—as well as prospects for social inclusion—in Europe and Central Asia. Hugh Frazer and Eric Marlier argue that efforts to combat social exclusion should be strengthened under the EU’s ‘2020 Agenda’. By contrast, Peter Vermeersch suggests that the ‘Europeanization’ of Roma inclusion issues has been a mixed blessing. Orsolya Lelkes uses tax-benefit models to conclude that flat taxes combined with basic social allowances promote social inclusion better than flat taxes alone. By examining young people who

have recently left state care institutions, John Pinkerton concludes that social inclusion can be an effective social policy instrument—if it reflects the conditions affecting specific marginalized groups.

Dorothee Bohle and Béla Greskovits introduce a series of country/comparative articles by arguing that Hungary since 1990 has pursued a ‘welfarist’ social development path, while Latvia has followed a more ‘nationalist’ route—with differing social outcomes. Lidija Japac finds that, in most of the Western Balkans, ethnic tensions are perceived by ordinary people to be a smaller threat to social cohesion than differences between rich and poor. Nicola Nixon strikes a similar note in arguing that social exclusion (rather than ethnic tensions) has become more entrenched in Bosnia and Herzegovina since the military conflict ended there 15 years ago. Nicolas Jarraud, John Lewis, Pembe Mentesh, and Pelin Maneoglu suggest that that reconciliation processes in Cyprus likewise suffer from a ‘social inclusion deficit’. Jelena Tadzic and Danilo Vukovic show how internal cycles of deprivation, illiteracy and poverty combine with external cycles of prejudice and discrimination to perpetuate the social exclusion of Roma in Serbia. Katy Norman and Jürg Staudenmann use experiences from Bosnia and Herzegovina, Kosovo and Tajikistan to call for the closer integration of access-to-water and social-inclusion agendas. Nurjemal Jalilova suggests that considerable changes will have to be made to Turkmenistan’s largely unreformed pension system, in order to ensure its longer-term financial sustainability.

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**James Hughes and Ben Slay**

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## Lost in transition: The dimensions of social exclusion in Europe and Central Asia

Susanne Milcher

Social inclusion has strong connotations and linkages with human development. Achieving high levels of human development is not possible if large segments of the population remain excluded, with limited opportunities to participate in economic, social, political and cultural life. From the human development perspective, social exclusion is both a process and an outcome that hampers human fulfilment in a wide range of aspects. Social exclusion can thus provide a new perspective on human development by assigning a central role to process dimensions of exclusion (the agents, groups, and institutions that exclude), as well as to negative, 'exclusionary' outcomes.

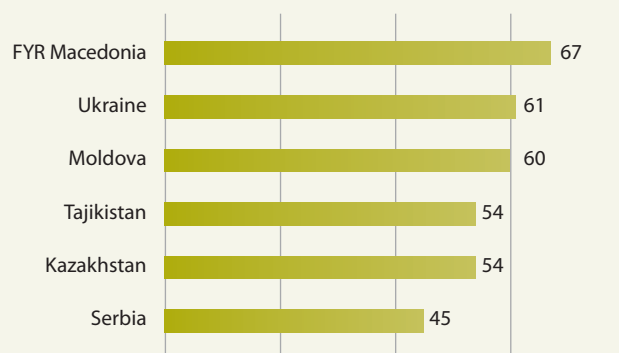
Based on research that will be presented in UNDP's forthcoming 2010 Regional Human Development Report<sup>1</sup> on social exclusion in the transition and developing countries of Europe and Central Asia, this article presents initial findings concerning levels and processes of social exclusion—as well as prospects for social inclusion—in the region.

### Social exclusion and employment

Employment opportunities (or rather lack thereof) are indicative of the complex relationship between drivers and outcomes of exclusion. Most of the region has been affected by the global economic crisis, with negative effects on employment and household incomes. UNDP data show that, on average, only 10 percent of respondents in six surveyed countries (Kazakhstan, the former Yugoslav Republic of Macedonia, Moldova, Serbia, Tajikistan, and Ukraine) perceive that they are very likely to lose their job/income-generating activity in the next six months. But for respondents employed primarily in the informal sector, the perceived risk rises to nearly 20 percent. If they were to lose their job, more than 50 percent of respondents in Kazakhstan, Moldova, Serbia and Ukraine assessed their savings as inadequate to cover more than one month of living expenses. The latter is also reflected in large shares of respondents' worries about not having sufficient incomes (see Figure 1). Informal job status is particularly present in Central Asia: 23 percent of survey respondents in Kazakhstan and 44 percent in Tajikistan report working without a written contract. In addition to limited access to formal labour markets, the widespread absence of social insurance associated with primary employment contributes to feelings of insecurity (see Figure 2).

These concerns about the social impact of the economic crisis reflect high pre-crisis levels of social vulnerability and social

**Figure 1.** Percentage of people who say that they are 'very worried' about not having enough income

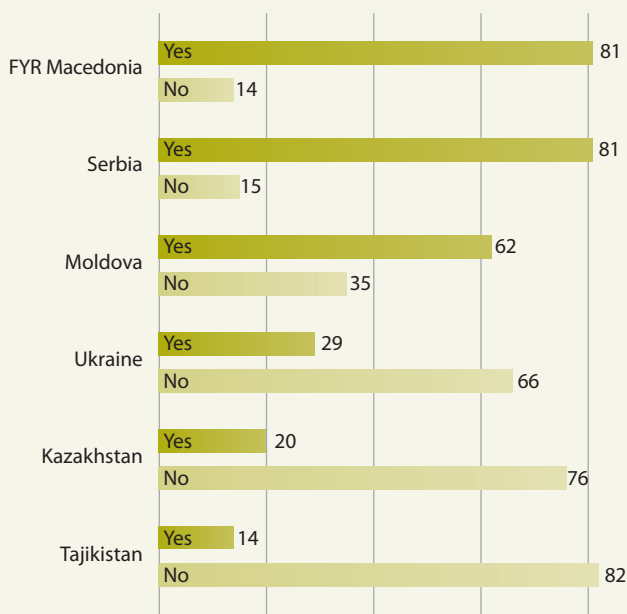


exclusion in the context of weak social protection systems throughout the region. In order to understand the impact of the crisis on social exclusion, one needs to look at the quality of economic growth models, labour market participation, social protection systems, and changes in degrees of tolerance and other social attitudes during transition.

### Exclusion and patterns of growth

Prior to the crisis, employment ratios in much of the region were substantially below those of the OECD countries (or compared with the EU-15). In the former Yugoslav Republic of Macedonia, the employment ratio in 2006 was less than 43 percent; in Moldova and Tajikistan the ratio was 51 percent and 53 percent, respectively.<sup>2</sup> These data, which indicate that half the population was either unemployed or out of the labour force, point to widespread under-employment, informality and inactivity. Over-represented among the inactive workers are ethnic minorities (such as the Roma), unskilled

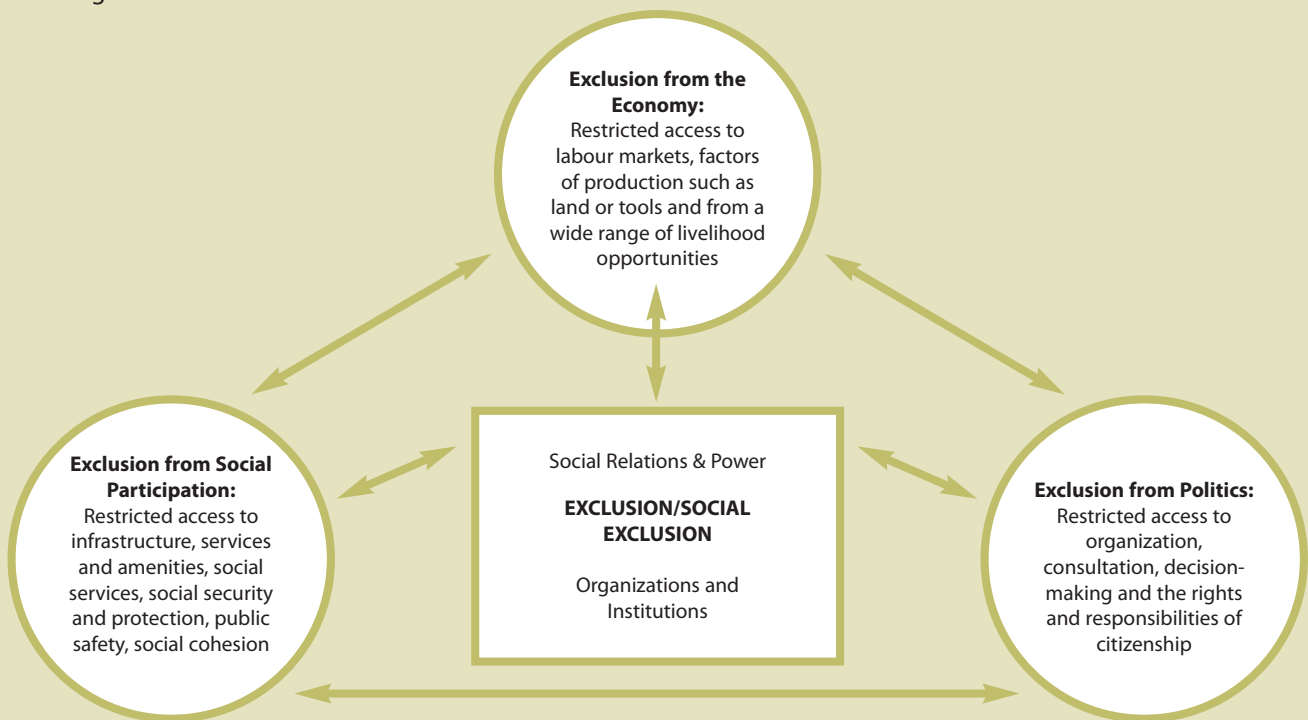
**Figure 2.** If you lost your main job, would you still get social benefits? (in %)



## Concepts in plain language: 'Social exclusion' and 'Social inclusion'

**Social exclusion:** Social exclusion refers to processes that push certain individuals to the social margins and prevent their full participation in relevant social, economic, cultural, and political processes. Poverty, a lack of basic competencies and life-long learning opportunities, or discrimination can distance these individuals from employment, income generation, and education opportunities, as well as from social and community networks and activities. Because they typically have little or no access to power and decision-making bodies, victims of social exclusion often feel powerless and unable to take control over the decisions that affect their daily lives. As one focus-group participant put it: "When you work, you have friends. As soon as you lose your job, there are no friends at all" (from UNDP's National Human Development Report, Montenegro, 2009, p. 47, [http://hdr.undp.org/en/reports/nationalreports/europethecis/montenegro/Montenegro\\_NHDR\\_2009\\_EN.pdf](http://hdr.undp.org/en/reports/nationalreports/europethecis/montenegro/Montenegro_NHDR_2009_EN.pdf)).

**Social inclusion:** Social inclusion refers to processes ensuring that those at risk of poverty and social exclusion gain the opportunities and resources necessary to participate fully in social, economic, cultural, and political life, and to enjoy standards of living and welfare that are considered normal in the society in which they live. It ensures that vulnerable individuals enjoy opportunities for greater participation in decision-making, which affects their lives and their ability to enjoy fundamental rights.



Source: Beall, J. and L-H. Piron, 2005, *DFID Social Exclusion Review*, LSE and ODI. <http://www.eldis.org/vfile/upload/1/document/0708/DOC18457.pdf>

middle-aged men, and women, who used to actively take part in the labour market. High rates of youth unemployment (15-24 years) are another important indicator of exclusionary patterns throughout the region. Migration has been the response of many towards social exclusion, and the search for a better life. In some cases migration can explain the reduction of unemployment, while employment ratios are generally stagnating.

In many countries, problems of labour market exclusion have been exacerbated by deteriorating access to, and quality of,

public and social services (including water and utilities). The combination of growing levels of income poverty for children and deteriorating access to quality education is a particularly dramatic outcome, with long-term exclusionary implications. Social protection systems that discriminate against or fail to respond to the needs of stigmatized groups (e.g., Roma, people with disabilities, people living with HIV/AIDS) can likewise be expected to generate exclusionary outcomes.

In addition to effects of transition, social policies and social structures are affected by legacies of the socialist past. This is



*Opportunities have narrowed for many – including minorities, unskilled middle-aged men, and especially women. © Bulat Utkelov/The World Bank*

apparent in the continued importance of category-based (instead of needs-based) social protection instruments, and in the over-emphasis on institutional care for some groups. By contrast, family- and community-based social services remain underdeveloped and underfunded, and are only infrequently mainstreamed into statutory social protection systems. Also, the determination of benefits for children and adults with disabilities is often based on crude medical assessments of abilities. The administration of these benefits tends to encourage passivity and dependency, rather than diverse forms of social integration; and they are rarely linked with services tailored to the needs of persons with disabilities.

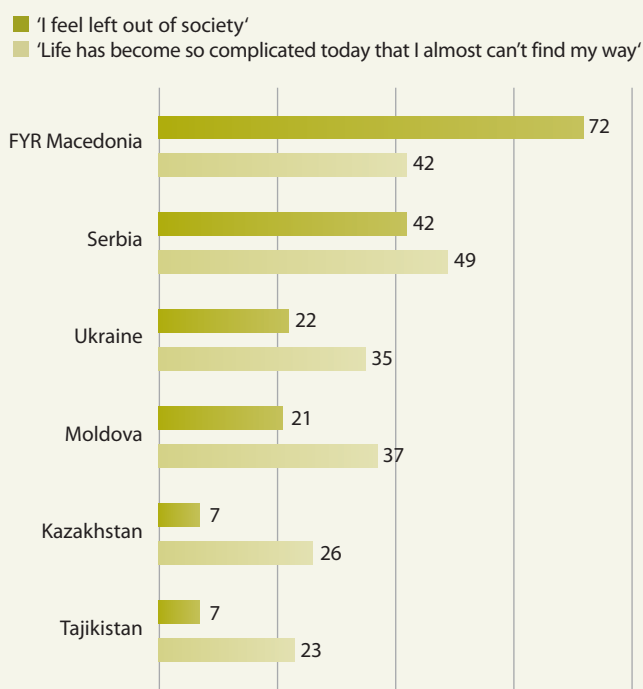
### Exclusion and transition outcomes

Problems of social exclusion in the region also reflect weak social capital, as networks of social solidarity and trust have eroded during transition.<sup>3</sup> In Moldova and Serbia, over 70 per cent of survey respondents think that most people can not be trusted, while levels for the other countries ranged 40 to 55 percent. Given these findings, it is not surprising that levels of tolerance towards 'stigmatized groups' are generally low. Large shares of respondents in all six countries prefer not to have homosexuals, people living with HIV, or former prisoners as their neighbours.<sup>4</sup> Segmentation along ethnic, cultural, political and social lines has likewise increased in many countries. Comparing life opportunities today to the situation 25 years ago, large shares of respondents in the six countries think that opportunities for employment, education and access to justice are worse today. They also think that it is more important today than it was 25 years ago to be well connected politically, in order to get ahead in life.

Subjective feelings of being 'left out of society', which the survey data indicate are particularly strong in the former Yugoslav Republic of Macedonia (and to some extent also in Serbia) can be regarded as a key indicator of social exclusion (see Figure 3). While these differences sometimes reflect ethnic cleavages, age seems to be a more important driver: the

survey data indicate that older people are much more likely to feel left out of society. As in many EU countries, this may relate to changes from extended to nuclear family structures but also increased mobility and migration. Further, there is a general feeling of powerlessness, again with Serbia and the former Yugoslav Republic of Macedonia standing out among the six countries (see Figure 3).

**Figure 3.** Percentage of people who agreed with the statement:



The noticeable lack of sense of belonging to society, higher levels and perceptions of (job) insecurity, insufficient safety nets and eroded trust and solidarity within the six countries outline a rather gloomy picture. The people in the region do not call for restoration of central planning and mono-party systems of the past. But they do manifest their frustration with transition outcomes, which are now being tested by the economic crisis. This frustration shows that much work is needed with regards to social inclusion and human development, so that a whole generation is not going to be 'lost in transition'.

*Susanne Milcher is Social Inclusion Specialist in the UNDP Bratislava Regional Centre. This article draws on research for the Regional Human Development Report (RHDR) on Social Inclusion, which will be released in October 2010. The author would like to thank Max Spoor, RHDR writing team leader, and Andrey Ivanov, UNDP Human Development Adviser, for their contributions to this article.*

1 For more information, please see <http://europeandcis.undp.org/home/show/9A4180A3-F203-1EE9-B931CBF6C6E4B7DF>.

2 Source: TRANSMONEE Database UNICEF (2009).

3 EBRD, Life in Transition, 2007. Levels of trust are similarly low in 2006. Generally, trust was perceived higher before 1989.

