



**SOCIAL INEQUALITY AND WHY IT MATTERS FOR THE  
ECONOMIC AND DEMOCRATIC DEVELOPMENT OF  
EUROPE AND ITS CITIZENS: POST-COMMUNIST  
CENTRAL AND EASTERN EUROPE IN COMPARATIVE  
PERSPECTIVE**

**DELIVERABLE 2  
DESK RESEARCH**

**INTRODUCTION**

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## Introduction

The Eurequal project is directed at addressing a range of questions about social inequality and its social and political consequences in post-Communist Central and Eastern European (CEE). It aims to answer these questions by the collection of a unique and purposefully designed set of quantitative and qualitative data that includes new as well as over-time measures of the key concepts and issues at hand. To summarise:

*The main questions we address include:*

- How can we adequately measure the multifaceted character of social inequality?
- What are the factors at the individual level that are most associated with patterns of social inequality?
- What characteristics of the economic, political and institutional arrangements of states have the greatest positive and negative impact on social inequality?
- What are the consequences of social inequality for individual and household economic behaviour, in particular for intra and inter-generational social mobility?
- What are the consequences of social inequality for political attitudes, especially towards other social groups, and for political behaviour?
- What are the consequences of social inequality for economic growth, democratic consolidation and European integration?

*We will seek to address these questions with the following data:*

- Surveys conducted in 13 East European states – these will include a number of key measures developed in surveys undertaken in the early 1990s by Oxford University (the Coordinator- see B4);
- Survey data on the stances of political parties and elites in 13 states
- Focus group data that provide qualitative measures of the ‘language of social inequality’, the meaning and significance of inequality to citizens
- Aggregate data from a wide range of macro level sources

Deliverable 2, the ‘desk research’ introduced here, is comprised of thirteen ‘state of the art’ reports on existing levels of knowledge about social inequality – and areas in which knowledge is lacking – on each of the Central and East European countries that are the core of the Eurequal research project. The aim of the desk research is to provide an overview of current understanding of social inequality and its social and political consequences and a base of knowledge that will feed into the specific questions raised above that the project will address in subsequent research. Taken together then, the desk

research constitutes a significant resource for the project that we also make available to interested researchers, policy makers and the public.

At the Project Inception meeting, held in Oxford University in June 2006, the contours of the desk research were agreed among the partners. This would comprise two elements.

First, we would create a ‘macro’ data set of important indicators of the social and economic characteristics of each of the thirteen states that could be used directly in subsequent analysis of both individual and aggregate level data. These indicators would include economic and social statistics, ethnic composition, trade and industry, political and governance data, as well as existing measures of social inequality.

Second, we would write country reports according to a commonly agreed template, while allowing each country team to focus on specific national conditions and circumstances. The contents of the template follow the table of contents for this introduction, however with detailed concerns as follows.

- *“Objective” indicators of social inequality*
  - trends in income and wealth (e.g., gdp per capita, levels of income and wealth inequality, percentages of population below poverty line)
  - population health characteristics (life span, morbidity rates for relevant diseases, e.g., smoking related diseases, alcoholism, AIDS).
- *Causes and correlates of social inequality*
  - What is the state of knowledge/belief on the main social causes of social inequality in income, wealth, health and other relevant individual and household life situations and outcomes in a given country context?
  - What is the relevance in each country of each of the ‘usual suspects’ – social class, education, gender, ethnicity, citizenship, religion, region, etc?
  - What is the impact of each of these social factors on inequality may have changed across the pre-Communist, Communist and post-Communist periods?
- *Social inequality and national political culture*
  - How have issues of social inequality been framed historically in a given country’s culture?
  - What have been the most salient dimensions of social inequality in national discourse and, conversely, what “objectively” important aspects of issues of inequality have been neglected in national discourse?

What are the main ways in which social differences between individuals and households are expressed?

- With references to existing surveys, focus groups and other sources of public opinion, what are common perceptions of inequality – how great do people believe it to be, what are its perceived causes in the public mind, how just/unjust is inequality seen to be?
- And, with regard to each of the questions above, how much has changed in the way in the political culture of social inequality over time?

