



# BEYOND TRANSITION

Regional Human Development Report

**TOWARDS  
INCLUSIVE  
SOCIETIES**

# BEYOND TRANSITION TOWARDS INCLUSIVE SOCIETIES



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# I Foreword

**R**eceived wisdom has favoured broad-stroke economic reforms for transition Europe and Central Asia since the fall of the Berlin Wall. Many have argued that privatization and deregulation would unleash the productive energy of the market and attract foreign capital. This advice was seen to bear fruit. Following the transition recession of the early 1990s, and especially after the crisis of 1998, the region saw a decade of broad-based and uninterrupted recovery. Livelihoods improved, and poverty declined on average in every country.

This report builds on evidence that, despite these gains, a significant number of people in transition Europe and Central Asia continue to feel dejected, and believe that their position in society has declined. While some of these feelings may be rooted in the uncertainty that has accompanied market relations and greater freedoms, something more fundamental is at play. Even in the decade of recovery and growth, inequalities continued to widen—especially between central and peripheral regions. The recovery failed to lift significant segments of the population out of poverty. Many people fell further behind.

Fundamental to this analysis is the concept of social exclusion. This report links the social exclusion/inclusion paradigm, as developed in the European Union context, with the human development paradigm, as articulated by Amartya Sen. It starts from the premise that people value not only consumable goods and services but also things that cannot be consumed—activities and abilities that reinforce human dignity and self-respect. For example, we value employment not only because the income derived increases our purchasing power, but also because it makes us feel like worthy members of society. Human development is about a growing number of people leading lives that they increasingly value. Few of us, however, can engage in all that we value. We find ourselves deprived in one or another dimension. When deprivations accumulate, and especially when they start to reinforce one another, social exclusion occurs.

This concept of social exclusion is broad and unabashedly relative. A deprivation occurs if an individual does not have the capability of consuming a basic basket of goods, or perhaps even accessing the internet, when this is expected in his or her social environment. While social exclusion is relative, this does not mean that it is subjective, in the sense that individuals perceive themselves to be excluded. Exclusion takes place when people don't have the capability of doing well-defined things.

The report emphasizes that social exclusion is not particular to any specific group. It can happen to anyone—and it has happened to many in the turmoil of transition, given certain circumstances and policies (or their absence). At its extreme, social exclusion becomes marginalization. This happens all too often for groups, such as ethnic minorities—especially Roma—or for people with disabilities. However, this report does not equate social exclusion with marginalization; nor does it associate social exclusion with specific groups.

The report captures the complexity of social exclusion through a multidimensional Social Exclusion Index, a measure that is based on 24 types of deprivations. The Index is used to quantify and compare social exclusion in six countries in the region—ranging from Serbia to Tajikistan, with their different levels of development. The threshold at which the number of deprivations amounts to social exclusion is a matter of definition, but the report shows that the levels are significant in all the countries under any plausible threshold.

More important, through ample analysis and numerous examples, the report illustrates how social exclusion occurs, and how it can be countered through deliberate, inclusive policies. For example, a deprivation such as low education level can interact with national or local policies—for example, the discontinuation of public transport connecting a vil-

lage to markets—to deprive an individual of employment. If no other family member has a significant source of income, this individual runs a high risk of being excluded. The report also makes a convincing case that, in the absence of deliberate and inclusive policies, too many people will become excluded, even if sustained growth returns.

The report presents evidence of the strong linkages between exclusion and local characteristics—such as the size and economic structure of the area, the degree to which the area is connected to a major economic centre, and the quality of the local environment. This speaks to the marked spatial disparities in the region, especially between capital cities and remote locations. Social inclusion requires the coordination of national and local policies, and most importantly, needs a strong popular voice and participation in identifying the right policy choices.

The report argues that achieving social inclusion is feasible, but it should be pursued systematically. It requires deliberate, comprehensive solutions that are tailored to specific circumstances, especially in diverse localities. It also argues that the tailoring is best done when those who benefit are included in the policy process. There is no silver bullet.

The global financial crisis of 2008 has spelled an end to the relatively simple, broad-stroke, model of growth that had propelled many countries of the region in the previous decade. Looking ahead, a return to sustained growth rates will require more fine-tuned government policies aimed at greater competitiveness and productivity. In designing such policies, one should remember that people's capabilities are our greatest resource. Growth should focus on enhancing those capabilities. A major component of the policy mix should be the promotion of social inclusion. This will help to unleash the potential embodied in the high levels of human capital that characterize the region.



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# Acknowledgements: the making of this report

**M**any people have contributed to this Regional Human Development Report. **Kori Udovički**, Director of the UNDP Regional Bureau for Europe and the Commonwealth of Independent States (CIS), and **Jens Wandel**, Deputy Bureau Director and Bratislava Regional Centre Director, deserve special thanks for their vision and support. They enriched the process by giving crucial feedback, posing fundamental questions, and challenging several initial findings.

Everyone involved deserves appreciation. The inclusive process behind the Report is worth documenting, given its complexity. It started with a brainstorming and discussions at the UNDP Regional Centre in Bratislava. Social inclusion was chosen as the subject of the Report in order to respond to increasing government demand for evidence-based policy guidance on the topic. **Dorothy Rosenberg** and **Sevinc Rende** drafted the concept note, and **Susanne Milcher** took on the role of project manager, deftly steering the Report through all phases of development.

The authors first met in Bratislava in May 2009 for an inception workshop to discuss the concept and numerous other issues. At this meeting it was agreed that **Max Spoor** would be responsible for the economic dimensions of social inclusion, **Shahrbanou Tadjbakhsh** for the links between human development and social inclusion; **Branka Andjelkovic** for exclusion from political life; **Tatjana Peric** for exclusion from cultural life; **Paul Stubbs** for exclusion from social services and social assistance. **Andrey Ivanov** supervised the data collection group that carried out the Social Exclusion Survey, which serves as the main source of data for this Report.

The data collection group consisted of **Dotcho Mihailov** (responsible for the sample design and questionnaire), **Mihail Peleah** (responsible for the quantitative datasets, both from the Survey and secondary data), **Sevinc Rende** (who advised on the selection and construction of indicators) and **Jaroslav Kling** (responsible for managing the contract with TNS, the company that conducted the Survey).

In parallel, national teams were put together in the six countries covered by the Survey to prepare background studies and conduct focus group meetings, the findings from which contributed to this Report and to various National Human Development Reports. **Bakhyt Abdildina** coordinated Kazakhstan's country team. **Magdalena Saldeva** and **Aferdita Haxhijaha** Imeri coordinated the team in the former Yugoslav Republic of Macedonia. **Iulia Sevcuic** was responsible for the team in the Republic of Moldova. In Ukraine, the team was coordinated by **Katerina Rybalchenko**, in Serbia by **Jelena Tajic** and in Tajikistan by **Rustam Babajanov**. (The Social Inclusion Survey did not cover Uzbekistan, but research led by **Kakhramon Yusupov** and **Elena Danilova** in Uzbekistan were reflected in the Report.)

In June 2009, the national teams met in Istanbul to agree on the methodology and to discuss the data sources. Many of the inputs from the national teams were used in the regional analysis. The quotations that appear throughout the Report come from focus group meetings conducted in each of the surveyed countries.

The national teams consulted extensively with local partners on the Social Exclusion Survey, the sampling, and the other aspects of the research. One criterion for selecting countries to participate in the Survey was that their national statistical offices would agree to provide statistical data and accept the administration of an independent survey.

The Survey was conducted in the fall of 2009. The national background papers were ready by March 2010. Then the Report authors met again at the Bratislava Regional Centre to discuss the inputs and agree on the structure of the Report. In May 2010 **Max Spoor** con-

solidated the first draft of the Report while **Susanne Milcher** integrated the results of the Survey.

A thorough consultation and editorial process came next. In June-July, a group of peer reviewers (**Rafkat Hasanov, Orsolya Lelkes, Gordana Matkovic** and **Roman Mogilevsky**) provided detailed comments. The Project Board and the Advisory Board followed with their own comments.

By August 2010 **Andrey Ivanov** had put together a second draft that buttressed the data findings with 'secondary source contextualization'. **Jaroslav Kling** and **Daniel Skobla** contributed to the quantitative data analysis and drafted key text boxes, and **Mihail Peleah** ran numerous recalculations and tests. They were assisted by **Justin Kagin** and **Christian Brueggemann**.

The Report also benefited from critical comments from many colleagues. Within UNDP, **Annie Demirjian** provided valuable insights on the role of governments; **Koh Miyaoi** gave ideas on how to strengthen the gender analysis; **Monjurul Kabir** and **Clare Romanik** helped to finalize the local governance aspects; **Dan Dionisie** elaborated the links between corruption and social exclusion. **Piotr Krosniak** and **Kamil Wyszowski** distilled the experience of social enterprises in Poland. From outside UNDP, **Milorad Kovacevic** made valuable comments on the statistical aspects of the survey and data analysis.

In November-December 2010 **Balázs Horváth** and **Gina Lucarelli** edited and streamlined the Report, creating the third draft. **Eva Jespersen** and **Sabina Alkire** made a series of extremely helpful comments in January-February 2011. **Peter Serenyi** conducted a major linguistic edit of the Report in February-March. **Blythe Fraser** and **Giulio Quaggiotto** created the web platform. **Zoran Stevanovic**, together with **Andrey Ivanov**, produced a short documentary on homelessness in Russia. Finally, **Michaela Matichova**, **Eunika Jurcikova** and **Veronika Kalousova** provided invaluable administrative support.

In sum, the process benefitted from the contributions of many people. Everyone involved has learned a great deal, and the hope is that the networks and partnerships established in the process will continue to flourish. The authors thank all of those involved in the process, while acknowledging sole responsibility for any errors found herein.

All materials employed in the preparation or promotion of this Report (including background papers, focus groups reports, project descriptions and national reports) can be found at <http://europeandcis.undp.org/poverty/socialinclusion>.

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# Executive summary

**U**nderstanding the concept of social exclusion is critical for assessing the transformations that have taken place in the post-socialist countries of Europe and Central Asia (ECA).<sup>1</sup> Social exclusion deprives people of the opportunity to participate in economic, social and civic processes, and limits their ability to lead productive, creative lives in accordance with their needs and interests. Socially excluded persons find themselves confined to the fringes of society. To paraphrase Adam Smith, they are not able to appear in public without feeling shame. Social exclusion occurs in part because growth does not always translate into increased job opportunities, improved social services, and greater opportunities for civic participation.

The changes that followed the collapse of the socialist system have fundamentally redefined people's lives, values and behaviour. Transition has brought freedoms and choices to many, but deprived many others of the ability to live long, healthy and productive lives. These deprivations have wider social consequences. When a medical commission in Moldova rejects a 44-year-old woman's application to work on the grounds that she has rheumatic arthritis; when a municipality in Kazakhstan denies a rural resident the chance to commute to work by cancelling a bus route; or when schoolchildren in the former Yugoslav Republic of Macedonia shun an orphan because they think she is dirty, society as a whole loses. Not only do the victims suffer increased risk of social exclusion, but also society experiences a loss of human resources and productive gains. If high levels of social exclusion lead to increased social tensions, society must also count the cost

of added social protection, policing and prisons. A society with higher levels of social exclusion is not only less vibrant and cohesive, but also less safe, productive and dynamic. Devoting efforts and additional resources to enhancing social inclusion ought therefore be a critical policy priority.

## Human development and social inclusion: key linkages

This report confirms that income-based measures of poverty are insufficient for capturing the depth and breadth of the deprivations in the region today. Analysing the transformations through the broader prism of human development becomes critical. Human development assesses people's well-being beyond income and includes people's ability to live long, healthy and creative lives; to advance other goals which they have reason to value; and to engage in shaping development equitably and sustainably on a shared planet.

This report integrates the social inclusion and human development – two people-centred concepts that governments increasingly view as integral for addressing persistent poverty and shortfalls in education and health. While human development is recognized as the goal of development, social inclusion is important because, as a process for removing the obstacles preventing people from realizing their capabilities, it offers a map for how policy can be employed to achieve higher levels of human development.

Given that people are the centre of development, this report breaks new ground by

<sup>1</sup> / For the purposes of this report, the 'ECA' region – or simply 'the region' – refers to the former socialist countries that have undergone a dramatic political and economic transformation since 1989-1991. This report does not explicitly refer to Cyprus, Malta and Turkey – which are also covered by UNDP's Regional Bureau for Europe and the Commonwealth of Independent States – as they do not share the socialist legacy or the experience of transition. However, the report's underlying analytical framework and many of its conclusions are relevant for these countries as well.

2/ The survey, which was carried out in 2009, was cost-shared by the UNICEF Regional Office for Central and Eastern Europe and the Commonwealth of Independent States. In Serbia the survey sample included internally displaced persons as well as members of the Roma minority. The survey was carried out by TNS Slovakia and its local branches in the countries covered and employed the same methodology for all countries, thus permitting cross-country comparisons. Qualitative information from focus-group discussions and individual interviews with vulnerable groups complement the quantitative data and provide valuable insights into the experiences of socially excluded persons that are difficult to capture through traditional survey techniques. Finally, important information comes from seven country studies (carried out in the six surveyed countries and in Uzbekistan). These have been prepared in close consultation with national stakeholders (government, civil society, academia) who helped to shape both the regional and country reports.

looking at social exclusion from the perspective of risks faced by individuals—rather than risks faced by vulnerable groups. A key message of this report is that anybody can be excluded. We assume that individuals have a number of characteristics that can put them at risk of social exclusion. We define those characteristics as social exclusion risks. Being disabled, a workaholic, or inadequately educated are just a few characteristics that can put a person at risk of social exclusion.

Not all risks produce social exclusion. Whether social exclusion occurs depends how risks interact with ‘drivers’ such as institutions, norms, policies and behaviours. For example, anti-discriminatory legislation can decrease a disabled person’s risk of social exclusion. Legislation banning gay marriage increases a homosexual couple’s risk of social exclusion. Peers who don’t value knowledge increase the risk of social exclusion for a bright child who is willing to study. These are just a few examples illustrating a larger theme: social exclusion is not just a problem for disadvantaged or marginalized populations. It is a concern for everybody, as everybody faces risks.

The local context also influences individual risks. Local factors that could augment individual risks and affect social exclusion include available employment opportunities, distance to urban centres, the state of basic infrastructure, or whether a locality has been hit by conflict or environmental degradation or both. Individual risks could result in social exclusion if a member of the majority population lived in an area dominated by an ethnic minority, particularly if that locality had a history of ethnic conflict. Likewise, a person who works to fight corruption yet whose mayor takes bribes might find that his risk of exclusion could be higher.

The report addresses the process of social exclusion in its entirety, integrating the individual vulnerabilities and risks, the drivers of exclusion and the specifics of the local context into a comprehensive social exclusion chain. Addressing its individual components only will not bring about tangible and lasting results. In order to achieve social inclusion, concerted interventions targeted at the entire social exclusion chain are necessary.

## Measuring social exclusion

The report not only advances the concept of social exclusion, but also proposes a new approach for quantifying it. The approach is reflected in the Multidimensional Social Exclusion Index, which captures the complex nature of social exclusion. It is based on the multidimensional poverty methodology of Alkire and Foster which has been employed in UNDP’s 2010 Global Human Development Report. The index assesses the status of people and their households along three dimensions: economic exclusion, exclusion from social services, and exclusion from civic participation. The social exclusion index employs 24 indicators – eight for each dimension – that reflect the ways in which people are denied access to labour markets, education and health systems, as well as to civic and social networks. An individual is defined as socially excluded if he or she is deprived in at least nine indicators. Since a dimension contains only eight indicators, to be considered socially excluded a person must be deprived in at least two dimensions. The index reflects both the share of people that experience at least nine out of 24 deprivations, and the depth (how many deprivations socially excluded people experience on average).

The report then applies this methodology through nationally representative household surveys that were conducted in 2009 in the framework of a regional survey,<sup>2</sup> hereafter referred to as the ‘Social Exclusion Survey’. Some 2,700 persons were surveyed in each of six countries: Kazakhstan, the Republic of Moldova, Serbia, Tajikistan, the former Yugoslav Republic of Macedonia, and Ukraine. Such analysis is important because in order to design more socially inclusive policies we must first understand the breadth and depth of social exclusion.

The Multidimensional Social Exclusion Index introduced in this report is relevant beyond the six countries covered by the survey. The measurements can be adapted to national circumstances. The indicators selected are not etched in stone; rather, they are intended to be a point of departure for national debates on how best to measure social exclusion. Nationally relevant indicators should be selected in an inclusive and participatory way. The index can also contribute to EU-level analysis of social exclusion, which has focused mainly on income-based measures of poverty and social exclusion.

## What the new methodology reveals

This methodology shows that social exclusion is pervasive in the Europe and Central Asia region. According to the analysis, one out of every three persons is socially excluded. One out of 10 is socially excluded in the former Yugoslav Republic of Macedonia, while seven out of 10 is socially excluded in Tajikistan. Furthermore, the report confirms the hypothesis that economic indicators of social exclusion only partly explain this phenomenon. Two other factors – lack of access to social services, and lack of access to civic and social networks – contribute equally to social exclusion.

### *Diverse headcounts but similar patterns*

Surprisingly, the analysis reveals that, despite the diversity of the region, the depth of social exclusion is remarkably similar across the six countries surveyed. In other words, a person in the former Yugoslav Republic of Macedonia faces the same intensity of social exclusion as a socially excluded person in Kazakhstan. The analysis also suggests that people across countries adopt similar coping strategies to deal with their exclusion.

The report also finds that jobless growth, which has characterized the region in recent years, has created a layer of discouraged workers (particularly women and middle-aged persons) who have had to take jobs in the informal sector. Such ‘shadow economy’ employment fails to provide health or pension benefits, the lack of which can lead to poorer education, health and nutrition. Vicious cycles can result. Lower education levels can lead to diminished job opportunities. Lack of transportation in remote villages can lead to a diminished ability to take part in political decision-making to address the lack of transport. Such processes can create an entrenched underclass, such as we see with Roma.

According to the survey, people don’t trust their neighbours. Nor do they trust government institutions, which are supposed to protect their interests. They increasingly rely on informal channels, a practice that diminishes transparency and may encourage corruption. Such patterns hinder effective and responsive public administration – a prerequisite for inclusive societies.

### *Who are most at risk of exclusion?*

Applying the methodological framework described above and the social exclusion measurements, the report goes beyond an aggregated headcount of excluded populations and brings the reader closer to answering the question, ‘Who are the socially excluded?’ The data suggest that in the case of elderly persons, children, youth, rural dwellers, and of the unemployed and undereducated, the probability of individual risks leading to social exclusion is much higher than for the population as a whole. The elderly experience levels of social exclusion that are often twice as high as for the country as a whole. In Ukraine, for example, social exclusion among the elderly is 43 percent, some 23 percentage points higher than the national average. In the former Yugoslav Republic of Macedonia, social exclusion among the elderly is 22 percent, some 10 percentage points higher than the national average. On average, 42 percent of children (aged 0-15) and 35 percent of youth (aged 15-29) live in households that are socially excluded in the six countries. The share of socially excluded children is particularly high in Tajikistan (73 percent) and the Republic of Moldova (47 percent). Worryingly, children experience the deepest levels of social exclusion.

Likewise, social exclusion among the unemployed is substantially higher than for the population as a whole. Social exclusion among jobless workers is 12 percentage points higher than among the rest of the population in most countries of the region. The rate of social exclusion among people with low levels of education is two times higher than the overall rate of social exclusion in Ukraine, Serbia and the former Yugoslav Republic of Macedonia.

The social exclusion index does not indicate significant gender differences among the socially excluded, but this doesn’t mean that women and girls are immune to higher social exclusion risk. The absence of a significant difference can be attributed to the way the index was constructed, as it was largely based on household-level deprivations which do not factor in intra-household gender disparities.

While people in all six countries face a broadly similar depth of social exclusion *on average*, members of some groups are more deprived than others. Such groups

can be defined both by ethnicity (such as Roma) or status (internally displaced persons, refugees, the homeless). In Serbia, the survey was expanded to include Roma and internally displaced persons—with striking results. The magnitude of social exclusion among Roma is 86 percent, and 56 percent among internally displaced persons, compared with 19 percent for the rest of the population.

#### *The role of values*

The report suggests that values and behaviour matter. The data permit us to correlate the exclusion of people with disabilities with the local community's tolerance for diversity. When a person with disabilities lives in a community that tolerates inclusive education, the magnitude of exclusion is only 16 percent. However, this figure rises to 30 percent when the community is less open to inclusive education. By contrast, tolerance of corruption worsens exclusion outcomes. The magnitude of social exclusion is nine times higher in villages and seven times higher in small towns where the majority of respondents tolerates informal payments.

#### *Spatial aspects of social exclusion and mono-company towns*

Social exclusion has clear spatial dimensions. The farther people live from urban centres, the greater the social exclusion. The percentage of socially excluded persons in rural areas is almost four times that of persons in urban areas. Living in rural areas is a massive disadvantage. With fewer job opportunities and networks and less access to goods, social services and transport, many rural dwellers choose to migrate to urban areas, a phenomenon that does not always benefit society at large.

The report finds that social exclusion is highest in communities that had been dominated by one or two companies prior to 1989. This is an important issue. The Russian Federation, for example, has designated 335 towns as mono-company towns, with a combined population of 16 million people. Our data show that if such communities were to diversify their economic base and provide more employment opportunities, the average magnitude of social exclusion they experience would decrease from 18 to 11 percent. This would be particularly effective for addressing social exclusion among young people. The magnitude of

social exclusion for a young person with secondary education in a rural community with only one employer is more than three times higher than for a young person with primary education in a small town with multiple employers.

## **Recommendations**

To reduce social exclusion, governments should foster increased employment opportunities, particularly where people live in mono-company towns. Furthermore, policy makers would do well not only to boost the number of employers but also to increase social services and avenues for political representation. Local development strategies need to consider such activities when embarking upon employment generation programmes.

Furthermore, governments should address the three dimensions of social exclusion—exclusion from economic life, from social services, and from civic life and networks—in an integrated manner. Simply reducing income poverty or addressing one individual risk or driver will not eradicate social exclusion. Instead, multiple interventions, implemented in a concerted manner, reflecting the complexity of the problem, are needed.

#### *Policy commitment with clear targets*

*There is a need for a long-term policy commitment to social inclusion.* Social inclusion should be as high on policy agendas as economic growth or poverty reduction. As a first step, governments need to adopt *well-defined strategies* for combating social exclusion, with clear responsibilities and a designated lead agency. The experience of EU member states—although developed and tested in a different economic and political context—can be useful in that regard. Political will is also necessary to implement evidence-based policies with clear social inclusion targets and measurable indicators.

Political commitments need to be matched by well-defined targets and transparent monitoring based on relevant indicators. Without the accountability stemming from using such targets and progress indicators in a robust and independent monitoring and evaluation system, social inclusion will remain a slogan. The indicators proposed in this report can act as guiding examples and

starting points for developing and further tailoring indicators to national and sub-national contexts.

#### *Preventive focus on individual vulnerabilities*

Addressing individual risks that make people vulnerable to exclusion before those risks translate into social exclusion should take place in two areas that complement and reinforce each other. The first encompasses the entire range of social services that improve individuals' capacity to respond to exclusion risks. The second area largely falls under social protection and social safety nets.

■ Basic services should be accessible to all. They should be appropriate, adaptive and flexible. The provision of quality and accessible education, health, housing, water, sanitation and transportation services is vital to break the intergenerational cycle of social exclusion in the region. Improving access to these services for all is a prerequisite for addressing inequality and social exclusion.

■ Accessible education that adapts to the changing economic and social environment is particularly important in the context of social inclusion. Educational systems' performance outcomes materialize over generations. In the region, the achievements of the previous system are often perceived as 'given' – which they are not. In fact, while the post-transition averages do not place the region behind other regions of similar development levels, these countries were distinctly ahead in such comparisons two decades ago. Moreover, some countries have gone through a marked absolute worsening. Understanding the momentum of the educational systems and their potential role in the social exclusion chain is crucial for social inclusion.

■ Social policies are not currently fulfilling their potential to promote social inclusion. A legacy of category-based social protection and a combination of legalism in terms of formal rights and discretion in the front-line bureaucracy, along with stigma, discrimination and formalistic approaches led to increasingly poorly targeted benefits. A good short-to-medium-term approach would be to focus on universal child benefits and the provision of quality social services and adequate social pensions. Much could be achieved within the existing fiscal envelope, if the reallocation of resources

were based on sound first principles, focusing on actual needs and effective impact monitoring.

■ Employability and inclusive markets matter. An important way to promote both employment opportunities for population groups at risk of social exclusion and a mindset change in society at large is to improve the employability of the labour force through improved vocational education, active labour market policies and through developing or strengthening the small-scale private sector, including the social economy.

#### *Clear focus on people's capacities*

For social inclusion policies to yield results, they need to aim for changes in norms and institutions to enable them to identify and expand people's capacities and opportunities. The report argues for inclusive institutions, education and labour market policies to support inclusive, diversified growth and to help change mindsets. These would gradually change the drivers of social exclusion to begin acting as drivers for inclusion, and raise tolerance in society.

■ Governments have a clear responsibility for defining and enforcing equal 'rules of the game' and preventing market failures. For that purpose, improving the quality of governance is highly important and entails improving accountability, strengthening national institutions and increasing their transparency, thereby decreasing corruption. It also entails increasing the government's effectiveness in the provision of public services. These steps would bridge the gap between citizens and the state making the former more willing to identify with—and be part of, included in—the scope of activities of the latter.

■ People and their well-being are the ultimate objectives of economic development. It is of utmost importance that any model of development needs to be more oriented towards sustainable sources of growth and less concentrated in the capital cities. Only then can growth markedly reduce the magnitude and depth of social exclusion.

■ Diversifying development opportunities is a critical dimension of inclusive growth. It entails policies that increase the chances for starting small- and medium-sized enterprises, decrease the dependency of local authorities on central transfers while giving

them more responsibility for budget use, and strengthening mechanisms to make them accountable to local populations; stimulate local economic development, and 'crowd in' private investment by providing an improved business climate, infrastructure, and communication.

#### *Deliberate efforts to change mindsets*

Even the best-crafted policies will not do much unless they resonate with the expectations of responsive and supportive constituencies. To have lasting positive effect, policies need to be communicated to the public and the public needs to see them as legitimate and in society's interest. Seen from that perspective, changing mindsets towards universally accepted values has immediate policy relevance. Values have shifted during transition. For example, in Central Asia the wholesale rejection of the previous system's values is resulting in a return to traditional gender and cultural norms, which can create new sources of exclusion for women. Decreasing levels of solidarity in combination with intolerance to diversity can result in increasing discrimination against ethnic minorities, persons with disabilities, people with different sex-

ual orientation, people living with HIV, and former prisoners. Two additional features stand out:

■ *Changing mindsets requires long-term approaches.* These include strengthening comprehensive anti-discrimination laws, policies and institutional mechanisms based on respect for human rights, dignity and freedom matched by implementation capacity. Weak legal frameworks and institutions result in low levels of acceptance of inclusive measures (such as inclusive education), and hence also need to be targeted by policies.

■ *Changing mindsets in minority populations is also important.* Inclusion is a two-sided process in which both the excluded and the majority population must accept and accommodate the characteristics of the other.

Implementing these recommendations will not guarantee success. The process will differ from country to country. But applying the policies outlined in this report will bring us one step closer to a more efficient and sustainable society—one where people can realize their full potential.

# Chapter 1: Social exclusion, social inclusion, and human development

**T**his chapter introduces the terminology of the report. Drawing on the definitions used by the European Union (EU) and UNDP, it defines social exclusion, social inclusion and human development. It then links these three concepts, articulating a single framework for social exclusion and human development in the Europe and Central Asia region.

## Definitions and terminology

This report views social exclusion and social inclusion through a human development lens, which emphasizes the 'expansion of people's freedoms to live long, healthy and creative lives; to advance other goals they have reason to value; and to engage actively in shaping development equitably and sustainably on a shared planet'.<sup>3</sup> Human development is both about status (the achieved level of development) and process (the kind of development that is people-centred, where people are the beneficiaries and also the agents of change—both as individuals and as groups).

### Human development: A people-centred approach

2010 marked the 20th anniversary of the human development concept, which serves as the analytical framework for UNDP's global, regional and national human development reports (HDRs). Since the human development paradigm was first articulated in the 1990 Human Development Report, the language, examples, and policy recommendations have developed, but the focus has remained on people's lives, freedoms and capabilities.<sup>4</sup> People are the beneficiaries of development, as well as the agents who can improve their lives. Resources, incomes, institutions, as well as political or social guarantees, are all important policy goals. Ultimately, however, success must be defined in terms of the lives people lead, and the capabilities they possess.

The key aspects of human development are not fixed. This flexibility enables the human development concept to be applied in both developing and developed countries and to be tailored to different national contexts.