4 Levels of tolerance towards these stigmatized groups are on average higher in EU countries (World Value Survey, 2005-2008).

# Social inclusion in the European Union: Where do we stand, where are we going?<sup>1</sup>

Hugh Frazer and Eric Marlier

Since 2000, the European Union (EU) has had the declared objective of making a decisive impact on the eradication of poverty and social exclusion among its Member States by 2010. However, while much positive work has been undertaken, progress has fallen far short of this ambition. For the EU as a whole, the poverty risk rate in 2008 was 17 percent—a figure that has remained broadly unchanged over recent years.<sup>2</sup> During 2010, key political decisions will be taken on the EU's priorities for the next decade—the so-called 'EU2020 agenda'. This article draws on the experience of the last decade to suggest how EU efforts to combat poverty and social exclusion could be strengthened under these new arrangements.

The importance of the issues examined below goes beyond the welfare of the households who may be at risk of poverty and social exclusion within the EU Member States. European views on social policy have had—and continue to have—a profound effect on social policies globally, both in other OECD countries (which are influenced by the exchange of policy experience and expertise with EU countries) and in the developing and transition economies that are recipients of development and technical assistance from the European Commission (EC) and Member States. This is particularly relevant in the context of Europe's wider neighbourhood: EU social policy approaches are 'exported' to Turkey and to countries in the Balkans that have to conclude joint inclusion memoranda with the EC as part of their EU accession negotiations.

These countries, as well as Norway and Iceland, also participate in many EU activities aimed at promoting mutual learning.<sup>3</sup> The countries of the Southern Caucasus and Western Commonwealth of Independent States that are the focus of the EU's European Neighbourhood Policy and its Eastern Partnership are likewise influenced by EU support for social policies that embody 'European' approaches to poverty reduction and social inclusion.

## The approach so far

Since 2000, the EU has promoted greater social inclusion through a process known as the Open Method of Coordination (OMC). The Social OMC<sup>4</sup> has essentially been a 'soft' process, based on voluntary cooperation in pursuit of shared objectives. Responsibility for developing and implementing policies remains with countries; there are neither sanctions nor even recommendations to countries that do not make sufficient progress on the commonly agreed objectives. Much of the emphasis is on information exchange and policy learning. However, to some extent *peer pressure* is present as a

result of the regular monitoring and reporting and, more recently, some international benchmarking.

The key features of the social inclusion strand of the Social OMC have been fivefold:

- a set of common EU objectives for combating poverty and social exclusion;
- two to three yearly national action plans on poverty and social exclusion (NAPs/inclusion), by which Member States are expected to translate the common objectives into (sub-) national policies;<sup>5</sup>
- a set of commonly agreed indicators to enhance the analysis of poverty and social exclusion and to measure progress towards achieving the common objectives;
- a process of regular monitoring and reporting on progress; and
- a community action programme to support the Social OMC by deepening analysis and understanding, and by encouraging mutual learning and dialogue between Member States.<sup>6</sup>

Three policy themes have dominated the OMC: active inclusion, which covers employment activation, minimum income and access to services; child poverty and well-being; and homelessness and housing exclusion. More recently, the social inclusion of migrants and ethnic minorities (especially the Roma) and the impact of the financial and economic crisis have come more to the fore. Significant attention has also been given to promoting better governance on social inclusion issues through: mobilizing and involving all actors (including people experiencing poverty and social exclusion); developing multidimensional and strategic responses to poverty and social exclusion; mainstreaming social inclusion objectives into all areas of national policy; improving policy coordination and policy delivery; ensuring effective links between national and sub-national governments; and rigorous monitoring and reporting.

## Strengths and weaknesses

The Social OMC has helped to keep poverty and social exclusion on the EU agenda (if not always as strongly as many would wish). It has generated a considerable body of very useful learning about how best to tackle and prevent poverty and social exclusion. It has led to real improvements in data and indicators, and to a stronger framework for analysing, monitoring and reporting. It has helped improve governance and supported more effective social inclusion strategies in several Member States. It has mobilized a wide range of actors and fostered EU-wide networks of people and associations involved in the struggle against poverty and social exclusion. It has given a greater voice to those experiencing poverty and social exclusion.

However, for a number of reasons, the Social OMC has generated little progress towards the goal of making a decisive impact on the eradication of poverty and social exclusion by 2010. The process has had low political status and public visibility compared to the EU's Growth and Jobs agenda. Social

inclusion objectives have not been mainstreamed in EU and Member States' policy-making. The process has been too 'soft'. In many Member States, NAPs/inclusion are treated as routine reporting exercises and have not led to increased efforts at national level. Until very recently monitoring, evaluation and reporting of Member States' performance have been weak. The lack of timely statistical evidence has limited possibilities for using EU benchmarking of Member States' performance. In many Member States, progress in strengthening governance arrangements remains limited. The exchange of learning and good practices has been too piecemeal and reached too narrow a range of actors. EU Structural Funds have not sufficiently supported the achievement of social inclusion goals.<sup>7</sup>

## Strengthening the Social OMC

To strengthen the Social OMC it is above all essential that the political status of the process is increased. The Lisbon Treaty, which came into force on 1 December 2009, provides a stronger reason for doing this: it explicitly states that the Union 'shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child'. This is likely to reinforce the arguments for social inclusion objectives to be mainstreamed across all areas of EU policy-making and for social impact assessments of EU policies.

Thus, concretely, when the EU's 2020 objectives are adopted (probably in June 2010), they should include a clear statement of the interdependence and mutually reinforcing nature of economic, employment, social and environmental objectives and policies. The new EU2020 strategy must be built around these four interdependent pillars and all must be developed at the same time so that they continuously interact and reinforce each other. The objectives should also contain an explicit political commitment to work both for the eradication of poverty and social exclusion and for the reduction of inequalities. In line with the new clause of the Lisbon Treaty mentioned above, this should be matched by a clear commitment at the highest political levels to mainstream issues of adequate social protection, the fight against poverty and social exclusion, and children's rights across all relevant EU policy areas and programmes (including the Structural Funds). And as this is a condition for an effective mainstreaming, the EU2020 strategy should emphasize the need for a systematic application of the required social inclusion impact assessments (both *ex ante* and *ex post*).

Once this strong political commitment is in place, the European Commission and Member States must agree on the arrangements for a more robust and rigorous social inclusion strand of the Social OMC, within which work on key thematic issues such as active inclusion, child poverty and social exclusion, homelessness and housing exclusion, and the social exclusion of migrants and ethnic minorities can be addressed.



Efforts by the European Union to promote social inclusion have had low political status and public visibility compared to the EU's Growth and Jobs agenda.

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In establishing a more robust and rigorous Social OMC, particular attention should be paid to:

- mainstreaming NAPs/inclusion into (sub-)national policy making and thus applying systematic social impact assessments in all relevant policy domains;
- better linking the Social OMC and other relevant EU processes (growth, jobs, environment...) so that they are mutually reinforcing; ensuring stronger links with the EU Structural Funds;
- reinforcing the analytical capacity of those people and institutions engaged in the Social OMC process, to make it more challenging and more comparative;<sup>8</sup>
- increasing political commitment through broader use of quantified objectives ('targets') and benchmarking, and also through a better awareness of the process;
- strengthening governance and policy coordination; and
- enhancing policy learning and exchange of good practices.

Target setting and benchmarking, based on the agreed set of EU indicators, should become a more central and visible feature of the process. At the European level, the EU social objectives should be made more visible, measurable and tangible—as is the case with economic and employment objectives. At the national level, Member States, in consultation with the Commission, should establish appropriate evidence-based national (and, when appropriate, sub-national) targets which would represent their commitment to move towards the overall EU social inclusion goals. Then, progress towards these targets should be rigorously monitored and reported on. EU recommendations should be made to Member States who are not making sufficient progress.

In addition, much of the work of the OMC should be focussed on the key thematic issues identified earlier. Clear objectives should be set for each issue and multi-annual work programmes agreed for each. Annual reports on progress should be submitted to the spring meeting of EU Heads of State and Government and also to the European as well as national (and possible sub-national) parliaments. In pursuing these themes, greater use should be made of existing instruments such as Commission Recommendations and EU Framework Directives.

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- 1 Readers interested in pursuing this topic in more detail may find it useful to look at the following sources: European Commission, 'A Renewed Commitment to Social Europe: Reinforcing the Open Method of Coordination for Social Protection and Social Inclusion', Communication No. COM (2008) 418 final (Brussels: European Commission, 2008). Frazer, H. and Marlier, E., 'Building a Stronger EU Social Inclusion Process: Analysis and Recommendations of the EU Network of Independent National Experts on Social Inclusion' (Brussels: European Commission, 2008). They can also look at the web-site of different European NGOs, including those of EAPN, the Platform of European Social NGOs and the Spring Alliance.
- 2 This result is a weighted average of the 27 EU Member States' national poverty risk rates, in which each national rate is weighted by the total population of the country. According to the EU definition, a person 'at-risk-of-poverty' is a person who lives in a household whose total equivalized income is below 60 percent of the median national equivalized household income; it is thus a relative definition. The EU data source for income-based indicators is the *Community Statistics on Income and Living Conditions (EU-SILC)*. EU poverty risk rates between 2005 and 2008 (the most recent data available) have remained stable at 16-17 percent. For this and other social indicators used at EU level, see the website of Eurostat (the Statistical Office of the European Communities): <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>.
- 3 So, for instance, the European Commission's 'Network of Independent Experts on Social Inclusion', which is coordinated by CEPS/INSTEAD and which covers the 27 EU Member States as well as Croatia, Iceland, the former Yugoslav Republic of Macedonia, Serbia and Turkey. See: <http://www.peer-review-social-inclusion.eu/network-of-independent-experts>.
- 4 Since 2006 the OMC on poverty and social exclusion has become one strand in a wider 'Social OMC', covering also pensions as well as healthcare and long-term care. The Social OMC is coordinated by the EU Social Protection Committee (SPC), which consists of officials from each Member State and from the European Commission, and which reports to the EU 'Employment, Social Policy, Health and Consumer Affairs' (EPSCO) Council of Ministers.
- 5 Since the 2006 streamlining of the Social OMC, NAPs/inclusion are now a chapter in the streamlined National Strategy Reports on Social Protection and Social Inclusion (NSRSPSIs).
- 6 Over the past decade, a succession of such programmes have promoted *inter alia*: research, policy analysis and the improved collection of data; the exchange of good practices (through transnational exchange projects, peer reviews and studies); the networking across Europe of NGOs as well as regional and local authorities active in combating poverty and social exclusion; and the funding of international conferences.
- 7 The European Anti-Poverty Network (EAPN) among others has been critical of the limited amount of Structural Funds available to support social inclusion measures: 'Overall, EAPN was disappointed that the 2007-2013 programming period was not made a more effective instrument to combat poverty and social exclusion. The Commission's own estimates were that only 12.4 percent of the ESF was allocated to social inclusion measures' (Harvey, B., 'EAPN Structural Funds Manual 2009-2011' (Brussels: EAPN, 2008). Also worth mentioning is a European Commission proposal (COM (2009) 382 final) to amend the regulations of the European Regional Development Fund to increase the eligibility of housing interventions in favour of marginalized communities in the newer EU Member States; if it is adopted, it could play an important role in increasing resources for initiatives in this field in these countries. For concrete proposals on a reformed cohesion policy for the EU, see: Barca, F., 'An agenda for a reformed cohesion policy: A place-based approach to meeting European Union challenges and expectations' (Brussels: European Commission, 2009).
- 8 For concrete suggestions on this, see: Marlier, E., Atkinson, A.B., Cantillon, B. and Nolan, B., *The EU and Social Inclusion: Facing the challenges* (Bristol: The Policy Press, 2007). See also: Atkinson, A.B. and Marlier, E., *Analysing and measuring social inclusion in a global context* (New York: UNDESA, 2010).

## Roma inclusion: Can international institutions play a role?

Peter Vermeersch

The Roma are a minority in practically every country in Europe. In Central and Eastern Europe they represent a significant part of the population (in Hungary and Slovakia, for example, they constitute at least 5 percent of the total population; in Bulgaria, and Romania over 10 percent). Since the EU enlargements in

2004 and 2007, observers have increasingly described Roma as the largest transnational minority in Europe.

The Roma are, however, far from a homogenous group. Their diversity stems not only from the fact that they are citizens of various countries; they also belong to different social status categories, have attachments to various cultural traditions and countries, and speak various languages (often, but not always, including a variety of the Romani language). But treating Roma as a single transnational group is only partly based on assumptions about deeper historical or cultural links. Poverty, discrimination, and social exclusion are increasingly seen as the factors distinguishing them from other groups of European citizens.

The Roma's plight is not new, and has been documented in a large number of articles and reports, including the influential 2002 UNDP publication *Avoiding the Dependency Trap*. Reports like these have been part of a larger attempt by international institutions to bring Roma issues to the attention of policymakers and to bring about socio-economic change within the Romani communities themselves. Since the mid-1990s, international institutions in Europe, in particular the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe and the EU, have recognized the problem and have undertaken several initiatives targeting the Roma. The sorts of policies and the pace at which they have been implemented have varied across European states, and discussions about the factors influencing these policies and their success are ongoing.

### International initiatives: Differences and overlap

Since the scope and competencies of the various international organizations vary, their strategies on Roma vary as well. The OSCE, for example, established a Contact Point on Roma and Sinti Issues responsible for reporting progress and communicating recommendations to various OSCE member states. For the Council of Europe, the Roma issue mostly falls within its promotion of legal standards on minority protection (see, e.g., the Framework Convention on the Protection of National Minorities). Yet the Council of Europe has also led the way in recognizing the Roma as a European minority. This

strategy is driven by the idea that recognition of the Roma's cultural characteristics represents a first step towards their inclusion in European societies. The Council of Europe has also established a European Roma and Travellers Forum to give the Roma an institutional voice on the European level.

This is slightly different from the strategy chosen by the EU. After the Roma in Central Europe had initially attracted the EU's attention as (potential) migrants, they were later (in the run-up to the EU's enlargement) increasingly discussed in the context of minority protection and anti-discrimination regulations in the candidate member states. Since the enlargement, the Roma are more clearly than ever a subject of EU social policy. The EU's strategy, as embodied in the actions of the European Commission, is not so much to promote the Roma to the status of a European transnational minority, but to encourage the inclusion of the Romani voice in domestic decision-making processes and to create a platform for dialogue among member states, experts and Romani activists in order to discuss and promote on a European scale useful domestic policies and best practices.

The results have been disappointingly modest so far. There are nevertheless several reasons to assume that by highlighting the Roma's plight as a special concern, the EU might in the future indeed increase its capacity to persuade member states



A Roma representative raises his hand to comment on the OSCE Mission's report on civil registration of Kosovo's Roma, Ashkali and Egyptian communities, 2007.

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to take additional action in this field, and thus indirectly make a difference for the Roma themselves. The first reason is that the EU, mainly through the actions of the European Commission, has more tools than other international organizations in Europe to influence domestic policies. Secondly, ever since the violent dissolution of Yugoslavia, the EU has treated the prevention and management of ethnic conflict as critical security concerns. While this is primarily a foreign policy issue, it has also compelled the EU to promote certain internal standards on ethnic minority protection. Indeed, throughout the last decade the EU has increasingly linked its security interests with minority protection and anti-discrimination; it is likely to continue on this road. And thirdly, the EU's attempt to improve things for the Roma has received support from a wide range of internationally organized activists, who scrutinize state practice in individual member states and add pressure 'from below' to the pressure that is already brought onto these states 'from above'. International advocacy networks (consisting of NGOs that operate across state borders) can reinforce the EU's agenda on Roma inclusion by moral consciousness-raising and by monitoring domestic change. Although that by itself may not be enough to force domestic decision-makers into the necessary prompt and vigorous action (domestic politicians usually find such action electorally not very rewarding), it is an important step forward. Now at least, if politicians continue to stand aloof, their apathy will not go unnoticed, and they may become the target of international shaming campaigns.

'Europeanization'—the growing interdependency of European states and their increased willingness to cooperate across borders—may also help activists to mobilize the Roma. In fact, part of this mobilization has already been achieved through promotion of the term 'Roma' as a way to overcome the negative stereotypes associated with 'Gypsies'. The term 'Roma' has been promoted by international Romani activists at least since the early 1970s (the first World Romani Congress, which made a crucial point of promoting that name, was held in London in 1971), but it was only in the 1990s that it gained broader popularity, thanks among others to the willingness of international institutions to adopt it in their official communication.