- *Social inequality and the national party system*
  - What stances do contenders for office take on social inequality issues? How salient are such issues?
  - How have parties changed over time in the way in which they campaign in social inequality?
  - What are the most common explanations for the stances and salience of social inequality in the national party systems?
  - What is the influence of civil society institutions or interest groups, such as trade unions or business organisations or churches on the stances and salience of inequality to political parties?
  
- *Mechanisms for amelioration of social inequality*
  - Is reduction of social inequality a declared government objective?
  - What are the main government instruments for achieving this objective?
    - Tax system?
    - Welfare benefits?
    - Labour market policies?
  - Are there alternative non-governmental mechanisms for amelioration of social inequality?
    - Trade unions?
    - Churches?
    - NGO's?

Each report is available at the project website: <http://eurequal.politics.ox.ac.uk/papers/>.

We note that, within the confines of the template, there is considerable diversity of style and precise content across the range of country reports, in keeping with a large project with multiple partners coming at social inequality issues with varying national intellectual traditions and levels of prior knowledge and data.<sup>1</sup> The thirteen country reports that resulted, however, clearly contain a very significant and rich amount of detail and interpretation. This introduction is able only to summarise the main findings and point to issues arising that we will address in subsequent research. The rest of this introduction, therefore, presents in summary form the main general findings from the desk reports, following the template outlined above.

What should be most evident in this introductory desk reference is that there are both commonalities and idiosyncrasies among these cases. The purpose of this research is to discern the underlying similarities as a means to link the process of social inequality with generalizable findings within these cases of countries transitioning from authoritarian regime to democratic (even proto-democratic) nation states. The findings may then aid such countries in the design of particular and appropriate social policies.

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<sup>1</sup> Each report was translated by the Partner responsible for the research.

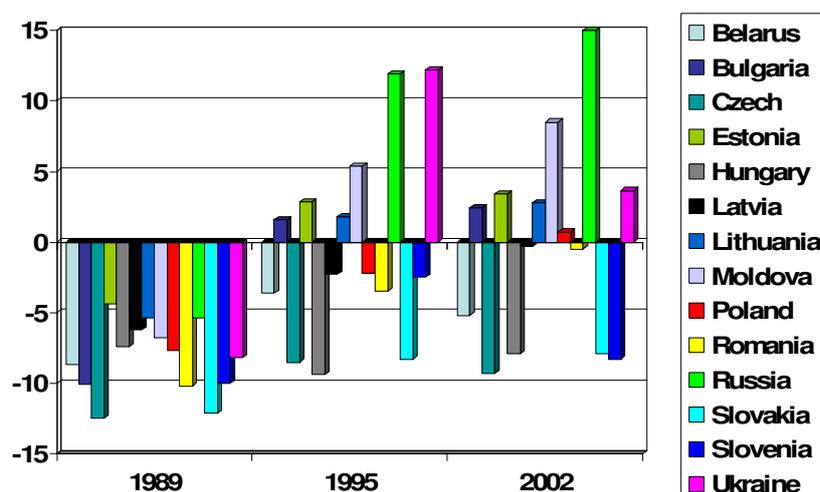
## Section 1. The ‘objective’ indicators of social inequality

### *Changing social inequality*

- Country reports point to the great impact of transition and transformation in post-Communist CEE, consequent on varying degrees and forms of market development. However, the reports also attest to varying degrees by which social inequality has increased and, moreover, in many cases to important differences over time in the extent of social inequality within any given country. These trends can be seen in chart 1, which compares GINI coefficients in 14 CEE states at three time points with the same coefficient for the United Kingdom. (Note that on this measure, inequality in the UK increased from 32.1 to 34.2.) First, we see a sharp increase between 1989 and 1995, from a situation in 1989 where all 14 CEE states were more equal to one in which many, but not all, states become significantly more unequal. Those states that remained more equal than the UK in 1995 also remain so in 2002. Second, between 1995 and 2002, we observe a broad tendency for growth of social inequality vis-à-vis the UK to decline. This matches the observation in many reports of a period of economic recovery and stabilisation of social inequality as the immediate shocks of transition receded.