*'People are the real wealth of a nation. The basic objective of development is to create an enabling environment for people to live long, healthy and creative lives.'* These were the opening words of the 1990 Human Development Report. The 1991 Human Development Report refined the concept in a simple

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*"You talk to a person, it seems like you are already friends and suddenly you hear – "Excuse me, you are in a wheelchair and I cannot invite you to my birthday party ... you know, you are in a wheelchair". Or I ask a neighbour to help me go outside and he says – 'Am I your servant who helps you go outside?'" (24-year-old man with a disability, urban area, The Republic of Moldova)*

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sentence: *'The real objective of development is to increase people's choices'*. Additional choices include political freedom, guaranteed human rights and self-respect – what Adam Smith called the ability to mix with others without being 'ashamed to appear in public'. It also argued that to advance human development, economic growth ought to be 'participatory, distributed well, and sustainable'.

The human development paradigm emphasizes two simultaneous processes: the formation of human capabilities and the use to which people put them. It is therefore a destination, a goal for social and political processes, as well as a roadmap. It refers to the processes and the outcomes of development as the expansion of people's choices, capabilities and freedoms.

The absence of public services, such as social assistance, health care, education and law enforcement, may increase vulnerabilities and limit choices. Authoritarian regimes can violate political and civil rights and impose restrictions on people's freedom to participate in the social, political and economic life of the community.<sup>5</sup> These restric-

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<sup>3</sup>/UNDP 2010b: 22.

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<sup>4</sup>/See Alkire (2009) for a full discussion of the evolution of the Human Development Reports.

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<sup>5</sup>/Sen 1999.

tions effectively limit people's choices and thus, their level of development.

The 2010 Report, *Rethinking Human Development*, reaffirms the relevance of the human development paradigm in several ways. First, measurements of various dimensions of human development for 20 years suggest that the causal links between economic development, democracy and human development are complex and not necessarily linear. Second, the increasing uncertainty within the global financial system and the growing challenges posed by climate change reinforce the need for a broader concept of human development. Finally, the new 2010 Human Development Index has been adjusted to take into account inequality, bringing the question of social exclusion to the forefront of the global debate.

### **Social exclusion: denied participation**

Social exclusion is seen in this report both as a process and an outcome. It is a process that pushes certain individuals to the margins of society and prevents their full participation in relevant social, economic, cultural, and political processes. As an outcome, it denotes the status and characteristics of the excluded individual. Social exclusion status has many dimensions – poverty, lack of basic competencies, limited employment and educational opportunities, as well as inadequate access to social and community networks and activities. Differentiating between exclusion as a 'process' and as a 'status' is important for understanding the dynamic relationships among the different dimensions of social exclusion. A focus-group participant captured this idea succinctly: *"When you work, you have friends. As soon as you lose your job, you have no friends at all"*.<sup>6</sup>

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6/ UNDP Montenegro 2009.

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7/ Lenoir 1974.

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8/ Lister 2004.

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9/ Sen 2000.

The concept of social exclusion has evolved with the concept of social rights, rooted in the idea of the European welfare state. In 1974, René Lenoir, the Secretary of State for Social Issues in the Gaullist Government led by Jacques Chirac in France, in his study 'Les Exclus' defined 'the excluded' as people from all social categories who are not included in the social insurance systems of the welfare state.<sup>7</sup>

The concept has been further adapted and rearticulated over time. Within the dis-

course of citizenship, social rights and social justice, the status of 'being socially excluded' is not merely understood as a lack of access to goods, but as a lack of access to rights. If poverty is defined in relation to income or material deprivation, social exclusion is defined in relation to social rights such as the right to work, housing, health services, and education.<sup>8</sup>

For Sen,<sup>9</sup> social exclusion occurs when one does not have the freedom to undertake activities that a person would have reason to choose. The process of social exclusion is intrinsically linked to the denial of freedom. People may be excluded from taking advantage of an opportunity because of a deliberate policy or practice in society ('active exclusion'), or as a result of a complex web of social processes in which there are no deliberate attempts to exclude (passive exclusion).

There are many examples of both kinds of social exclusion. For instance, unemployment experienced by a particular group of people, such as migrants in their host country, on account of specific legal restrictions, constitutes 'active exclusion'. Passive exclusion occurs when unemployment results from a complex web of institutional and systemic factors with no employment-specific decisions involved.

The process of social exclusion, whether active or passive, may result in reduced human capabilities. Reduced capabilities in one field might be responsible for deprivations in other fields of life, further fuelling the process of social exclusion. Sen refers to this as 'capability failures' and believes that social exclusion plays an instrumental role. Social exclusion is *multi-dimensional*, including economic, social and civic dimensions. Deprivations in one dimension can reinforce deprivations in another, and these multiple deprivations can result in social exclusion.

Social exclusion is not only characterized by material deprivation, but by feelings of inferiority, alienation, loss, and shame. Being socially excluded is both about status and self-perception. Social exclusion reflects the status of an individual vis-à-vis mainstream society. This makes it much more relative than income poverty. However, similar to poverty monitoring, the relative nature of social exclusion does not preclude its measurement both in relative and absolute terms.

In essence, social exclusion can be defined as the *inability to participate* in aspects of social life that people value and have a right to, be they participation in political processes, labour markets, education and health systems, or cultural life. Exclusion is generated by the action (or inaction), of a person, a group or an institution. As an outcome, the opposite of social exclusion implies social equality. The opposite of social exclusion as a process is not just 'inclusion', but expansion of opportunities for participation in economic, social and civic processes that are considered 'normal' in mainstream society. This makes the concept closely linked to the human development approach, and highlights the restricted freedoms and contributing factors that might lead to social exclusion: discriminatory practices, unequal power relations and institutional barriers that prevent access to public services and political participation.

## Social inclusion: expanding opportunities

Social inclusion is also a process and an outcome. 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. It ensures that they have greater participation in decision-making, which affects their lives and access to fundamental rights (as defined in the Charter of Fundamental Rights of the European Union):<sup>10</sup> This definition merges the desired outcome (well-being that is considered normal) with the process through which it can be achieved (opportunities for participation).

The social inclusion approach acknowledges the need to offer those outside mainstream society a greater say – that is, greater participation – as a means to achieve well-being that is considered normal. Thus, social inclusion is about 'redistribution of social opportunities' among all segments of the population. It can be evaluated against the yardstick of a 'quality of life' that people value. It involves participation and integration into institutions and social networks.

Thus, social inclusion does not entail simply

### Box 1: UNDP's body of research on social exclusion and social inclusion

*This report has been enriched by an extensive body of research produced by universities, institutions related to the European Commission, as well as by UNDP:*

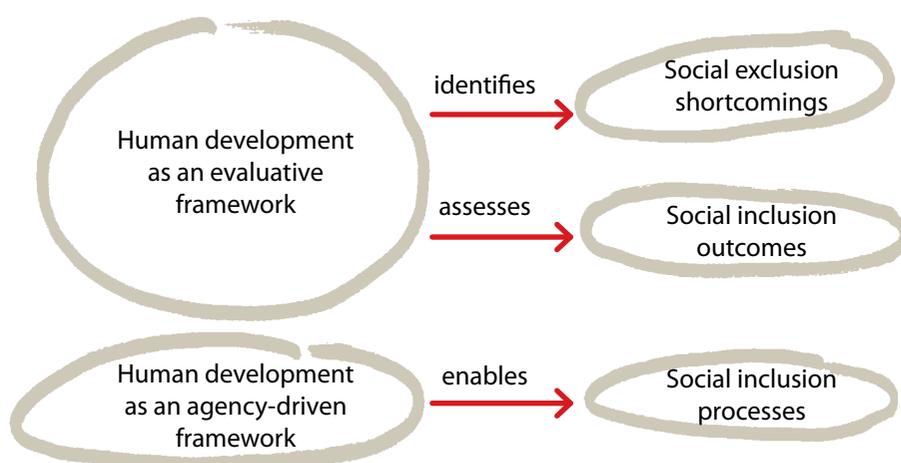
- *Social exclusion through a human development lens has been analysed comprehensively by the National Human Development Report for Bosnia and Herzegovina (2007), Social Inclusion in BiH, Croatia (2007), Unplugged: Faces of Social Exclusion in Croatia, and Montenegro (2009), A Society for All and Kosovo (2011), Social Inclusion.*
- *Methods for measuring and analysing social exclusion, inequalities, and vulnerability have been developed in Poland (2007), Social Exclusion and Integration in Poland: An Indicators-based approach, and the Republic of Moldova (2010), Approaches to Social Exclusion in the Republic of Moldova: Methodological and Analytical Aspects.*
- *The former Yugoslav Republic of Macedonia has produced regular People-centred Analysis Reports monitoring social exclusion and the quality of life over time (2008, 2009 and 2010).*
- *UNDP in Ukraine has produced a policy and institutional analysis of social inclusion capacities, European Choice and Social Sector Institutions (2010).*

a reversal of social exclusion in terms of status. Elements of the process of social inclusion that contribute to overcoming social exclusion (like participation and involvement) have intrinsic value. Social inclusion involves at least two steps. One is removing barriers in a wide sense: barriers to participation and to access to resources and opportunities. The second is promoting a change in attitudes. Even though legal structures might be in place, policies are needed to cultivate solidarity, counteract entrenched social prejudices, and encourage the participation of individuals facing barriers. All are important elements of the social inclusion process, which involves changing attitudes towards what is accepted as 'normal'. Successful social inclusion policies, supported by effective implementation mechanisms, have demonstrated that prejudices need not be passed from one generation to the next. For example, in the majority of OECD countries, social norms that had excluded women or segregated minorities in the 1960s became socially unacceptable by the end of the 1990s.

Promoting social inclusion requires understanding the root causes of social exclusion, such as discriminatory actions, failure in accountability of the state and its institutions, and structural inefficiencies. Social inclu-

<sup>10</sup>/European Commission 2004.

Figure 1.1: The relationship between human development, social exclusion and social inclusion



ing the obstacles that prevent people from realizing their capabilities. However, social inclusion is more than just ‘lack of exclusion’. Human development is only partially achieved by decreasing social exclusion. Achieving human development requires deliberate inclusive processes that expand people’s freedoms and create an inclusive society in which diversity is a source of strength.

**The three concepts complement each other.** The human development paradigm adds value to social exclusion and inclusion. Human development is both an evaluative framework as well as an agency-driven policy framework. Human development as an *evaluative framework* identifies shortcomings and inequalities in opportunities for developing capabilities that contribute to social exclusion. In addition, it assesses the outcomes of the social inclusion process through a variety of indicators. As an *agency-driven policy framework*, human development aims to empower people to pursue an improved social, cultural and economic environment. It helps to identify approaches that address social exclusion. It takes into account context—widening the focus beyond the excluded population. Furthermore, human development helps to identify structural failures that prevent people from developing their capabilities. (Figure 1.1 illustrates the relationships between the concepts.)

Reversing direction, social exclusion and inclusion add value to human development by providing a process perspective or, in other words, *the ‘agency’ of social exclusion* (agents, groups, and institutions that exclude) to the concept of human development. It reinforces the notion of agency that exists within the human development framework by examining through what mechanisms, and as a result of whose actions, and why, people are excluded. Agency is therefore a key element in studying social exclusion<sup>11</sup> and the common denominator between social inclusion and human development.

The social exclusion concept recognizes the role of informal and formal aspects. Informal ones include values, trust, informal economic activities, social groups, family ties, or informal networking. These affect the process of human development as much as formal aspects do, notably institutions, organizations, laws, and norms. So-

sion also requires addressing them. For this, the human rights-based approach can be an important policy tool (see box 2).

The EU has applied, promoted and advanced the concept of social inclusion through direct policies in member states, which have had a catalytic effect in the EU and beyond. The concept is also undergoing a process of ‘reinvention’ through the Europe 2020 agenda, the EU’s growth strategy for this decade. The continuous evolution of the social inclusion concept reflects the need for multiple deprivation analysis beyond income, a step towards the human development approach. This report contributes to this conceptual convergence between social inclusion and human development.

### Social exclusion, social inclusion and human development

Social inclusion and human development have both gained popularity in the last two decades, but have largely evolved independently of each other, without significant cross-fertilization. Both are people-centred concepts that governments increasingly view as integral for addressing persistent poverty and shortfalls in education and health.

Human development is the goal of development; social inclusion is the means to achieve it. Social inclusion involves remov-

11 / Atkinson 1998.

cial exclusion also provides a new perspective on human development by assigning a central role to *relational connections* and *unequal power relationships* that are often at the root of every type of social exclusion.<sup>12</sup> According to Silver,<sup>13</sup> social exclusion *ruptures the bond between society and the individual*. Exclusion thus destroys the much-needed bond of solidarity and places some members of society beyond the margins, who then cease to be a cause for concern for those inside. Over time, the enhanced homogeneity and sense of shared identity among the insiders reinforce the social exclusion of those outside.

## Monitoring social exclusion

### Dimensions of analysis

While rooted in the human development concept, this report captures the three interlinked dimensions of social exclusion: exclusion from economic life, exclusion from social services, and exclusion from civic life.

*Exclusion from economic life* can be seen in inequities in assets, incomes and employment opportunities. Limited access to material resources results from exclusion in this dimension. Once exclusion occurs, it is likely to contribute to further exclusion, not only in economic life, but also in the other two dimensions.

*Exclusion from social services* results from unequal access to education, health care, housing, social protection and so forth. People thus excluded have limited opportunities to enjoy the level of services perceived as 'normal'. These limited opportunities can be the consequence of material deprivation, but they can also result from inadequate institutional rules governing the supply of such services.

*Exclusion from civic and social life and networks* results from inequalities in political, cultural and civic opportunities and power (including political, bureaucratic and military power), unequal access to justice, liberty and institutions. Reduced participation in social and political life results from exclusion in this dimension.

There are numerous links between the three dimensions of exclusion. Exclusion

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*"It hurts a lot, because I think that, at 44, it is still possible to have a job, to work, while staying at home is a hard issue... first of all, we are assigned to a disability group by a 'medical commission', we have no right to work, and we also have nowhere to work" (A rural woman, suffering from rheumatic arthritis, Republic of Moldova).*

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in all three dimensions is both an outcome (defining the status of the individual) and an element leading to further exclusion in all three dimensions. Exclusion in one dimension also increases the risk of exclusion in the other two. For instance, limited incomes may reduce access to social services if an unofficial payment is required.

Limited employment opportunities can impede participation in social networks. Limited educational opportunities often lead to lower employment opportunities and can reduce political participation to occasional (often manipulated) ballot casting without real opportunity to express and defend one's political interests.

<sup>12</sup>/Steward et al. 2006.

<sup>13</sup>/Silver 1995.

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### Box 2: A rights-based approach to social exclusion – the what, who and how of social inclusion

*The Human Rights Based approach (HRBA) to development uses the conceptual and analytical strength of human rights to analyse and address various forms of inequality and exclusion in political, economic or social terms. As a development framework, it is normatively based on international human rights standards and operationally directed to promoting and protecting human rights. The HRBA moves development action from the optional realm of benevolence (or charity) into the mandatory realm of law. It changes the focus from regarding people as passive beneficiaries of state policies to active participants in their own development and further recognizes them as rights-holders, thereby placing them at the centre of the development process. The HRBA addresses the 'what' question: what practices and policies constitute the building blocks of exclusion and what needs to be changed. It focuses on analysing the inequalities, discriminatory practices, and unjust power relations that are the root causes of human rights and development challenges, and the processes that exacerbate exclusion and ultimately may lead to social fragmentation and conflict.*

*In addition, the HRBA addresses the 'who' question by specifically focusing on groups subjected to discrimination and suffering from disadvantages and exclusion. Such groups include children, minorities and women. The twin principles of non-discrimination and equality call for a focus on gender equality and women's human rights in all development programmes. With respect to identifying the necessary measures that need to be taken – the 'how' question comes into play. In this regard, the HRBA emphasizes participation at every stage of the programming process, particularly of those who are being disadvantaged. It also emphasizes the accountability of the state and its institutions with regard to respecting, protecting and fulfilling human rights within its jurisdiction.*

## The social exclusion chain

Social exclusion is the result of multiple and mutually reinforcing deprivations in one or more dimensions. This report departs from the traditional group-based approach. It assumes that each individual has a number of *individual characteristics* that can put him or her at risk of social exclusion. We define those characteristics as social exclusion risks. These can be related to gender, ethnicity, language, religion, age, sexual orientation, religious beliefs and disability, as well as linked to status (income, health, employment, education, resources, opportunities and assets). Being disabled, poorly educated, a workaholic, or a fan of a particular football team can put a person at risk of social exclusion.

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*“Disabled persons find employment in three ways: through (affirmative action), through friends, and by accident, if no one else wants to take the job” (a blind person, Serbia).*

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Not all individual risks result in social exclusion. Whether social exclusion occurs depends on the interaction of risks with a set of ‘drivers’ that can be structural, behavioural, or policy-related:

■ The first group of drivers relates to how public and private *institutions and norms*, including legislation, contribute to exclusion through discriminatory practices or by failing to provide opportunities for inclusion or for protection of the excluded. For example, the existence of anti-discriminatory legislation should decrease a disabled person’s risk of social exclusion. A gay couple faces a higher risk of exclusion in a state where same-sex marriage is banned.

■ The second group of drivers includes *values (and behavioural patterns)*, which are shaped by discriminatory attitudes and cultural practices that regulate norms and behaviours in society and among groups, but also include forms of self-exclusion. For example, a bright child willing to study is at higher risk of social exclusion if his or her peers don’t value knowledge, or if they don’t perceive the acquisition of knowledge to be congruent with the majority culture. These drivers will also influence structures, institutions and policies through, for example, changes in political culture.

■ The third group of drivers includes *policies*, which reflect and respond to both

structures and values. For example, even if institutional structures to address Roma exclusion (say, in the form of National Councils for Roma integration) exist, social exclusion of Roma can persist unless explicit policies for inclusion are formulated and implemented.

Drivers determine a person’s environment. Some are country-specific (like national legal frameworks). Others, however, are general to the region (including culture and tolerance). Ultimately, these drivers interact with individual risks to produce exclusion. For example, every person with a disability faces some risk of social exclusion, but the extent to which this risk results in social exclusion depends on the drivers: the way a society views the disability (cultural characteristics), the degree of accessibility of public space (physical parameters of the environment), and legal protection of rights.

Apart from drivers, individual risks are also influenced by the local context—the parameters of which shape everyday lives. Those parameters include characteristics of the local economy (such as employment opportunities), history of local conflict, environmental legacies, the state of basic infrastructure, and distance to the capital or regional centre (which is usually a growth pole). Drivers and the local context are external to the individual. They represent two aspects of the environment where individual risks can result in exclusion. But they are different. Drivers have national relevance. The local context, however, differs from place to place and from region to region. As a result, social exclusion can vary from locality to locality even if a person has the same mix of individual risks.

Social exclusion reflects a dynamic chain with multiple feedback loops. The relationship between individual risks and drivers results in multiple deprivations. These are augmented or mitigated by the local context. The interaction of individual risks, drivers, and the local context can also feed into further social exclusion. Together, these elements constitute the social exclusion chain.

Contrary to traditional group-focused approaches, this report maintains that social exclusion is not only about disadvantaged or marginalized populations outside of mainstream society. It is about individual risks every member of society faces. Ex-

ternal factors largely determine whether social exclusion materializes or not. These external factors include the drivers interacting with the local context. The process of translating individual risks into social exclusion occurs along the social exclusion chain (figure 1.2).

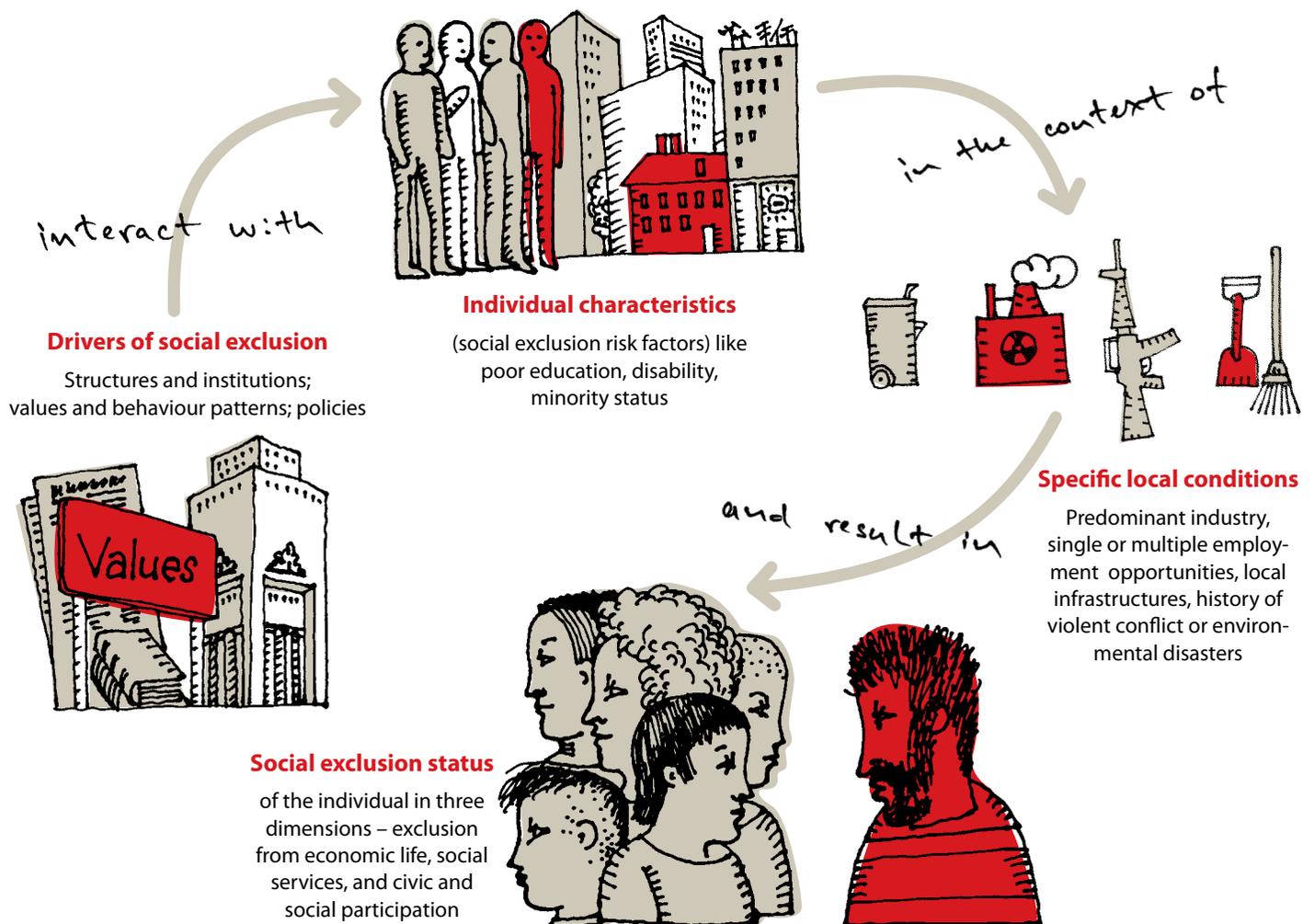
All elements of the social exclusion chain are influenced by legacies of the previous system and the specifics of transition in different national settings. The environment in which people live, where they develop their capabilities and make their choices, is a patchwork of elements, old and new, inherited and newly introduced during transition. The resulting mix can be enabling or disabling, leading to different levels of social exclusion. All this directly influences human development.

The integrated framework of social exclusion and human development put forth here is more absolute than the relative EU

concept of social exclusion, which compares an individual's situation with those of other members of society. The framework elaborated and applied in this report observes and monitors the social exclusion status of individuals in relation to their capabilities. 'Being excluded' means 'facing an unacceptable number of deprivations', rather than 'belonging to a minority isolated from the majority'. Thus, the inclusion/exclusion dynamics are not about the relationship between 'a part and the whole', but about the relationship between an individual's actual and potential capabilities.

This framework has important implications. First, it suggests that a very high share of society can be excluded. Second, it allows us to deconstruct social exclusion to gain a more precise understanding of its determinants. It links individual risks to drivers of exclusion to create a pattern based on the 'intersection' of multiple forms of exclusion and discrimination. Also, identifying driv-

Figure 1.2: The 'social exclusion chain'



ers in the local context and assessing their contribution to social exclusion outcomes make it possible to go beyond broad national generalizations towards targeted analysis. For example, a single-parent, a person facing long-term unemployment, a Roma woman with a number of children, or someone living in a rural area all face intersecting and mutually reinforcing exclusion risks. At the same time, while it is possible to discuss the social exclusion of people with disabilities throughout the region, the extent and nature of their exclusion clearly differs from one sub-region to another, as well as within countries. Applying the social exclusion concept in this way can shed light on social exclusion patterns in countries with a given transition experience. It can also illuminate the pre-transition legacies that a country faces, as well as offer a basis for future evidence-based inclusive policy design and monitoring.

Social exclusion enables us to better understand inequalities and the underlying processes in countries with medium to high human development levels. This makes it relevant for the Europe and Central Asia region. The concept is even more pertinent given the region's transition history. Social exclusion would still exist had there not been transition. Exclusionary structures existed before transition. Similarly, the specifics of inclusion are related to the specifics of transition in individual countries. Thus incorporating the influence of legacies into the analysis is a key part of this report's conceptual framework.

## ***Major findings of this chapter***

This chapter has put forth a conceptual framework for social exclusion, which impedes people's participation in various spheres of life. Social exclusion not only affects disadvantaged or marginalized populations. It can affect everybody, since each of us faces risks. Social exclusion stems from deprivations experienced along three dimensions: economic exclusion, exclusion from social services, and civic exclusion. Individual risks interact with drivers and local context to produce social exclusion. The interaction of these elements can result in further exclusion. Like human development, social exclusion is both an outcome and a process. The framework outlined here can help turn the social inclusion concept into a powerful policy tool, enabling us to better understand unequal development outcomes. This tool will help to address patterns of social exclusion, as well as to serve as a basis for evidence-based, inclusive policy design and monitoring.

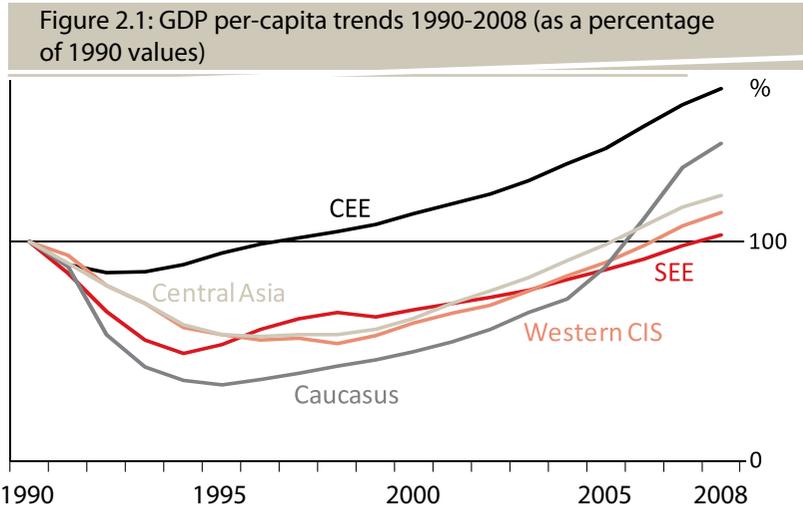
The next chapter analyses more deeply how people are excluded in the three dimensions of social exclusion, and identifies those deprivations that are particularly relevant to the region.

# Chapter 2: Dimensions of exclusion in the region

**T**his chapter contextualizes the multidimensional data analysis presented in subsequent chapters. It outlines some of the key features of the transition dynamic that have characterized the Europe and Central Asia region, not just the six surveyed countries. Furthermore, it highlights aspects of the region's recent history that have impacted social exclusion in the three dimensions discussed in chapter one—exclusion from economic life, exclusion from social services, and exclusion from participation in civic and social life and networks. The three dimensions are used to construct the Social Exclusion Index presented in chapter three.

## Transition in the Europe and Central Asia region

The Europe and Central Asia region is diverse (box 3). Differing initial conditions and EU accession processes, as well as the diversity of transition strategies pursued, have all contributed to the heterogeneity of the region. While this diversity complicates intra-regional comparisons of social exclusion, analysis of sub-regional data re-



Source: World Development Indicators, World Bank (2010).  
 Note: GDP per capita is in purchasing power parity terms with constant US\$.  
 The base year is 1990 (with a value of 100).

veals some general trends that merit discussion.