### The challenges of 'Europeanization'

While Europeanization might have important positive effects on the position of the Roma, it also poses a number of challenges.

First, increasing involvement of Romani activists on the European level does not necessarily integrate them in domestic and local decision-making. On the contrary, many of the Romani activists who became progressively more successful on the European level have experienced more difficulties in gaining support from Romani communities as well as governments at home. While there are institutionalized channels for Romani activism on these higher levels of policy-making, they often remain absent elsewhere. This only widens the symbolic gap: if people in local communities are not able to see the

concrete results of Romani activism, they may not be inclined to value it very highly.

Second, recognition is a double-edged sword. If Europeanization leads to the further recognition of the Roma as a transnational European minority, the outcome is not automatically positive. Of course, some Roma might benefit from such a recognition. They may experience it as an incentive to demand equal rights and fight against discrimination. Yet many Roma object to being categorized under a single transnational identity label with other, very different minority groups in Western Europe—particularly those groups that have an itinerant lifestyle. Such an overarching categorization has in some cases already proved detrimental. The phenomenon of Romani migration from Central and Eastern Europe to the West has sometimes been viewed not as the consequence of complex socio-political conditions and pressures in the countries of origin, but as a form of Romani culture and choice.

In other words, Europe-wide actions that treat the Roma as a transnational ethnic group might unintentionally send the message that the characteristics of Roma marginalization are not unique to any particular country. From there it is a small step to treating such marginalization and exclusion as elements of Romani identity, rather than as a problem of inequality and socio-economic polarization linked to specific dynamics within a particular state or locality. Some governments have indeed used this argument to push responsibility for this issue to the European level.

Third, Europeanization might give governments an opportunity to evade their own responsibility. If NGOs claim that the Roma are a European minority, domestic governments can easily argue (as some have indeed done) that the EU or other international institutions have a special responsibility for the Roma. If European institutions take initiatives for the Roma, they should make it clear that national governments remain ultimately responsible for the protection of their own citizens. The Roma should not solely be regarded as Europeans (a term that would not mean very much to most Roma) but also as citizens of their own states. Europeanization therefore risks reinforcing the idea that the Roma belong everywhere and thus nowhere.

And finally, the Europeanization of the Romani issue might suggest that the problems facing the Roma are exactly the same across Europe, and that formulaic solutions can be implemented. This is not the case. There is a lot of variation, and that variation should be taken into account by policymakers. A situation like the one in North Mitrovicë/Mitrovica, where Romani refugees, more than ten years after the war and the NATO intervention in Kosovo, still live in two displaced persons' camps built for them on one of the most toxic waste dumps of Europe, demands direct international intervention.<sup>1</sup> The segregation of Roma in urban environments in Central Europe requires different policies, preferably implemented by local actors and based on a thorough understanding of ongoing processes of change not only among the Roma but among other communities as well.

In sum, European initiatives to remedy the problems facing the Roma should be implemented carefully in order to avoid reinforcing divisions between the Roma and other population groups. If European support is not framed in the right terms, it could easily be interpreted as support uniquely for the Roma rather than for society as a whole.

## Conclusion

Is all EU attention for the Roma harmful? Does it change matters on the ground for the Roma? We should be nuanced here. It is clear that projects funded and instigated by the EU can

have a positive impact. Because of the above-mentioned challenges, however, their impact might differ from place to place. Positive effects should not be simply assumed; they should be the subject of critical empirical verification.

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<sup>1</sup> For more information on this case, see <http://www.toxicwastekills.com/index.html>.

## Combating poverty in Eastern Europe: The role of tax-benefit models

Orsolya Lelkes

### What can tax-benefit models do?

Tax-benefit models allow researchers and policy analysts to simulate the joint effects of changes in taxes and social benefits on household incomes and work incentives. These models are now being used by governments in Estonia, Lithuania, Hungary, Slovenia, Poland, and Cyprus, while their adoption in Latvia and the Czech Republic is anticipated soon. Bulgaria, Romania and Malta are expected to be incorporated in a recent extension of EUROMOD,<sup>1</sup> the European tax-benefit model.<sup>2</sup>

By calculating the impact of changes in taxes or cash benefits on individual incomes, tax-benefit models provide useful information about (a) aggregate effects on the government budget, (b) impact on poverty and inequality, (c) differential effects on various socio-economic groups, and (d) work incentives. The models are based on household micro-data, and include detailed parameters of the tax system and cash benefits. They improve the analysis not only of the impact of policy changes, but also allow 'what if' questions to be asked. They facilitate *ex ante* experimentation and policy fine tuning. EUROMOD, due to its standardized structure and data sets, allows international comparisons, makes analysis at the EU level of policy reforms possible, and helps to assess the effects of policies from country A on the population of country B.<sup>3</sup>

### Poverty is stubbornly high

2008 Eurostat data indicated that 17 percent of the population in the EU27 were at risk of poverty, in the sense of having income below 60 percent of the national median of the country in which they live.<sup>4</sup> Despite the Lisbon agenda's focus on social inclusion, the at-risk-of-poverty rate in the EU27 has not changed since 2005. Some of the new member states are characterized by particularly high at-risk-of-poverty rates, includ-

ing Latvia (26 percent), Romania (23 percent), Bulgaria (21 percent), and Lithuania (20 percent). In contrast, poverty rates are among the lowest in the Czech Republic (9 percent), Slovakia (11 percent), Hungary, and Slovenia (both 12 percent), highlighting the great diversity in the social situation in the region.

Eurostat data also show that at-risk-of-poverty rates without social transfers would be as high as 30 percent in Latvia and Hungary, and 31 percent in Romania. But while we know that state policies can help to reduce poverty, we know less about how to efficiently spend in order to maximize poverty reduction. Impact assessment needs to be an inherent part of decision-making processes, especially in times of fiscal pressure. Experiences from other countries can provide useful guidance, and with EUROMOD one can easily test the impact of 'imported' ideas. The Polish example below highlights how it works.

### Could have done better: Poland's family support reform

Poland's 29 percent child poverty rate in 2005 was the highest in the EU. In 2006 and 2007 a non-refundable child tax credit was introduced in Poland, with an annual value of €306 per child, amounting to 0.6 percent of GDP. In addition to representing a major shift from a mainly means-tested family allowance system in the direction of tax credits, this reform involved a significant reallocation of resources to families with children. Has this reform achieved its aims? Was it money well spent?

Using EUROMOD, Levy, Morawski and Myck<sup>5</sup> assessed the reform and tested potential alternatives via 'importing' the Austrian, French or the UK child support systems to the country. As noted by the authors, no impact assessment preceded the implementation of the reform, and little thought was given to potential alternatives of supporting families with children. The authors find that *the reform itself* is 'unlikely to have a very significant effect' on child poverty. To capture the impact of the policy changes as such, the authors controlled for income changes due to macroeconomic factors. For example, improved economic conditions or growing employment levels, in addition to the new wave of emigration (which resulted in a flow of remittances from one parent working abroad to the other one staying in Poland with the children) may have all had a positive impact on



Opponents believe that flat-tax schemes are likely to benefit higher income groups, at the expense of low- and middle-income workers. © Stan Constantio/The World Bank

incomes, although none of these are related to the policy reform as such.

The authors also find that the poverty reduction impact of the reform could have been larger if any of the other three family support systems were introduced. In other words, the same resources could have been spent more efficiently with better targeting. When testing the alternatives, the researchers adjusted the parameters of the Austrian, French, and UK systems in order to achieve a budgetary neutral solution for Poland. Thus, rather than comparing the impact of 'more money' versus 'less money', systems with different principles were compared. The three systems are based on rather different principles: the Austrian system gives priority to universal benefits, the French to tax concessions, and the UK to means-tested benefits. Since all of these alternatives appear to increase spending in the bottom three income deciles, the targeting efficiency of all three would surpass that of the Polish system of 2007.

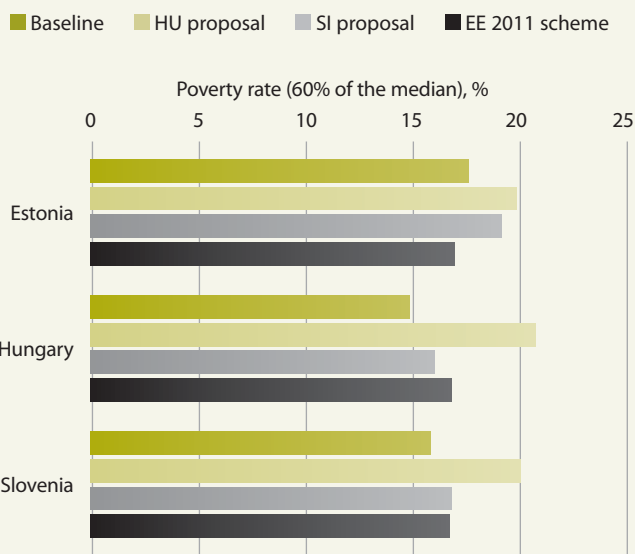
#### Flat tax schemes and their redistributive effects

Flat tax schemes have been introduced in the Baltic states, Russia, Ukraine, Georgia, Slovakia, Serbia, Romania, the former Yugoslav Republic of Macedonia, Montenegro, Albania, Bulgaria, the Czech Republic, Belarus and Bosnia and Herzegovina; Poland is currently considering such a move. In many countries flat taxes have meant simplification of the tax scheme (e.g., eliminating tax allowances or deductions); in

some countries it has also meant reductions in the average tax burden. In all the 'flat tax countries' except Georgia and Bulgaria, there is a basic allowance for people with low incomes, which is often supplemented by an allowance for families. The main appeal of these schemes is their simplicity, which is likely to save administrative costs and increase compliance. On the other hand, if budget neutrality is to be attained, and if propensities for tax evasion are equal across different income groups, then these schemes are likely to benefit higher income groups, at the expense of low and middle income households.

Paulus, Lelkes et al.<sup>6</sup> (2009) use EUROMOD to assess the potential impact of recent flat tax proposals in Estonia, Hungary, and Slovenia on household incomes. The results suggest that the most radical scenario (which appeared in Hungary), including a flat tax rate of 20 percent and no tax concessions (apart from exempting pensions from taxation) would have a dramatic effect on income inequality and poverty in all three countries. For instance, the Gini coefficient would climb from 0.27 to 0.32 in Hungary. The reform would benefit the richest fifth of the population (and also the government budget), while taking resources away from the lower income groups. This scenario, which would also increase total poverty by 6 percentage points (see Figure 1) and child poverty by 9 percentage points, further highlights the possible drawbacks of *ad hoc* policy reform that is not preceded by impact assessment.

**Figure 1.** Poverty rates under alternative flat tax scenarios in Estonia, Hungary and Slovenia



Note: Poverty thresholds are kept constant at 60 percent of the (national) baseline median equivalized income.

"Baseline": existing tax systems of 2005 in each country (HU=Hungary, SI=Slovenia, EE=Estonia)

Source: Own calculations using EUROMOD version D25.

A less radical proposal originating in Slovenia for a 20 percent income tax rate and certain allowances (but without a concession for pensions) would have a negative impact on the majority of the population in all three countries, with the Gini

coefficient rising from 0.27 to 0.29 in Slovenia. On the other hand, the median level of effective marginal tax rates would decline from 46 percent to 37 percent. The prospective introduction of the Estonian flat tax system (in 2011) in Hungary and Slovenia would primarily benefit the richest fifth of the population, due to the relatively progressive current tax systems of these countries. While the tax changes in Estonia are expected to increase inequality, the tax burden would decline almost uniformly in all income groups.

We can conclude from recent research that the combination of a flat tax rate with a basic allowance and some other benefits seems to offer a socially more viable strategy. 'The charm of 'flat tax' may ultimately lie in its simplicity and transparency, but not necessary in its feature of having a single rate'<sup>7</sup>

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1 See <http://www.iser.essex.ac.uk/research/euromod>.

2 See Lelkes, O., 'Tax-benefit microsimulation models in Eastern Europe', in *International Journal of Microsimulation*, (2007) 1(1): 54-56; and Sutherland, H., "EUROMOD: past, present and future", in *Tax and Benefit Policies in the Enlarged Europe. Assessing the Impact with Microsimulation Models*. Lelkes O., and Sutherland, H., (Aldershot: Ashgate, 2009).

3 See Sutherland; and Immervoll, H. and Lelkes, O., 'Looking Ahead: What Priorities for Tax-benefit Modeling?', in Lelkes O., and Sutherland, H., *Tax and Benefit Policies in the Enlarged Europe: Assessing the Impact with Microsimulation Models*, 2009 (Aldershot: Ashgate, 2009).

4 Source: <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>.

5 Levy, H., Morawski, L. and Myck, M., 'Alternative tax-benefit strategies to support children in Poland', in Lelkes, O. and Sutherland, H., *Tax and Benefit Policies in the Enlarged Europe: Assessing the Impact with Microsimulation Models*. (Aldershot: Ashgate, 2009).

6 Paulus, A., Lelkes, O., Čok, M., Kump, N., P., Vörk, A., Szivós, P., and Kralik, S., 'Flat Tax Reform in Eastern Europe: A Comparative Analysis of Alternative Scenarios in Estonia, Hungary and Slovenia, Using EUROMOD', in Lelkes, O. and Sutherland, H., *Tax and Benefit Policies in the Enlarged Europe: Assessing the Impact with Microsimulation Models*. (Aldershot: Ashgate, 2009).

7 *Ibid*, p. 112.

## Emphasizing the 'social' in social inclusion: young people leaving state care

**John Pinkerton**

Over a decade ago a UNICEF regional monitoring report on children at risk in Central and Eastern Europe identified a 'pyramid of risks' and advocated a pyramid of public responses to address them.<sup>1</sup> Recent UNICEF figures show that roughly 1.5 million children in Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS) were in formal care, and that the rate of children left without parental care continues to increase each year.<sup>2</sup> The earlier report identified children in public care as deserving special attention and not just in their own right as a particularly vulnerable group. Numbers of these children and young people, their needs, and the support they receive also provide measures of how well the general population of children and their parents are faring. They can also serve as indica-

tors of the level of social cohesion in the wider society. This is precisely the type of empirical grounding required, along with some wider theoretical reference points, to make the otherwise slippery concept of 'social inclusion' a useful tool for policy development and implementation.

### Children in state care: bellwethers for social exclusion?

An important way of evaluating the experience of children in state care is to consider how they fare on leaving and making their way into society as adults. How open to them are the societies and economies in which they have to take their place? What does the experience of these care leavers tell us about the relationships between the state, civil society and the economy, in particular countries at particular times? Could it be, as has been suggested for Romania,<sup>3</sup> that the transition made by these young people from state care can provide a revealing metaphor for the transition being made by the society at large?

In part prompted by such general questions, a number of international initiatives seek to pool information and further develop understanding of the issues that face young people when making their transition from state care. In a recent publication from one of these, the International Research Network on Transitions to Adulthood from Care ([www.lboro.ac.uk/](http://www.lboro.ac.uk/))

research/ccfr/INTRAC), social exclusion was presented as an important framework for thinking about the experiences of these young people.<sup>4</sup>

A major concern about the concept of social inclusion is that it is both too loose and too wide. In attempting to deepen understanding about the social processes underpinning and connected with poverty and open out thinking about those excluded from the benefits of globalization, social inclusion moves beyond income to a wider range of measures for both material and social well-being. Access to the labour market and level of income still matter—but so too do housing, health, education, transport, patterns of consumption, leisure and cultural activities, personal relationships and participation in political and civic affairs. Social inclusion connects individual psycho-social assets with collective social, economic and cultural resources. At a conceptual level this has linked social inclusion, in a manner that can be confusing but is important, with notions of 'social capital' and 'social networking'. It also encourages, although this is yet to be developed to any degree, thinking about 'resilience' (Pinkerton and Dolan 2007; Burchard and Huerta 2009).<sup>5</sup>

Social inclusion as a multi-levelled and multi-dimensional concept is challenging to policy making and service delivery. It also makes difficult the collection of relevant data and its analysis. But it sits well with the lived experience of those who find themselves in the social margins. In order to understand the transitions made by care leavers, the material and psycho-social dimensions to their lives, and how these impede or promote each other over time in changing personal and socio-economic circumstances, must be taken in to account. Leaving care challenges young people in every aspect of their lives. To become socially included they have to find ways of meeting their material needs: maintaining good health, finding accommodation, getting an income, continuing or entering education, training or employment. They also have the psycho-social needs typical of their age group. They have to be sufficiently secure in their own identity to have the self-confidence and social competence to deal with the day-to-day aspects of their lives outside of the care system. This range of complex and demanding needs and the ways in which they interact both positively and negatively, can be captured using the idea of a coping wheel (see Figure 1).