**Chart 1.** Source: <http://www.wider.unu.edu/wiid/wiid.htm>

### Difference (+/-) of Country Gini to United Kingdom



- The larger pattern of variation in growth in social inequality appears to be linked strongly to sub-regions within CEE, with the greatest increases occurring in the former Soviet Union (Russia, Ukraine, Moldova). Note, however, that Belarus, which is the most weakly marketised of the economies in the region (as well as

most weakly democratised) experiences significantly less growth in inequality than other FSU states. Secondary differences among states within regions, however, are much less well understood. For example, Belarus and Ukraine appears less unequal in 2002 than in 1995, while Moldova and Russia even more so.

### *Changing society*

- A common theme in the desk research is that transition is accompanied by major changes and flux in social structure, in particular:
  - The destruction of the old Communist-era ‘middle classes’ and to varying degrees the emergence of a new middle class based in new entrepreneurs, a rapidly growing service and finance sector, big increases in white collar employment;
  - Highly negative impact of transition on agricultural and industrial sectors;
  - Of great importance is the emergence of large scale unemployment, underemployment, multiple employment, and the informal sector.
- Major changes in educational patterns and involvement:
  - Significant declines in the first period after transition in educational participation that is followed by rapid increases in involvement in the mid-1990s;
  - Increases in higher education accompanied in some states by increased drop-out rate in secondary education in parts of the population;
  - In many states, privatisation and marketisation of higher education, along with reported informal and ‘corrupt’ practices in some cases.
- Migration and emigration:
  - Widely reported importance of population movements to find work and seek opportunities, particularly among young people.

## **Section 2. Correlates and causes of social inequality**

A range of factors outlined below were indicated in the desk reports to be determinants of social inequality in CEE states, impacting on differences in income and wealth, life chances including health outcomes, life strategies, etc. The factors structuring social inequality in CEE appear to be the ‘usual suspects’ of social inequality - occupational class and status, geographical location, gender, age, education and skills, among others. Importantly, however, the desk research points to two general points that need to be noted at the outset.

- First, the impact and sometimes the direction of any given factor appear to vary across countries.
- Second, the relative impact of any given factor on social differences appears in many cases to have changed in the transition from Communist rule, but also to have changed over the course of the post-Communist period.

We thus see a highly dynamic picture of the factors influencing patterns of social inequality, including the possibility of the re-establishment by early ‘losers’ in the transition of new adaptive strategies that may allow them to recover some lost ground.

- *Class.* As pointed out in the previous section, CEE states in transition have been subject to considerable change in class composition, in which those in particular those in ‘old’ industrial sectors, in agriculture (in some regions – see below), and in state-run ‘budget’ employment, emerged as particular and persistent relative ‘losers’. The socially unequal status of these occupational sectors was especially severely felt in the negative effects of unemployment. By contrast, the new emerging class of entrepreneurs, and many new service sector employees – especially in banking and among those working for international corporations – were widely perceived as ‘winners’. A common observation was of an initial devastation of the old ‘middle classes’, who lost out to those new entrepreneurs, in many cases people who were able to take advantage of partial marketisation and informal practices. In many states, but not all (viz., Belarus), a new ‘middle class’ is observed to have emerged with the stabilisation of markets and new economic structures. Some reports, however, point to high levels of ‘class endogamy’ or ‘class closure’, indicating that effective barriers to entry have been erected to ensure reproduction of existing inequalities.
- *Education.* This factor was perhaps the most widely cited (along with unemployment) as a source of social inequality, its reproduction, in some cases reductions thereof and in others increases. While education had always been an important structuring factor in the Communist period, the initial transition appeared to diminish in many countries the relative advantages of education (in part why higher educational enrolment fell in the first period). This relationship may have reversed as the transition has advanced, with growing advantages to higher education and skills. In some cases, however, because of the commercialisation of education and training, among those from families that lack resources to support higher education participation rates may have fallen. Thus, a number of reports point to growing polarisation of social differences around

educational status, and that current educational and associated class advantages and disadvantages are increasingly being reproduced.