By the first half of the 1990s, the transition recession had taken its toll (figure 2.1). Most countries resumed positive growth only in the second part of the decade. However, the growth was not accompanied by a corresponding recovery in employment (fig-

### Box 3. The definition of the region

For the purposes of this report, the Europe and Central Asia region is defined to include those states that fall within UNDP's Regional Bureau for Europe and the Commonwealth of Independent States (CIS)—except Turkey, Cyprus and Malta, which do not share the legacy of socialism. To take account of intra-regional differences, we further group countries into three sub-regions:

- **SEE (Southeast Europe):** Albania, Bosnia & Herzegovina, Croatia, Kosovo,\* the former Yugoslav Republic of Macedonia, Montenegro, and Serbia.\*\*
- **CEE (Central and Eastern Europe):** The Baltic countries: Estonia, Latvia, Lithuania and the Central European countries, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia—all members of the EU.
- **CIS (Commonwealth of Independent States) and Georgia.\*\*\*** The countries in this sub-region fall into three groups: Western CIS (Russian Federation, Belarus, the Republic of Moldova and Ukraine), Caucasus (Azerbaijan, Armenia, and Georgia) and Central Asia (Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan).

\* / Kosovo is hereafter referred to in the context of the UN Security Council Resolution 1244 (1999).

\*\* / All except Albania emerged after the break-up of the Socialist Federal Republic of Yugoslavia.

\*\*\* / Georgia withdrew from the Commonwealth of Independent States after the conflict with Russia in 2008. Turkmenistan is an unofficial associate member. In this report we will use the abbreviation CIS loosely, as a geographical grouping for all the former Soviet Republics excluding the Baltic states.

Figure 2.2: Employment ratios (in percent), 1990-2008

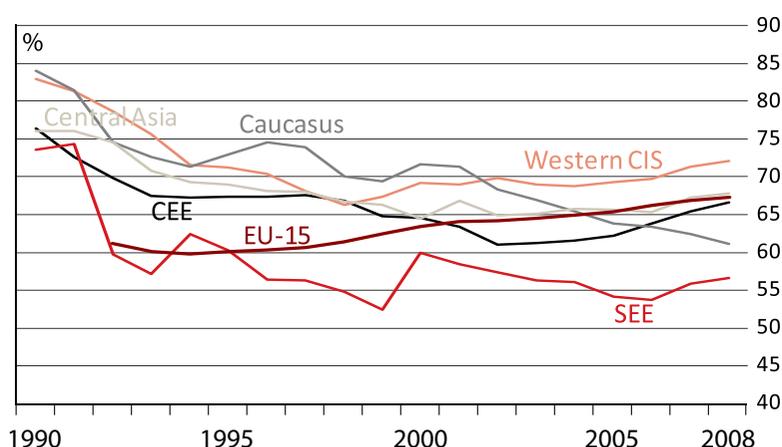


Figure 2.3: The Human Development Index, 1990-2007

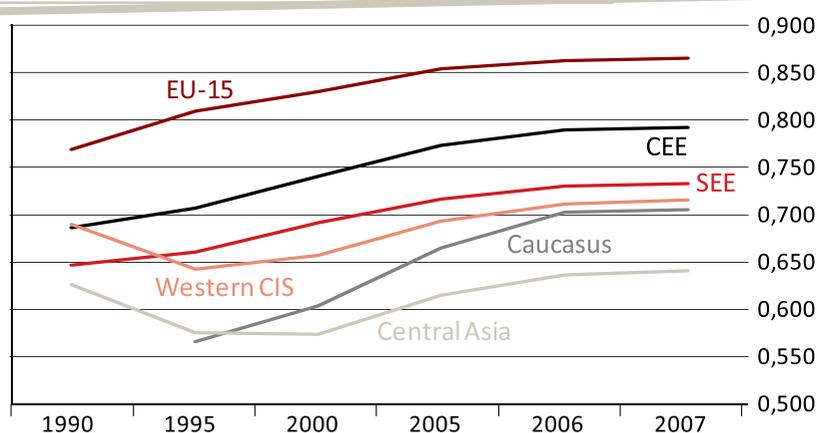
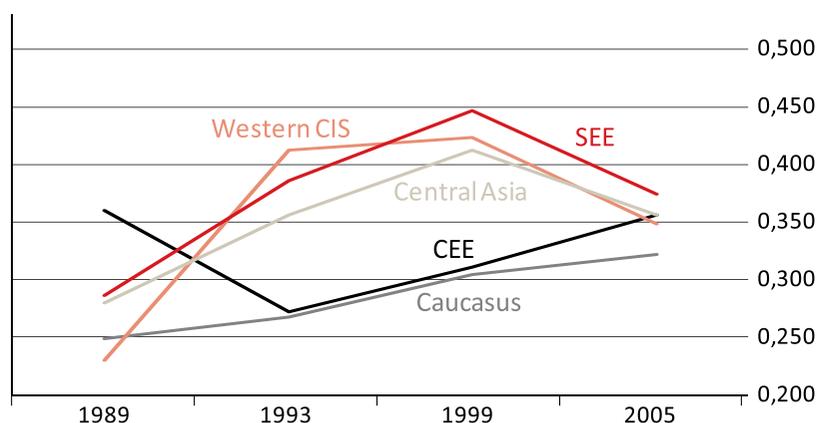


Figure 2.4: Income inequality as measured by the Gini coefficient, 1989-2005



Sources: Employment ratio—TRANSMONEE Database UNICEF (2010) and Eurostat (2010); HDI—UNDP Human Development Report 2009 and 2010; Gini index—UNICEF 2001; TRANSMONEE Database UNICEF (2010)  
 Note: The employment ratio is the number of employed as a percent of the population aged 15-59 (aged 15-64 for the EU-15). Sub-regional averages were weighted by population shares.

ure 2.2). Human development in the Western CIS and Central Asia followed a similar pattern, falling in the early 1990s but rising in the latter part of the decade (figure 2.3).

Countries experienced a significant increase in income inequality (figure 2.4) within and across sub-regions, followed by some leveling off starting in 2000. To some extent, the observed differences in sub-regional trends can be explained by poor data quality due to inadequate estimates of income derived from informal activities, difficulties in capturing the highest decile (in some contexts associated with the shadow economy and even with criminal activity), uneven territorial coverage of household budget surveys, or inadequate sampling construction. The trend however is consistent, with different patterns of reform in countries and sub-regions. Clusters of countries have emerged with similar levels of income and income inequality (figure 2.5).

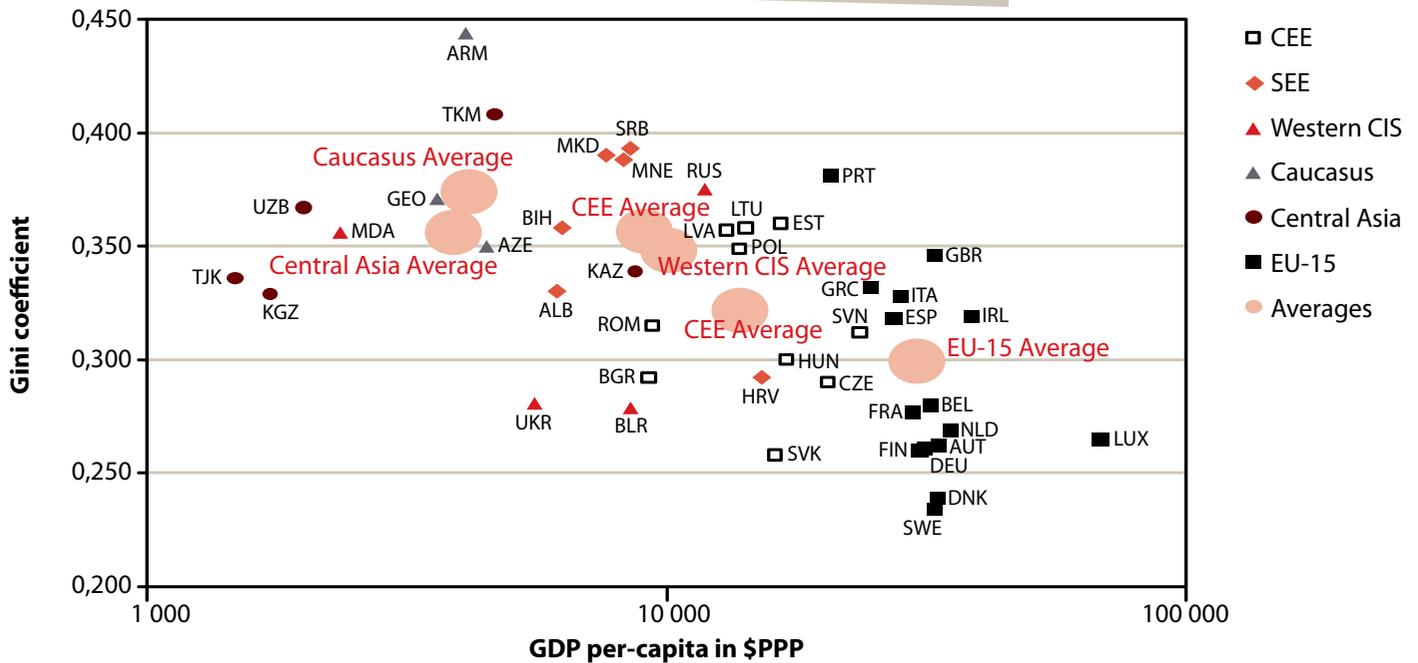
The dynamic of social exclusion unfolds within this larger context. We will now explore this dynamic further by elaborating the three dimensions of social exclusion that were introduced in chapter one.

## Exclusion from economic life

Economic exclusion marginalizes individuals in the distribution of economic resources. From the human development perspective, this hinders the development of people's capabilities, which help them to satisfy their needs and exercise their rights, enabling them to make choices to attain the living standards and quality of life that they value. Economic exclusion limits people's access to the labour, financial and housing markets, as well as to goods and services. This leads not only to income poverty, but also to reduced access to services such as education, health care and social insurance—ultimately resulting in a loss of capabilities.

The feedback loops are crucial. For example, exclusion from the labour market leads to the loss of critical social benefits – such as health care, pension and disability insurance – which increases the risk of long-term exclusion. Furthermore, economic exclusion resulting from poverty and material deprivation reduces opportunities for education and participation in social net-

Figure 2.5: Income versus inequality, 2005



works. Economic exclusion contributes to a culture of poverty characterized by feelings of powerlessness, discouragement and despair.

Access to decent work is one of the most important conditions of inclusion, because it can lead to improvements in other areas of life. However, participation in economic life does not always lead directly to economic inclusion. Examples include informal labour that is not adequately remunerated, employment that is not decent, or lucrative-but-illegal jobs. The ILO's Decent Work Agenda identifies four strategic goals: create decent and productive employment; promote access to social protection; foster respect for labour standards; and initiate stronger dialogue among interest groups. These objectives apply to all women and men, to employees and the self-employed; and to those who work in the formal and informal economies, in the private and public sectors. They are also relevant for people who work at home.

The main elements of exclusion from economic life are income poverty, unemployment, and lack of access to assets and capital. They will now be discussed in turn.

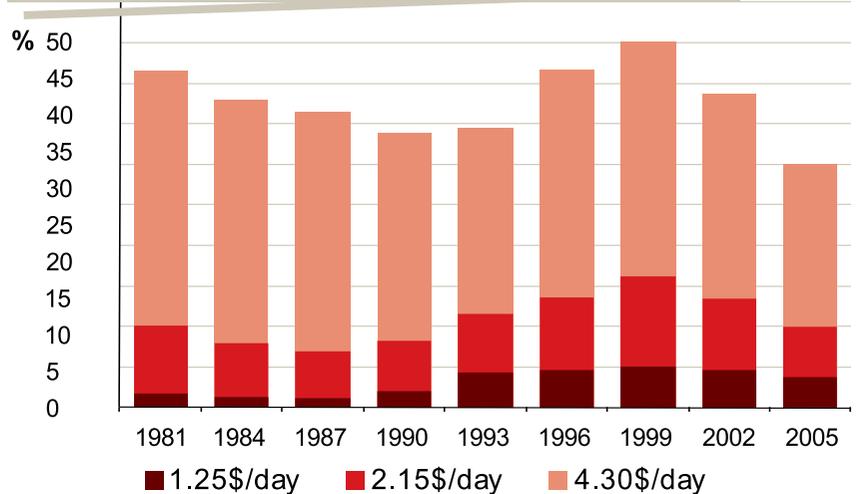
### Income poverty

Income poverty is an obvious aspect of economic exclusion, but it implies much more

than limited consumption. Poverty increases people's vulnerability to social exclusion in other areas of life. For example, children of parents who are struggling to make ends meet often drop out of school to get a job. Income poverty limits the opportunity to participate in public life, particularly in periods of structural transformation when the old 'non-monetary' channels of inclusion, such as free access to childcare, have disappeared without affordable market-based alternatives.

In the 1980s, income poverty had been declining (figure 2.6). In the early 1990s, pov-

Figure 2.6: The percentage of households with per capita consumption below three poverty lines



Source: World Bank PovCal Database

Table 2.1: Spatial distribution of consumption poverty (1998-2003) (in % of population)

% Population	1998	1998	1998	2003	2003	2003
	Capital	Other Urban	Rural	Capital	Other Urban	Rural
FYR Macedonia*	N/A	N/A	N/A	4	5	3
Serbia and Montenegro	N/A	N/A	N/A	6	4	9
Moldova**	42	70	74	27	48	47
Kazakhstan	7	25	40	2	14	31
Tajikistan	73	90	92	54	73	76
Uzbekistan	24	50	60	4	43	55

Source: World Bank (2005: 242-4)

\* / The former Yugoslav Republic of Macedonia is referred to as "FYR Macedonia" in the figures and tables.

\*\* / The Republic of Moldova is referred to as "Moldova" in the figures and tables.

14 / Milanovic 1998; UNDP 1999; World Bank 2005.

15 / Gaidar 2007.

16 / FAO, 2007.

erty increased on an unexpected scale.<sup>14</sup> This happened in part because the relatively low poverty levels of the 1980s had been financed by international borrowing. Thus, falling poverty in the 1980s did not reflect sustained gains in competitiveness and economic efficiency, but rather deficit spending.<sup>15</sup> In subsequent years, countries have had to service the debt, which— together with the transition recession and the Russian crisis—helps to explain why, in 2005, a significant portion of the region's population – approximately 142 million people – were living below the 4.30 PPP\$ / day poverty line.

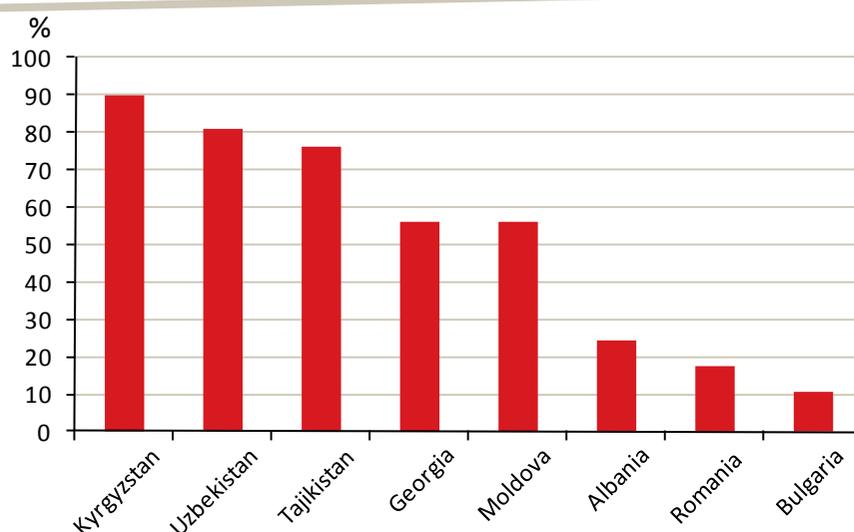
The distribution of poverty between and within countries is even more important.

Geographically isolated regions and rural areas, particularly those far from urban centres, were largely the poorest, pointing to a structural form of spatial economic exclusion. Everywhere, poverty dropped substantially between 1998 and 2003, most notably in capitals (table 2.1).

However, in some countries, small- and medium-sized towns and cities are nearly as poor as rural areas, or are even worse off. This is due partly to land reform, which in some cases provided agricultural land to rural dwellers, while citizens in 'other urban' areas (such as in 'mono-company' towns) very often lost their main source of employment, and did not have access to land. As a result, they had no opportunity to practice subsistence farming, which meant that the sharp food price increases of 2008 affected them greatly.

Poverty is also particularly prevalent among some ethnic minorities (especially Roma), refugees and internally displaced persons (IDPs), as a consequence of violent conflict), women (through exclusion of labour markets and lower wages) and, last but not least, children. Child poverty often reflects the social exclusion of households. Children experience exclusion in their daily lives, but are also vulnerable as 'adults-in-progress'. The effects of childhood exclusion heighten the risk that children will grow up with low skills and poor health. In parts of the Caucasus, Central Asia and the Republic of Moldova, the levels of child poverty are particularly high (figure 2.7). Children who experience poverty are usually part of families that have been hit by unemployment (or that have fallen into low-paid employment), often with many children, living in rural areas, or as refugees and IDPs.<sup>16</sup>

Figure 2.7: Percentage of children living in households with daily per capita consumption below 2.50 US\$ PPP in 2005



Source: UNICEF (2009)

## Unemployment

Employment provides more than a wage. When people are excluded from formal employment, they are not only cut off from income and related benefits, but also from broader opportunities. Poor employment opportunities are a major contributor to exclusion from economic life.

The first years of transition saw sharp increases in unemployment, straining the social fabric. The labour market offered new opportunities, but also demanded new skills, resulting in mismatches between the skills employers needed, and those which

Table 2.2: Percentage of people by employment status (November 2009)

Working status	Kazakhstan		Moldova		Serbia		Tajikistan		FYR Macedonia		Ukraine	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Employed	61	39	46	41	57	46	47	24	47	37	57	39
Unemployed	8	5	8	5	9	10	5	4	10	10	6	4
Pensioner	14	20	19	21	16	14	7	9	11	11	18	31
Children, students	6	6	10	11	6	6	10	8	5	8	10	8
Inactive	11	30	17	22	13	24	31	55	27	34	9	18
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Social Exclusion Survey 2009

people possessed. These mismatches were more prevalent in certain sectors and age groups. Without effective retraining opportunities, people with obsolete skills found themselves vulnerable not only to poverty but also to exclusion in other dimensions (from civic life, for example). In some cases, this process has led to the marginalization of whole groups, further amplifying societal strains.

Unemployment is not the only cause of poverty and vulnerability. An increasing number of people have been forced to take low-skill jobs or employment in the informal sector – thus joining the ranks of the working poor. In the region, economic exclusion often occurs because of labour informality, inactivity and under-employment. Informality has broader implications for social exclusion, eroding the tax base, institutions and societal norms.

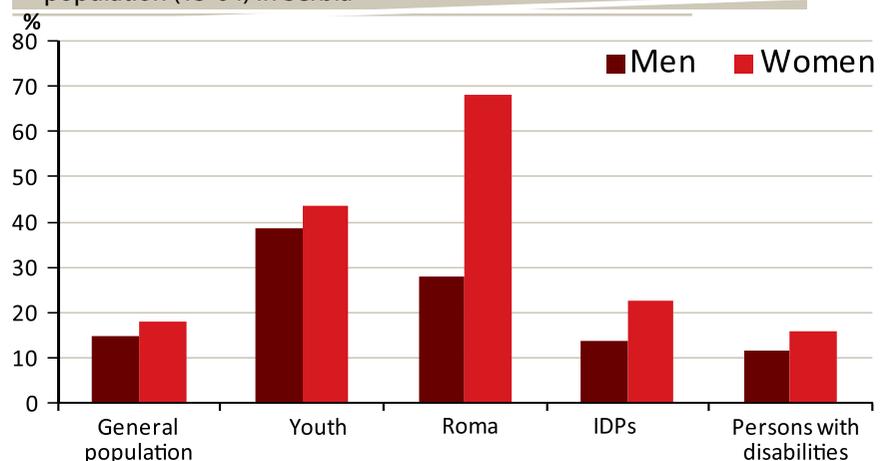
In the 1990s, employment ratios in the formal sector fell substantially below those found in OECD countries, or in the EU-15 (figure 2.2). This is particularly apparent in SEE, in the CIS (to varying degrees) and in the Caucasus. These data underlie the widespread problem of ‘inactivity’, as many under-skilled workers have become discouraged from looking for work. While unemployment was only between 4-10 percent in the six countries surveyed in 2009, a much larger portion of workers were ‘inactive’ (table 2.2).

It is important to understand how transition has affected the position of women and men in the labour market. Under socialism, countries had often strongly encouraged women to work, in part by offering company-sponsored childcare. However, women were often the first to be laid off during the

transition recession of the early-mid 1990s. The impact of the 2008-09 global crisis is more nuanced. Women have faced a lower risk of being laid off, both because male-dominated sectors such as construction have been among those most severely hit by the crisis, and because firms could save more by firing men, who tend to receive higher remuneration. But this gender ‘advantage’ is dubious, as women must generate higher incomes to support their households. Overall, inactivity among women in 2009 was higher than inactivity among men in all countries according to the ‘Social Exclusion Survey’ (table 2.2).

Exclusion from the labour market is especially pronounced among ethnic minorities, internally displaced persons (IDPs), and persons with disabilities. Within each category, women are more vulnerable than men, particularly in occupations with comparable remuneration. Figure 2.8 illustrates this vulnerability in Serbia.

Figure 2.8: Unemployment rates of the working age population (15-64) in Serbia



Source: For the general population, youth and the Roma - LFS 2009, and for IDPs and people with disabilities - LSMS '07

The regional youth unemployment rate is very high. In 2008 it was 17 percent. This represents a serious structural problem, given the aging population and retirees' reliance on state pension benefits. Young people are needed to pay into the pension system to ensure sufficient funds to support retirees. With only limited employment opportunities, young people are often forced to take low-skilled employment, to leave the labour market, or to migrate to another country. The global economic crisis has also hit youth hard. Unemployment rates for youth increased by 3.5 percentage points in SEE and CIS between 2008 and 2009. This is the largest annual increase in youth unemployment rates ever recorded in any region.<sup>17</sup>

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17/ILO 2010.

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18/Sarma 2008.

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19/EBRD 2007a. EBRD (2007b) discusses the private sector's options for improving services, but also notes that people's satisfaction with the quality of public services is low, sometimes in spite of relatively high spending rates.

### Access to assets and capital

Transition has led to a skewed distribution of wealth. Many households have faced higher utility bills after privatization because hefty government subsidies for utility companies were cut. Unable to pay the higher tariffs, many poor households were disconnected from utility networks.

In many cases, privatization resulted in 'privatizing the profits and nationalizing the losses' of state-owned enterprises, leading to a massive appropriation of capital. Particularly in CIS countries, economic wealth is now very concentrated, often in the hands of a small group of individuals. This massive asset inequality emerged in a very short period of time—after decades of state ownership. Because of an inherited legal framework that was not designed to regulate private monopolies, together with gaps and inconsistencies in newly adopted legislation, asset inequality has remained an obstacle to fostering inclusive growth.

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*"If you are not associated with a party, you cannot get a job" (Urban youth, the former Yugoslav Republic of Macedonia).*

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Most countries have been slow to develop inclusive financial systems, which can increase efficiency and well-being by providing resources for secure forms of savings and monetary transactions.<sup>18</sup> They also help people to avoid the need to tap informal and often exploitative credit sources.

## Exclusion from social services

Social services offer a wide range of opportunities critical for human development. Like employment, education and health have intrinsic value and are important for social inclusion. The same applies to other essential social services like social protection (including social insurance, social assistance and social services), access to housing and basic infrastructure, transport, energy, and information and communication technologies. Exclusion from social services refers not only to whether such services are available and at what level of quality, but also to accessibility and affordability by different population groups—issues that this section examines in depth.

In the 1990s, the quality of social services and utilities deteriorated rapidly, in particular in the CIS and in part of SEE.<sup>19</sup> Employer-provided social services disappeared, and extended state provision or market-based alternatives had not yet come to replace them. The level of incomes and pensions was too low to generate sufficient demand for market-based social services provision. Attempts at decentralizing responsibilities to local administrations without providing them adequate resources have further weakened the social infrastructure, in particular in rural areas and small towns. Capital-city centred models of growth and opportunities for employment abroad additionally undermined finances and governance capacity at local levels, which was already weak at the beginning of transition. All this contributed to exclusion from social services, either through reduced access or through reduced affordability.

Privatization of public utilities (water, sanitation and electricity) has often contributed to exclusion. While increasing efficiency, privatization failed to live up to expectations because there was no effective regulatory framework and genuine competition. State-owned monopolies were often replaced by poorly regulated private monopolies. Public subsidies for utilities (heating, water and electricity supply) subsequently fell sharply, placing cost-recovery out of reach even though prices of services increased substantially after privatization. In cases when subsidies were retained, they disproportionately benefited the more affluent seg-

ments of the population, contributing to the exclusion of the poor. Moreover, social disruption and the destruction of physical infrastructure in war-affected areas and countries, notably in the former Yugoslavia, the Caucasus and in Tajikistan, made the sustainable delivery of social services and the effective maintenance of public utilities nearly impossible, with serious implications for social exclusion.

### Early childhood, education and training, and life-long learning

Pre-school years are immensely important for child development and for equality of opportunity. Both are vital for preventing the social exclusion of children, particularly for children from vulnerable groups who face the highest risk of exclusion.<sup>20</sup> While pre-school facilities had been widespread in the region before transition, they were employed unevenly. In rural Central Asia, Azerbaijan and parts of SEE, children were traditionally kept within the extended family until school age.<sup>21</sup> Recent data on pre-primary enrolment rates show considerable differences among countries, ranging from over 80 percent of 3-5/6 year-olds in Belarus, Estonia, and Hungary to just 7 per-

cent in Tajikistan (figure 2.9).

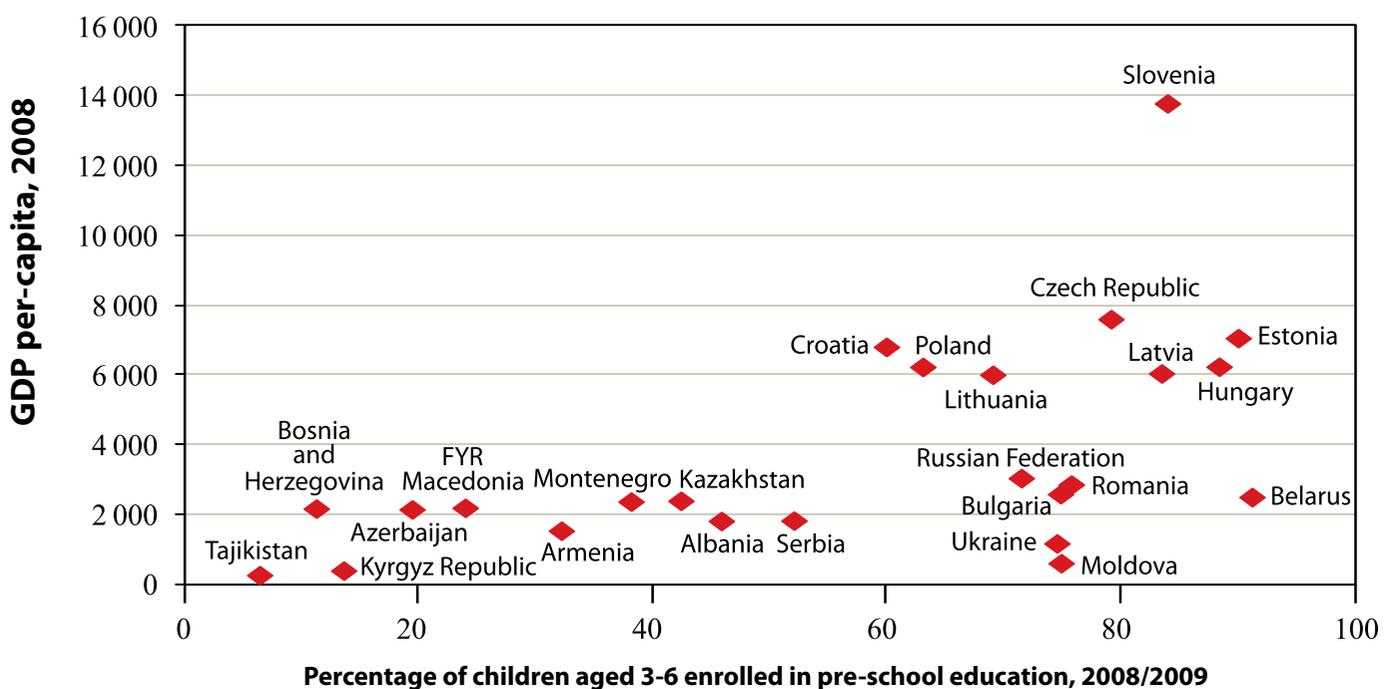
Rural-urban disparities exist in pre-school education, as well as in enrolment rates by income quintile. There is also an increasing gap between 'elite' kindergartens and 'mainstream' (usually underfunded and overpopulated) facilities. As a result, instead of equalizing opportunities through a 'fair start for all,' pre-school and early childhood services themselves contribute to early exclusion and segmentation, particularly for minorities and marginalized groups. Poverty and prejudice contribute to extremely low enrolment rates of children in pre-school education, augmenting the barriers they face later at school. The case of the Roma is an extreme and vivid illustration of this phenomenon.