With young people and their coping wheels in mind, what might be dismissed about social inclusion as too loose and too wide should instead be appreciated as dynamic and holistic. Social inclusion can be a means with which to understand the social dialectic of personal agency and social structure. To operationalize that dialectic, 'participation' needs to sit alongside social inclusion, social capital and social networking as a key concept.<sup>6</sup> In the case of care leavers, a key indicator of success is the extent to which they are engaged in managing their own transitions. That can cover a range of concerns, from motivation for education to control over which adults are included in their formal and informal networks of social support. As with any group threatened by social exclusion, it is the expectations, judgements and actions of young people leaving state care themselves that drive the process of achieving their inclusion.

The challenge to policy and service design is to provide supportive scaffolding and dismantle disabling barriers. This requires combinations of personal support, participatory decision-making forums and specialist staff and projects, alongside promotional policy and legislative mandate (www.leavingcare.org).

International research shows care leavers to be at high risk of social exclusion—as measured by such indicators as poor educational qualifications, high rates of unemployment, greater likelihood of teenage parenthood, over-representation among homeless people, and higher levels of offending behaviour and mental health problems than their peers. This is clearly suggested by the various studies undertaken within the 16 countries reviewed in the INTRAC publication,<sup>8</sup> but is only well documented in national data sets in Sweden, the United Kingdom, and the United States.

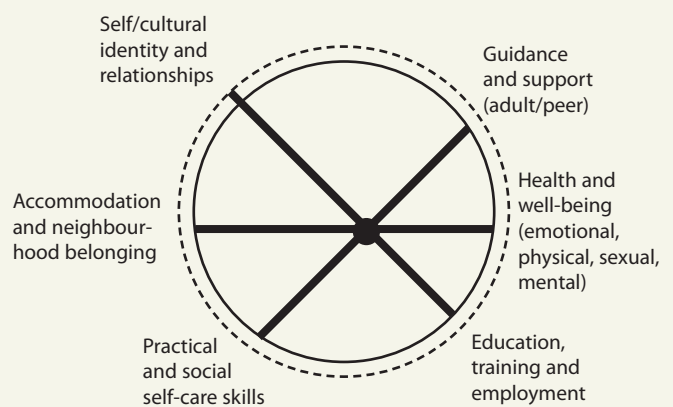
One response to improving data collection on the exclusion of care leavers is to focus on only a limited number of variables collected routinely for the general population which are known to be clearly linked to the socially excluded group, such as educational attainment and early parenthood in regard to care leaving. Another response is for government to require routine returns linked to service delivery to the group of interest. This option has been pursued successfully in the United Kingdom in recent years for care leavers; local authorities are obliged to collect information on qualification, housing and economic activity. In both these approaches the extent of social inclusion can be measured by how much the findings for care leavers deviate from their peers in the general population.

**Conclusion**

The experience of young care leavers indicates that social inclusion has the potential to be a highly effective integrative concept for promoting dynamic, multi-dimensional, systemic policy. To realize that potential, social inclusion needs to be explicitly located within a fuller set of sociological and psy-

**Figure 1. Leaving Care Coping Wheel<sup>7</sup>**

- expectations and choices
- ⊖ rights and responsibilities





How receptive will society be to this orphan in Moldova when she leaves state care? © Tomas van Houtryve/Panos Pictures

chological concepts. Most importantly, it needs to be firmly grounded not just in the available data but in the lived experiences of specific marginalized groups.

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2 UNICEF, *Transmonee 2007 Features: Data and analysis on the lives of children in CEE/CIS and Baltic states* (Florence: UNICEF, 2007).

3 Anghel, R. and Beckett, C., 'Skateboarding behind the EU lorry: the experience of

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6 Tisdall, E.K., Davis, J.M., Hill, M. and Prout A. (eds), *Children, Young People and Social Inclusion: Participation for What?* (Bristol: Policy Press, 2006).

7 Pinkerton, J., 'Leaving Care: Thinking Systemically, Thinking Globally', *Children Australia* (2006) 31. 3. pp 4-10.

8 Stein, M. and Munro, E. (eds), *Young People's Transitions from Care to Adulthood: International Research and Practice* (London: Jessica Kingsley, 2008); Courtney M., 'Use of Secondary Data to Understand the Experiences of Care Leavers', in Stein M. and Munro E. (eds), *Young People's Transitions from Care to Adulthood: International Research and Practice* (London: Jessica Kingsley, 2008).

## Patterns of social exclusion and inclusion in Central and Eastern Europe<sup>1</sup>

Dorothee Bohle and Béla Greskovits

### Transition, globalization, and labour

After the collapse of socialism the East-Central European countries have shifted towards a new developmental model based on foreign direct investment and exports. While capital inflows brought sophisticated technology and access to world markets, the new transnational export sectors typically fell short of offering jobs in the needed quantity and quality. With some variation, the region's path proved to be that of jobless growth. Overall depressed wages led to large numbers of working poor, even among those who found employment in

**Table 1:** Wages and Employment in East-Central Europe

|                                 | Real wages in 2002 (1989 = 100) | Regular job pays enough to buy what the family needs (2004, % of affirmative answers) | Employment in 2004 (relative to employment in 1989 = 100) |
|---------------------------------|---------------------------------|---|---|
| EU-10                           | 86                              | 38  | 80  |
| Visegrád-4, and Slovenia        | 104                             | 43  | 81  |
| Baltic-3, Bulgaria, and Romania | 68                              | 33  | 79  |

Sources: Authors' calculations based on Transmonee database and Rose, R. "Diverging Paths of Post-Communist Countries: New Europe Barometer Trends Since 1991." *Studies in Public Policy* no. 478 (Aberdeen, U.K.: Centre for the Study of Public Policy University of Aberdeen, 2006): p. 35.

the private sector (see Table 1). Although in the new millennium accelerating growth and enhanced migration possibilities led to rising wages and employment, these improvements have recently been undermined by the impact of the global financial crisis.

Nevertheless, within this general pattern intra-regional differences prevailed, which partly reflected different profiles of international economic integration. Foreign investment poured into the capital- and skill-intensive complex industries of the Visegrád states (the Czech and Slovak republics, Hungary, and Poland), and Slovenia, and turned them into major exporters of goods in which the advanced economies

specialize: cars, machinery, electronics, and chemicals. In contrast, the eastward migration of traditional light industries transformed the Baltic states (Estonia, Latvia, and Lithuania) and Bulgaria and Romania into hosts of many of the low-skill/low-wage footwear, apparel, wood product and electronics assembly sweatshops of the EU.

The varied social outcomes can be detected in the superior performance of the Visegrád and Slovene economies in terms of wages and employment (see Table 1). Foreign businesses there relied more on high-skilled workers whose demands were more easily accommodated. Yet, complex industry specialization tended to exacerbate inequalities between the rel-



Small-scale industry often employs people in inferior conditions, thus aggravating inequalities. © Desislava Kulelieva/The World Bank

actively privileged core workers and those employed under inferior conditions by (domestic) small-scale suppliers, while the clustering of transnational corporations in already developed areas conserved or increased regional disparities.

In contrast, the foreign light industry or service firms that have moved into the Baltic and southeastern European states expected their hosts to keep labour markets flexible, wages, taxes and social security contributions low, and workers docile.

How far could the East-Central European countries mitigate the varied social costs of international economic integration? Overall, their welfare states have had a fair record in maintaining a degree of social cohesion against destabilizing market forces. At the same time, within the region distinct types of post-socialist welfare states have emerged, which differ from one another in the volume of social benefits offered to citizens, overall performance, and the typical features of protected and neglected social groups.

### Visegrád and the Baltic states

Relative to their GDP, the Visegrád states have spent almost twice as much on social protection as the Baltic countries. Unsurprisingly, the former appear to be also more successful in mitigating the risks produced by their transnational production regimes than the latter. In consequence, while many of the Visegrád states are counted amongst Europe's more equal countries, the Baltic states appear to be leaders in social disparity. Furthermore, the Baltic welfare states seem to favour educated young middle classes versus the elderly, in particular by minimally taxing the former and only minimally protecting the latter. In contrast, the Visegrád welfare states tend to be biased in favour of the temporarily or wholly 'non-productive' groups of society, in particular the pensioners including the armies of those in early retirement (see Table 2).

Accordingly, the Visegrád and Baltic worlds of post-socialist welfare also differ in how they mitigate the risk of social exclusion across age groups. While children and certain groups of youth run high risks of becoming poor in both sub-regions, in the Visegrád countries the risk of impoverishment gradually declines with ageing, and reaches its bottom in the oldest generation. However, in the Baltic states the risk of poverty

dramatically increases for the elderly. A last important difference is in the social status as well as ethnic origin (discussed below) of those socially included and excluded.

### Hungary and Latvia

Let us highlight some determinants of this variation by a brief comparison of Hungary and Latvia. When socialism fell, each country embraced a 'return to Europe'. Yet because of their different historical experiences Hungary's elites proposed what we might call a 'welfarist' path towards this goal, while Latvia's preferred a more 'nationalist' route.

Hungary's welfarist contract envisaged protection—through liberalized access to disability and early retirement, benefits for the unemployed and families, and expansive public healthcare and education—against decline in social position due to material deprivation and status loss. Protection has been granted above all to those who had already acquired a fair degree of social status under socialism. Such groups' losses were mitigated in proportion to their demonstrated or anticipated ability to resist—whether by social protest or massive anti-incumbent vote at elections—the changes making them vulnerable. Importantly, however, Hungary's sizable Roma population was deprived of sufficient protection against the threat of a decline to underclass status. The Roma did not have the political means to combat exclusion, as they had few allies among the better off, and were passive in democratic politics.

Social inclusion/exclusion and its politics reflected a different logic in Latvia. The new nation building agenda under threat led to a nationalist contract that identified some beneficiaries on grounds of citizenship and operated through selective deprivation of political rights. The social losses resulting from radical marketization burdened disproportionately Latvia's mostly Russian-speaking manufacturing workers whose occupational status under Soviet rule had manifested itself in privileged access to firm-based social provisions. As demonstrated by Rose and his collaborators,<sup>2</sup> with the collapse of inherited industries the Russian-speaking labour force lost its hitherto privileged access to firm-based social provisions, and suffered more frequent and longer periods of unemployment and wage arrears than ethnic Latvians. Nevertheless, from the dominant perspective in which Soviet industrialization

**Table 2:** East-Central Europe's worlds of welfare capitalism

|   | Hungary | Latvia | EU-10 |
|---|---------|--------|-------|
| Public spending on social protection (current prices, % of GDP) | 21,7    | 12,5   | 16,8  |
| Social benefits per head of population (PPS euro)               | 3063    | 1347   | 2277  |
| At-risk-of poverty rate after social transfers (%)              | 14      | 21     | 16    |
| Income quintile share ratio                                     | 4,8     | 7,2    | 5,0   |
| Spending on education/spending on pensions (%)                  | 58      | 81     | 60    |

Sources: Authors' calculations based on EUROSTAT. Averages of 2004-06.

appeared as colonization, and the immigrant workers and managers as colonists, the deindustrialization of the 1990s and the implied dislocation of Russian-speaking labour forces seemed to be an escape from post-colonial subordination.

In Latvia, ethnic minorities' material and organizational resources to counter social decline were destroyed by the radical transformation. The collapse of Soviet industries forced skilled manufacturing workers to seek employment in the emerging union-free private economy. Ultimately, Russophone workers' risk of impoverishment has not stemmed from extreme unemployment, (as was the case of Hungarian Roma), but from their re-employment in the low-skill/low-wage private sector, and the resulting atrophy of the working poor's collective action capacity. In addition, the country's restrictive citizenship law deprived most Russian-speakers of a democratic voice on the direction of Latvia's transformation, and buttressed their social exclusion with political exclusion.

The meager protection offered by the welfare state fell short of compensating for the ethnic bias in social losses, especially given that some of its priorities were in line with the nationalist social contract. On the one hand, spending on benefits that are accessible for citizens and non-citizens alike (e.g., health-care, pensions, or labour market policies) has become subject to strict control over time. On the other hand, the few areas where Latvian welfare generosity exceeds or approximates Hungarian standards (e.g., public sector employment, spending on higher education) happen to be those which have a larger potential to distribute benefits above all to the 'titular nation' majority, as access can be limited through requirement of citizenship or/and official language proficiency.

In sum, under the Hungarian welfarist social contract, relatively affluent, politically vocal middle-class groups typically succeeded in pushing their poor, powerless and partly but not exclusively Roma 'competitors' for public welfare provisions to the sidelines. Under the Latvian nationalist social contract, governments representing the newly empowered titular majority adopted a peculiar mix of economic and social policies in order to reverse the inherited pattern of material wel-

fare and social hierarchy—thereby redefining and actually recrafting parts of the Russophone minority as a 'lower class'.

As both Hungary and Latvia have become victims of the global financial crisis, these patterns of social exclusion are likely to be reinforced. The crisis has set in motion fierce attacks against the welfare budgets, depicting them among the major causes of instability and recession. Resources that are indispensable for mitigating social exclusion have become scarce, and could be increasingly channeled to the better off. When these countries' banks that gained so much from business practices leading to the crisis are too big to fail, and the aggrieved middle-class groups too vocal to be ignored, it is all too easy to turn the marginalized and stigmatized poor into scapegoats and cut their benefits, or sentence them to workfare. Hungary and Latvia might not be alone in the region (or for that matter in Europe) with their radicalizing political forces and desperate constituencies, which seem to be prepared to complete the dirty job of scapegoating on an ethnic basis or otherwise, or at least accept such outcome without much protest.

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1 This summary draws heavily on Bohle, D. and Greskovits, B. 'Neoliberalism, Embedded Neoliberalism, and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe.' *West European Politics*. 30. 3 (May) 2007: 443-466.; Bohle, D. and Greskovits, B. 'Poverty, Inequality, and Democracy. East-Central Europe's Quandary?' *Journal of Democracy*. 20. 4 (October) 2009: 50-63. For further details and data see e.g. Hughes, J., 'Exit in Deeply Divided Societies, Regimes of Discrimination in Estonia and Latvia and the Potential for Russophone Migration', *JCMS* 43.4 2005: 739-62; Rose, R. Maley, W., Lasopec, V. & EMOR, 'Nationalities in the Baltic States: A Survey Study', *Studies in Public Policy* 222 (Glasgow: University of Strathclyde Centre for the Study of Public Policy, 1994.); Szalai, J. *Nincs két ország ... ? Társadalmi küzdelmek az állami túlelosztásért a rendszerváltás utáni Magyarországon* [Are there No Two Hungaries? Redistributive Struggles in Hungary After the Change of System] (Budapest: Osiris Kiadó, 2007); and Vanhuysse, P. *Divide and Pacify: The Political Economy of Welfare State in Hungary and Poland, 1989-1996* (New York and Budapest: Central European University Press, 2006).

2 Rose, R. Maley, W., Lasopec, V. & EMOR, 'Nationalities in the Baltic States: A Survey Study', *op cit*.

## Measuring quality of life and social exclusion in the Western Balkans

Lidija Japec

The EU enlargement process and aspirations for EU membership have made questions of measuring social exclusion and the quality of life more prominent in the Western Balkans. Poverty and exclusion have traditionally been measured by such objective indicators as employment, incomes, and education. By contrast, more subjective dimensions of welfare,

such as perceptions of personal well-being, satisfaction with the quality of society, as well as the types and intensity of social relations and networks—these can be addressed by the concept of quality of life.

The quality of life concept focuses not only on income and material resources, but also on other dimensions of social welfare and the interactions between them. The concept has both micro (referring to the circumstances of the individual) and macro dimensions, placing individual findings into a wider socio-economic context. Quality of life can be measured via surveys that combine objective indicators with subjective perceptions of individuals and social situations, as well as the analysis of the linkages between objective and subjective indicators. The methodology

developed by the European Foundation for the Improvement of Living and Working Conditions is regarded as one of the most empirically oriented approaches to measuring quality of life. It uses both objective (living conditions, income, employment, housing) and subjective indicators (social relationships, working conditions, work-life balance, quality of public services and institutions, health conditions, trust in people and institutions, and happiness).

The first pan-European Quality of Life Survey (EQLS)<sup>1</sup> was conducted in 2003 in 28 countries (the EU-27 and Turkey) while a second survey took place in 2007 in 31 countries (Croatia, the former Yugoslav Republic of Macedonia, and Norway were added). The data produced from these surveys allow for cross-country comparisons and provide relevant information for policy makers at the EU and national levels. The results of the 2007 survey confirmed the persistence of differences between country clusters in many aspects of welfare. The new member states (EU-12) and candidate countries report lower income levels, greater deprivation, lower life satisfaction, poorer health, and less satisfactory housing than the EU-15 countries. While disposable household income is shown to be one of the most important factors influencing living standards and quality of life, good health, access to health services and satisfaction with family life are also revealed to be very important.