- *Gender.* The desk reports widely reported the existence of significant gender differences with regard to income, occupation, labour market participation, household division of labour, and in some countries (Russia, Ukraine) highly significant differences in health status. There was less agreement, however, on the direction of change since 1989, with some cases of growing labour market participation and income inequality and some cases of reduction. One report (Hungary) even pointed to evidence of greater success among women in entering highly paid jobs and in entrepreneurial activity.
- *Age* was widely regarded to have a differential impact on social position, though it appeared negatively to affect both old and particularly pensioners in some states, as well as younger citizens in other settings who were disproportionately likely to be unemployed.
- *Spatial factors.* The impact of spatial factors was observed in a variety of ways. First, some reports pointed to the importance of historical regional differences (Poland, Ukraine) that continue to play a major role in the post-Communist period. Second, there appears in large number of cases to be a growing positive impact relative to the rest of the country of living in a capital city and larger settlements. Rural and small settlements have fared relatively badly. Third, in some cases regions that were advantaged by Communist-era industrial policies have been very negatively affected by the transition. By contrast, regions that well-located for entry into European markets appear to have fared well.
- *Ethnicity.* There was little agreement about the precise impact of ethnicity on relative chances, except that existing inequalities with regard to Roma populations appear to have widened in the post-Communist period. In Latvia, for example, ethnic differences which appear at the bivariate level to be significant disappear once other factors such as industrial sector, occupation, age, etc are taken into account.
- *Migration.* Although considerable attention was paid to the importance of migration in the post-Communist period, there appears to be little hard evidence about its systematic impact on social inequality. While some reports saw migration as a compensating mechanism among losers in the transition, we may question whether the advantages of migration, especially to Western Europe, are not also attractive to the relative winners in the transition who might in any case

have greater human and social capital to support migration.

- *Political capital.* A number of reports mentioned the great importance, particularly in incomplete market economies with large scale informal and corrupt practices, of political connections or the direct use of political power for disproportionate private gain.

### **Section 3. Political culture and social inequality**

Clearly, national political cultures by definition will vary enormously across CEE states, with each country having its own distinctive “fundamental foci of loyalty and identity”. The extent therefore to which social inequality is a salient issue, and the modalities of its expression, will in part reflect historical patterns as well as current influence of press and political parties (see below). Much of this specificity emerges in the desk research. We will aim to get a better grasp in a comparative framework of the ways in which citizens reflect upon social inequality in the analysis of the survey data and focus groups that will be undertaken as the project progresses. Nonetheless, a number of significant observations common to many states at least emerges from the desk research.

- There is widespread support for egalitarian values in many countries, including countries that are both relatively egalitarian in practice (e.g., Belarus, Czech Republic and Slovakia) and those that are not (e.g., Russia). These values support considerable social cohesion in egalitarian cases and social tension in the others. They are also seen in some cases to be an impediment to economic development and entrepreneurship that might ‘raise all boats’.
- There is considerable nostalgia for a Communist past in which social equality was perceived to be greater. Inequality is widely seen to have grown significantly. People see themselves as ‘freer but poorer’ and relatively poorer at that.
- There is strong antipathy to unearned, unfairly distributed, and conspicuous wealth. In some countries, inequality arouses strong emotional responses (as attested to in our focus groups).
- Alongside this, there is considerable political alienation, a sense that politicians are part cause and beneficiaries of growing social inequality, and that there is little to be expected of them. With this go strongly individualistic explanations of why some do badly.

### **Section 4. The impact of the party system on social inequality**

As in the previous section, each party system has its own distinctive

characteristics, which distinctiveness may tend to be over-estimated in single country studies. The desk research, however, supports and develops many of the findings from comparative research undertaken by the author of this introduction, and points to some significant impacts of political parties on social inequality debates, some significant silences, and the relative weakness of parties as sources of action to mitigate social inequality.