The region as a whole has high levels of primary school attendance, which is compulsory from six or seven to 14 or 16 years of age. However, household survey data tend to show lower enrolment rates than those based on administrative data, presumably because there are incentives to keep reported rates high to access resources and maintain staffing levels. Rates tend to be lower in rural areas, for poor households and for some ethnic groups, notably Roma children in Central, Eastern and Southeast

20/ Kertesi, Kezdi 2006.

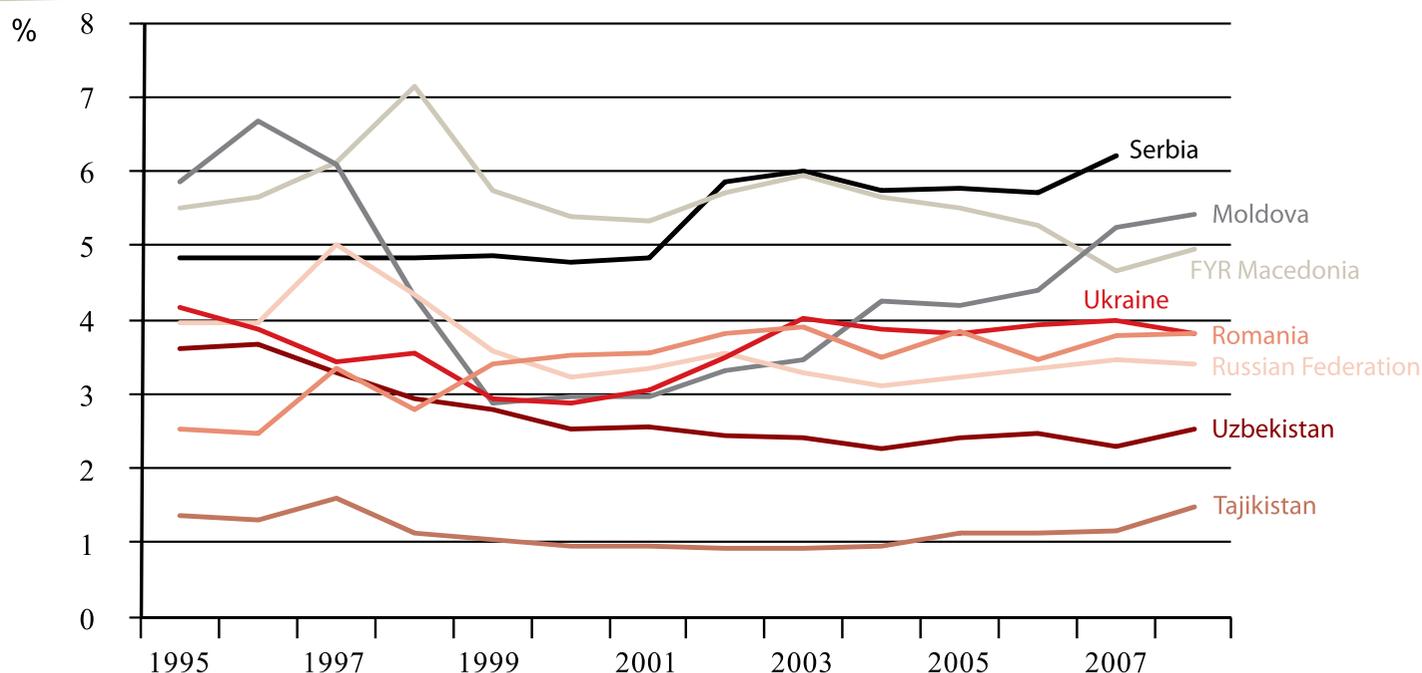
21/ UNICEF 2009: 25.

Figure 2.9: The percentage of children enrolled in pre-school rises with income



Note: GDP per-capita is expressed here in purchasing power parity terms with constant US\$. Source: TRANSMONEE Database UNICEF (2010).

Figure 2.10: Government health expenditure as a percentage of GDP (1995-2008)



Source: TRANSMONEE Database UNICEF (2010).

Europe. While official figures tend to overestimate Roma attendance rates since the proportion of Roma declaring themselves as such in the census is quite low, Hoelscher suggests Roma enrolment in primary education is rarely above 50 percent, with much lower completion rates.<sup>22</sup>

A related problem in Central, Eastern and Southeast Europe is the enrolment of a high number of Roma children in special and remedial education or segregated into primarily Roma classes or schools. These practices are a complex result of spatial segregation, the choices made by parents of non-Roma children, as well as *de facto* or *de jure* discrimination. Of particular concern is the evidence from some Roma rights NGOs that placement of Roma in special schools is rarely based on ability and is often without explicit parental consent.<sup>23</sup> The meagre education Roma children receive in this manner compromises their future personal development, according to the European Court of Human Rights.<sup>24</sup> Emphasizing the fundamental nature of prohibition of racial discrimination, the Court has condemned segregated education in cases against a number of countries and urged governments as well as other state parties to take action. The results, however, remain to be seen.

The educational integration of children with disabilities is an important part of the social exclusion challenges in the region. In this field, the legacy of stigma and lack of quality services has combined with poor resources to produce a situation where children with disabilities are placed in special schools. These are often institutions remote from centres of population and which allow limited access to parents. More generally, there is still little mainstreaming of children with disabilities into integrated schools and classrooms and a lack of a rights-based approach to deliver good quality, coordinated, community-based support services.<sup>25</sup>

### Universal education?

While public funding for education in parts of the region is nominally on a par with the rest of the EU, structural problems in the educational sector persist. These relate to problems providing the skills demanded by the labour market, and to problems of continuing education and retraining. In most of the region, educational exclusion is less a matter of coverage and formal enrolment and more a matter of substance and quality.

Education has tended to be relatively protected. Most countries increased funding

22/ Hoelscher 2007.

23/ ERRC 2005.

24/ ECHR 2007.

25/ Sammon 2001.

for education in the late 1990s, returning to pre-transition levels. Still, gaps remain in terms of enrolment and performance, and in terms of how schools prepare poor and excluded groups for the labour market. In many countries a parallel supply of educational services has emerged (in the form of high school and university exam prep courses). Concentrated in big cities, this parallel supply has served to channel students and teachers away from provincial schools. Many of these rural schools have become unattractive for teachers, triggering a vicious circle of declining quality and funding. Public funding has tended to focus on maintaining compulsory education and on basing teacher pay only loosely on educational results. As a consequence, inequalities in access and opportunities have strengthened as poor and excluded families are unable to afford school books, travel and clothing.

Traditionally, education systems in socialist countries spent heavily on university education, and much less on vocational and skill-oriented training. Professional education was seen as a less prestigious area of last resort, and vocational training was predominantly carried out by state-owned enterprises training their own staff. Such training was the first to be cut during post-privatization restructuring, and the state often could not fill the gap. At the same time, vocational offerings were often outdated and unappealing.<sup>26</sup>

Long-term unemployment—particularly among youth—has reinforced the ‘university bias’ of educational systems. Academic education is still free in most countries and is thus a preferable alternative to unemployment. However, the mismatch between educational curricula and the needs of the labour market limits the ability of higher education to enhance social inclusion. This leads to a significant number of frustrated middle-aged professionals vulnerable to social exclusion due to their obsolete skills.

### Affordable health care?

Given the intrinsic value of health from the human development perspective, access to healthcare is critical for social inclusion. Both financial and structural reasons account for health care exclusion. Countries in the region face severe budget constraints, as well as difficulties in

implementing reforms that balance quality services, access for all, and efficiency. As a result, inequalities in access to health care and in terms of health outcomes have been growing throughout the region. While in general, public expenditures on health have been maintained both as a percentage of GDP and in terms of expenditure per person, they are still low, particularly in the Caucasus and Central Asia (figure 2.10). The gap is increasingly being filled by private spending. In countries where public expenditure on health is less than 3 percent of GDP, private spending in 2006 represented at least 50 percent of overall health expenditure, except in Kazakhstan.<sup>27</sup> This increases the risk of exclusion from health services for poorer households.

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*In the hospital in my municipality, the doctor did not treat me for the illness I came for, but told me: “If you can’t stop being a faggot on your own, I’ll send you off to Lazarevac, where they’ll sort it out with electric shocks, and there’s a really nice treatment, they show you a really handsome man, really pretty, and then they show you a car accident, and then again a nice man, and then again someone stabbed, and so on...”* (Focus group participant, gay person, Serbia).

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Both the amount of resources devoted to health services and the way these funds are being utilized are major concerns. The health care system in most countries of the region continues to devote a disproportional share of resources to hospital care at the expense of preventive care. In addition, the gap between operating costs, which are rising, and health insurance revenues, which are not keeping pace, is imposing huge strains on health insurance systems. This is so because the cost of inputs has increased rapidly (in part owing to new medical and pharmaceutical technology, as well as to the collapse of the domestic pharmaceutical sector in many countries and the resulting switch to more expensive imported supplies). At the same time, revenues from health insurance contributions remain very low, in part owing to widespread labour market informality that contributes to under-insurance of health risks.

While universal access is still formally guaranteed in several countries, it has been ‘de facto eroded in a non-transparent way, especially for the poorer sections of society’.<sup>28</sup> The Social Exclusion Survey finds that a significant share of households have to pay out-of-pocket or informal payments

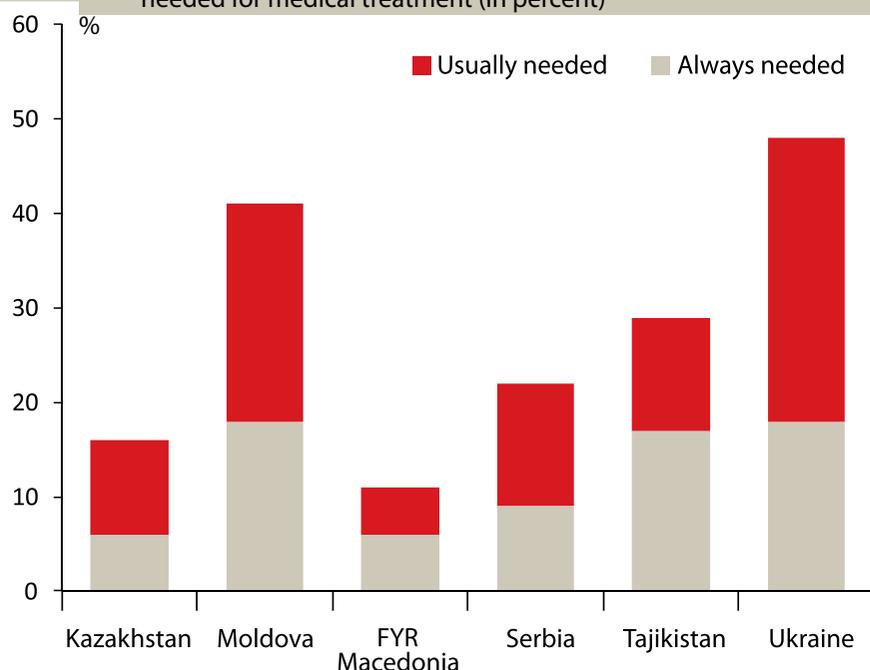
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<sup>26</sup>/ EBRD 2007a; Cazes and Nesporova 2007a; and Nesporova 2002.

<sup>27</sup>/ UNICEF 2009: 75.

<sup>28</sup>/ UNICEF 2009: 76.

Figure 2.11 Share of respondents saying unofficial payments are needed for medical treatment (in percent)



<sup>29</sup>/Balabanova et al. 2004.

<sup>30</sup>/Skeldon 2005: 7.

<sup>31</sup>/European Commission 2008: 147-8.

<sup>32</sup>/European Commission 2009.

<sup>33</sup>/World Bank 2007a.

<sup>34</sup>/ESN 2009.

<sup>35</sup>/<http://www.soros.org/initiatives/health/focus/mhi/about/about/more>.

<sup>36</sup>/UNDP 2008.

<sup>37</sup>/UNAIDS 2009: 11.

<sup>38</sup>/<http://www.avert.org/aids-russia.htm>.

for drugs and services in the countries surveyed (figure 2.11). Moreover, the probability of not consulting a health professional when seriously ill is higher for those over 65 and for those with lower levels of education. Reasons include lack of money to pay for treatment; reliance on self-treatment; or distance to reach a health facility.<sup>29</sup>

Significant disinvestment over the years has resulted in eroded health care facilities and emigration of trained medical staff, adversely affecting the sustainability and accessibility of health services and exacerbating individual risks of social exclusion. There is also concern about the migration of health workers from rural to urban areas.<sup>30</sup> In Albania, for instance, infant mortality rates are about 50 percent higher in rural areas, with rates in different districts varying from under five to over 35 per 1,000.<sup>31</sup>

A two- or three-tier health system is emerging in the region, with the poor more likely to receive minimal care—or none at all. Advances in health care and the growth of privatized health care services for those who can afford them, sometimes within formally public health care facilities, have tended to skew priorities in favour of treatment of diseases of affluence over and above diseases of poverty throughout the region. People from Roma communities and refugee populations, as well as those in agriculture, the informal and in some cases,

the self-employed sectors visit health service facilities less frequently, have to travel further, and spend a greater proportion of their income on health care.<sup>32</sup>

Two broad groups facing acute health exclusion are older people and people with mental illness. The elderly face challenges in terms of appropriate long-term care services which are neither fully hospital-based nor reliant on informal family and kinship care.<sup>33</sup> New member states of the EU spend significantly less on long-term care than the old member states and are much less likely to offer a tailored mixture of services.<sup>34</sup> Persons suffering from mental health problems face a striking lack of community-based psychiatric services. Indeed, in many cases, living conditions in long-term residential facilities may breach human rights. Progress has been limited since transition even in new EU member states, with ‘pockets’ of more progressive provision of mental health amid lamentable practices across the board.<sup>35</sup>

Exclusion from health care, education and employment can be found widely among people living with HIV.<sup>36</sup> In Eastern Europe and Central Asia (excluding Central Europe) an estimated 1.5 million people were living with HIV in 2008, an adult prevalence of 0.7 percent. This is higher than in all other regions of the world except the Caribbean and Sub-Saharan Africa. It reflects an increase from around 900,000 people in 2001, with 110,000 new infections and approximately 87,000 adult and child deaths due to AIDS in 2008.<sup>37</sup> It is estimated that about 90 percent of those infected live in the Russian Federation and Ukraine, where infection rates are 1.1 and 1.6 percent, respectively. Some suggest that Russia will face the greatest number of AIDS-related deaths in the next five years. Rates are also high in Estonia (1.3 percent) and in Latvia (0.8 percent).<sup>38</sup> Injecting drug users, sex workers and their sexual partners remain the groups most at risk. Significant problems remain in terms of attitudes and awareness which often act as barriers to access for social services, prevention, treatment and appropriate long-term care.

## Social protection

Social protection systems (social assistance, social insurance benefits, social services, social work, and counselling services) can be crucial sources of last-resort support

to the extreme poor as well as to the excluded, or to those at risk of exclusion. Such systems can help people avoid or manage risks, thereby promoting people's re-entry into productive roles. They can help deal with the consequences of exclusion and can also work against some of the drivers of exclusion, such as extreme poverty and exclusion from the labour market.

The limited fiscal envelope makes it unavoidable to introduce targeted elements into the social protection system in the region. Targeting can be carried out through means testing (targeting those who satisfy minimum income criteria), or can be category-based, i.e. targeted at certain population groups, such as families with more than three children. Meanwhile, selected universal social protection programmes can also be retained. They are easy to administer, and avoid the problems and costs of means testing, which can be problematic in countries where informal earnings are prevalent. When financed adequately, they can also have a high redistributive impact.

Social services reforms have affected service delivery and outcomes. During early transition, serious disinvestment occurred and elements of social services were placed on a market basis. Some countries delayed reforms, maintaining formal equality of access to services alongside a *de facto* deterioration in provision. Social protection schemes in many countries in the region have been 'captured' by particular interests or groups,<sup>39</sup> leading to slower reform and under-coverage of those groups that possess less political power.

Pensions constitute important source of incomes for elderly groups and the performance of pension systems has important implications for social exclusion. The old pay-as-you-go (PAYG) system appears financially unsustainable in countries with ageing populations. Low and declining rates of social insurance contributions, exacerbated by high levels of informal employment, low employment rates and high youth unemployment make prospects bleak in many ECA countries. Low replacement rates provide further disincentives for formal sector employment and for contributors to join the system.

Several groups are at risk of being completely excluded from pension benefits. Most migrants lack social insurance both in

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*"We have no social worker. No services. There is a person with a disability in our village; he is old, 71 years. We asked for a social worker for him, but we were told that it was impossible and that there should be at least three such people in the village and that nobody would come for one man. Therefore, when he scrapes himself, neighbours help him. We have seen a social worker once. He came by bicycle, asked about our life and needs, and then disappeared. He said that there was no transport to get here from Zarya, a remote village, and that it was necessary to hire a car. Social protection employees came once using a state vehicle to distribute pensions and allowances. After all documents had been prepared, they collected 300 Tenge for petrol from each person, for whom they had prepared documents. They explained that although it was a state car, petrol should be paid by those people for whom documents were prepared. That is the sort of social protection we have" (Resident of a remote village, Kazakhstan).*

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the host and sending countries. Even if they are insured, pension contributions made in one country are not usually transferable to another, raising the prospect of working migrants ending up with no pension when they reach retirement age. This would pose a considerable challenge for countries with a high share of migrants. The large share of the workforce in informal-sector employment (e.g., over 50 percent of employment in Central Asia) is set to be left out of the pension system. Women working in the household, the self-employed in agriculture, and discouraged job seekers all face similar risks of pension exclusion. Low pension levels are (and will likely remain) a major factor contributing to the risk of income exclusion for elderly people throughout the region. The size of the pension is often too low to guarantee a decent standard of living, and there appear to be significant differences between pension levels for men and women even within CEE.

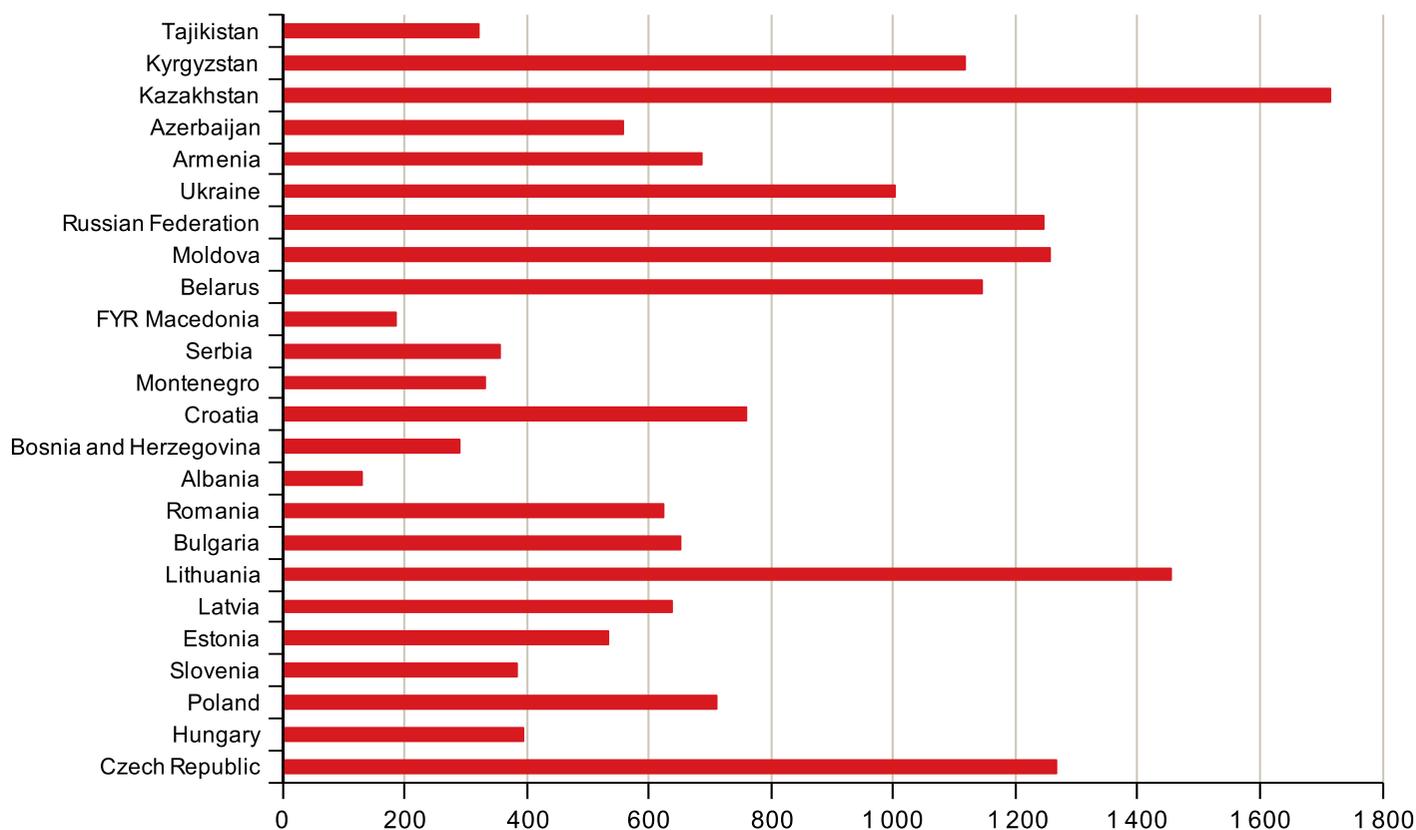
Unemployment compensation schemes are now prevalent in CEE and CIS countries (only Tajikistan does not have one). However, only 20–30 percent of the unemployed actually receive unemployment benefits in most of the transition countries. In the CIS, unemployment benefits have always been low, resulting in (i) only a small share of the unemployed registering themselves officially;<sup>40</sup> and (ii) workers being more reluctant to part with their jobs, which may have contributed to the slower pace of enterprise restructuring. On the positive side, unemployment and other social benefits boost incomes more in economically depressed regions, due to intra-country differentials in the cost of living. Also, while workers who receive unemployment benefits or so-

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39/ Cerami and Stubbs 2010.

40/ Rutkowski et al 2005.

Figure 2.12: Number of children in institutional care per 100,000 people 18 years or younger (2006)



Source: TRANSMONEE data UNICEF (2010).

cial assistance tend to remain unemployed somewhat longer, benefit recipients are more likely to find new jobs, and these jobs are more likely to match the job seekers' skills and preferences, decreasing their risk of social exclusion in the long run.

Budget cuts in many countries have transferred social protection functions to family, community and similar informal providers, with adverse consequences. These forms of social protection provision are underdeveloped, under-funded and, frequently, not mainstreamed into statutory social protection systems. Traditional community-based systems of support and solidarity have also been eroded in the transition period and were often unable to pick up the social protection functions being imposed on them. Ultimately, the household was the last line of defence against social strain, and bore the heaviest burden in terms of taking on the 'off-loaded' social protection responsibilities.

There is a persistent over-emphasis on *institutional care* for some groups, contribut-

ing to their social exclusion. Abandoned, orphaned, neglected or 'at risk' children, young people in conflict with the law, and children and adults with disabilities face this risk. In some western CIS countries and Balkan states, the rates of institutionalization remain worryingly high, despite recent reform measures (figure 2.12). The lack of sound community-based services to help families at risk makes it difficult to accelerate the process of de-institutionalization. Official statistics on the share of children in institutional care may understate the true rates, and the share (not numbers) of children being placed in institutions may have continued to grow during the years of rapid economic growth.<sup>41</sup> Such care tends to be in remote geographical settings with too little attention paid to non-institutional solutions, and to abruptly end after a child reaches 18 years of age.

Social protection systems remain inflexible in the region. They remain slow to respond to new needs 'reflecting the weak tradition of social work, community-based

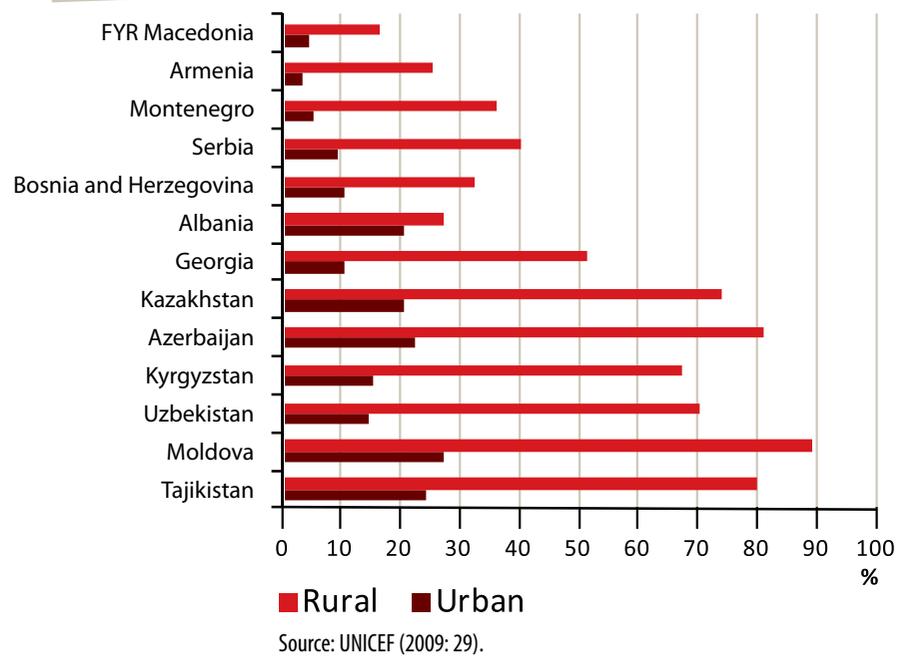
41/Everychild 2005.

services and combining cash with individual casework.<sup>42</sup> Moreover, for children and adults with disabilities, they are still based on rather crude medical assessments of capacity, tend to encourage passivity and dependency rather than being supportive of diverse forms of social integration, and are rarely complemented by services tailored to the specific needs of this population group.

## Housing and living conditions

With a high rate of dwelling ownership, housing deprivation in the region is more related to the quality of housing and access to basic infrastructure than to the unavailability of housing as such (except for some Roma communities). Depreciation of the housing stock—not maintained for decades—is a common problem, largely due to weak public finances and income poverty in the first decade of transition. The same applies to basic infrastructure like water supply, sanitation or heating. Problems also persist with access to basic utilities in rural areas. Problems of overcrowding, quality of housing stock, and access to basic utilities (figure 2.13) are most pronounced in rural areas, among poorer sections of the population, and among some minorities. Extreme housing deprivation is experienced most acutely in Central Asia, as well as—more broadly—by refugees, IDPs and Roma.

Figure 2.13: Percentage of urban and rural populations living in dwellings not connected to a public water network, 2005-2006



The 'Social Exclusion Survey' (table 2.3) contributes important details to this picture. It reveals noticeable differences in terms of basic infrastructure not just between groups of countries (the two SEE countries, Serbia and the former Yugoslav Republic of Macedonia, and the rest covered by the survey). In most cases there are significant access shortfalls for households in the bottom income quintile and households in rural areas.

42/ UNICEF 2009.

Table 2.3: Lack of Access to Utilities (in %)

	Running Water						Flushing indoor toilet						Sewage system					
	KAZ	MLD	SRB	TAJ	MCD	UKR	KAZ	MLD	SRB	TAJ	MCD	UKR	KAZ	MLD	SRB	TAJ	MCD	UKR
Income quintile	Access to water and sanitation by household income status																	
Bottom Quintile	61	50	7	63	4	35	74	73	20	80	11	51	72	67	46	71	17	49
Top Quintile	12	21	2	44	1	4	25	50	1	44	0	10	19	29	18	44	7	11
Type of settlement	Access to water and sanitation by type of settlement																	
Village	74	59	6	78	2	45	89	85	9	95	6	69	87	74	37	84	41	6
Small town	17	10	2	40	0	13	35	48	4	59	3	23	33	34	11	49	0	20
Regional/economic centre	5	11	1	16	0	3	19	28	1	27	2	10	17	22	5	30	3	11
Capital	8	0	0	3	1	0	17	4	0	12	1	0	12	2	11	13	6	0
Total	43	38	4	61	1	20	58	58	5	78	3	33	56	50	22	69	14	31

The homeless suffer from extreme housing exclusion (box 4). Given that homelessness is a relatively new problem in the ECA region, there are no reliable statistics, not least because homeless people tend to be missed by most large-scale sample surveys. In several ECA countries, in particular in the CIS countries such as the Russian Federation, a substantial group of homeless is left without any form of social protection. Children living in the streets

43/ UNHCR 2009.

44/ UNDP Montenegro 2009.

45/ World Bank 2005: 174.