## Quality of life in Europe and the Western Balkans

In the Western Balkans, UNDP-sponsored national research applied this approach to measuring social exclusion, social capital and regional disparities in Croatia,<sup>2</sup> Bosnia and Herzegovina,<sup>3</sup> Montenegro,<sup>4</sup> and the former Yugoslav Republic of Macedonia,<sup>5</sup> to fill data gaps left by the official statistics and to introduce new indicators for designing and monitoring inclusive social policies. These studies *inter alia* produced quality-of-life data that were methodologically comparable to those produced by the EQLS surveys.

Some of the survey results indicate broad similarities in social attitudes between EU-15, EU-12, and West Balkan countries. The data in Figure 1, for example, indicate that family ties and support in financial matters are important in all three groups of countries.

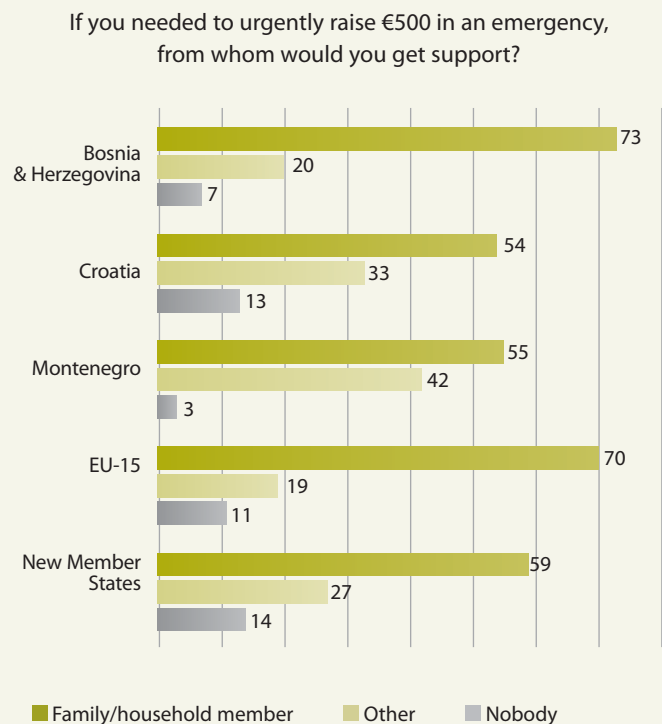
By contrast, the results presented in Figure 2 show different national perceptions of tensions between social groups. They indicate that countries in the Western Balkans face much greater threats to social cohesion, especially in terms of tensions between rich and poor (as well as between managers and workers). They also point to strong perceptions of social injustice and concerns about corruption. However, with the exception of Bosnia and Herzegovina, inter-ethnic tensions in the Western Balkans are perceived to be a smaller threat to social cohesion than are differences between



*A man displaying a fragment of a mortar shell. Despite the horrific legacies left by the Balkan wars of the 1990s, citizens in three out of four Western Balkans countries today perceive socio-economic factors as the chief threats to social cohesion. © OSCE/Marko Georgiev*

Comparing quality of life indicators

Figure 1. Sources of help and support



Sources: EQLS 2007<sup>6</sup>, UNDP Quality of Life in Croatia 2006<sup>7</sup>, UNDP Montenegro 2008<sup>8</sup> and UNDP BiH 2009<sup>9</sup>

rich and poor. And even in Bosnia and Herzegovina, greater social tensions are ascribed to differences between rich and poor than to ethnic cleavages. (Alternatively, the data for Bosnia and Herzegovina can be seen as particularly unfavourable, indicating deep socio-economic and ethnic cleavages.) In Croatia and the former Yugoslav Republic of Macedonia—both of which are post-conflict countries—socio-economic differences are seen as significantly larger sources of tension than are ethnic cleavages.

In addition to the average results for EU-27, Figure 2 also shows data for countries that are at the bottom and the top of the EU scale of reported tensions between social groups. Within the EU-15, perceived tensions between different ethnic groups in the Netherlands and France were highest (in 2003). Among EU-12 countries, respondents in Hungary reported the worst results regarding tensions between rich and poor (similar to Western Balkan countries).

Conclusions

The research presented here shows that use of common methodologies to measure social inclusion across countries can open new opportunities for international comparisons, promote dialogue and information exchange, and support more inclusive policies. It also shows that, despite the horrific legacies left by the Balkan wars of the 1990s, citizens in the three out of four Western Balkans countries

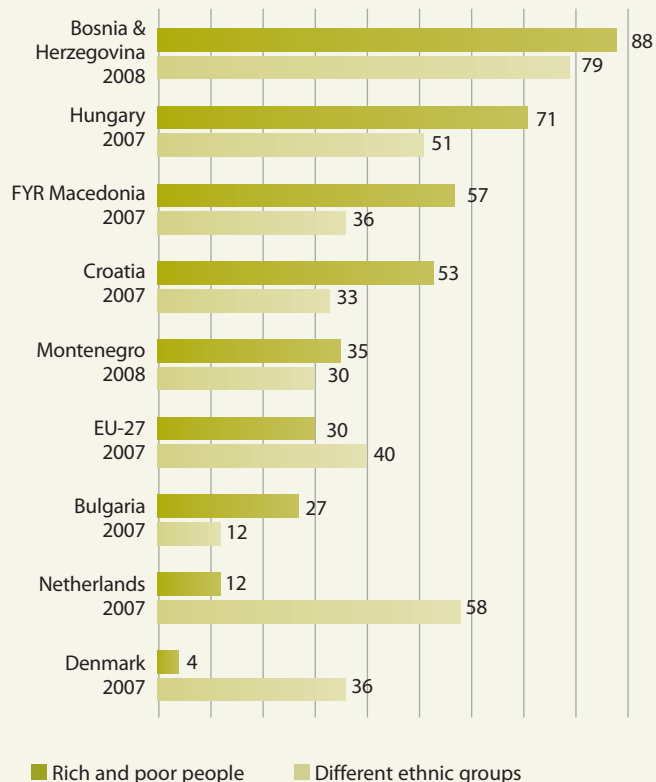
included in the research perceive socio-economic factors as the chief threats to social cohesion. As the impact of the global economic crisis settles on the region, these threats could easily grow.

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- 1 See <http://www.eurofound.europa.eu/areas/qualityoflife/eqls/2003/eqls.htm>.
- 2 UNDP. *Unplugged: Faces of Social Exclusion in Croatia*. (Zagreb: UNDP, 2006).
- 3 UNDP. *The Ties that Bind: Social Capital in Bosnia and Herzegovina*. (Sarajevo: UNDP, 2009).
- 4 UNDP. *Society for All*. (Podgorica: UNDP, 2009).
- 5 UNDP. *People-centred Analysis: Regional Development, Local Governance and the Quality of Life*. (Skopje: UNDP, 2009).
- 6 European Foundation for the Improvements of Living and Working Conditions. *Second Quality of Life Survey: Overview*. (Luxemburg: Office for Official Publications of the European Communities, 2008).
- 7 UNDP. *Research Report on Quality of Life and Risk of Social Exclusion in Croatia*. (Zagreb: UNDP, 2006).
- 8 UNDP. *Society for All*. (Podgorica: UNDP, 2009).
- 9 UNDP. *The Ties that Bind: Social Capital in Bosnia and Herzegovina*. (Sarajevo: UNDP, 2009).
- 10 European Foundation for the Improvement of Living and Working Conditions. *Second Quality of Life Survey: Overview*. (Luxemburg: Office for Official Publications of the European Communities, 2008).
- 11 UNDP. *Research Report on Quality of Life and Risk of Social Exclusion in Croatia*. (Zagreb: UNDP, 2006).
- 12 UNDP. *Society for All*. (Podgorica: UNDP, 2009).
- 13 UNDP. *The Ties that Bind: Social Capital in Bosnia and Herzegovina*. (Sarajevo: UNDP, 2009).

Figure 2. Tensions between different social groups

Percentage of people who believe that lots of tensions exist between different social groups in their country (%)



Sources: EQLS 2007<sup>10</sup>, UNDP Quality of Life in Croatia 2006<sup>11</sup>, UNDP Montenegro 2008<sup>12</sup> and UNDP BiH 2009.<sup>13</sup>

## Assessing social exclusion in Bosnia and Herzegovina

Nicola Nixon

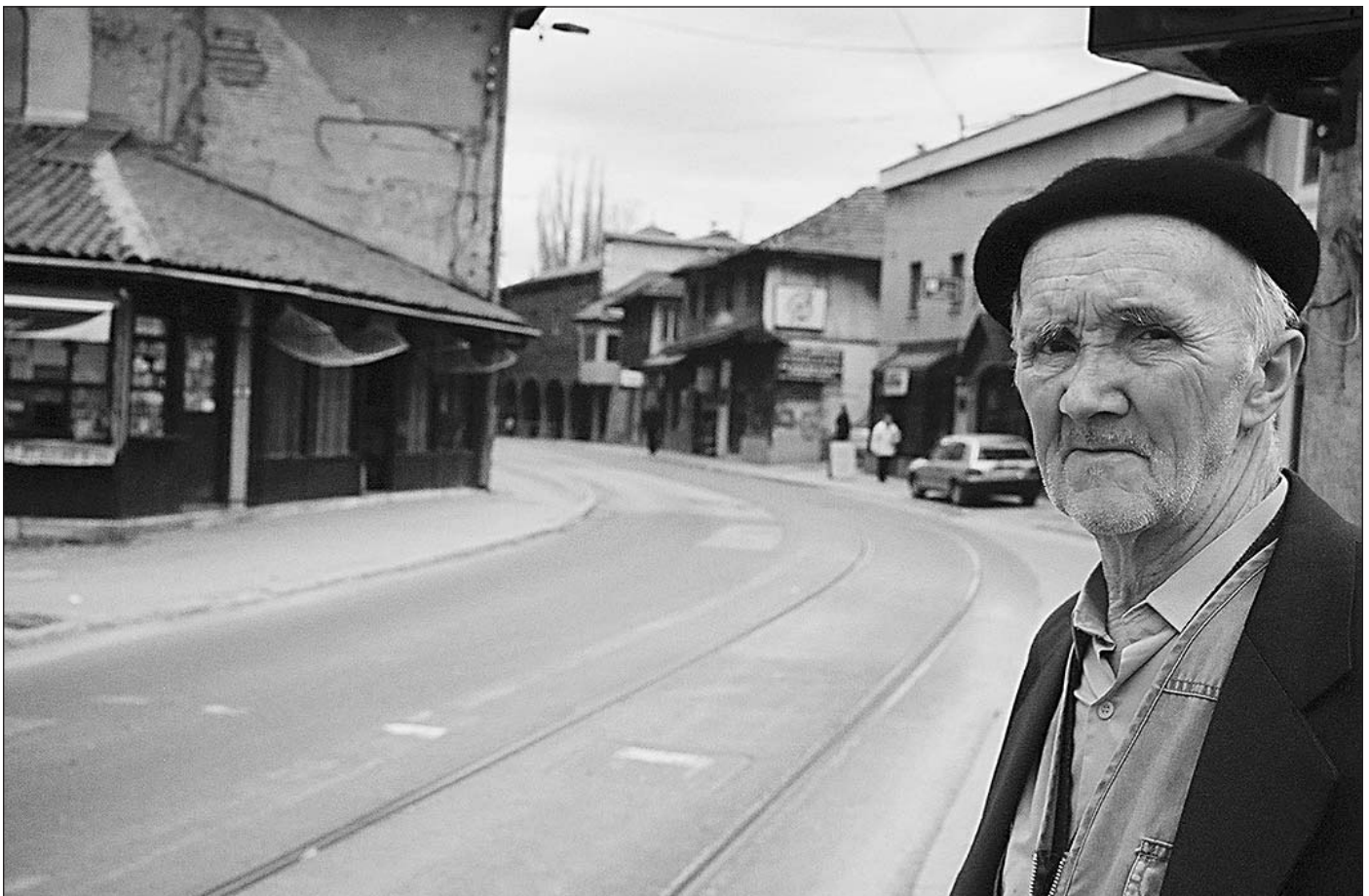
Fourteen years after the signing of the Dayton Agreement, Bosnia and Herzegovina has, in many ways, made impressive progress. Prior to the global financial crisis, GDP was growing steadily and unemployment was declining. While the financial crisis in 2009 was certainly felt in the country, it was not as severe as some had expected.<sup>1</sup> With post-war reconstruction largely completed, the long-term aim of becoming a member of the European Union (EU) has become more important.

In political terms, however, Bosnia and Herzegovina is in the middle of the worst crisis since 1995, with the functioning of the state government having largely come to a standstill. The country's political paralysis is a reflection of a weakened post-conflict social fabric, which is particularly apparent in people's low levels of trust in one another. This social trust seems to have actually weakened in recent years, in contrast to hopes for a gradual increase as the conflict recedes into the past. Recent research finds that social trust is 'virtually non-existent'

in Bosnia and Herzegovina, while the social fabric in the country is characterized by an 'absolute weakness of social bonds of trust, reciprocity, and solidarity.'<sup>2</sup>

Lack of social trust creates social exclusion, whereby people are prevented from taking part fully in society. Its converse, the concept of social inclusion, as elaborated by European governments and which underpins EU social policy, is therefore extremely relevant for Bosnia and Herzegovina. The European Commission defines social inclusion as 'a process which ensures that those at risk of poverty and social exclusion gain the opportunities and resources necessary to participate fully in economic, social and cultural life and to enjoy a standard of living and well-being that is considered normal in the society in which they live.' Policies supporting social inclusion aim to overcome barriers that prevent access to social, economic or political rights. The values of solidarity, community, and equity<sup>3</sup> that underpin the concept of social inclusion are much needed in countries such as Bosnia and Herzegovina, in which prejudice and discrimination and resulting alienation can be as damaging as economic deprivation.

Situated, as it is, within the framework of EU social policy, social inclusion can also be a highly relevant policy tool for a pre-candidate country such as Bosnia and Herzegovina. One aspect of preparation for EU membership is the drafting of a



The elderly were identified as being at highest risk of poverty and social exclusion in Bosnia and Herzegovina. © Flore de Préneuf/The World Bank

joint inclusion memorandum (JIM), which identifies the main challenges facing the candidate country in terms of addressing poverty and social exclusion. By requiring accession countries to develop the institutional capacity for more effective social policies, the JIM can be a very useful tool for ensuring that the principles of social solidarity and inclusion are reflected in government policy.

For a start, the JIM requires countries to measure the level of social exclusion. The challenge for a country such as Bosnia and Herzegovina is thus to find appropriate ways to do this, given the number of groups and dimensions that need to be captured.

### Indicators of social exclusion

UNDP's 2007 National Human Development Report (NHDR)<sup>4</sup> for Bosnia and Herzegovina found that just over half of the population suffers from at least one form of exclusion. It did so by developing Laeken indicators for Bosnia and Herzegovina—common EU statistical measures of poverty and social exclusion. A composite social exclusion index (HSEI), based on UNDP's Human Development Index<sup>5</sup> and showing linkages between living standards, health, education, social participation, and access to services, was also developed<sup>6</sup> in this report.<sup>7</sup>

The composite HSEI index suggested that in 2006 around 50 percent of the population was excluded in terms of access to at least one form of health, education, services or participation in society.

The elderly were identified as being at highest risk of poverty and social exclusion in Bosnia and Herzegovina: subsequent research shows that more than half of those over 65 are not eligible to receive a pension.<sup>8</sup> Other groups experiencing significant levels of exclusion from the pension system are youth, who demonstrated high levels of disillusionment about the future; people with disabilities who have little or no access to education or employment (in addition to having difficulties in paying healthcare costs); displaced persons (who show higher levels of poverty than the rest of the population); members of the Roma minority who are extremely excluded from education and employment as well as having less access to healthcare; and women who have less favourable positions in society and whose level of participation in the labour market is among the lowest in Europe. Interestingly, forms and degrees of exclusion did not vary to any great degree between Bosnia and Herzegovina's two entities (Republika Srpska and the Federation of Bosnia and Herzegovina).

### Policy responses and further research

The 2007 NDHR contributed to the Council of Ministers' (CoM) September 2007 decision to develop a national social inclusion strategy. It served as the main reference document underpinning the strategy, and for raising awareness about the importance of social inclusion for EU accession within the CoM. However, after the NHDR's publication, it

became apparent that little consideration had been given to the policies and programmes needed to better facilitate social inclusion, particularly in light of Bosnia and Herzegovina's unique political, social and economic challenges. It also became apparent that different approaches to measuring social exclusion would be needed, in order to capture the different dynamics and groups which are excluded.