The desk research also points out the considerable absence of existing research on political parties stances towards social inequality, a gap that the project will fill via the expert survey on these issues.

- Comparative evidence suggests that welfare and distributional issues are the most salient ones shaping party competition in CEE states. However, the extent to which parties take up issues of social inequality varies considerably within party systems and across them.
- In some countries, a broad spectrum of positions on the economy is advanced by parties, ranging from the ‘Nordic Model’ and ‘social market’ (Estonia) to a left-right spectrum from support to social inequality as ‘normal’ to welfare redistribution to the worst off, to illegitimacy of privatisation (Bulgaria).
- In many countries, however, social inequality is essentially not part of the party system. In Belarus, parties are highly under-developed, and opposition parties operate under considerable governmental pressure without taking clearly distinctive lines on social inequality from those of the pro-government parties. In Hungary, cultural issues rather than economic ones have, until recently, predominated.
- In Russia, Ukraine, and elsewhere, parties are seen to have very weak social roots and to represent either no social interests or only those of oligarchs. They are also organisationally highly unstable.
- So far as parties do take a stance on social inequality, there is a broad tendency to present only general stances and not specific policy positions. This lack of programmatic content is considered to be widespread, with parties more likely to appeal on charismatic or clientelistic grounds to voters.

## **Section 5. Mechanisms for overcoming social inequality**

The desk reports go into considerable detail about specific social programmes in each country. Again, therefore, it is difficult to generalise across the region as a whole. However, the following themes emerge as significant for the current project.

- In most countries in the region, social inequality is turned into social policy, so far as it is at all, in terms of action to assist the poorest and not to limit the gains of the richest. So far as limits on the rich are concerned, policies are frequently linked to anti-corruption activities.
- There is some ongoing variation to this, however, at the level of state policy, with at least two countries (Belarus and Moldova) operating policies explicitly designed to reduce social inequalities, leading both desk reports to comment negatively on the overall effects of such policies on general growth and living standards and on the depth of social inequalities themselves. Most other countries, however, have no declared objective to reduce social inequality.
- Poverty reduction and social exclusion are commonly on the agendas of governments. However, the main mechanism for poverty reduction is widely perceived to be economic growth.
- While a variety of welfare policies exist to support social groups, mechanisms for addressing needy sections of society are concentrated on education and labour market policies that will prepare people for work.
- Some countries (Latvia, Estonia, Czech Republic) also have explicit policies to seek social integration of minorities (Russians, Roma and others).

## **Conclusions**

To repeat a point made in the introduction, what should be most evident from this introductory desk reference is that there are both commonalities and idiosyncrasies among these cases. Each of the country reports should be read in its own right as a guide to the state of understanding of social inequality in a given state. Collectively, however, they also point to ways of further investigating the diverse character and consequences of social inequality in the region as a whole.

First, the reports highlight the relative weakness of existing knowledge, particularly about over-time dynamics of the character and causes of social inequality and its political consequences. They make clear the need for further research, data collection, and above all analysis, to gain a clearer picture of a highly complex and evolving phenomenon.

Second, the reports highlight a number of commonalities in social processes, in particular the emergence of unemployment, rising (and falling) educational participation, and regional differences. Other processes, however, appear much less standard across the

region. In what ways, for example, has the transition impacted on gender inequality, in the relativities between ethnic groups? And what has been the impact of migration?

Third, the reports point to considerable differences across states in the pattern and dynamics of social inequality. These differences, however, are still poorly understood and require much more investigation of the impact of formal economic, social and political institutions.

Fourth, the reports highlight commonalities and differences in how, if at all, social inequality enters into national political culture. It also points to great variance in the extent to which political parties take up social inequality as a salient issue. The relationship between political culture and parties may have great implications for democratic representation as well as effective government. Much more study of this question is required.

The desk research, therefore, will feed into the ongoing analytical work of the project.