#### **Box 4: The homeless**

*The respondents surveyed for the 'Social Inclusion Survey' comprise a randomly selected sample with one feature in common: they all have a home. Many people, however, do not. The homeless do not fit into traditional sampling models and thus researchers can miss them. That does not mean they do not exist.*

*Homelessness is increasingly an issue in the region, Russia included. A recent report published by the Institute for Urban Economics\* in Moscow sheds light on the ways people can become homeless as well as on the destructive implications for the individual.*

*In Russia, a major driver pushing people into the street is the requirement to register where they live. Although the former propiska system has been eliminated, registration is a prerequisite for state benefits, social services, etc. A stamp in the ID card is still needed to get a job, receive medical care, place a child in kindergarten, receive social benefits, or even collect veterans' entitlements. And people can lose the stamp for various reasons – family conflict (husband moves out of the home but has nowhere to go), fraud (real estate sharks convince somebody to sign a misleading-but-binding contract to sell his or her flat), problems with the law (when a person has nowhere to go once he or she gets out of prison). The most frequent reason, however, is economic—when people lose their jobs, they can no longer make payments on their homes.*

*Homeless people are not just those who have lost the will and energy to persevere, who only want to find food and a place to sleep for the night, and who want to keep warm in winter. Actually, these fully marginalized people are a minority among the homeless. The majority are ordinary people who had the misfortune to find themselves on the street in a vicious circle of marginalization.*

*The number of homeless is estimated at 1 to 4 million in the region. Is there light at the end of the tunnel for people on the street? Official recognition is already a success of some sort. A number of NGOs and local administrations are working on addressing the problem by providing temporary shelters, safe accommodation in winter, or helping to restore the full-fledged legal status of homeless citizens. Legislative changes are being discussed as well. Knowledge and experience are being accumulated. Hopefully, it will not take long to reach a critical mass and bring about sustainable change.*

\* E. Kovalenko, E. Strokova (2010) *Homelessness: Is there a Way Out?* Moscow: Institute for Urban Economics.

often experience violence and abuse. In 2007 the State Duma approved a law to provide state support to homeless people.

Refugees and displaced persons also suffer from serious housing exclusion. They lack a viable long-term living solution, both in their home country and in the country where they currently live. There are almost 1.5 million refugees and IDPs in the region, with the highest shares in Azerbaijan, Georgia, Bosnia and Herzegovina and Serbia.<sup>43</sup>

Many people in the region, including displaced persons and urban migrants, face severe challenges in terms of property rights. For instance, over half of Roma households in Montenegro have no legal title to their homes, which leaves them vulnerable to forced evictions.

Throughout SEE, many Roma live in segregated settlements that are overcrowded, provide poor shelter, and are often not connected to public water and power networks. Almost a quarter of Roma households in Montenegro live in overcrowded shacks, while one third do not have access to running water.<sup>44</sup> The situation is also dire for the comparatively more developed new EU member states, where many Roma settlements do not meet basic standards.

## **Access to Energy**

In recent years, access to reliable and affordable energy has become a key issue for social exclusion. The major challenge however is more related to affordability and availability of service and less to access.

The region is characterized by almost universal connection to the electricity grid—the only exception is Tajikistan, where 6 percent of households reported being without electricity in the Social Exclusion Survey. According to the World Bank, the reliability of supply is generally a greater issue than connectivity. In Albania, Georgia, Kyrgyzstan (except in the capital), Tajikistan, and Turkmenistan, only a minority of users had electricity 24 hours a day.<sup>45</sup>

In terms of social exclusion, the cost of energy plays a large role, since poor and vulnerable households spend a high proportion of their income on energy.

Throughout the region, the burden of paying energy bills has increased as a result of subsidy cuts, price and tariff increases, increased reliance on more expensive sources, and increased enforcement in case of non-payment. In cases where regulation is inadequate, there is a risk of passing on only energy price increases to the end user, and not price declines. A recent World Bank report noted the serious impact of energy poverty during the crisis throughout the region, with the effects worst among the poorest households and in rural areas.<sup>46</sup> Given the need to price energy appropriately (to reach cost-recovery for well-regulated utilities, and to eliminate energy subsidies), adequate social protection will need to be made available to those in need, together with facilitating their access to energy-efficient, low-carbon technology.

### Mobility and transportation

Transport is critical for access to employment, health and education. Nevertheless, access to quality and affordable transportation is much less in focus than access to energy. This should change, since lack of transport can contribute significantly to social exclusion. The World Bank Rural Access Index calculates the share of rural dwellers living less than two kilometres from the nearest all-season road using household budget survey data. The index is lowest in Albania (31 percent), a still rather low 56 percent in Ukraine, 57 percent in Uzbekistan, and around 66 percent in Belarus, the Republic of Moldova and Turkmenistan.<sup>47</sup> As for railway transport, cutting costs by cancelling less profitable routes disproportionately affected remote rural areas, raising the risk of isolation and related exclusion of their populations.

Disabled persons are often excluded from public transport. Both the inaccessibility of buildings and people's attitudes, such as when taxi drivers refuse to take disabled customers, are legacies of the past that have not improved sufficiently during transition.

### ICT and the digital divide

Low internet and ICT penetration rates contribute to the 'digital divide' in the region and are often referred to as 'e-exclusion'. The phenomenon is widespread and

*"Public transport is non-existent. Before we had a bus assigned to us by a farm director, but then it was cancelled because there were not enough people using it. They said that the cost was too high" (Resident of a remote village, Kazakhstan).*

may even be growing throughout the ECA region, diminishing access to information and participation in social networks. In terms of internet use, it is clear that the proportion of users is closely related to overall levels of human development. But even in the richest countries of the region, more than one third of the population does not use internet.

Given the increasing importance of the internet as a medium for information exchange and access to knowledge, this has far-reaching consequences in terms of participation in economic, political and social life, particularly for young people. It also tends to exacerbate the exclusion of an underclass that is trapped within a circle of deprivation, lacking access to modern information channels so vital to success in contemporary society. This is worrisome because access to ICT could be highly effective in alleviating social exclusion stemming from physical remoteness or from limits in access to some public services. The 'Social Exclusion Survey' found that a significant part of the population in the CIS cannot afford a computer or internet access (table 2.4).

<sup>46</sup>/World Bank 2010.

<sup>47</sup>/ <http://www.worldbank.org/transport/transportresults/headline/rural-access/rai-updated-modelbased-scores5-20070305.pdf>.

Table 2.4: The percentage of people who cannot afford electronic equipment

	Landline phone	Cell phone	Internet	Computer
Kazakhstan	20	14	42	38
Moldova	7	15	41	39
Serbia	5	3	20	15
Tajikistan	39	18	67	68
FYR Macedonia	7	2	13	11
Ukraine	12	7	32	26

Source: Social Exclusion Survey 2009.

## Exclusion from social networks and civic participation

The key concept for inclusion in civic processes is *participation*. Exclusion from civic and social life and networks therefore refers to denied participation in different aspects of political, cultural and civic activity. These include engagement in the electoral process, the right to elect and be elected, freedom of expression and association, access to justice and information, and public and political security.

Exclusion from civic and social life and networks occurs not only through formal institutions but also through lack of access to informal structures and opportunities. Informal social networks and formal civic institutions are complementary avenues for participation in public life.

Two aspects of civic, cultural and political exclusion are noteworthy when looking at social exclusion: the development of political culture and social capital. Political culture refers to the values about the nature of authority, the role of individuals or groups (e.g., women) in public life, and prevailing role models. Political culture is reflected in political participation beyond turnout at elections (which itself is low in several countries), and levels of public confidence in state institutions. Social capital is based on norms of reciprocity and mutual trust,<sup>48</sup> increased through social networks and individuals linked through them. Research suggests that societies with higher level of social capital stand a better chance of becoming democratic and stable. Social capital is especially important for low and middle-income transition countries that face the triple challenge of democratization, economic development and avoidance of violent conflict.<sup>49</sup>

works among next of kin, or in their communities. Clearly, throughout the region, post-independence states continued to rely on strong pre-existing social organizations.<sup>50</sup> For example, the politics of clan and kinship play an important role in the Central Asian political landscape (in Uzbekistan and Turkmenistan in particular), while individual and civic activism is rather limited.<sup>51</sup> Furthermore, traditions of 'tribal democracy' among nomadic peoples in countries such as the Kyrgyz Republic contrast with traditions of hierarchy and authority that characterize the settled agricultural society of Uzbekistan. As such, civic engagement is rather active at the community level in Kyrgyzstan, while in Uzbekistan the *mahallas* (self-governance institutions) provide an important community framework for action.

In this sense, Central Asian countries seem not to differ much from SEE and the Caucasus but do differ from the countries of Central and Eastern Europe, which are organized more around individual initiatives and civic engagement. The tradition of association has been strong in CEE (for example, *Solidarnosc* in Poland, and Charter 77 in Czechoslovakia), and these forms of civic engagement and activism contributed to the political change of 1989. Civic engagement further evolved in Central and Eastern Europe in the 1990s: independent media flourished and the number and reach of civil society organizations, such as trade unions, professional and consumer associations, religious organizations, and environmental groups rose rapidly. More recently, the European Union has enhanced incentives for developing civil society in EU accession countries through e.g., legal requirements and human rights charters.

Nevertheless, involvement in civil society organizations (CSOs) has remained relatively weak in the region.<sup>52</sup> The sector, for example, employs only 2 percent of the CEE population (and even less in the Western CIS, Caucasus, and Central Asia) compared with 7.8 percent in the United States or 5 percent in France and Germany. An important civic difference between post-socialist states and the EU 15 is the extent to which the new institutions are responsive and accountable to citizens, and the extent to which informal groups and networks wield control, exert influence, and broker relationships between public and private sectors.

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48/ Putnam et al. 1993.

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49/ Kuzio 2001.

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50/ Social organizations are largely involuntary, promoting communal norms and values, unlike the individualist and voluntary associations that de Tocqueville and others have argued are the basis of Western and democratic civil society.

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51/ Collins 2006.

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52/ Rose-Ackeman 2001.

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"We do not go anywhere. We have no club, as it was closed and turned into a hostel. There are no facilities for the rural population, no post office" (resident of remote a village, Kazakhstan).

### Civil society participation

Data from the 'Social Exclusion Survey' suggest that while citizens are disillusioned with politics, they are keen to form net-

One important factor could be funding—the majority of CSOs struggle to make ends meet, primarily responding to external donors’ priorities rather than advocating for the needs of local communities.

With countries of the region graduating from donor support, the CSO scene is changing. Some organizations have folded up, or started to provide consultancy services, rarely focusing on community-level activities. As a result, the CSO community has split into two groups: ‘professional’ donor-driven organizations with access to resources but weak links to local communities, and a group of small (usually community-focused) organizations doing small but tangible things at the local level and facing problems of raising even small amounts of funding. These groups’ contribution to social inclusion is quite different. Bridging the gap between the two—e.g., through volunteerism—is therefore a major challenge with important implications for social inclusion, particularly at the local level.<sup>53</sup>

### Levels of trust, participation in civic networks and social capital

Social networks, civic participation and trust are weakening in the region. Social networking has become more important for getting ahead in life, while trust in people, neighbours and formal institutions is very low. Studies also suggest that while people don’t trust institutions on the whole, they often trust the people they know in these institutions who help them get things done. Such attitudes can contribute to a deeper sense of injustice (by those who don’t have such connections), and to a breakdown in the social contract.

The Social Exclusion Survey found high levels of mistrust in the six surveyed countries, with no significant gender differences. As table 2.5 shows, this lack of trust is slightly higher among those in the bottom quintile of the population in terms of consumption. The most mistrustful are in Serbia, where this level was 80 percent, and in the Republic of Moldova (73 percent), while citizens of Ukraine and Kazakhstan are more trusting. On the other hand, people reported a high level of trust in acquaintances and people within their social network throughout the

Table 2.5: Percentage of people who disagree with the statement: “Most people can be trusted”.

	People can't be trusted	Bottom quintile	Other quintiles
Kazakhstan	42	41	42
Moldova	73	73	73
Serbia	80	86	78
Tajikistan	57	63	56
FYR Macedonia	57	61	56
Ukraine	46	48	46

region, indicating that people are invested in their private circles.

The ‘Social Exclusion Survey’ found civic participation to be very low in the six surveyed countries. Participation in any kind of association, club or leisure group is lowest in Central Asia (Tajikistan (21 percent) and Kazakhstan (21 percent), followed by the CIS (Ukraine (26 percent) and Moldova (25 percent)). Participation is higher in South-east Europe, where almost 40 percent of respondents reported being active in some kind of civic activity.

Some 28 percent of men and women reported that cultural events accounted for their participation in civic life. Youth—particularly those between the ages of 15 and 24—said they preferred cultural events (45 percent). Cultural life also appears to be considerably more pervasive in capital cities, especially when compared with villages. Respondents in Kazakhstan (18 percent) and in Tajikistan (15 percent) cited distance as a reason for not participating more in cultural events.

Six percent of respondents in the Social Inclusion Survey reported taking part in some political party activity (a distant second behind participation in cultural events). Politically active men in Tajikistan and the former Yugoslav Republic of Macedonia account for 14 and 9 percent of survey respondents, respectively. At 4 percent, Kazakhstanis reported the lowest participation in political parties.

<sup>53/</sup> In Albania, the Republic of Moldova and the former Yugoslav Republic of Macedonia, the numbers of people volunteering in organizations are higher than in the EU. Voluntary participation in religious and cultural organizations is the most popular form of volunteerism, followed by sport organizations, and labour movements. Youth, and people with higher education are more active volunteers, and volunteer rates are slightly higher for men.

Women are strongly under-represented in political life. The proportion of women members of parliament is only 15 percent in the region, with considerable variation across countries. Women in Georgia and Albania hold only around 6-7 percent of seats; this figure is 9 percent in Armenia and Romania, rising to 30 percent in Kyrgyzstan and the former Yugoslav Republic of Macedonia.<sup>54</sup>

54/ UNDP 2010c.

Survey respondents reported low participation in labour movements, which ranked third. Only four percent of respondents reported taking part in demonstrations, which ranked last. Men were found to be more active than women, except in Kazakhstan and the Republic of Moldova. Overall, survey respondents reported little interest in politics. They said they refrain from political activities because they cannot affect change, and also because they fear there might be negative consequences.

55/ Mihaylova 2004.

### **Box 5: The ties that bind**

*The National Human Development Report from Bosnia and Herzegovina for 2008 addresses the issue of social capital. It finds that Bosnia and Herzegovina is a society dominated by strong familial ties. People are more likely to spend time with, and have trust in, their immediate social network of family, friends and close friends. This applies equally across ethnicity, age, gender or location. Ethnic minorities living in an area with a majority population generally possess weaker social networks. Finally, only about 10 percent of people feel that most people can be trusted.*

*The analysis suggests that social networks matter. Those who have weaker social networks have fewer people to rely on for help, feel more isolated, and have lower levels of trust. Groups more likely to suffer from social isolation include IDPs, minority returnees, the elderly, women in rural areas, and people with minimal education. The elderly are most likely to possess inferior networks. People in the Republika Srpska are more likely to suffer a lack of networks than those in Bosnia and Herzegovina. Those who lack networks have lower levels of social capital and higher levels of material deprivation.*

*Social networks and inclusion are strongly correlated. The use of štela – personal and family connections – is widespread throughout society and is present in most relationships between people and service providers in Bosnia and Herzegovina. Some 95 percent of survey respondents reported that having a štela is always or sometimes useful for access to basic social services. Some 86 percent of people see personal connections as the only way to get a job, and most people use family connections in their search for employment. But those networks are also a double blessing. The use of štela not only limits access and produces inequalities within society, but also significantly disempowers people.*

Source: UNDP BiH (2009: 22).

A recent National Human Development Report from Bosnia and Herzegovina has emphasized the distinction between inclusive and exclusive social capital. The former is fostered through open and diverse social networks; the latter through closed networks that often require considerable effort or cost to be admitted, or are based on certain social attributes that cannot be acquired (box 5). The key conclusions of the report underscore the linkages between those forms of social capital that can foster social inclusion and those that entrench social exclusion. In this respect, personal and family connections have been found crucial for obtaining employment or state services. In different ways and contexts, the use of personal and family connections to help gain access to services, employment or privileges, or to enable 'jumping the queue' is widespread throughout the region. It exacerbates inequality and social exclusion for those lacking effective connections.

Ethnic tensions are prevalent in several countries. In Serbia and the former Yugoslav Republic of Macedonia, data indicate that the young population feels the intensity of ethnic strife most: 34 percent of students in Serbia and 46 percent in the former Yugoslav Republic of Macedonia reported feeling considerable tension between ethnic groups. Some 8 percent of respondents in Kazakhstan and 21 percent in the Republic of Moldova reported the existence of ethnic tensions within the same age group (15-24 years).

Social capital contributes to well-being and social inclusion. Weak social capital perpetuates social exclusion, which further erodes inclusive social capital. This in turn may lead to greater reliance on family and kinship ties, reinforcing exclusive types of social capital. Lack of trust in people who are different may also contribute to social exclusion. Similarly, a lack of trust in institutions leads to a breakdown in the social contract between citizens and the state, and fosters a reliance on informal channels for accessing institutions, a practice that can feed corruption. Mihaylova<sup>55</sup> suggests that the unequal distribution of social and cultural capital, in part a legacy of socialism, contributes to educational inequalities and hence exclusion from the opportunity to acquire skills that could enable full participation in society.

## ***Major findings of this chapter***

This chapter has analysed how people are excluded along three dimensions: exclusion from economic life, exclusion from social services, and exclusion from social networks and civic participation. Exclusion from economic life can result from inequalities in access to resources. These inequalities are attributable to location (spatial poverty) and status (being a child, woman, minority, etc). Although average poverty rates were declining through 2005, poverty has remained entrenched in rural areas and small towns. Poverty has also remained prevalent among certain groups: youth, ethnic minorities, people living with disabilities, and IDPs.

Exclusion from the labour market greatly affects the status of the individual. Persistent high unemployment tears the social fabric. Given the high rates of youth unemployment, present trends could create a 'lost generation' of young people who are unable to produce the income needed to support themselves. The transition recession and subsequent jobless growth in the region has also created a layer of discouraged workers, especially among women and the middle-aged.

Deteriorating social services hampered by partial reforms have led to exclusion from social services, impairing people's education, health and nutrition. Social protection is still largely category-based, provided to certain groups rather than to those in need. Social services are often 'captured' by interest groups, while those in need lacking an effective political voice end up with little or no access.

Growing disparities have emerged in the educational system. Teacher quality, class size and equipment have worsened in recent years. Most schools emphasize university rather than vocational education, leading to a mismatch between the knowledge people attain and the skills the labour market demands. Lack of affordable and accessible transport and in some cases, lack of affordable and reliable utilities, has significantly contributed to inequalities in educational outcomes in the region.

Networking has become increasingly important for social advancement. But trust in

people, neighbours and formal institutions is weak according to those surveyed. Reliance on informal channels spawns corruption. These behavioural patterns create additional barriers to effective and responsive systems of public administration.

Social exclusion has led to some disillusionment with the reform process. While people under socialism lacked the freedom to fully participate in society, many now lack the ability or interest in the opportunities offered by transition. Low levels of political engagement have contributed to social exclusion.

The next chapter introduces the multidimensional social exclusion index, which captures multiple forms of exclusion in a single measure. It helps to identify people who are experiencing simultaneous, overlapping deprivations.



# Chapter 3: The multidimensional social exclusion measure

To measure and monitor a complex phenomenon like social exclusion, a framework is needed that reflects its complexity. This chapter introduces a multidimensional index to measure and monitor social exclusion. The index allows us to quantify how people experience social exclusion. It also gives governments a tool that they can use to pursue targeted social inclusion policies. The measure follows the methodological framework outlined in Chapter one, and it enables us to quantify the outcomes of the social exclusion chain.

## How to quantify social exclusion?

Several approaches to measuring social exclusion have been developed. UNDESA (2010) has provided a good overview of the challenges of measuring social exclusion. It has also identified principles and properties for social exclusion indicators. According to UNDESA, social exclusion needs to be studied both through objective (verifiable, quantitative) indicators as well as through subjective ones, which capture the views of those experiencing social exclusion.

The European Union has introduced indicators for monitoring poverty and social exclusion over time across its member states (box 6). Other organizations – such as the World Bank, the Organization for Economic Cooperation and Development (OECD), and the United Nations – use different measures and indicators to capture absolute and relative poverty, deprivation and inequality.

Building on the well-established, largely income-based EU measures of poverty and social exclusion, the measure put forth in this report covers a broader set of dimensions. It is based on the Alkire and Foster<sup>56</sup> methodology of multidimensional poverty monitoring which has been applied to 104 countries in the 2010 UNDP Human Development Report. Our measure has been adapted to account for the diversity of the

### Box 6: The EU approach to measuring poverty and social exclusion

*Although the European Union is made up of (mostly rich) countries, the rest of Europe and beyond can learn from its experience in combating poverty and social exclusion. Since 2000, the European Union has aimed to make a decisive impact on the eradication of poverty and social exclusion in its Member States through the Open Method of Coordination (OMC), an approach to governance that relies on the voluntary cooperation of Member States. A key element of the OMC is a set of indicators (known as “the Laeken indicators”) that were agreed jointly by the European Commission and Member States to monitor progress towards the EU’s social inclusion objectives.*

*The European Council Summit adopted the Laeken indicators in 2001.\* Since then, the European Union has developed them further. Aiming to reflect major objectives for social protection and inclusion, the indicators cover poverty, inequality, labour market access, in-work poverty, access to health care and education, as well as housing standards, material deprivation, and child well-being.\*\**

*The main source for the ‘commonly agreed EU indicators’ is the Statistics on Income and Living Conditions (SILC), which reflect a complex matrix of data on income, social exclusion and living conditions. These indicators have been used to assess progress in EU member states. Until recently, they were not accompanied by quantitative targets. This changed in spring 2010, when the European Council set a single EU headline target: lifting at least 20 million people out of poverty by 2020.*

*The main measure of income poverty in the EU list of indicators is relative: the poverty threshold is not an absolute amount, but 60 percent of the median disposable income in a given country. The advantage of this measure is that it is not influenced by the large income disparities between old and new Member States, and thus can be used across the Union. But it has limitations.*

*In the new EU member states, where a large share of households practices subsistence agriculture or other forms of home-based production, poverty measures based on expenditures may better reflect living standards. The EU has intensified efforts to go beyond a purely relative income poverty measure by developing additional indicators that reflect multiple deprivations. It is also strengthening its statistical capacities to measure child poverty and child well-being, homelessness and the exclusion of persons with disabilities.\*\*\**

\* In December 2001 the European Council adopted the Laeken Declaration on the Future of the European Union, committing itself to building a more democratic, transparent and efficient Union.

\*\* The European Commission, Portfolio of indicators for the monitoring of the European strategy for social protection and social inclusion (The European Commission, 2009).

\*\*\* European Social Situation Observatory, <http://ec.europa.eu/social/main>.

jsp?catId=676&langId=en; Study on Child Poverty and Child Well-Being in the EU (2010), <http://cordis.europa.eu/wire/index.cfm?fuseaction=article.Detail&rcn=21909>.

56/ Alkire and Foster 2007.

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**Box 7: Promising approaches to collecting data on social exclusion**

*In order to measure social exclusion, some prerequisites must be met. Cross-ministerial and cross-departmental cooperation is required, since social exclusion encompasses cross-cutting dimensions. In order to build policy-relevant social exclusion indicators, data must be disaggregated. Furthermore, data sources such as the household budget survey (HBS) and labour force survey (LFS) also need to be of higher quality, capable of being decomposed into various social groups and localities. Linking data from various sources (particularly from national and sub-national register systems) can help measure social exclusion.*

*The task is challenging for two reasons. National statistical offices have limited capacity to produce disaggregated data in areas beyond poverty, such as social participation and social networks. Furthermore, institutional settings often make it difficult to combine various data sources to produce multi-dimensional results (since social exclusion encompasses cross-cutting dimensions, cross-ministerial and cross-departmental cooperation is required, which is not always easy to achieve).*

*Despite these challenges, some countries have been successful at putting together social exclusion measurements. In Poland, for example, social exclusion estimates are based mainly on 'administrative' data collected by the National Statistical Office from public and private entities (about 80 percent of all data), or based on statistical data collected by local administrations. These data are disaggregated by territory down to the gmina level—the lowest level of public administration—and in some cases down to the city district level.*

*A good example of linking data from different sources (surveys, administrative data and censuses), is the Small Area Estimation Technique, which estimates incomes, poverty and unemployment statistics at the powiat or district level. \* The Polish experience using the Small Area Estimation technique is very useful, as this method does not require extensive datasets at individual levels, and requires fewer efforts to produce disaggregated data (UNDP Poland, 2007).*

*The Republic of Moldova is developing its own system to monitor social exclusion by adopting measures employed by the European Union. An ad-hoc Module on Social Exclusion has complemented the household budget survey. This Module comprises a set of social exclusion indicators used by other EU member states,\*\* a list of EU indicators established by the European Commission, indicators monitoring the National Development Strategy, and the MDGs in the national context (UNDP Moldova, 2011).*

*The Serbian government has also taken steps towards adapting EU methodology. The Statistical Office is planning to implement the first EU-SILC survey, which will provide reliable data for comparative analysis over time, by states (EU and associated countries), and at the sub-national regional level.\*\*\**

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\* The powiat level is at the NUTS4 level. NUTS refers to the Nomenclature of Territorial Units for Statistics.

\*\* [http://ec.europa.eu/employment\\_social/soc-prot/socincl/final\\_joint\\_inclusion\\_report\\_2003\\_en.pdf](http://ec.europa.eu/employment_social/soc-prot/socincl/final_joint_inclusion_report_2003_en.pdf).

\*\*\* The Serbian Parliament has adopted a Law on statistical regionalization that recognizes regions in accordance with NUTS rules. This will both improve regional governance and solve problems of international comparability of Serbian statistical data.

Europe and Central Asia region. It builds on the variety of approaches to monitoring social exclusion that have been implemented in the region (box 7).

The social exclusion measure presented in this report captures social exclusion along various dimensions in a single, methodologically robust figure. The measure has two components: the social exclusion headcount (the share of people facing a number of deprivations above a certain threshold) and the multidimensional social exclusion index. The index is the headcount weighted by the intensity of exclusion (the average number of deprivations each socially excluded household experiences).

The deprivations are expressed in terms of 24 indicators – eight indicators for each of the three dimensions of social exclusion (figure 3.5 and Annex 3). The indicators were selected based on the analysis of the three dimensions of exclusion, informed by findings from focus group discussions, from national consultations, as well as from relevant international literature. For example, indicators have been selected (and in some cases modified) from EU surveys, the European Quality of Life survey, social capital surveys and the 'missing dimensions of poverty' surveys piloted by the Oxford Poverty and Human Development Initiative. Robustness checks (see Annex 2.2) have been carried out to ensure that the individual indicators are not correlated, and that each individual indicator is relevant for explaining social exclusion in the six surveyed countries.

In the first dimension – economic exclusion – indicators reflect deprivation in incomes and basic needs; employment, financial services and material assets; amenities that households need but cannot afford; and dwelling size. The second dimension – exclusion from social services – encompasses education and health services, as well as public services. The third dimension—exclusion from civic and social life—covers deprivation in political, cultural and social networks, as well as reflects diminished opportunities for social and civic participation. In a departure from past analysis, these indicators reflect capability deprivations—which mirror the real opportunities that a person has based on personal and social circumstances<sup>57</sup>—rather than item or necessity deprivations, which reflect material items that people need but cannot afford.

The indicators selected should not be understood as ‘fixed’, but rather as a point of departure in national discourses on measuring social exclusion, where nationally relevant indicators should be selected in an inclusive and participatory way.<sup>58</sup> Specifically, such decisions on measuring social exclusion have to involve those who experience social exclusion, so that they have a say in the choice of indicators and thresholds (i.e. when someone is considered to be socially excluded). Furthermore, adequate attention must be paid to those who experience social exclusion but who are ‘invisible’ from the standpoint of statistical instruments (such as homeless people, street children, adults and children living in institutions, ethnic minorities, migrants, and people living with HIV).

Each of the three dimensions of social exclusion has equal weight, as does each indicator. The indicators chosen for this social exclusion measure are objective: they reflect status, rather than perceptions. Still, there is an element of subjectivity in the assessment of needs (‘the household needs certain amenities but cannot afford them’) and in the assessment of frequency of social contacts (rare or infrequent social contact with family, relatives or friends) that also reflect the relative nature of social exclusion. Whether or not a household perceives to ‘need’ certain amenities also depends on what is ‘normal’ in a given society (see box 8).

We define an individual as socially excluded if he or she is deprived in at least *nine* indicators. There are two reasons behind this choice of threshold. One is to apply a conservative threshold that does not inflate the multiple deprivation headcount. Alkire and Foster suggest selecting the *minimum* acceptable deprivation count required to be considered socially excluded.<sup>59</sup> Nine indicators also reflect the minimum number that is needed for an individual to be socially excluded in more than one dimension, since one dimension contains only eight indicators. (For a more detailed explanation of how the cut-off of nine was selected, please see Annex 2.3.)