Subsequent research identified *social fragmentation* as a key obstacle to Bosnia and Herzegovina's development.<sup>9</sup> Arising, in part, from the divisions inherent in and subsequently fostered by the political and administrative system created by the Dayton Agreement, such fragmentation is a systemic problem in the country. Fragmentation reduces social capital, which may be understood as the socio-economic benefits that accrue to both individuals *and* communities, resulting from the everyday functioning of social networks.<sup>10</sup> Thus policies designed to strengthen 'social capital' are particularly appropriate for Bosnia and Herzegovina, in terms of reducing fragmentation and providing a basis for greater social inclusion. Trust is a key component of social capital, along with civic participation and norms of reciprocal behaviour. UNDP's 2009 NHDR therefore focused on social capital, and particularly on the distinction between 'inclusive' and 'exclusive' social capital.<sup>11</sup> The former may be understood as those benefits that accrue from membership in social networks that are open without restriction and that encourage diversity, while the latter is created in closed networks where membership is often based on family ties or immediate friendships. The fostering of inclusive social networks tends to reduce social exclusion by promoting the participation of more diverse and heterogeneous groups, thereby creating more opportunities. As such, social capital can help to overcome entrenched divisions.

The report also found that the highest levels of trust are reserved for family and friends, from whom people derive considerable support. Trust levels are lower vis-à-vis neighbours, and are much lower for 'outsiders'—non-family members and non-neighbours, *including those of one's own ethnicity*. Rather than describing a society suffering from ethnic polarization, these suggest that Bosnia and Herzegovina is characterized by very low levels of trust towards 'strangers'. In this respect, there were almost no differences across gender, age, and ethnic groups, or across the two entities. While antagonism among the major political parties may suggest otherwise, the 2008 NHDR indicates that people in both entities (and among Bosnia and Herzegovina's three largest ethnic communities) share significant commonalities in the formation of their social networks and experiences. While members of minority ethnic communities in both entities reported lower levels of trust and weaker social capital and networks, this too was a common feature across entities.

The 2009 NHDR documented that Bosnia and Herzegovina has limited levels of civic participation and social solidarity. Nepotism and clientelism (manifestations of 'exclusive social

**Table – Groups in terms of their levels of trust**

| Percent trusting all or most of each group | Family | Close friends | Neighbours | Own ethnicity | Other ethnicity | People with a different way of life | General level of trust |
|--|--------|---------------|------------|---------------|-----------------|-------------------------------------|------------------------|
| Total BiH                                  | 82.7   | 61.1          | 33.5       | 21.3          | 11.0            | 8.7                                 | 9.9                    |
| FBiH                                       | 83.4   | 59.3          | 33.6       | 21.3          | 11.0            | 8.8                                 | 8.5                    |
| RS   | 81.0   | 63.2          | 33.0       | 21.0          | 10.9            | 9.0                                 | 12.2                   |
| Brčko (Sample size = 118)                  | 92.4   | 69.5          | 45.8       | 32.2          | 10.2            | 1.7                                 | 5.1                    |
| Bosniak                                    | 81.6   | 58.5          | 33.1       | 20.9          | 10.8            | 9.1                                 | 7.4                    |
| Croat                                      | 83.5   | 56.6          | 34.9       | 20.7          | 12.3            | 7.7                                 | 11.2                   |
| Serb                                       | 83.4   | 64.6          | 33.6       | 22.3          | 10.2            | 8.8                                 | 12.2                   |
| Of local ethnic majority                   | 83.2   | 63.0          | 35.3       | 22.1          | 10.5            | 8.8                                 | 10.5                   |
| Of local ethnic minority                   | 77.0   | 44.4          | 25.9       | 22.2          | 16.7            | 12.0                                | 9.2                    |
| Of ethnically balanced community           | 85.0   | 60.1          | 24.7       | 13.7          | 11.0            | 6.1                                 | 2.7                    |
| Men  | 81.4   | 61.7          | 34.1       | 18.8          | 9.9             | 7.9                                 | 8.7                    |
| Women                                      | 84.0   | 60.4          | 33.0       | 23.7          | 12.0            | 9.6                                 | 11.0                   |
| Urban                                      | 81.0   | 57.1          | 26.1       | 16.9          | 10.4            | 8.3                                 | 9.6                    |
| Rural                                      | 84.0   | 64.1          | 39.1       | 24.7          | 11.4            | 9.1                                 | 10.1                   |
| Under 30                                   | 88.1   | 71.9          | 25.5       | 19.0          | 10.4            | 9.6                                 | 8.9                    |
| 30 to 65                                   | 81.7   | 58.8          | 30.3       | 18.3          | 9.0             | 7.3                                 | 9.8                    |
| Over 60                                    | 80.9   | 56.3          | 45.7       | 28.3          | 15.0            | 10.6                                | 10.6                   |

capital') were found to pervade Bosnia and Herzegovina institutions in ways that perpetuate exclusion and impede the realization of basic human rights. Policy recommendations derived from this research therefore focused on building 'inclusive social capital' via support for civil society and civic participation, in order to overcome divisions within the social fabric. Policy recommendations also focused on ameliorating the more negative effects of nepotism on institutions, in order to foster greater levels of trust and facilitate the inclusion of the most vulnerable.

## Conclusion

With an election looming later in the year against the backdrop of economic and political crisis, 2010 will be a challenging year for Bosnia and Herzegovina—straining social networks of family and friends and, possibly, worsening the fragmentation that is at the roots of social exclusion in the country. In such an environment, understanding, assessing, and effectively addressing social exclusion acquires additional importance. Recognizing that social fragmentation, displacement, old age, youth, and unemployment—rather than ethnic identity (except, regrettably, for members of the Roma community)—are key determinants of vulnerability would be a good place to start.

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- 1 Nevertheless, the crisis has had and is likely to continue to have an impact in Bosnia and Herzegovina. A recent assessment suggested that the ramifications are likely to include greater unemployment in particular among youth, reduced remittances, higher levels of social unrest and discontent. From: UNDP, *The Impact of the Financial Crisis at the Local Level in BiH*, a qualitative study of the impact in 16 municipalities in Bosnia and Herzegovina, based on structured interviews with representatives of the municipal authority, the Centre for Social Work, and the Institution for Employment (unpublished).
- 2 UNDP and Oxford Research International, *The Silent Majority Speaks: Snapshots of Today and Visions of the Future in BiH*, Sarajevo, 2007. Available at <http://www.undp.ba/index.aspx?PID=7&RID=413>.
- 3 European Commission, *Joint Report on Social Inclusion. Commission of the European Communities*, 2004, p.10. Available at <http://www.socialinclusion.ie/JointSocialInclusionReport2004.html>.
- 4 UNDP, *National Human Development Report: Social Inclusion*, Sarajevo, 2007. Available at <http://www.undp.ba/index.aspx?PID=36&RID=63>.
- 5 Available at <http://www.undp.ba/index.aspx?PID=36&RID=67>.
- 6 See <http://hdr.undp.org/en/statistics/data/>.
- 7 Two other indices were also created and calculated, deriving from the first: Extreme Social Exclusion (HSEI-1) and Long-term Social Exclusion (HSEI-2) indices. The calculation of HSEI-1 showed that an estimated 22 percent of the population is extremely socially excluded from the most basic processes and lack the ability to meet their basic needs. The calculation of HSEI-2 showed that 47 percent are at risk of long-term exclusion due to their narrow range of opportunities.
- 8 The HSE is based on seven proxy indicators measuring: population below the income poverty line, long-term unemployment, individuals lacking health insurance, those over 15 who have not completed primary school, individuals not voting in elections, individuals not participating in organized social activities, and households without a telephone.
- 9 UNDP, *Pension Reform and Social Protection Systems in BiH*. UNDP: Sarajevo, 2007. Available at <http://www.undp.ba/index.aspx?PID=36&RID=66>.
- 10 See, for example, *The Silent Majority Speaks*. <http://europeandcis.undp.org/cpr/show/1619AC57-F203-1EE9-B7D02E9FEA6E48C1>.
- 11 UNDP, National Human Development Report 2009, *The Ties that Bind: Social Capital in Bosnia and Herzegovina*, Sarajevo, 2009, available at <http://www.undp.ba/index.aspx?PID=36&RID=90>, p.17.
- 12 The NHDR focused on 'inclusive' and 'exclusive' social capital rather than on the more commonly used distinction between 'bonding' and 'bridging' social capital. The former were seen as more useful in terms of focusing on the outcomes or results of different constellations of social capital – either contributing to broader processes of social inclusion or of social exclusion. In addition, the concept of 'bonding' capital can imply networks based on either familial relations or on ethnic identification. Given that the research found the former to be much stronger than the latter, the umbrella term 'bonding' capital was not seen as a sufficient analytical tool for describing the BiH context.

# Social exclusion and the 'Cyprus Problem'

Nicolas Jarraud, John Lewis,  
Pembe Mentesh, Pelin Maneoglu

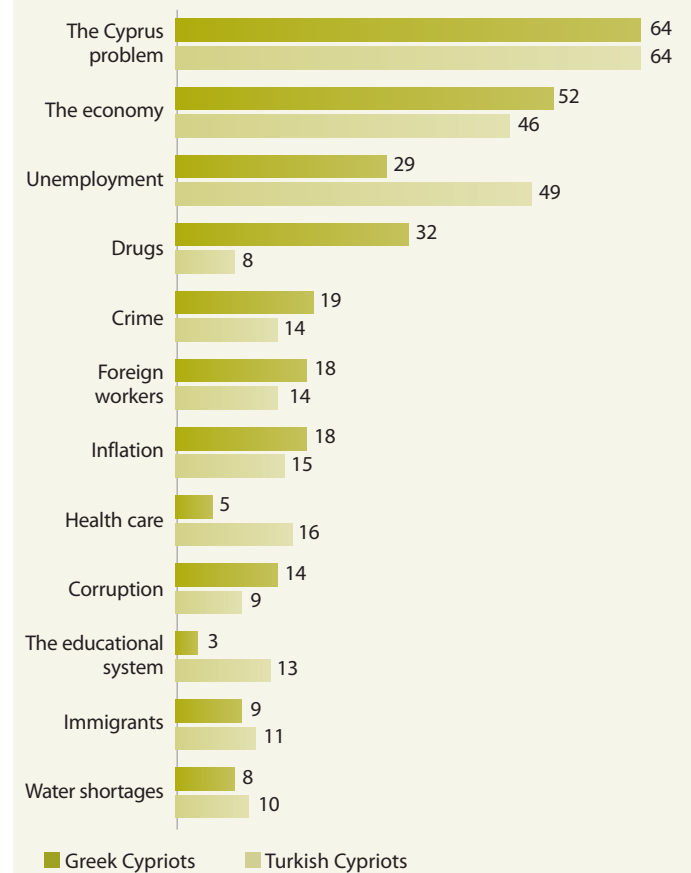
The Greek Cypriot and Turkish Cypriot communities have lived apart for decades in a state of social and geographic exclusion. In 2004, the collapse of the proposed comprehensive settlement highlighted the need for participatory approaches to reconciliation, in order to ensure public ownership of the process.<sup>1</sup> In 2008, a new round of reconciliation talks was launched under UN auspices, but reconciliation efforts continue to be hampered by mutual social exclusion by the two communities—understood as referring not only to exclusion of various groups from decision-making processes within each community, but also to mutual distrust and geographical separation between the two communities. This article examines mutual exclusion as a possible root of the conflict, and suggests how more inclusive reconciliation processes could help ensure a viable peace.

## Mutual exclusion between communities

In Cyprus, the continuing division, commonly referred to as the 'Cyprus Problem' overshadows all other issues,<sup>2</sup> since it involves almost total geographic, cultural, social, infrastructural and administrative separation and exclusion.<sup>3</sup> The aspirations of young people,<sup>4</sup> as well as the problems of human trafficking, mistreatment of 'illegal' immigrants, and sexual exploitation<sup>5</sup> can all be treated as side effects of the 'Cyprus

Problem'. Social inclusion issues are affected by the ongoing division, particularly through a lack of inter-communal coordination, or tendencies to blame the other community. Many Cypriots<sup>6</sup> therefore fail to see social exclusion as an issue *per se*, but rather as a consequence of division that affects their own community, as exemplified by internal displacement, restricted freedom of movement, and the like. In the Turkish Cypriot community, the focus is also on 'exclusion' from the global economy (and the consequent dependence on Turkey), perceived disempowerment, and identity crisis.<sup>7</sup>

**Figure 1.** Major issues as viewed by Greek Cypriots and Turkish Cypriots, in percent (2009)<sup>8</sup>



Identity is a socio-political construct, sometimes a legacy of colonial rule.<sup>9</sup> During Ottoman rule, the Muslim minority dominated the political spectrum—a situation that was subsequently reversed under British rule, which lasted from 1878-1960. After independence, the constitution had strict quotas for the civil service (70:30 overall, 60:40 in the Army), for a population ratio of 78 percent Greek Cypriot and 18 percent Turkish Cypriot, which may have encouraged a focus on numbers rather than on cooperation.<sup>10</sup> Aside from Cyprus's 'historical' minorities, immigration is rapidly changing the composition of the population, with increasing numbers of Cypriots from mixed (though not inter-communal) marriages. However, this emerging diversity is yet to be recognized as a potential asset.<sup>11</sup> Despite both sides feeling 'Mediterranean', a



Both Greek Cypriots and Turkish Cypriots believe that women are under-represented in civil society organizations. © Yosef Hadar/The World Bank

majority of Cypriots, when using the term 'Cypriot', refer exclusively to their own community.<sup>12</sup>

Migrant workers and other foreigners, who fall outside this identity, are often socially excluded. For example, the supposed 35,000 'illegal' workers in the Turkish Cypriot community are perceived to lack social rights.<sup>13</sup> Another survey<sup>14</sup> indicates that in Cyprus, persons from 'developing countries' are generally employed in subordinate positions, while persons from 'developed countries' are generally held in high standing. Related risks of exclusion are associated with the prospect of one community playing a subordinate role in public administration.

Economic disparities between the two communities have also been recognized as a source of mutual distrust and exclusion. In 1960, average per-capita income among Turkish Cypriots was some 20 percent below that of Greek Cypriots<sup>15</sup>, while by 2007 the gap in per capita GNP had widened to €9,760 in the Turkish Cypriot community versus €18,952 in the Cypriot community.<sup>16</sup> These differing economic patterns may have originated in Ottoman times, when the Greek Cypriot community emerged as a prosperous *mercantile bourgeoisie*, with Turkish Cypriots dominating the civil service.<sup>17</sup>

Aside from economic equalities, people fear coexistence with the other community might be difficult because they have had no meaningful contact for at least 35 years, in some cases since the declaration of separate municipalities in the late 1950s.<sup>18</sup> Despite the opening of crossings across the buffer zone in 2003, levels of trust are currently rather low, with contact in some cases dissolving positive expectations. Cypriots are sceptical of having friends, colleagues, and neighbours

from the other community, or of allowing their children to attend mixed schools. Both communities are opposed to having a leader or a boss from the other community, and to bi-communal marriages.

## Social exclusion within communities, reflected in the reconciliation process

Criticisms of bi-communal efforts often point to the fact that such initiatives typically reach out to the same pro-reconciliation 'elites'.<sup>20</sup> Hence, recommendations for a more inclusive process, in particular as regards civil service organizations (CSOs) working on questions pertaining to youth, gender,<sup>21</sup> marginalized groups, and rural areas. Part of the problem may be in the composition of the CSOs themselves: survey data indicate that both communities believe that foreign workers, women, youth, the poor, and rural inhabitants are under-represented within CSOs (as well as among ethnic/linguistic minorities and religious minorities in the Turkish Cypriot community). Moreover, even if CSOs were more representative, they are currently marginal to the peace process.

Youth are not just under-represented in civil society: they feel almost entirely excluded from the peace process. Levels of youth civic engagement and political participation are generally low, despite the fact that many of the activities in which they do participate are heavily politicized (e.g., sports). Many young people feel disempowered when it comes to influencing policy decisions, although nearly half of youth interviewed wished to play an active role in the reconciliation process.