While choosing the same threshold for the six countries allows cross-country comparisons, national evidence-based policy analysis can (and should) apply nationally agreed thresholds. Indeed, Alkire and Foster do not provide a method for selecting

the cut-off value. They only suggest ways of arriving at a reasoned evaluation. Every deprivation measurement is based on a judgment about what threshold to use – just as is the case when selecting poverty lines.

Further explanation about the survey methodology needs to be made. First, the Social Exclusion Survey captures social exclusion at one point in time (November 2009, see Annex 1.2). However, in order to add a more dynamic element, some questions comparing current and pre-transition periods were also included. Second, while the survey focuses on the six countries surveyed, the issues it reflects apply to the other countries in the region. Thus it is possible (with certain limitations) to extend the analysis to other countries. The limitations mainly stem from data constraints (see annex 1). For example, since the survey took the household as the

58/ On the selection of capability indicators and dimensions see Alkire (2008), Robeyns, (2005), and Sen (2004).

59/ Alkire and Foster 2007.

### Box 8: What it means to be deprived: Clarifying the survey methodology

*Lack of basic household items can indicate deprivation—but not always. Some households can afford items such as televisions, computers and ovens but not want them. Therefore, the survey methodology took ‘lack of certain household items’ to indicate deprivation only when households need such items but can’t afford them.*

*This methodology has allowed us to make a number of revealing observations. For example, most households have television sets in the region. On average only 3 percent of households cannot afford them. However, in Moldova this figure was higher—5 percent. For computers, the picture is different. Only 9 percent of households have one, while 60 percent cannot afford one. In Ukraine, 49 percent of households reported that they do not have one and do not need one. (Ukraine is the only country where this percentage outweighs those who can’t afford one). In Tajikistan, the opposite was reported: Some 72 percent of households do not have a computer because they can’t afford one.*

*Local conditions also influence household perceptions of needs. For example, households do not consider owning a gas oven to be important when they reside in areas that lack a gas supply. The share of those who reported that they do not need a gas stove is highest in the former Yugoslav Republic of Macedonia and Serbia (77 and 73 percent, respectively). This is because many areas in these countries lack a gas supply.*

*Whether people perceive a need also depends on resource endowments and opportunities. For example, the highest share of households that need—but can’t afford—an electric sewing or knitting machine can be found in Tajikistan, a country endowed with cotton. Many women there are unemployed and their husbands work abroad, thus they would have the opportunity to sew and knit this cotton provided they could afford sewing and knitting machines. Such machines are not just household ‘amenities’ but tools for women to work more productively and independently.*

Table 3.1: Social exclusion in the six surveyed countries

	KZH	MLD	SER	TJK	FYRM	UKR
<i>Magnitude of social exclusion</i>						
(A) Social exclusion headcount (%)	32	40	19	72	12	20
(B) Intensity: Average number of deprivations among the socially excluded	10.5	11	10.8	11.1	10.8	10.4
(C) Intensity: Average share of deprivations (the number of deprivations as a percentage of the 24)	44	46	45	46	45	43
Social Exclusion Index (A) *(C)	14	18	8	33	5	9
<i>Contribution of dimensions to the Social Exclusion Index</i>						
Economic exclusion	34	32	31	39	30	28
Exclusion from social services	34	39	38	34	38	36
Exclusion from participation in civic and social life and networks	32	30	31	27	32	36

Source: Social Exclusion Survey 2009.

unit of analysis, intra-household inequalities cannot be reflected without making further assumptions. Furthermore, the measure cannot be disaggregated by population groups such as ethnic minorities, internally displaced persons, and persons with disabilities. The survey did not obtain a representative sample of these groups.

### ***Level and depth of social exclusion in the region***

The results of the Social Exclusion Survey shed light on the breadth and depth of social exclusion in the region. Table 3.1 captures social exclusion in terms of headcount, and intensity. It also presents the multidimensional Social Exclusion Index which integrates the headcount and intensity of social exclusion.<sup>60</sup>

The data show that more than one out

of three persons in the region is socially excluded, with a wide range of variation across countries. Social exclusion in Tajikistan is the most acute, with 72 percent of the population found to experience nine or more deprivations. While the share of people considered to be socially excluded varies significantly across the six countries, the intensity of their exclusion is found to be quite similar despite variations among countries in terms of population size, GDP and human development levels. The intensity of social exclusion ranges from 43 percent in Ukraine (where socially excluded people face on average 10.4 deprivations out of 24) to 46 percent in Tajikistan (where socially excluded people face on average 11.1 deprivations out of 24).

The Social Exclusion Index can be disaggregated by dimension, which provides information about the contribution of each dimension to the overall social exclusion index. This creates opportunities for policy makers to see the composition of social

<sup>60</sup> More on the multidimensional exclusion index can be found in Annex 2.

exclusion in their area of interest. The data clearly indicate that social exclusion is not determined by economic factors alone. In five out of six countries<sup>61</sup> all three dimensions contribute roughly equally, while access to social services contributes slightly more than the other two. This reinforces the message that in order to tackle social exclusion, all three dimensions must be addressed equally: focusing solely on poverty reduction or economic inclusion is not sufficient.

### Structure of deprivation

The data indicate that the distribution of deprivations across the three dimensions of social exclusion is relatively similar in the surveyed countries (see figures 3.1, 3.2 and 3.3). In the economic dimension, social exclusion is largely a result of the lack of access to finance, housing, household amenities and information and communications technologies, while income poverty and unemployment seem to play a smaller role. As discussed in Chapter two, lack of access to finance is prevalent in the region, hampering people's ability to act upon business opportunities. The unemployment indicator contributes only minimally to depriva-

tion. This can be explained by the prevalence of informal employment. Since the unemployment indicator does not reflect the insecurity of such employment, it potentially understates the level of social exclusion that people face.

In the social services dimension of social exclusion, the contribution of individual indicators to deprivation is more varied among the six countries. Lack of access to transportation and health care accounts for a significant portion of social exclusion in all surveyed countries. Inadequate heating is a major contributor to social exclusion in the Republic of Moldova, the former Yugoslav Republic of Macedonia and Serbia, while lack of access to safe water is most prevalent in Kazakhstan, the Republic of Moldova and Tajikistan.

In the civic dimension, lack of participation in civic, political and social activities contributes substantially to social exclusion in all six countries. As discussed in Chapter two, perceptions that institutions are insufficiently representative and disillusionment with political parties contribute to low civic engagement, and to low levels of social capital and solidarity. People believe that connections are more important for getting ahead in life than civic engagement.

<sup>61</sup> / Tajikistan is the exception, where economic exclusion contributes the most to social exclusion outcomes.

Figure 3.1: Composition of the economic dimension

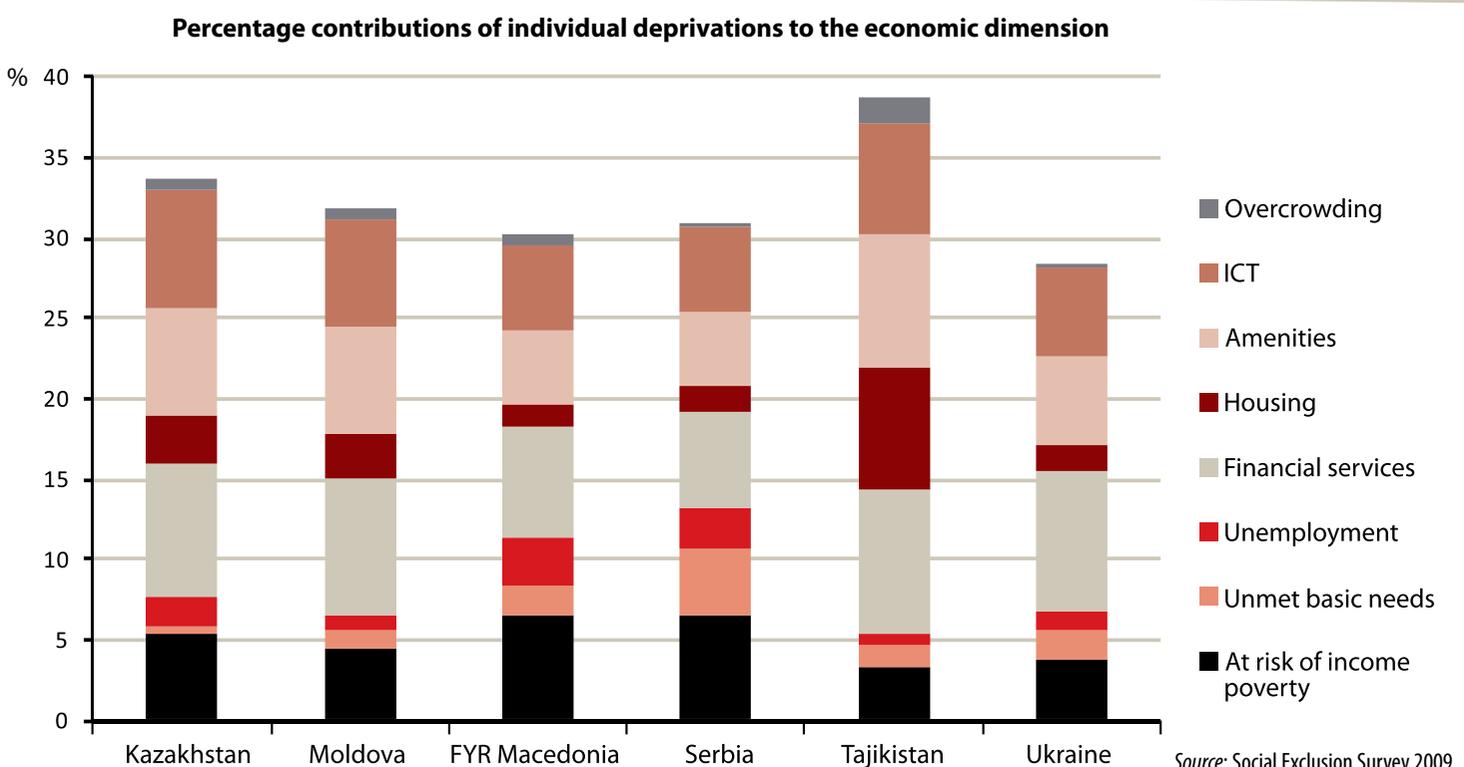


Figure 3.2: Composition of the 'social services' dimension

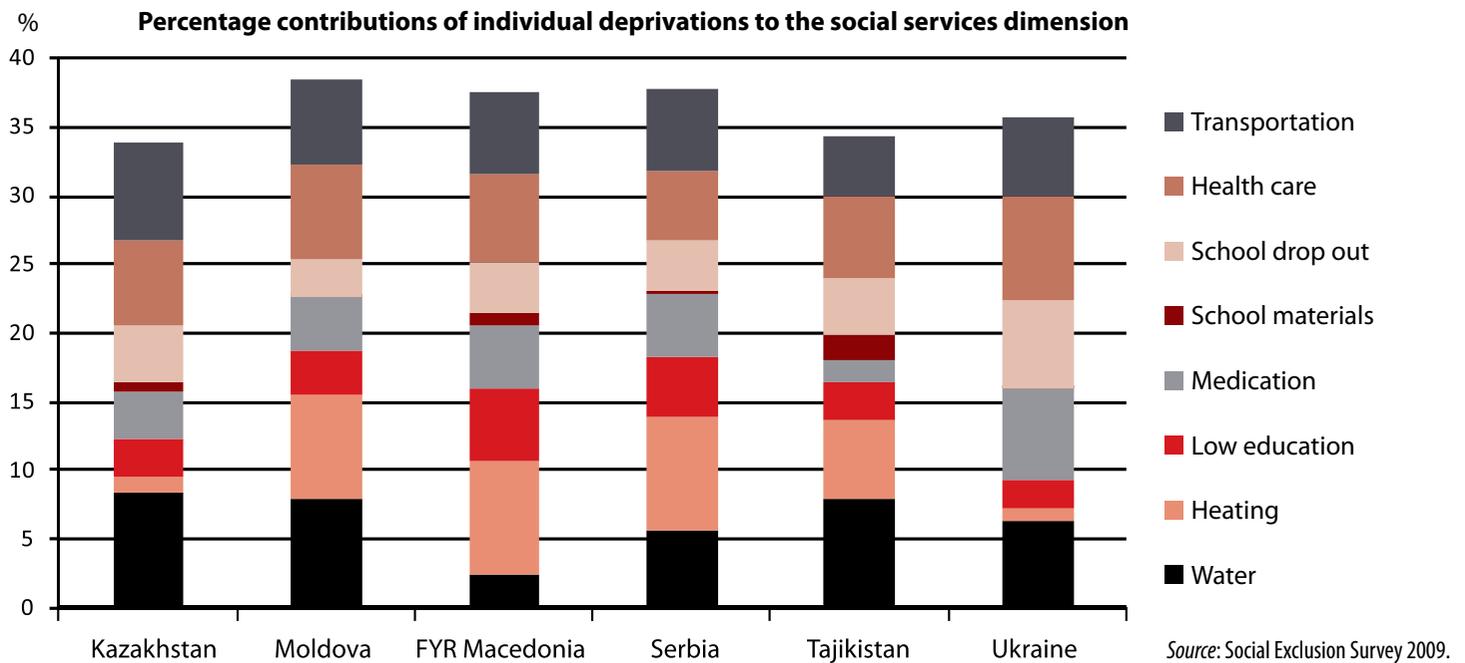


Figure 3.4 illustrates deprivations in individual dimensions for the region (the profiles of individual countries are provided in Annex 3). This figure provides additional insights into the relative importance of various indicators, both for people who are deprived in a specific indicator while their total number of deprivations is less than

nine, and for those whose total number of deprivations exceeds this threshold (and thus are socially excluded). For instance, 50 percent of respondents do not have running water or are not connected to a sewage system. For 29 percent of respondents, this made them socially excluded, according to the multidimensional measure.

Figure 3.3: Composition of the 'civic' dimension

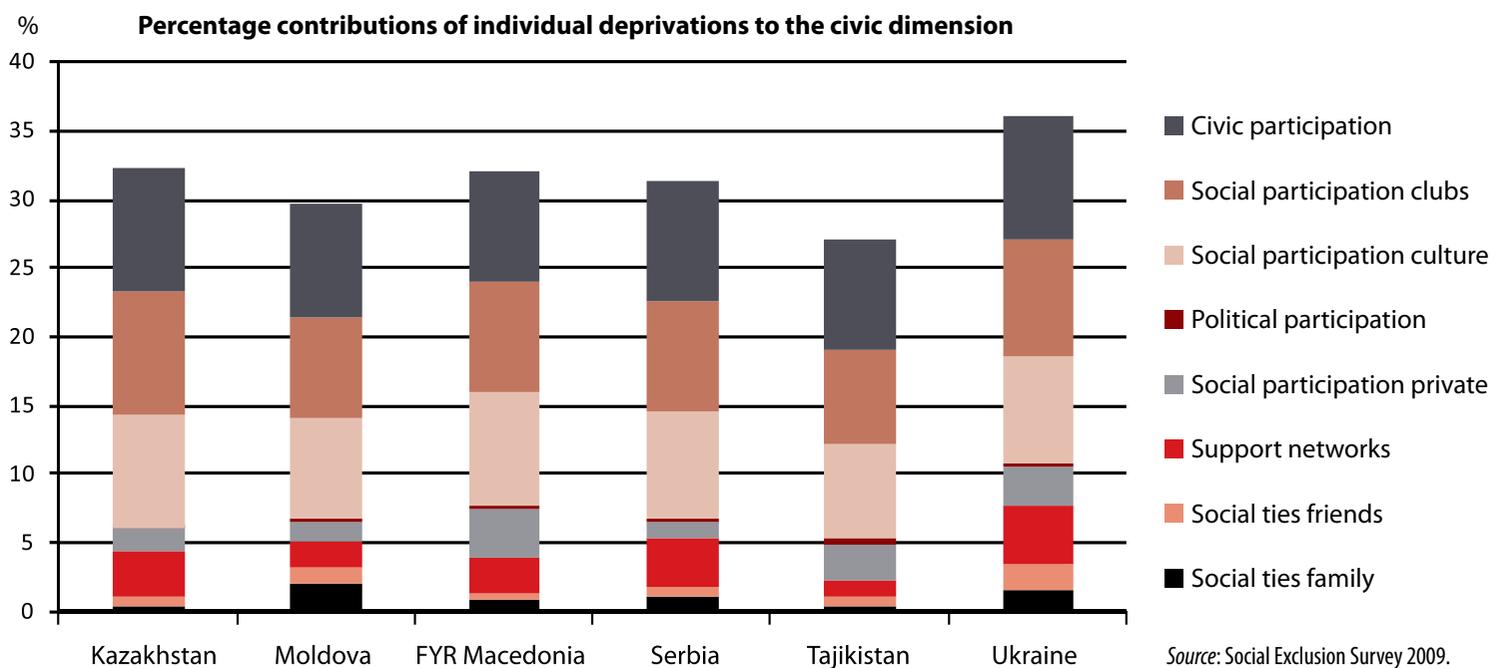
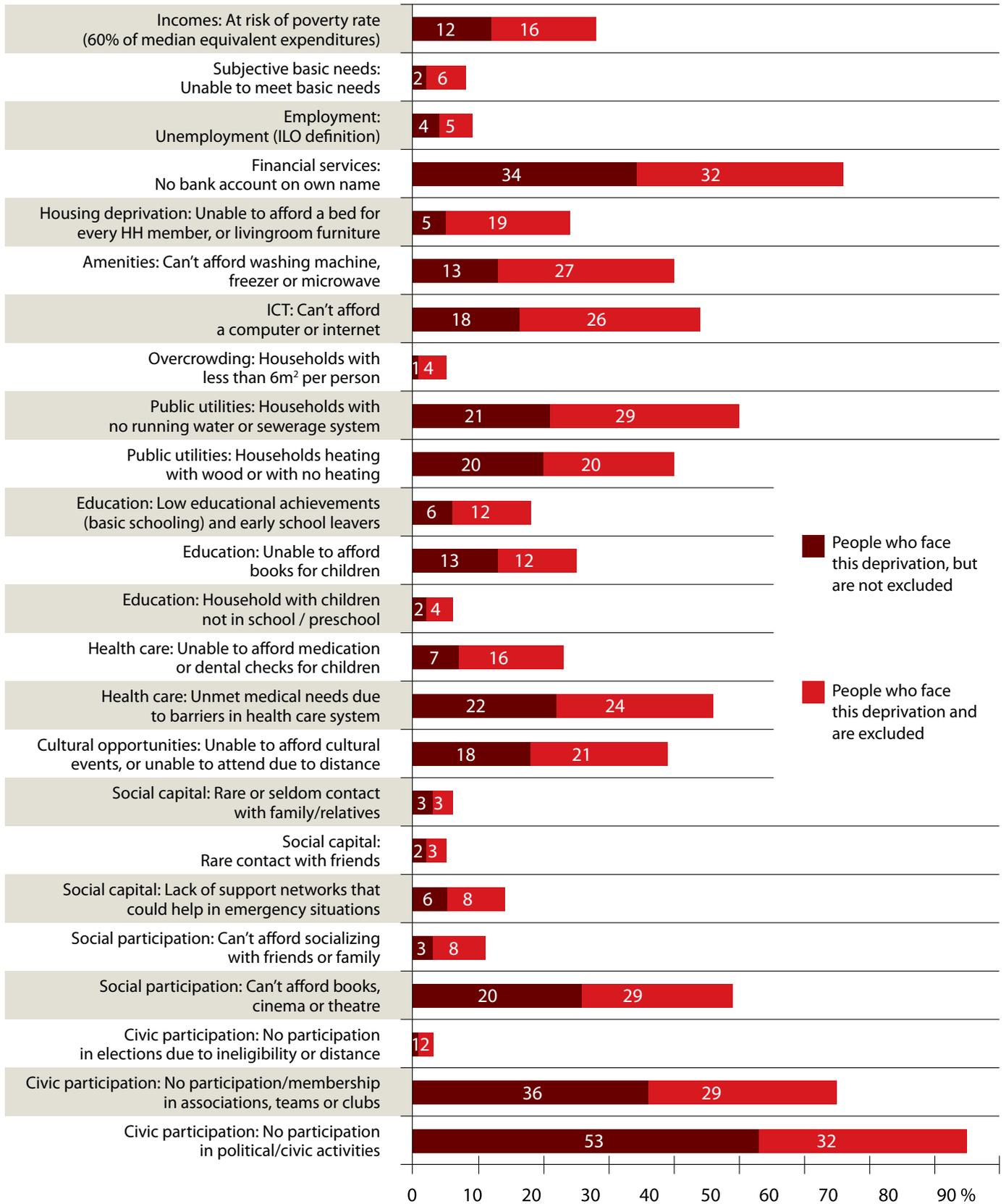


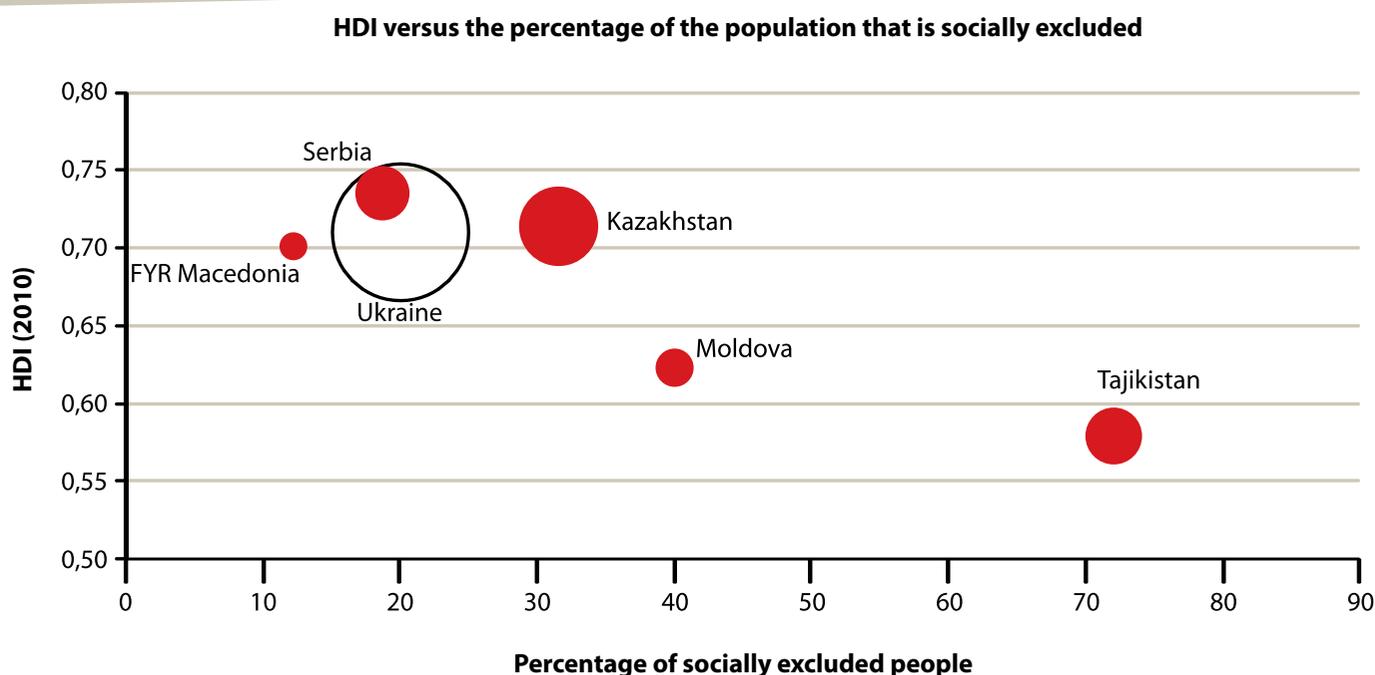
Figure 3.4: Social exclusion is the product of a wide range of deprivations

**Percentage of people deprived in each indicator by social exclusion status**



Source: Social Exclusion Survey 2009.

Figure 3.5: Human development and social exclusion



Source: Social Exclusion Survey 2009 and HDR 2010.

Note: The sizes of the bubbles represent the size of each country's population.

### Social exclusion and the Human Development Index

Before the 2008-2009 financial crisis, countries in the region had been experiencing declining poverty rates and positive GDP growth. However, this did not always translate into more job opportunities for all, let alone improved social services and greater chances for civic participation. The multidimensional social exclusion measure presented in this report captures within-country inequalities, complementing the traditional GDP measure in a critical way. Figure 3.5 depicts the inverse relationship between the Human Development Index (HDI)<sup>62</sup> and the share of socially excluded persons in a country. To a certain extent, Serbia and Kazakhstan are outliers, with higher shares of excluded persons than their HDI values might suggest. This finding illustrates the overlapping but different concepts underlying the two indicators. HDI reflects aggregated development outcomes (and comprises mainly national-level outcome indicators), while the social exclusion indicator focuses on deprivations, opportunities and inequalities. Social exclusion is more sensitive to inequalities in opportunities within countries, and helps

us to better understand the complex dynamics of human development in all countries, even those with high HDI and low poverty rates.

### Individual characteristics and their impact on social exclusion

National averages are too general to capture the way different segments of the population – the elderly, youth, women and so forth – experience social exclusion. The data often are not specific to these segments, which experience varying levels of social exclusion. Breaking down the data by age, gender, area of residence and employment status offers a richer picture—one that is much needed for formulating policy—than simply looking at the population as a whole.<sup>63</sup>

Age is an important contributor to social exclusion (figure 3.6). The data indicate that the elderly experience the highest levels of social exclusion in the surveyed countries—45 percent of the elderly are excluded compared with the regional average of 31 percent. The intensity of deprivations among the elderly is highest in the Republic of Moldova and in Tajikistan.

62/ The HDI combines normalized measures of life expectancy, educational attainment, and GDP per capita.

63/ Since the measure is constructed using household-level information with responses assigned to every member of the household, the decomposition refers to the share of children, youth, elderly, unemployed, poorly educated etc., living in households that face more than nine deprivations.

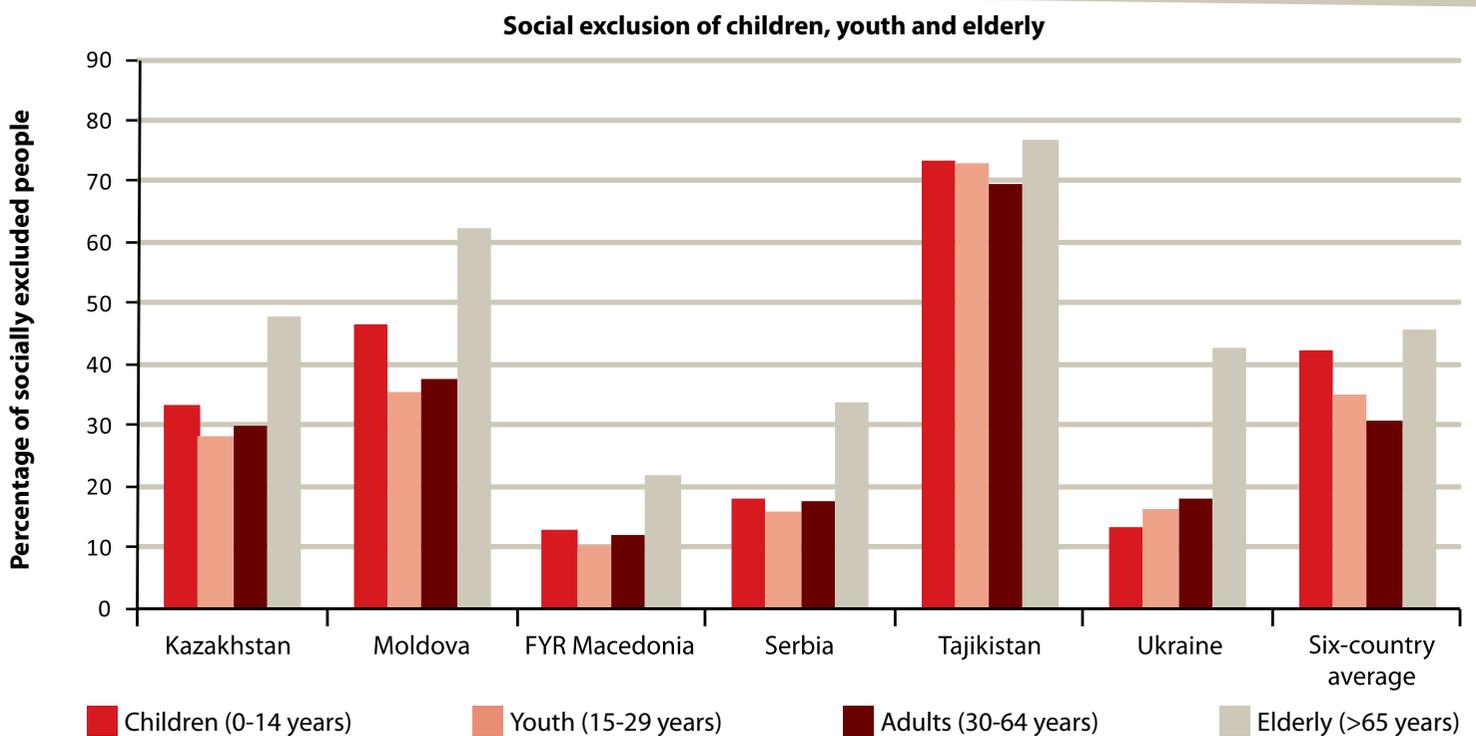
Children emerge as the second most vulnerable group after the elderly, using both weighted and unweighted averages (see annex 2.5). One reason is their dependence on their parents – if their parents are excluded, they will most likely be excluded as well. In addition, children face other exclusion risks related to their local environment (schools, day-care, etc). The data indicate that children experience significant levels of social exclusion in each surveyed country except Ukraine. In the case of the Republic of Moldova, the share of excluded children (47 percent) is particularly high compared with the share of excluded youth and adults. The difference can be attributed to high labour migration by parents.

According to the data, the percentage rates of social exclusion for women and men are roughly equal. But this finding needs to be treated with caution. The index is unlikely to reflect the depth of gender inequalities. Only 8 out of the 24 indicators employed in the index reflect individual characteristics that vary for women and men; the rest reflect household characteristics, which are shared by all household members, re-

*“There was an advertisement for communal services, park maintenance, and I took it, filled in the leaflet, sent it in and everything was ok. Two days later they asked me to take a medical exam. I went to the exam, and I passed. Then on the first day, the employer said, ‘All right, is there someone with prior convictions here?’ I had not dared to tell him, because I was afraid that if I had told him he would not hire me. He took the list and said: ‘Oh, well, you’ve been convicted not once, but several times.’ And I said yes, but where did you get that from? And he said, ‘Well, we got it all.’ All right, then why was I asked to go to the medical exam, if there was a problem? The reason was that I was convicted several times. That was the only reason why I couldn’t work” (Former prisoner, multiple convictions, Serbia).*

gardless of gender. The analysis of secondary data used in this report suggests that gender differences still exist and gender stereotypes are critical impediments to social inclusion. Societal norms may serve to discourage women from participating in social and political life, or even from travelling alone to attend a public event. Furthermore, individual vulnerabilities of men and women translate into exclusion differently for each group. For example, women generally earn lower wages than men, but men are more likely to lose their job in an economic crisis because of their higher salaries.

Figure 3.6: Social exclusion and age

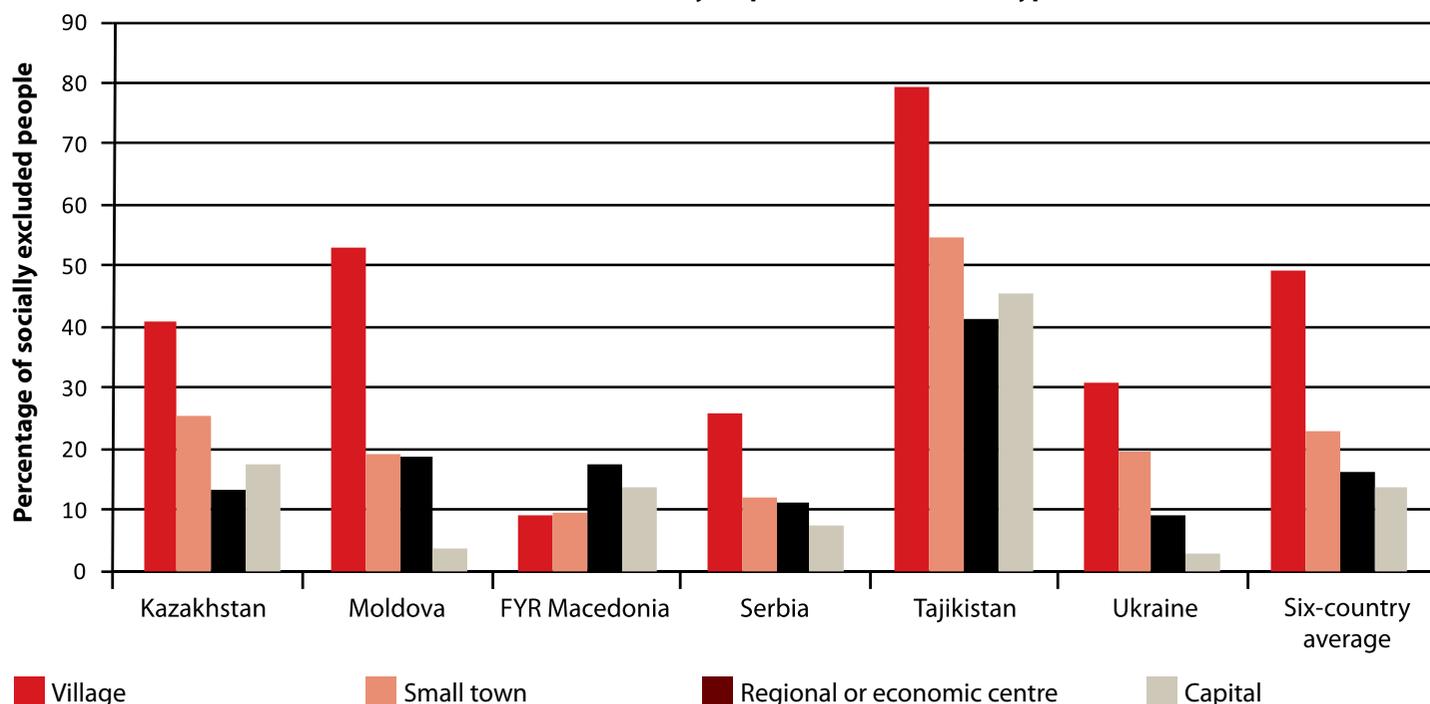


Source: Social Exclusion Survey 2009.

Note: The regional average is the unweighted average of the six countries. Merging the individual country data sets into a regional database and analysing the results by sub-samples raises the sample size, and makes the disaggregation more robust.

Figure 3.7: Location matters

Social exclusion by respondents' settlement type



Source: Social Exclusion Survey 2009.

Note: The regional average is the unweighted average of the six surveyed countries

64/ The exception is the former Yugoslav Republic of Macedonia, where regional or economic centres are found to have a higher level of social exclusion.

Where one lives (whether in a rural or urban area) is also an important risk factor. In five out of the six countries surveyed, social exclusion is higher in rural areas than for the country as a whole (figure 3.7).<sup>64</sup> The further people live from the capital city, the higher the magnitude of social exclusion. Rural areas suffer from lower employment and income opportunities. Rural dwellers also face a more limited supply of goods, social services, transportation and networks. With their higher levels of economic activity and strong social networks, urban areas provide more employment opportunities.

*“Even if you have work experience, but if next to you there is a recent graduate from Transnistria, and you have a diploma from the Republic of Moldova, the person from Transnistria is preferred” (Female, 39 years old, rural area, Republic of Moldova).*

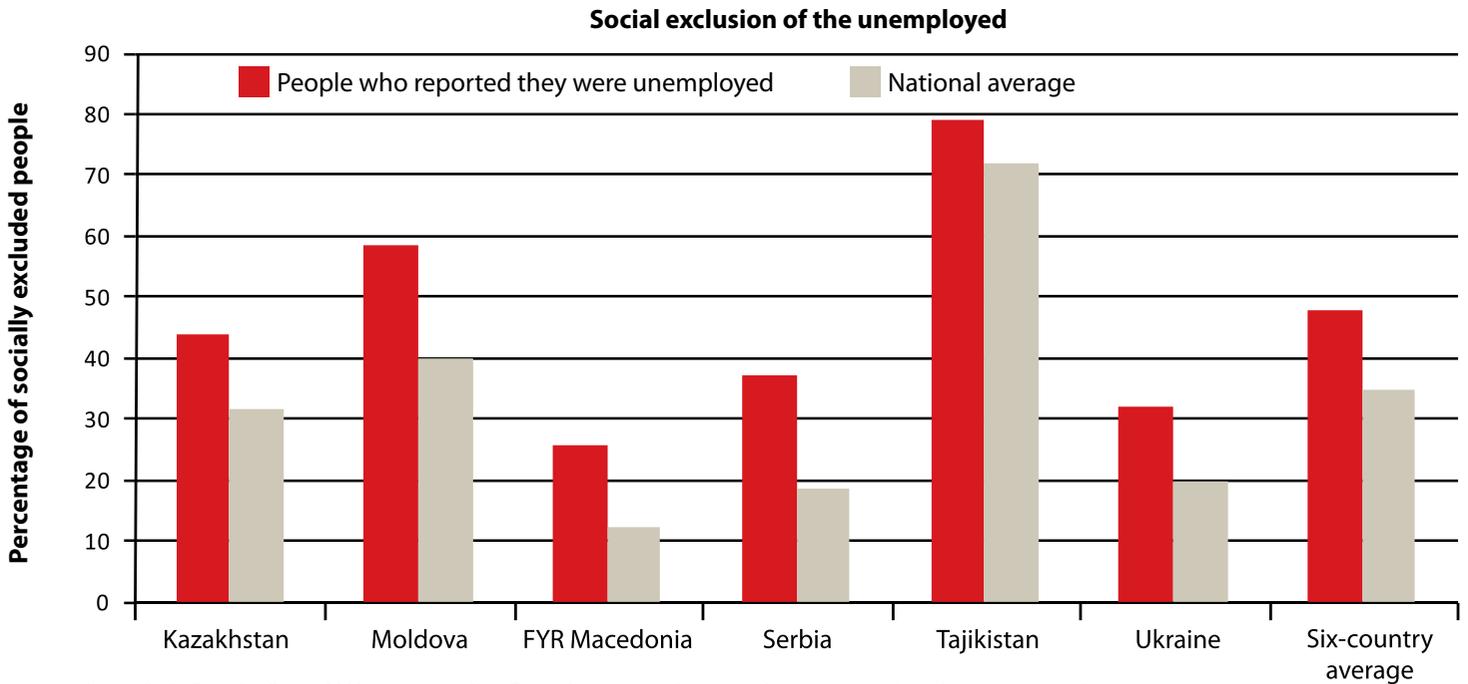
Across the six countries surveyed, the share of socially excluded people in rural areas is almost four times higher than the share in urban areas. Resulting from growth strategies that favour urban areas, rural-urban imbalances perpetuate a cycle of exclusion: high levels of exclusion drive more people to cities, further depriving rural localities of opportunities and depleting social networks. A closer look reveals that living in a

rural location significantly contributes to the social exclusion headcount, and the most extreme forms of social exclusion are predominantly found in rural locations. Rural dwellers make up 82 percent of those suffering from extreme social exclusion (people who are deprived in more than 13 indicators). Only 19 percent of rural households do not experience social exclusion, while 72 percent experience nine deprivations—the minimum needed to be classified as socially excluded.

Unemployment and low education also contribute significantly to social exclusion. Both are related: low education levels tend to raise the risk of unemployment. Survey data indicate that the rate of social exclusion among respondents who identified themselves as unemployed is higher than for the population as a whole in each country (figure 3.8). Unemployment is also likely to constrain access to social services, and to reduce participation in civic and social forums. As for education: in Ukraine, Serbia, and the former Yugoslav Republic of Macedonia, people with low levels of education experience twice the level of social exclusion than the general population (figure 3.9).

The data also indicate that employment is a necessary but insufficient condition for pre-

Figure 3.8: Employment is critical for avoiding social exclusion



Source: Social Exclusion Survey 2009.

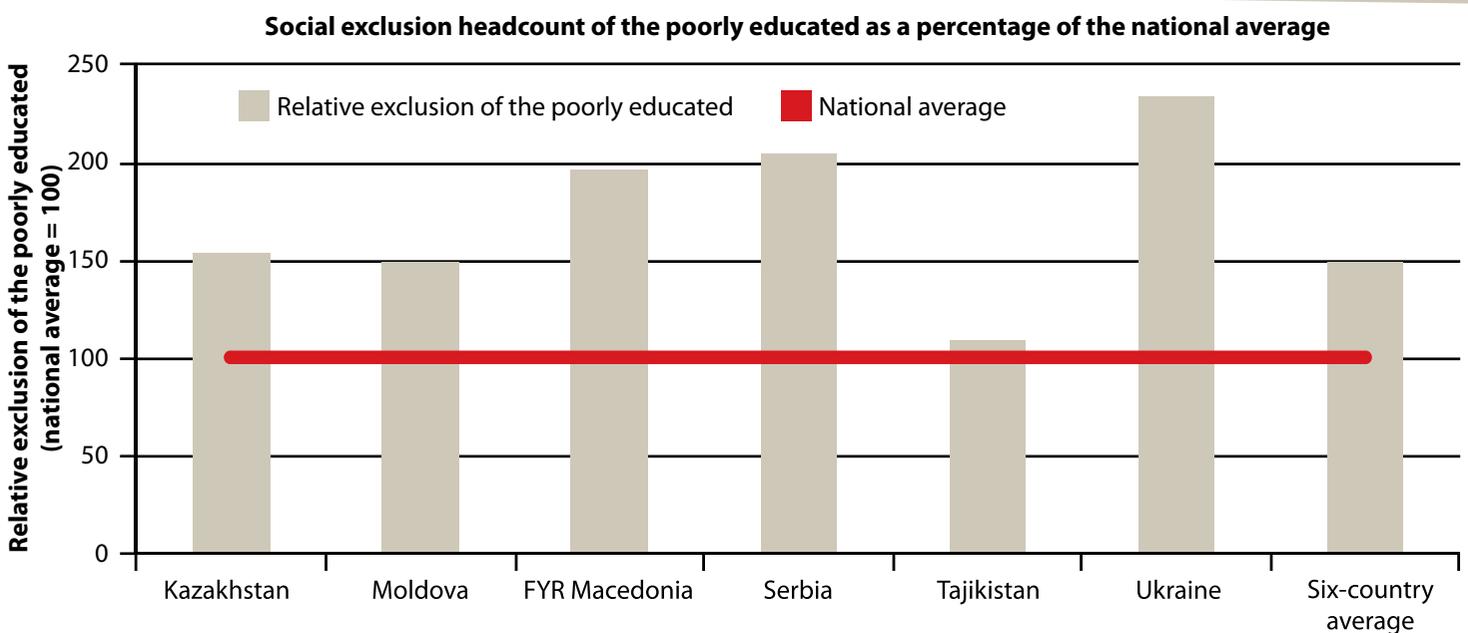
Note: The regional average is the unweighted average of the six surveyed countries

venting social exclusion. While 84 percent of people who are not socially excluded have a job, on average 43 percent of the employed are still socially excluded, with exactly nine deprivations. Some 27 percent of people suffering from extreme exclusion (13 or more deprivations) are employed.

While people in all six surveyed countries face a similar intensity of social exclusion,

certain groups face significantly higher risks. The survey for Serbia, which over-sampled Roma and internally displaced persons (IDPs), finds that 86 percent of Roma and 56 percent of IDPs are socially excluded, compared with 19 percent of the general population. The intensity of exclusion is also much greater. The average number of deprivations experienced by socially

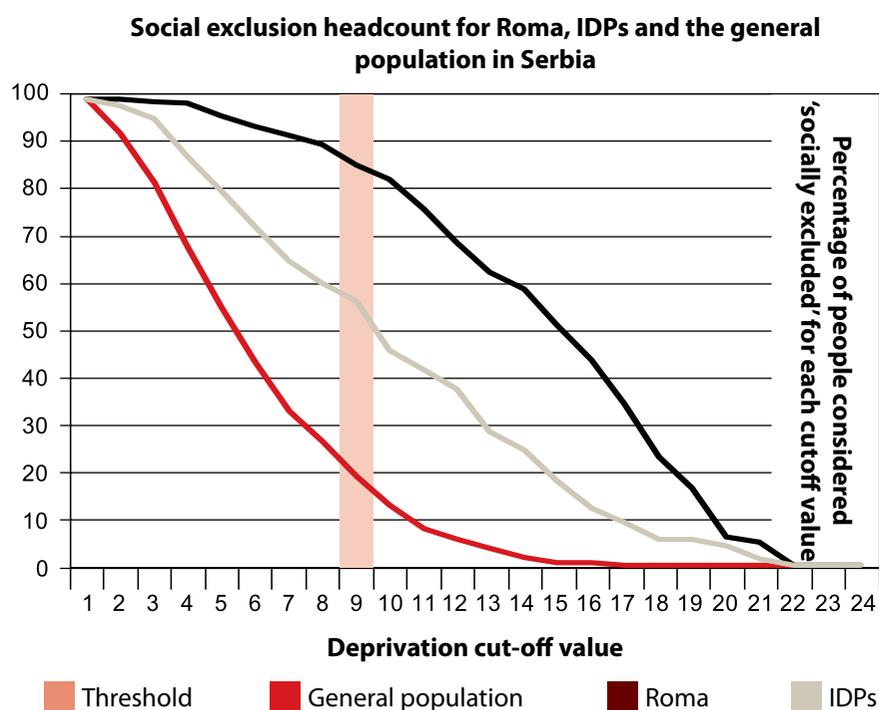
Figure 3.9: Good education matters



Source: Social Exclusion Survey 2009.

Note: The regional average is the unweighted average of the six surveyed countries

Figure 3.10: Vulnerable groups and social exclusion



Source: Social Exclusion Survey 2009.

excluded Roma and IDPs is 15.2 for Roma and 13.2 for IDPs, respectively, compared with 10.8 for the general population. Furthermore, for any given cut-off, significantly more Roma and IDPs are socially excluded as compared with the general population (figure 3.10). This is true even when income indicators are taken out: Roma and IDPs are also more deprived in the non-material dimensions of social exclusion.

The data also indicate that factors like unemployment and disability substantially increase the risk of social exclusion of Roma and IDPs. For example, the share of socially excluded is 92 percent among unemployed Roma and 97 percent among those with disabilities (compared with 86 percent for Roma). The share of the socially excluded is 76 percent among unemployed IDPs and 73

percent among IDPs with disabilities. While it is not surprising that social exclusion increases for Roma and IDPs who face several overlapping risks, disability has a lower impact on the exclusion of IDPs, suggesting that disabled IDPs might have slightly better access to social safety nets than disabled Roma.

Differences also exist in how much each dimension of social exclusion contributes to the exclusion faced by Roma, IDPs and the general population in Serbia (table 3.2). While economic exclusion contributes most significantly to social exclusion for IDPs, exclusion from social services contributes most significantly to exclusion in the Roma community and in the general population.

Analysing the deprivations experienced by Roma and IDPs as compared with the general population yields further insights. In the social services dimension of exclusion (figure 3.11), deprivations contribute in varying magnitudes across the three groups. While deprivations in education and health contribute more significantly to exclusion for Roma, they are less pronounced for IDPs and the general population. The picture is similar when looking at the three groups in the other two dimensions of exclusion.

People's subjective perceptions are equally important as their measured social exclusion. People who do not face capability deprivations may still feel left out of society. The Social Exclusion Index measures primarily capability deprivations, not subjective feelings towards others. However, the survey also addressed individual respondents' subjective assessments: Do they perceive themselves excluded or not?

The survey analysis reveals two partially overlapping groups: those facing capability deprivations, and those who feel left out of society (who may or may not face capability deprivations). The people in the 'area of

Table 3.2: Sources of social exclusion for Roma, IDPs and the general population in Serbia (percentage contribution of each dimension to social exclusion by group)

	General population	Roma	IDPs
Economic exclusion	31	36	41
Exclusion from social/public services	38	38	31
Exclusion from participation in civic and social life and networks	31	26	28

overlap' have the highest risk of social exclusion.

Figure 3.12 presents the share of people facing the 'dual risk' of measured and perceived social exclusion in the six surveyed countries. This group is largest in Serbia, the Republic of Moldova and Ukraine (12 percent, 11 percent and 10 percent of respondents, respectively). The lowest percentages of people facing the 'dual risk' are found in the former Yugoslav Republic of Macedonia and Tajikistan.

Some other interesting observations can also be made. In the former Yugoslav Republic of Macedonia, for example, the majority of people who feel 'left out' of society are not socially excluded. In Tajikistan, by contrast, most people who are socially excluded do not consider themselves to be excluded.

Contextual factors could explain these findings. In the case of the former Yugoslav Republic of Macedonia, increasing inequality in opportunities may have dampened people's hopes after the initial euphoria of independence, when the anticipation of an immediate economic miracle was replaced by the realization that reality would be different. In Tajikistan, by contrast, the low percentage of people who consider themselves excluded might be explained by the fact that a majority of people (above 70 percent) are socially excluded. Paradoxically, this might skew people's perceptions towards feeling not excluded – because many others experience the same deprivations.

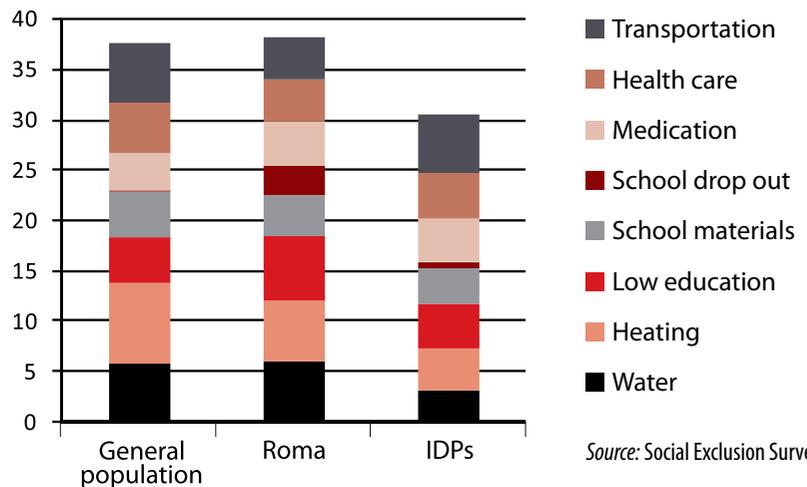
It is also useful to plot the level of dissatisfaction with living standards against the actual level of social exclusion. The two show a clear correlation (figure 3.13), which is not surprising. People's level of dissatisfaction is strongly related to their capability deprivations. By contrast, the correlation between people's subjective perception of being 'left out of society' and their measured social exclusion is weaker.

### Limitations of the index

The multidimensional social exclusion index is not perfect. It does not incorporate all dimensions of exclusion, such as incidence of violence, owing to data constraints. Furthermore, some indicators—although the best available—are far from ideal. For example, the incidence of 'heating with wood' could indicate that households face social services exclusion, or could simply indicate that heating with wood is most cost-efficient. Doing

Figure 3.11: Similar levels of social exclusion but different structures

### To what extent do individual deprivations contribute to social services exclusion?



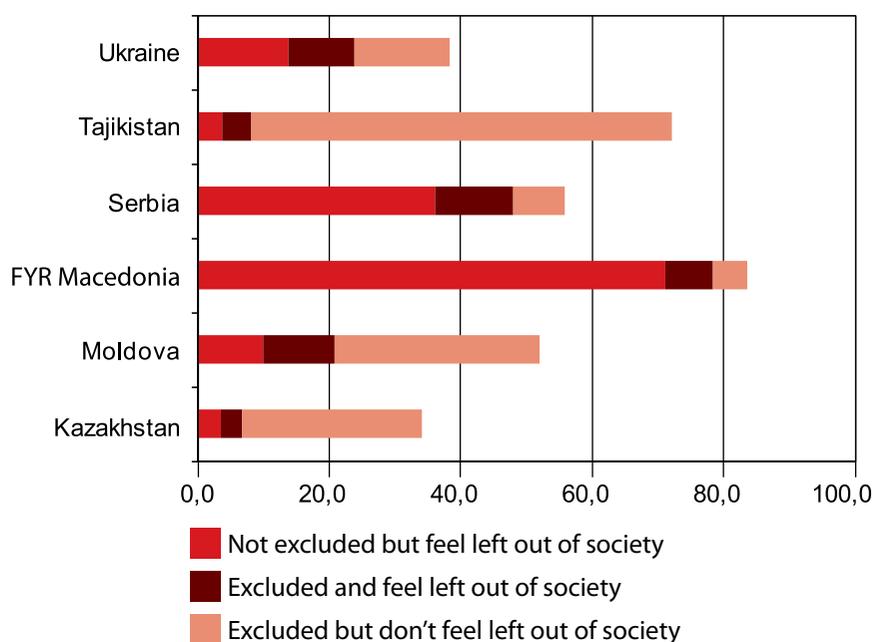
Source: Social Exclusion Survey 2009.

so can constitute a health risk when a proper ventilation system is lacking, but can be safe if such system is available. On the other hand, heating with wood is a reasonable proxy for material deprivation because wood—unlike coal or oil—can be collected (and is being collected) by vulnerable populations for free.

The health dimension suffers from different problems. Due to data constraints, health in-

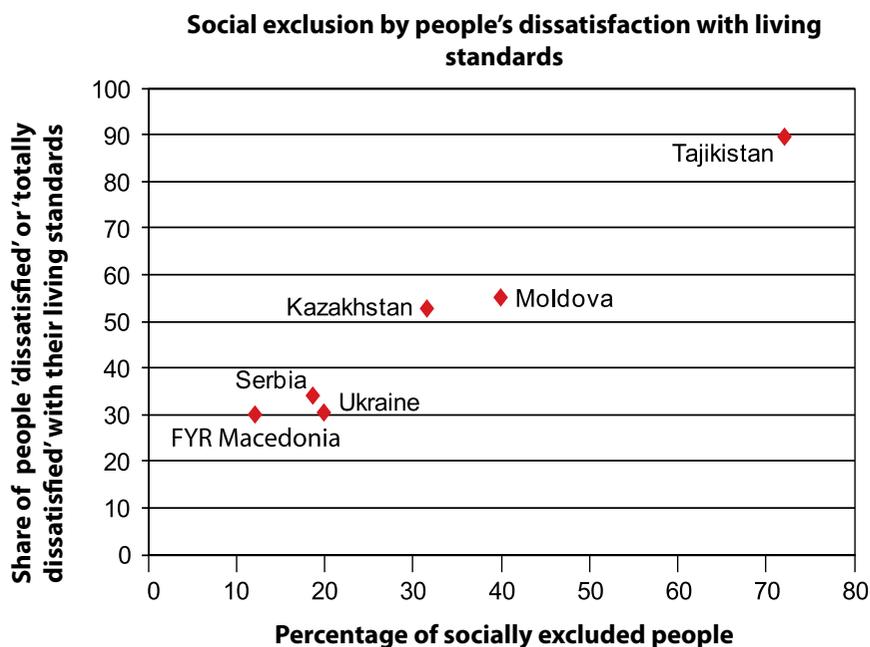
Figure 3.12: Actual exclusion is different from perceived exclusion...

### Share of people who feel left out of society, are socially excluded, or both



Source: Social Exclusion Survey 2009.

Figure 3.13: Social exclusion correlates with people's dissatisfaction with their living standards



Source: Social Exclusion Survey 2009.

Note: The regional average is the unweighted average of the six surveyed countries.

indicators are overrepresented by input indicators (number of doctors, expenditures on health, access to services, and affordability). What really matters, however, is not how much is put into the system, but the result (the mortality or morbidity rates, or functioning failures). All this suggests that further work is needed both in defining better indicators for individual dimensions and in designing better data collection instruments to yield reliable data.

The index is also not immune to subjective interpretations by survey respondents in the six indicators where respondents report on their status. Subjectivity may also explain why Serbia and the former Yugoslav Republic of Macedonia have different levels of multidimensional social exclusion, despite their broadly similar socio-economic situations and their common history as part of one federal state under socialism. This might be due to the differing ways the peoples of these two countries have identified with the break-up of Yugoslavia. Respondents in the former Yugoslav Republic of Macedonia may have given more positive answers because they may have looked at the dissolution of Yugoslavia as an opportunity for independence, while respondents in Serbia may view the break-up of Yugoslavia less positively.

## Major findings of this chapter

This chapter has elaborated a multidimensional Social Exclusion Index that is sufficiently complex to match the nuances of social exclusion, yet simple enough to be widely understood and employed. The methodology yields robust, policy-relevant results. By incorporating non-income dimensions, this measure assesses people's well-being in a more meaningful manner than GDP alone. This conclusion may be known to human development practitioners, but it is not yet widely accepted by mainstream development experts.

The analysis in this chapter leads to a number of conclusions. For most countries surveyed, lack of access to public services makes a slightly greater contribution to social exclusion than economic exclusion. Insufficient opportunities for civic engagement are also important in explaining social exclusion. Despite the heterogeneity of the region, the intensity of exclusion is just as high in South-east Europe as in Central Asia.

The multidimensional Social Exclusion Index can also help to prioritize social inclusion initiatives so that they target those most in need. Since the elderly, children, and youth experience the highest magnitude of social exclusion in the region, these groups should receive priority. This is also the case for Roma. Data on Roma and IDPs for Serbia indicate much higher levels and depth of social exclusion for these groups than for the general population. The severity of the problem for Roma increases when they face additional risks, such as disability.