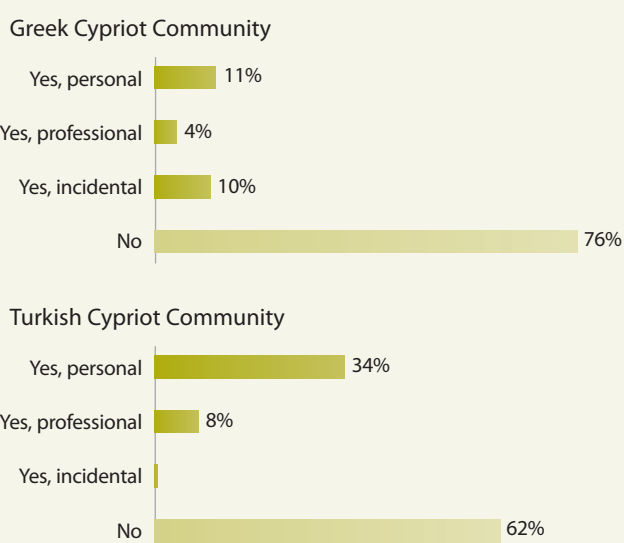
Women likewise feel marginalized in the ongoing reconciliation process. UN Security Council Resolution 1325 stipulates that women must be included in all aspects of the peace processes. Yet a recent mission revealed that Cypriot women are largely missing in corporate and political decision-making<sup>22</sup> (Cyprus ranked 82<sup>nd</sup> of 134 countries in the 2009 World Economic Forum's Global Gender Gap Index), and from the peace process.

## Analysis and recommendations

The current reconciliation processes suffer from a 'social inclusion deficit'. The peace-building process is perceived as elitist, with the voices of many constituencies (youth, gender, isolated communities, immigrants) essentially muted. The impact of civil society on this process remains limited, as the composition of CSOs themselves is not entirely inclusive. Having more women, youth and marginalized groups may not *per se* significantly alter trust levels, but because of this lack of ownership, the reconciliation process will lack a solid support base. The question is how to develop a participatory dialogue that would build this type of ownership.

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**Figure 2.** 'Did you have contact with the other community?' (2009)<sup>19</sup>



Note: In this figure, 'incidental' refers to contact outside of the context of professional and personal relations.

**Table 1.** Cypriot youth on their ability to influence the peace process and initiate peace-building activities, in %<sup>23</sup>

| How strongly do you agree or disagree with the following (in percent):   | Strongly Disagree |    | Disagree |    | Neutral |    | Agree |    | Strongly Agree |    |
|--|-------------------|----|----------|----|---------|----|-------|----|----------------|----|
|  | GC                | TC | GC       | TC | GC      | TC | GC    | TC | GC             | TC |
| Young Cypriots are unable to influence the peace process because politicians do not give them the chance                 | 1                 | 6  | 11       | 11 | 26      | 33 | 49    | 34 | 13             | 17 |
| Young Cypriots do not know how to initiate activities which would support inter-communal co-existence and peace building | 4                 | 4  | 20       | 12 | 38      | 46 | 34    | 27 | 5              | 11 |

Note: GC= Greek Cypriot; TC=Turkish Cypriot

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## Roma in Serbia: vicious circles of exclusion

Jelena Tadzic and Danilo Vukovic

Despite Serbia's participation in the inter-governmental *Decade of Roma Inclusion* initiative since 2005,<sup>1</sup> Roma continue to be one of the country's most vulnerable groups. 2009 UNDP survey data indicate that Roma continue to live in extreme conditions, without access to drinking water (65 percent of households), sewage systems (77 percent), and electricity (26 percent). This deprivation affects health and reduces life expectancy in Roma communities, which in Serbia is estimated to be 10 years below the national average (70.7 years for men and 76 for women). Roma are 7.5 times more exposed to poverty risks: 56 percent of Roma children live below the poverty line; and 60-80 percent of Roma are thought to live in unhygienic settlements—the informal nature of which further complicates surveys and assessments of Roma living conditions. As their educational levels are likewise below national averages, Roma face particular labour market difficulties. Similarly, levels of social capital are low, as Roma are underrepresented in social and political institutions<sup>2</sup> and suffer the strongest forms of discrimination.

This article briefly describes some of the problems that have been encountered by policies and programmes intended to promote Roma inclusion in Serbia's social welfare, labour market and education systems. It also shows how internal cycles of deprivation, illiteracy and poverty combine with external cycles of exclusion, prejudice and discrimination to perpetuate the Roma community's low socio-economic status within Serbian society.

### Social welfare structures

Serbia's welfare system aims to ensure that all citizens are able to reach minimal living standards and employ their capabilities so as to be fully included in social, political, and economic life. The system ensures that almost all children are enrolled in schools, that most of the population receives adequate health care, and that many of those most in need, particularly in urban areas, have access to social assistance. However, Roma are the ones most likely to fall through the cracks.

Due in part to these problems, the social policy discourse in Serbia increasingly reflects the belief that efficient, effective social policy requires greater emphasis on activation, individual responsibility and inclusion. Serbia's social protection and social services systems are gradually being transformed in order to become more decentralized and accommodate private sector service providers. Serbia's social sector increasingly relies on local services, as well as targeted and tailored social protection measures. It also requires the participa-

tion of social service beneficiaries. In these conditions, Roma and other recipients of social welfare are expected to become more self-reliant and responsible. While this approach might be cost-effective for some mainstream beneficiaries (e.g., educated unemployed youth benefit from the activation policies), it certainly does not correspond to the expectations many Serbian citizens have regarding the role of the state. Nor does it explicitly describe how the most vulnerable and excluded, the poorest and the least educated, can be motivated, activated, and included. This is true for much of Serbia's rural population: more than half of the rural population (as defined by OECD criteria—less than 150 inhabitants per km<sup>2</sup>) above age 15 is without educational qualifications, and more than half of the working-age population is not covered by pension and disability insurance.<sup>3</sup> It would also seem to apply to the elderly: every fourth person in Serbia over 65 doesn't receive a pension, while only 6 percent of the most vulnerable elderly receive social assistance.<sup>4</sup> It certainly seems true for Roma.

## Employment

Roma unemployment rates—40.7 percent compared to 16.4 percent among the general population, according to 2009 Labour Force Survey data—are striking. (Roma unemployment rates would be much higher if labour force surveys were conducted in illegal Roma settlements.) Attempts at reducing Roma unemployment through public works programmes have not been particularly successful—in large part because Roma generally do not participate in these programmes, due to a lack of formal education, skills, and necessary documentation (including personal identification). For example, 550,000 euros were set aside under a 10.5-million-euro national employment action plan for active labour market programming to boost Roma employment, via projects implemented primarily by Roma NGOs. In the face of numerous technical obstacles, this programme often failed to reach Roma communities, and did not have a large impact on Roma unemployment. Perhaps not surprisingly, the programme was found to be wanting in the court of public opin-

ion. With its expiration,<sup>5</sup> there are at present no significant government measures in place to support Roma labour market participation. Government efforts are focusing instead on other marginalized groups – such as internally displaced persons, refugees, and persons with disabilities

## Education

Roma are particularly disadvantaged in terms of education. UNDP survey research indicates that families of up to 80 percent of Roma children do not possess the proof of residence needed to ensure that their children can enroll in primary school.<sup>6</sup> Between 30 percent and 40 percent of Roma children do not complete the fifth grade, while only 14 percent of Roma boys and 6 percent of girls enter secondary school. As a result, an estimated 63 percent of Roma in Serbia have not finished elementary school.<sup>7</sup>

Pre-enrollment assessments (mandatory for all pupils) exclude many Roma children from the education system. Their relative weak Serbian language skills often cause Roma children to be diagnosed as not ready for regular schools, or cause child psychologists to direct them to 'special schools' for the mentally disabled. Social benefits tied to support for these schools can serve as an extra, perverse incentive. A majority of students (sometimes as high as 80 percent)<sup>8</sup> in Serbia's special schools are Roma—but even so, marginalization and dropping-out from these institutions are serious problems.

Various other measures—placing Roma teaching assistants into classes, reform of special education, pre-school inclusion—have been introduced to foster Roma inclusion in the mainstream education system, often within the framework of the Roma Decade. However, the results of these measures have been uncertain at best. The impact of some measures to support Roma education has been overwhelmed by more general policies working in the other direction. For example, the effects of a campaign to increase the numbers of Roma children in (already overcrowded) public kindergartens were negated by enrollment rules that gave preference to families with both parents employed—effectively precluding participation for many Roma families. Perhaps not surprisingly, some observers have called for a stronger focus on policies to mainstream Roma communities, as opposed to creating special separate programmes whose implementation will stop once the Decade is finished in 2015.<sup>9</sup>

## Conclusion

Serbia's participation in the Decade of Roma Inclusion (which has been supported by UNDP) has brought additional public and political attention to these issues. However, activities conducted under the auspices of the Decade can hardly be said to have reduced the problems of poverty, exclusion and prejudice facing Roma communities. While these initiatives have created parallel structures to deliver tailored and targeted measures, mainstream social policy continues to reproduce inequalities and does not foster social inclusion of Roma.



*A family standing at their door at one of Valjevo's Roma settlements in Western Serbia. Roma are often forced to live in poor, unhygienic conditions in Serbia's informal settlements. © OSCE/Milan Obradovic*

A twofold response is needed, emphasizing both: (a) gradual changes in existing social policy structures and processes, to make them more inclusive towards Roma (and thus provide greater hopes for longer-term benefits); and (b) positive discrimination/affirmative action measures designed to bring short-term benefits to Roma communities. For example, the labour market challenges facing many Roma households—low skill levels, prejudice from employers—need to be addressed via active labour-market policies that increase employer incentives to employ Roma, and challenge the falsehoods and stereotypes that underpin these prejudices. Such measures need to be complemented by deeper systemic changes that can increase employment opportunities and the effectiveness of social protection more generally—thereby reducing the need for *ad hoc* short-term interventions. Improving the living conditions and prospects for Roma communities in Serbia requires finding an appropriate balance between short- and long-term responses.

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1 See <http://www.romadecade.org/>.

2 For example, UNDP data indicate that only 15 percent of Roma have a bank account, compared with 62 percent of the general population. Less than 2 percent participate in civic and political organizations.

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5 For more information, see <http://www.merr.sr.gov.yu/sektori/zaposljavanje.php?lang=lat>.

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## Social inclusion and water: Why a human rights-based approach matters

Katy Norman and Jürg Staudenmann

### Water: Essential for life and human development

'Exclusion from clean water and basic sanitation destroys more lives than any war or terrorist act.'<sup>1</sup> Lack or denial of access to safe water and basic sanitary services ultimately leads to exclusion on other domains, such as education or health. A child unable to attend school due to frequent, waterborne bouts of diarrhoea, or because the school sanitary infrastructure is deemed unsuitable, experiences social exclusion. Water is both critical for life *and* human development. UNDP's 2006 Human Development Report therefore emphatically urged the world to 'make water a human right – and mean it'.

The right to water is an internationally recognized legal entitlement for all people, and requires that they have reliable access to safe potable water at an affordable price, regardless of their age, sex, race, gender, or ethnicity. International acknowledgement is apparent in the increasing number of regional treaties, national legislations and constitutions that confirm the right, the legally binding International Covenant on Economic, Social and Cultural Rights (ICESCR) that implicitly recognizes the right as part of an adequate standard of living, and non-binding statements, such as the UN 'Common Understanding' on the human rights-based approach (HRBA) that helped conceptually clarify the right within the UN and wider development community. Yet, many countries lack enforcement mechanisms to realize the right, and have insufficient monitoring bodies to ensure the equitable implementation of water policies and provide redress for violations.

### Social inclusion and human rights: congruent development frameworks

The adoption of *General Comment no. 15: The Right to Water (2002)* by the UN Committee on Economic, Social and Cultural Rights (CESCR) laid the foundations for integrating a human rights-based approach (HRBA) into the UN's development philosophy. The HRBA employs human rights as instruments to redress discrimination and unjust

distributions of power that impede development. HRBA emphasizes the importance of water-related development for marginalized and vulnerable groups, which are commonly also the socially excluded. This contrasts with the status quo in many developing countries, where public resources finance infrastructure construction and subsidies that benefit upper- and middle-income groups primarily; often at additional expense to the poor. Accountability, which is central to the HRBA, is also integral to social inclusion through the attention paid to the excluded and excluders alike.

Applied to water governance, a HRBA aims to achieve 'sufficient, safe, acceptable...and affordable water for personal and domestic uses'<sup>2</sup> for *all*. It transcends the Millennium Development Goal (MDG) 7 target of reducing by half the proportion of people without sustainable access to safe drinking water, by calling for universal service coverage. It provides a conceptual tool to address water supply and sanitation-related exclusion issues that are commonly rooted in weak governance, power inequality and poverty, rather than sheer physical availability. That Tajikistan is one of the world's most 'water wealthy' states (with 13,000<sup>3</sup> cubic metres of water available per capita), but only 59 percent<sup>4</sup> of its population has access to drinking water, is a case in point.

### Water supply and sanitation in Europe and Central Asia: case studies

Water and sanitation infrastructures in a number of transition and developing economies in Europe and Central Asia are in a critical state and deteriorating, with concomitant threats to human health and dignity. Yet, most countries have signed or ratified core UN human rights conventions; many regional treaties implicitly or explicitly recognize the right to water; and national recognition in this regard is mounting. Such legal frameworks create the enabling environments needed for the application of a HRBA to water governance issues.

**Bosnia and Herzegovina:** Before the civil war (1992-1995), an estimated 60 percent of Bosnia and Herzegovina's population was served by safe water supply systems, including 90 percent of urban areas and 40 percent of rural areas. However, war damage coupled with improper infrastructure maintenance resulted in large network leakages. As a result, public water utilities cover only 54 percent<sup>5</sup> of the total population (56 percent coverage in the Federation of Bosnia & Herzegovina (FBH) and 48 percent in Republic of Srpska (RS)<sup>6</sup>); well below the EU 90 percent average.

Water infrastructure capacity is being overwhelmed by large returnee populations. Approximately 125,000 internally displaced persons (IDPs) do not have reliable access to sufficient, affordable, potable water. Most IDPs are marginalized in the Sarajevo (23,665) and Banja Luka (12,627) municipalities.<sup>7</sup> The lack of an official place of residence or a building licence is accepted as an excuse for not granting access to safe water. The 60,000<sup>8</sup> Roma are also cut off for similar reasons in the informal settlements where they reside. Access to drinking water within/in close proximity to schools in rural areas and housing units of disabled persons is also limited<sup>9</sup> compared to that for other persons. Besides degrading infrastructure, water policies are largely to blame. Fragmentation and confusion across different state institutions mitigate against the promulgation of clearly defined roles and responsibilities, while inadequate public awareness regarding the right to water further complicates the situation.

**Tajikistan:** Most water supply systems in Tajikistan were constructed between 1960 and 1980 with an operational life of 30-50 years, and are increasingly in need of replacement. The transition from the Soviet era, which was characterized by a well-managed and heavily subsidized water supply and distribution network, over the past 10-15 years has exacerbated this need, as water systems have received increasingly less maintenance and are starting to fail as a result. Non-centralized water supply and sewage systems of former *kolkhozy* (collective farms) remain ownerless, which has led to their collapse in rural areas. With a mere 20 percent of citizens connected to the centralized water network, most of the rural population depends on shallow self-dug wells, frequently contaminated with agro-pollutants and animal waste. Rapid population growth over the past two decades is placing a further strain on the water supply systems, which is not satisfying the increasing demand.

An estimated 87 percent of urban residents receive water from the central network, but such a high connectivity figure masks the fact that untreated water flows into the pipes. In fact, 41 percent of water consumed from public utilities is not potable,<sup>10</sup> threatening human health and creating tensions that increase the risk of social exclusion.

Tasked with carrying water from source to house, women and girls are marginalized within society. With primary male household members absent, having migrated abroad for work, women (especially in rural areas) are left behind with inadequate water supply and sanitation services, which restrict their inclusion in the domestic labour market and threaten family health. Children are the most frequent victims of gastric and intestinal infections caused by contaminated water. More than 50 percent of schools cannot provide access to piped, safe drinking water,<sup>11</sup> impeding children's right to health and education. High rates of non-payment for water and sanitation services are reducing funds for operation and maintenance, let alone reinvestment. There is a clear need to tackle old utility and consumer perceptions of water conservation and management being the sole responsibility of the public hand and instil a sense of joint ownership, responsibility and interest in management of the country's abundant water resources.

**Kosovo:** Article 5(j) of Kosovo's Law on Water 2004/24 provides that 'all persons have equal and proportional rights to Water Use according to this law'; but this rhetoric is not yet reality. Some 60 percent of the population of Kosovo covered by the seven regional water companies are connected to a centralized water supply system. The remaining 40 percent (860,000 persons) reside in 200 rural villages, and rely on water from often contaminated wells. Indirect discrimination against members of minority communities remains significant, aggravating their access to water, sanitation and other public services. For example, Roma, Ashkali and Egyptian (1 percent of the population) live in camps without access to basic sanitation or water facilities; while Goran (2 percent) living in the Dragash municipality in the south have sufficient water, but of a very poor quality.

In contrast, the Serbian ethnic minority (7 percent)<sup>12</sup> are positively discriminated against when it comes to their right to water. In many parts of Kosovo, Serbian households through their institutions (municipalities<sup>13</sup> and organizations) have refused to recognize Kosovo institutions as legitimate partners. They overwhelmingly do not pay for their water supply, tend to use it liberally,<sup>14</sup> and yet con-



Water aplenty, but none to drink. Pollution collects against a dam wall of the Drina river, which forms part of the border between Serbia and Bosnia and Herzegovina. © OSCE

tinue to be serviced. While from a HRBA perspective this is a commendable example of the Kosovo authorities fulfilling their obligation to 'respect, protect and fulfil' no matter who receives the water, Kosovo Albanians are left to pick up the costs. This leaves a perception of double standards, which does little to resolve tensions between the two groups - and may ultimately reinforce Serbian social exclusion. Weak water governance due to ill-defined roles and responsibilities, stemming from contradictory provisions in national law, are largely to blame.

## Conclusion

Water governance tends to be a missing link in social inclusion agendas, perhaps because it is perceived as a predominantly technical ('infrastructural'), rather than a social ('governance') issue. But the cases of Bosnia and Herzegovina, Tajikistan and Kosovo illustrate that questions of access to water and sanitation services are very much questions of governance. Not only does social exclusion lead to deprivation in terms of water supply and sanitation services, but the reverse is also true: inadequate access can reinforce social exclusion in a two-way process. Improving marginalized and vulnerable groups' access to services and decision-making in the water sector through a HRBA is both an end in itself and a direct means of strengthening inclusion in other spheres of life, namely education, health and the workplace. Thus, a HRBA on water matters to social inclusion, and the human development agenda at large: water governance, drinking water

and sanitation issues therefore need to be better embedded in social inclusion agendas.

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- 13 Serbian municipalities that are not serviced directly by parallel institutions loyal to Belgrade.
- 14 Especially in the summer months for gardening and car washing.

# Turkmenistan's pension system: issues, challenges, prospects

Nurjemal Jalilova

Following independence, Turkmenistan experienced several years of economic decline, reflecting the breakup of Soviet-era economic ties, poor harvests, and problems with energy exports. Since 1998, however, official data show that the economy has recovered strongly, thanks in large measure to rapid growth in natural gas exports to Ukraine and Russia, and subsequently to Iran and China. Turkmenistan's energy bounty has supported the retention of many Soviet-era economic features—including the provision of social protection, benefits and services on universal and categorical bases, rather than attempting to identify and target those who need them most. Official data therefore indicate that expenditures on social protection and social services—including pensions, state subsidies, free education and health care services—constitute over 70 percent of the state budget. However, a lack of disaggregated data does not allow social policy makers to identify those who are most in need, and to better target state budget resources to meet these needs.

This article examines the sustainability of this social protection model, with a particular focus on Turkmenistan's pension system. It concludes that—notwithstanding the introduction of initial reforms and the rapid economic growth the country has enjoyed—additional changes will have to be made in Turkmenistan's pension system, in order to ensure its financial sustainability in the face of unfavourable demographic trends.

## Turkmenistan's pension system and transition

While Turkmenistan has maintained the pension system inherited from the Soviet period, some modifications have been introduced. Most of these came in the early 1990s, when high inflation and falling GDP led the government to change the benefit formula—resulting in dramatic declines in replacement rates. Under the old Soviet formula, an average-wage worker with 40 years of service would have received a pension equal to 75 percent of the average wage. Under the revised benefit formula, the same worker would receive a pension equal to merely 48 percent of the average wage. Legislation passed in 1998 phased out the pay-as-you-go defined-benefit system and introduced a voluntary defined contribution system, with a contribution rate of 4 percent. Only rights accrued prior to 1998 were counted under the pay-as-you-go scheme. As a result, whereas workers who retired in 1997 received pensions entirely based on the pay-as-you-go system, workers retiring in 1998 and thereafter are entitled to pensions based on a combination of pre-1998 pay-as-you-go rights and contributions to the post-1998 defined compensation scheme. Pay-as-you-go pension rights are to successively diminish and disappear altogether around 2040.

As a scheme based on a defined contribution rate of only 4 percent is not sufficient to provide adequate pension incomes, it was clear from the outset that additional reforms would be needed. The new social security code enacted in July 2007 reintroduced the main features of the previous pay-as-you-go system, but also increased the numbers of beneficiaries covered under this system—without increasing numbers of contributors. The replacement rate therefore dropped further—to around 35 percent of the average wage. At present, only about 21 percent of the working-age population pays into Turkmenistan's social protection system: farmers are exempted from social security contributions, and some industries have reduced rates to pay. Non-contributory rights for pensions are covered from

the state budget. Although this seems to be sufficient to finance pension commitments at present, the financial sustainability of these arrangements remains an open question.

## More pension reforms will be needed

Much of the world is now experiencing declining birth and death rates, and Turkmenistan is no exception. Turkmenistan's fertility rate is expected to continue to decline from its present level of about 2.5 children per woman to 1.9 - 2.1 by around 2025. While the World Bank projects average life expectancy (from age 40) to increase by five years during 2010-2050, this estimate could be 'conservative', as increasing investments in health care and education could generate even more rapid increases in life expectancy.

With an aging population, the number of working-age persons in Turkmenistan will not increase as fast as the number of older persons. This is reflected in the demographic dependency ratio, which here is calculated as the number of persons aged 20-59 in relation to the number of persons 60 and older.<sup>1</sup> The data show a trend decline in the dependency ratio from 2010, from close to nine working-age persons for each person 60 years or older, to a little over 2.5 in 2050. By 2030, which is not so far off in the future, the ratio will have fallen to half of today's level.

An unusual feature of the July 2007 legislation is that survivor and disability benefits are granted regardless of work history and contributions—and are financed from the pay-as-you-go system. As in most transition economies, Turkmenistan has three pension disability groups, but the details concerning the definitions of the three groups with respect to capacity to work are still to be stipulated. Disability benefits are payable to a number of persons who have some capacity to work. The level of benefits paid depends on two factors: the degree of disability, and the individual coefficient based

on the participant's salary history. In case of the loss of a breadwinner, social protection legislation foresees the payment of survivor's allowances to dependent family members. The size of these family-based allowances is determined as a percentage of the base amount<sup>2</sup> and depends on the number of dependent family members. This is a change compared to previous legislation, where the size of the allowance depended on the work history of the deceased.

In an effort to forestall the unfavourable trends in the dependency ratio shown in Figure 1, the July 2007 legislation also introduced universal birth grants for all newborn children, and universal child care benefits to all parents. On the other hand, social allowances were granted to the elderly without pension rights.

In light of the questions concerning the pension system's financial sustainability, efforts should be made to systematically broaden the contribution base to include a majority of workers—including those in the informal sector—and to stabilize the contribution rate. The July 2007 legislation therefore calls for the implementation of a notional defined contribution pension scheme in 2012, with the following characteristics:

- To introduce a financially stable pension scheme that provides for automatic adjustments to the changing demographic, social, and economic conditions;
- To provide adequate pensions to the most vulnerable groups by encouraging workers to move into the formal labour market; and
- To develop new social protection mechanisms for people excluded from the current social protection system, including single proprietors and farmers.

## Conclusion

Although the dependency ratio is poised to fall dramatically during the coming decades, Turkmenistan still has a very young population,



Turkmenistan's relatively young population is advantageous from the standpoint of the pension system.

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which is advantageous from the point of view of the pension system. This suggests that 2012 is the 'right' time for introducing reforms to address uncertainties about the pension system's sustainability. It is likewise the right time to broaden the contribution base and neutralize otherwise unsustainable increases in the ratio of benefits to contributions due to inevitable—and otherwise desirable—improvements in health and life expectancy of the older population. It may likewise be necessary to reconsider the age at which pensions are granted, particularly in light of anticipated increases in life expectancy, and the fact that many elderly people wish to remain in the work

force. The consideration of steps to equalize the minimum pension ages for men and women could be a place to start.<sup>3</sup>

*Nurjemal Jalilova is National Programme Officer, Poverty Reduction, Social Inclusion and MDGs, for UNDP Turkmenistan.*

1 The cut-off age of 60 has been chosen since it is the average of the present pension ages of men and women in Turkmenistan.

2 The base amount is determined by the government mainly for tax purposes. At present, it is equal to US\$ 43.

3 Under current legislation, the minimum retirement age for women is 57 and for men 62. Workers in a number of occupations qualify for early retirement.

## Protecting the rights of persons with disabilities in Uzbekistan

Yana Chicherina

This article briefly describes activities under UNDP's ACCESS project,<sup>1</sup> to improve access to employment and public services and facilities for Uzbekistan's 720,000 citizens officially recognized as living with disabilities, and to change public perceptions regarding persons with disabilities.

### Employment

Currently, about 30 percent of persons with disabilities in Uzbekistan work. Some 20 percent want to work, but cannot find appropriate jobs, while some 50 percent rely only on state assistance. Employment prospects for persons living with disabilities are often limited by relatively low skill levels, reflecting their social segregation (education in specialized boarding schools, limited social contacts, isolation in their own homes, etc.). In response to this, the ACCESS project supports the creation of social enterprises,<sup>2</sup> job placement and training clubs for persons with disabilities, on-line databases on job vacancies and rosters of job seekers, specialized job fairs, and 'open houses' in state employment promotion centres.

*"I asked for assistance and employment opportunities from various organizations but never received any answer. Before attending a training organized under the ACCESS project, I did not know anything about my rights and how to realize them. The training encouraged me to conduct a follow-on training in my village in the Bukhara region. Many people with disabilities are still invisible; they live in isolated villages and lack basic information. I would like to bring these issues to the attention of local authorities, employment centres, and private companies, as well as empower people with disabilities themselves to actively seek jobs and develop their skills."*

Dilrabo Nomozova, representative of an organization representing people with disabilities, Shafirkan village, Bukhara region.

### Access to public services and facilities

With UNDP support, the State Committee for Architecture and Construction has clarified building code information, explaining the requirements for providing access to public buildings. Training for government personnel and contractors has been conducted in pilot regions (Samarkand, Shakhrisabz and Tashkent). After the training sessions, regional inter-agency groups (with the participation of disabled persons' organizations) were set up to monitor and validate the accessibility of newly built and reconstructed facilities. As a result, 60 percent of these structures are fully accessible for persons with disabilities. Measures are being taken to ensure the accessibility of the remaining buildings. Electronic guides providing information regard-

ing access to public buildings in Tashkent and Samarkand are also being created.

*"I regard myself as a successful woman, but when I cannot enter a building because of the absence of ramps, I feel helpless. It seems that I am not wanted there."*

Natalya Plotnikova, Director of 'Opa-singillar', which represents people with disabilities

The ACCESS project has supported the introduction into Uzbekistan of JAWS technologies (which facilitate computer use by the visually impaired), and has provided the Republican Library for the Blind and the resource center for the Association of the Blind with the specialized equipment (SARA and TOPAZ) that provides the visually impaired with auditory access to visual content. ACCESS research is supporting a government programme to develop and adapt Uzbekistan's physical infrastructure, and IT hardware and software, to the needs of people living with disabilities.

### Public awareness

ACCESS project survey research indicates that most of Uzbek society believes that the support for people living with disabilities should be based on philanthropic (80 percent of respondents) or medical (40 percent of respondents) approaches. Only 25 percent of survey respondents recognized the importance of human rights-based and inclusive approaches in responding to disability-related development challenges. The ACCESS project therefore focuses on:

- Promotional materials on the rights of persons with disabilities: 220 billboards, 45,000 posters, four video and radio clips, four animated films, and a documentary film have been produced and disseminated;
- Training for journalists, and a competition on the best media product, on disability issues, which featured more than 60 entries from electronic and print media sources;
- Training for more than 1500 public officials.

*"The ACCESS training gave me an opportunity to look at the issue from another angle, to place myself in the shoes of a person with disabilities. We must work in a comprehensive way on raising social awareness of disability issues, and to fight the stereotypes that prevent disabled persons from realizing their full potential—and often do not allow them to make use of their legal rights."*

Ms. M. Akhunova, Head of the Rehabilitation and Social Protection Department, Ministry of Public Education

*Yana Chicherina manages the ACCESS project for UNDP Uzbekistan.*

1 ACCESS: promoting Accessibility, Civic Consciousness, Employment, and Social Support for people with disabilities. For more information, see <http://www.dostup.uz/>.

2 For more on social enterprises in the region, see Geoffrey D. Prewitt, "Towards a 'Fourth Sector'? Social Enterprises as a New Hybrid for Employment Generation", *Development and Transition*, issue 7 (2007), available at <http://www.developmentandtransition.net/index.cfm?module=ActiveWeb&page=WebPage&DocumentID=653>.



A **Midterm Comprehensive Review** will be held in Dushanbe, Tajikistan on 8-11 June to discuss progress achieved in the implementation of the International Decade for Action, 'Water for Life', 2005-2015. The Midterm Comprehensive Review should provide an opportunity to take stock of the progress achieved in the implementation of international water-related agreements, and prospects for the fulfillment of international commitments on water and water-related issues by 2015. It should provide an opportunity to discuss and develop new measures to accelerate efforts towards timely achievement of relevant water-related goals. For more information, please contact Jürg Staudemann, Water Governance Adviser, at the UNDP Bratislava Regional Centre Energy and Environment Practice, [juerg.staudemann@undp.org](mailto:juerg.staudemann@undp.org).

A **roundtable on the impact of economic crisis and responses from a governance perspective** will be held on 6-7 July in Astana, Kazakhstan. The event is being organized by UNDP and the Regional Centre for Public Administration Reform ([www.rcpar.org](http://www.rcpar.org)). Participants will discuss the experience across the region in responding to the crisis: What has worked and what hasn't? Why some countries have done better than others? Whether external support – both policy advisory and financial – has been helpful? What key state capacities have been found missing? This event is by invitation only. For more information please contact [dan.dionisie@undp.org](mailto:dan.dionisie@undp.org).

The United Nations Economic Commission for Europe (UNECE) is organizing **the Fifth Meeting of the Working Group on Integrated Water Resources Management**, which will be held on 7-9 July. The meeting is open to experts from UNECE Member States representing governments, the private sector and non-governmental organizations, as well as other interested stakeholders. Participants are requested to complete a registration form and to send it to the UNECE secretariat by 22 June either by fax (+ 41 22 917 0621) or e-mail ([olga.carlos@unece.org](mailto:olga.carlos@unece.org)). For more information please visit: [http://www.unece.org/env/water/meetings/documents\\_WGIWRM.htm](http://www.unece.org/env/water/meetings/documents_WGIWRM.htm).

On 18-23 July, Vienna, Austria will host the **XVIII International AIDS Conference** (AIDS 2010), the largest international meeting on HIV. Every two years 25,000 participants representing all stakeholders in the global response to HIV meet to assess progress and identify priorities. AIDS 2010 is organized by the International AIDS Society (IAS), in partnership with government, scientific and civil society partners in Austria, and with international partners from civil society and the United Nations. For more information please visit: <http://www.aids2010.org/>.

The State Chancellery of the Republic of Latvia, in cooperation with other government partners from the region, is scheduled to hold its **Sixth Annual Public Management Summer Institute** in Latvia on 23-27 August. It is sponsored by the Regional Centre for Public Administration Reform ([www.rcpar.org](http://www.rcpar.org)). The Fifth Annual Public Management Summer Institute, 'Restructuring Government to Overcome Crisis' was held from 17 - 21 August 2009 and generated wide interest among senior public administration officials. For more information please visit: [http://www.rcpar.org/contents\\_en.asp?id=146](http://www.rcpar.org/contents_en.asp?id=146).

**The second roundtable on the longer-term governance reform agenda** will be held on 15-16 September in Belgrade, Serbia, organized by UNDP and the Regional Centre for Public Administration Reform ([www.rcpar.org](http://www.rcpar.org)). The roundtable will look at the governance reform agenda for the coming years, integrating the lessons from the transition experience and the economic crisis. The meeting will focus on strengthening governmental institutional stability and resilience; tapping the resources of Eastern European and CIS countries; and improving the machinery of government for better adaptability and responsiveness. The event is by invitation only, and the dates and location are subject to confirmation. For more information please contact [dan.dionisie@undp.org](mailto:dan.dionisie@undp.org).

**The next issue of *Development and Transition* will focus on:**

**Borders (November 2010)**

The editors welcome contributions. If you wish to submit an article, please follow the guidelines at [www.developmentandtransition.net](http://www.developmentandtransition.net).

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