The social exclusion measure described above has helped to identify the individuals and population groups that are simultaneously excluded from economic, social and civic life. In addition, it has helped to reveal *how* they are excluded in terms of multiple forms of deprivation. However, it cannot provide answers on *why* people are excluded. Therefore, one must identify the drivers of social exclusion, which take into account institutional, structural and behavioural processes. This is the task of chapters four and five: introducing drivers and the local context to better capture the social exclusion chain.

# Chapter 4: Drivers of social exclusion

**T**he drivers of social exclusion refer to institutions, processes, societal norms and attitudes. Their interaction with individual risks can produce or mitigate social exclusion. Understanding these drivers helps us to move beyond the symptoms of social exclusion to the underlying causes.

As outlined in Chapter 1, three groups of drivers are part of the social exclusion chain underpinning this report. These are (a) *structures and institutions*, (b) *values and behavioural patterns* and (c) *policies*. Any society is shaped by its institutions, norms and behavioural patterns. Policies—tailored by politicians to the demands of their constituencies—reflect and respond to these patterns. This chapter will analyse the implications of this chain for social exclusion, examining the relationship between the Social Exclusion Index introduced in Chapter 3 and other factors acting as drivers of social exclusion. In particular, the chapter investigates the relationship between social exclusion and models of economic growth, decentralization and social policies. As in chapter 2, the analysis draws on data derived from the Social Exclusion Survey, as well as on secondary sources, to capture policy and institutional aspects that household surveys overlook. This approach allows us to generalize the analysis across the entire Europe and Central Asia region.

## ***Structures and institutions as drivers of social exclusion and inclusion***

Institutional drivers refer to how public and private institutions and legislation contribute to exclusion through discriminatory practices—or how they neglect to provide opportunities for inclusion. Institutions—public or private—can either exclude people from social services directly, or they can

aggravate social exclusion by failing to respond to those who are at risk of exclusion, due to simple oversight, lack of commitment, or inadequate resources. While they may be dutifully fulfilling their mandate, institutions can also foster social exclusion by failing to create opportunities for those who are likely to experience social exclusion.

Legislation may also deepen the exclusion of some social groups if it is discriminatory. More common are gaps in legislation—when no effective anti-discrimination laws exist. Even more common, however, is lack of enforcement.

### **The legacies of the past**

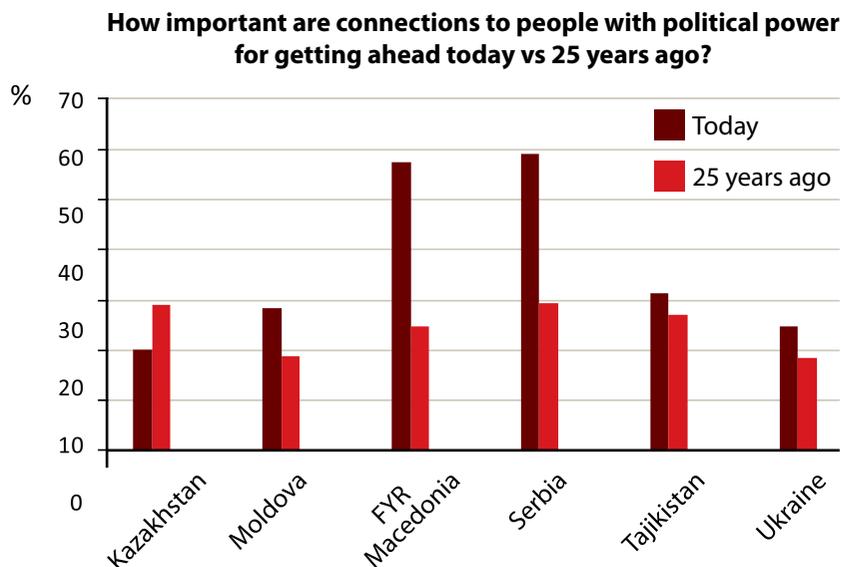
Pre-transition (and post-transition) heritage contributes to social exclusion. The socialist system was built on the promise of an egalitarian society. As a result, it promoted the universal right to education, health care, and comprehensive social protection. This system attained universal or near-universal access to basic education and health services, as well as achieved dramatic declines in illiteracy (nearly eradicating it in urban areas). However, it fell short in the civic participation aspects of human development.<sup>65</sup>

State socialism generated its own patterns of social inclusion and exclusion. Socialist society was inclusive of those who professed to share its principles—providing some genuine opportunities for social mobility—but there were also serious exclusionary tendencies, in some cases reaching overt repression.

Egalitarian and communal in ideology, socialism introduced category-based social protection instruments, targeted at certain population groups. These were easier to administer through command and direct control. A consequence was the excessive emphasis on institutional care for some groups, such as persons with physical or mental disabilities. This focus remains a prevalent feature of the social assistance systems in many countries of the region today.

65/ Ivanov and Peleah 2010.

Figure 4.1: Connections mattered then... and matter now



Source: Social Exclusion Survey 2009.

### Box 9: Social exclusion in Central Asia and the impact of legacies

The Social Exclusion Index shows that people in Central Asia face a particularly high risk of social exclusion. However, in Tajikistan the average number of deprivations per person may not be higher than in other – wealthier – parts of the region, and widespread economic exclusion may have even contributed to a lower degree of subjective dissatisfaction with living standards.

Economic growth has not led to the creation of decent jobs for the large rural populations of Central Asia, leading to widespread underemployment, large concentrations of rural poverty, and the emergence of labour migration—internal and external—as a dominant coping mechanism. Economic exclusion in turn contributes to exclusion from social services, due to the inability of the people with low-incomes to make informal payments, which augment the extremely low shares of GDP spent on health. Economic exclusion is in many cases being passed on to future generations, as urban/rural differences mean, for example, that children are denied access to decent secondary schooling, and may face pressures to stay at home to help with the household. Younger children lack access to pre-school education, which would help give them a good start and make up for disadvantages they may face at subsequent levels of education. Lack of investment in social infrastructure has left rural populations without guaranteed reliable sources of energy, heating, or running water, compounding income and employment insecurities.

Independence has weakened institutional structures and capacity which, to some extent, has been offset by the strong tradition of family or ‘clan’ ties and community structures. These had always played an important

role in the Soviet period, but became more important, if not more transparent, during transition. While they provided valuable informal networks of support, they also contributed to the non-transparent capture of political and economic power by various clans. Appointments to positions of political and economic responsibility tend to be allocated on the basis of trust and patronage, rather than through competitive selection, raising the risk of exclusion of non-connected members of the population. Power structures are based on a delicate balancing of the allocation of privileges and power between clan structures to maintain political and social stability and the lack of dissent by rival clans. Apart from contributing to political exclusion, this balancing arguably contributes to the inability of economies to benefit from the efficiencies of market systems. It also encourages a preference for economic growth models that guarantee rents (unearned income) and control over rent allocation to people in privileged positions, rather than those which could guarantee a more equal distribution of the benefits of growth, including through greater employment creation.

As Figure 4.1 shows, in all countries except Kazakhstan, people think that connections today matter more than they did 25 years ago. This reflects the survival of old *nomenklatura* elites, or the emergence of equally powerful successors in the post-transition reality.

The tradition of clan structures and patronage, as well as social relations based on hierarchy and authority, together with the preference for strong executive bodies rather than legislative bodies (inherited from the Soviet period) makes stakeholder participation and civic control and accountability difficult. Together with the slow reform process in budget allocation and planning, this legacy weakens the quality and availability of social services, and hence contributes to exclusion from social services at the local level.

## Institutional transition and governance

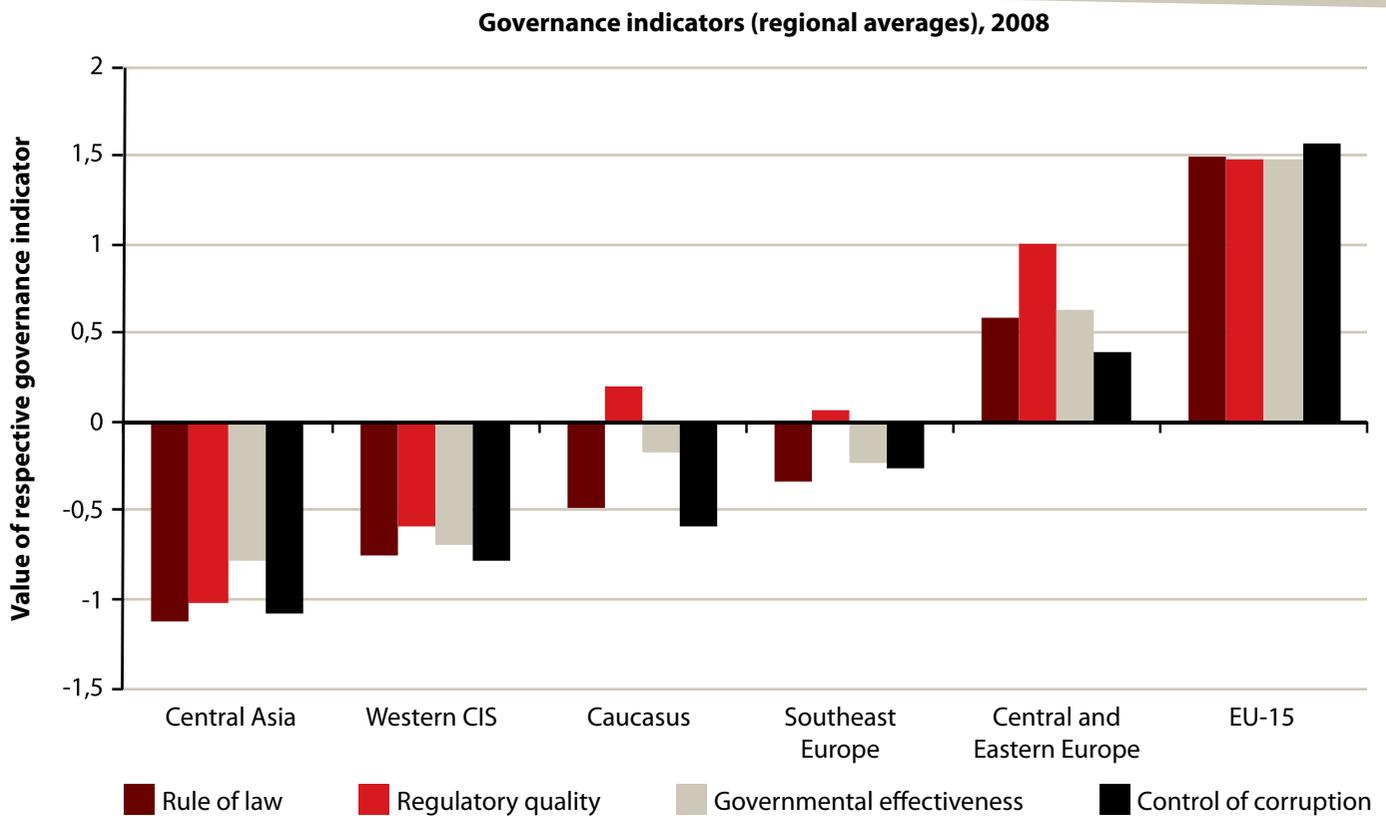
The political and economic transformation created new public and private institutions, new forms of relationships between private and public organizations, and new forms of governance. Figure 4.2 shows governance indicators on the rule of law, government effectiveness, regulatory quality and corruption. Given the diversity of the region and individual countries, it aggregates data on a sub-regional level.

Central and East European countries have succeeded to a large extent in creating effective and efficient governance systems that respect the rule of law and human rights.

In these countries, the state has played a positive role in creating an enabling environment for social inclusion. This includes translating EU regulations based on the EU Charter (Copenhagen criteria), reforming institutions and strengthening their capacities, and setting adequate standards in service delivery. In addition, workable quality control mechanisms and accountability measures have been put in place to ensure citizen representation and participation in political decision-making. However, despite these reforms and EU accession, discriminatory practices, biases within institutions, and inadequate legal frameworks still produce social exclusion.

In Southeast Europe, the prospect of accession to the European Union is a strong

Figure 4.2: Differences in governance across the region



Source: Governance Matters 2009, Worldwide Governance Indicators, 1996-2008 <http://info.worldbank.org/governance/wgi/index.asp>.

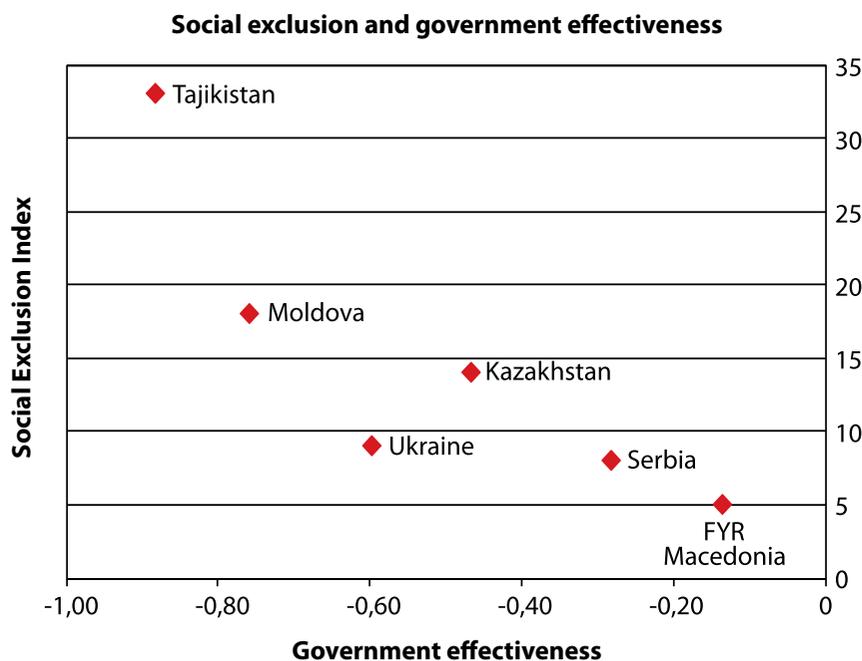
Note: Government Effectiveness: Perceptions of the quality of public services, civil service and degree of its independence from political pressures, quality of policy formulation and implementation, credibility of the government's commitment to such policies.

Regulatory Quality: Perceptions of the ability of government to formulate and implement sound policies and regulations that permit and promote private sector development.

Rule of Law: Perceptions of the extent to which agents have confidence in, and abide by, rules of society, and in particular quality of contract enforcement, property rights, police, and courts, as well as the likelihood of crime and violence.

Control of Corruption: Perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests.

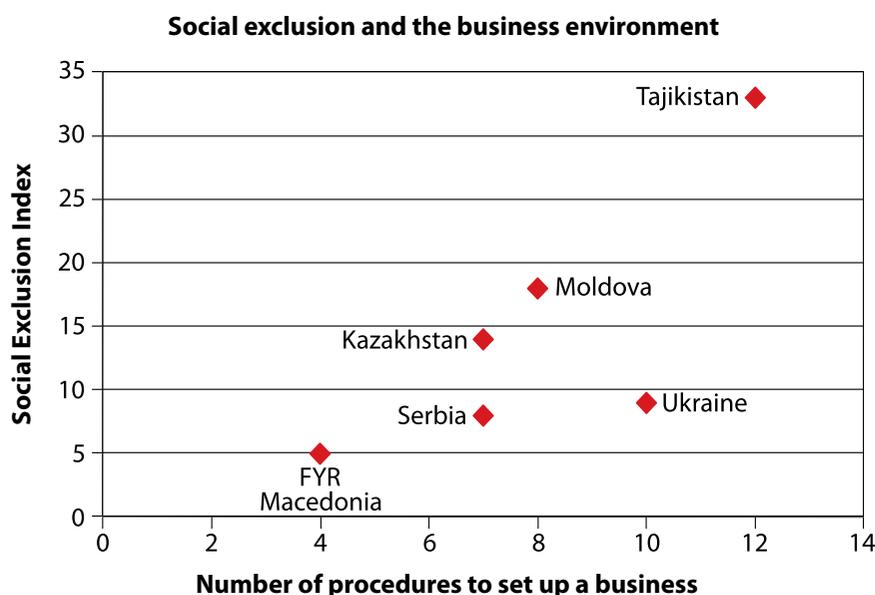
Figure 4.3: Effective governance reduces social exclusion



Source: Social Exclusion Survey 2009 and Governance Matters 2009, Worldwide Governance Indicators, 1996-2008 <http://info.worldbank.org/governance/wgi/index.asp>.

incentive to strengthen policies, legislation and institutional capacities. However, significant weaknesses remain in the accountability of institutions and in the independence of the judiciary and law enforcement bodies, especially in terms of anti-discrimi-

Figure 4.4: ...So does a friendly business environment



Source: Social Exclusion Survey 2009 and Governance Matters 2009, Worldwide Governance Indicators, 1996-2008 <http://info.worldbank.org/governance/wgi/index.asp>.

nation legislation. Governance and the rule of law developed in different ways in the Western CIS, Caucasus and Central Asia, in some cases with limited levels of success.

During transition, emerging institutions were often driven by the 'new elite', which in some countries did not differ much from the old *nomenklatura*. Institutional governance was generally weak in terms of accountability, transparency and inclusion, although substantial improvements have been noted in a short time-span, particularly in the new EU-members and accession countries.

One example where new values were co-opted by old patterns of behaviour is freedom of expression. This freedom was among the first achievements of transition but was not sufficiently matched by institutional checks and balances. As a result, in many countries limited freedom of speech was replaced by greater freedom of expression, but with questionable policy impact.

The region has become much more unequal in terms of income and wealth. Strong monopoly positions and imperfect market institutions—notably weak banking systems and at times corrupt tax and customs authorities—have played a role in this. While the resulting level of inequality compares with other parts of the world, the abruptness of this shift was new in the Europe and Central Asia region. This speed of the change served to heighten people's subjective perception of exclusion.

Governance effectiveness has implications for social inclusion. Although data from the survey alone is not sufficient to quantify the relationship between governance drivers and social exclusion, it is possible to correlate information from various data sources to draw some conclusions. Figure 4.3 illustrates the relationship between social exclusion and improvements in governance (the latter reflecting the World Bank governance indicator), while figure 4.4 shows the relationship between social exclusion and the quality of the business environment (using the number of procedures necessary to start a business as a proxy). In both cases there is a clear positive correlation, demonstrating the importance of effective institutions to mitigate individual risks and thereby reduce the likelihood of social exclusion.

## Rule of law and social inclusion

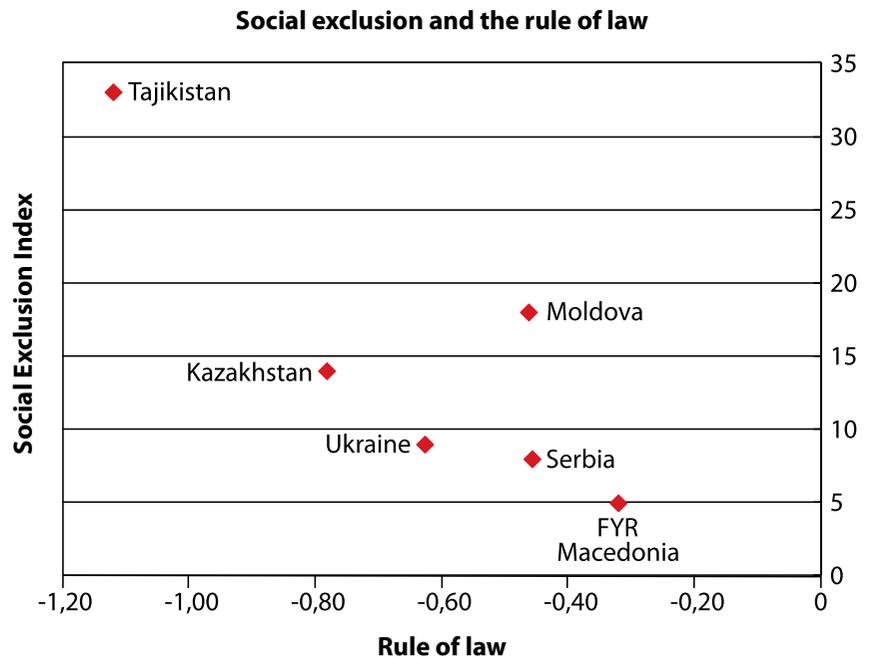
Transition has created challenges for legal and judicial institutions. It has involved increased independence from the executive; new roles for judges, lawyers, and other personnel; a rapid increase in institutional capacity to handle legal cases efficiently and effectively,<sup>66</sup> and, most importantly, a new vision that has included widening access to justice for marginalized communities and disadvantaged groups.

While a large body of new legislation and far-reaching changes to existing law and procedures continue to be developed and implemented, prosecutorial and legal aid systems in large parts of the region have been slow to change from the Soviet model. Defendants, particularly those from marginalized groups, have few safeguards against state abuse. Public interest litigation 'to precipitate social change through court-ordered decrees that reforms legal rules, enforces existing laws, and articulates public norms'<sup>67</sup> is relatively new in the region.

Judicial and legal reforms took a 'top-down', state-centred approach. Judicial and legal reforms were undertaken in transition countries to create new, specialized constitutional courts staffed with new judges to hold governments accountable and institutionalize the protection of civil and political rights. Yet early judicial reform efforts lacked the detailed procedural and organizational changes necessary to make courts more efficient and accessible. Some of those initial reform initiatives were undertaken without adequate and appropriate consultation with the beneficiaries, particularly marginalized and 'invisible' groups. A balanced, multi-level approach in improving access to justice and human rights was missing from the regional discourse. These aspects raised concerns about the commitment of the state to law and human rights as the principal framework for policy and executive authority, and weakened the impetus to law reform through litigation and civic engagement.

Figure 4.5 shows the inverse relationship between the rule of law, as measured by the World Bank governance indicator, and social inclusion. Moldova appears to be an outlier, indicating that in Moldova other drivers may have offset progress in the rule of law, exacerbating social exclusion.

Figure 4.5: Improved rule of law mitigates social exclusion



Source: Social Exclusion Survey 2009 and Governance Matters 2009, Worldwide Governance Indicators, 1996-2008 <http://info.worldbank.org/governance/wgi/index.asp>.

## Labour market institutions

The labour market is one of the important channels through which social exclusion risks materialize for many individuals. The transition recession—dramatic in most countries—contributed to a deterioration of social protection, social services and, most importantly, triggered high unemployment.

UNICEF argues that most of the emerging inequality (and poverty) was caused by fundamental changes in the labour market and in the institutional environment. It cited several micro-level factors in addition to high inflation and the failure to stabilize the economy.<sup>68</sup> These included low earnings, not reflecting productivity, which led to the rise of the working poor; to falling formal employment and to rising self-employment; to the diminished role of the state, to less income redistribution; and to state capture, monopolistic control of certain sectors, and to corruption. These factors were indeed among the main problems in most economies of the region in the first decade of transition.

Earlier work by UNDP, UNICEF and the World Bank have shown convincingly that the 1990s, or the first decade of transition, saw

<sup>66</sup>/ Anderson, Benstein and Gray 2005.

<sup>67</sup>/ Hershkoff 2005.

<sup>68</sup>/ UNICEF 2001.

Table 4.1: Adapting to a new life in Ukraine

Percentage of people ...	1997	1999	2001	2003	2007	2009
Who are actively involved in life today	7.3	7.4	7.2	8.3	16.0	18.0
Who are seeking their place in life today	36.3	36.6	38.0	30.5	32.5	33.6
Who do not wish to adapt to the present situation or wait for a turn for the better	44.9	46.7	43.3	36.2	37.6	34.0
Who are not able to decide	11.4	9.3	11.5	25.0	13.0	14.4

Source: Ukrainian Society 1992 – 2009. Dynamics of Social Changes. Institute of Sociology of NAS of Ukraine, 2009. – p.192.

69/ UNDP 1999, UNICEF 2001, World Bank 2000 and World Bank 2005.

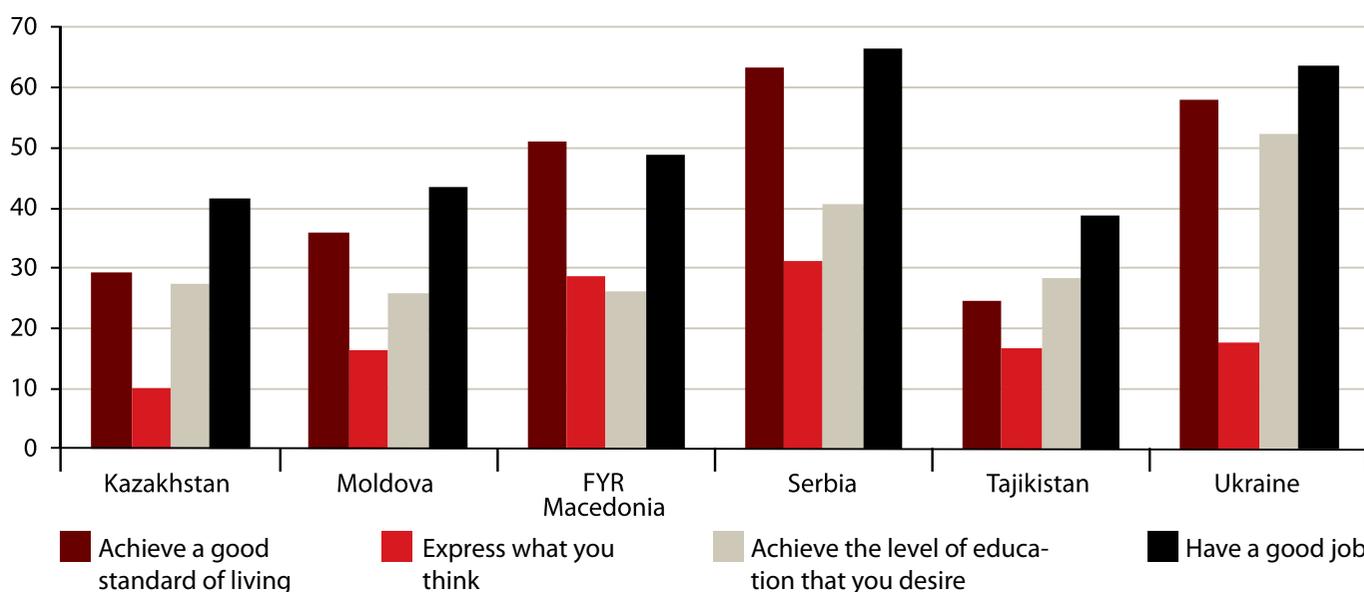
many losers and few winners.<sup>69</sup> An elevated feeling of social anxiety and uncertainty accompanied changes in national identity and economic, social, and political structures. Adapting to the new conditions was difficult and slow, as seen in such countries as Ukraine, which reflects the transformation reality experienced by most countries in the region (see Table 4.1). These changes led to the perception by an equally large share of men and women (and an even a larger share of the elderly) that opportunities had deteriorated since 1989 (see figure 4.6). Meagre chances for better living standards and access to employment top the list of grievances in all countries.

Limited employment opportunities—partly reflecting ineffective labour market institutions—can contribute to social exclusion (figure 4.7).

Finally, data from the Social Exclusion Survey show how labour market institutions such as employment agencies can be utilized to address social exclusion (figure 4.8). This argues for strengthening active labour market interventions, which assist people in finding productive employment. The benefits of such employment go well beyond income. A productive job helps people to maintain skills and motivation, and to reduce marginalization and degradation.

Figure 4.6: Disappointed by transition

Percentage of people who believe that they have inferior opportunities to those in 1989



Source: Social Exclusion Survey 2009

## Policies as drivers of social exclusion or inclusion

While the link between policies and social exclusion is indirect, and hence difficult to attribute and quantify, it exists. This section will analyse models of economic growth, fiscal decentralization, social policies and approaches to regional imbalances. All of them contribute to the dynamics of social exclusion.

### Growth models

Varied growth paths can be explained by different legacies, but also by different strategies of enterprise privatization and restructuring.<sup>70</sup> We distinguish between broad-based growth *versus* spatially and sectorally unbalanced or 'growth pole'-based growth. Most of the CIS countries fall into the latter category, while several of the EU-10 and SEE transition countries pursued more broad-based growth, which is associated with lower degrees of inequality.<sup>71</sup> In some cases, the unbalanced, capital city-centred growth models created new exclusionary structures. In addition, centralized planning left a large number of mono-company towns as a legacy. These excluded whole communities from economic as well as social and civic opportunities and continue to have very limited economic alternatives.

Growth models can also be distinguished according to openness, with more open systems (such as the Baltic states) at one end of the spectrum, and semi-closed systems relying heavily on import substitution (such as Turkmenistan and Uzbekistan) at the other end. Furthermore, countries also differ in the extent to which they rely on foreign direct investment, foreign borrowing, remittances from migrants, development aid, as well as differ in their level of domestic savings, which affects their investment and consumption.

In transition economies, the following sectors stand out, as drivers of growth over the past two decades:

**Extractive industry and mining:** The hydrocarbon sector emerged as an engine of growth in a number of ECA countries, notably Azerbaijan, Kazakhstan, Russia and

Figure 4.7: Insecure employment and social exclusion



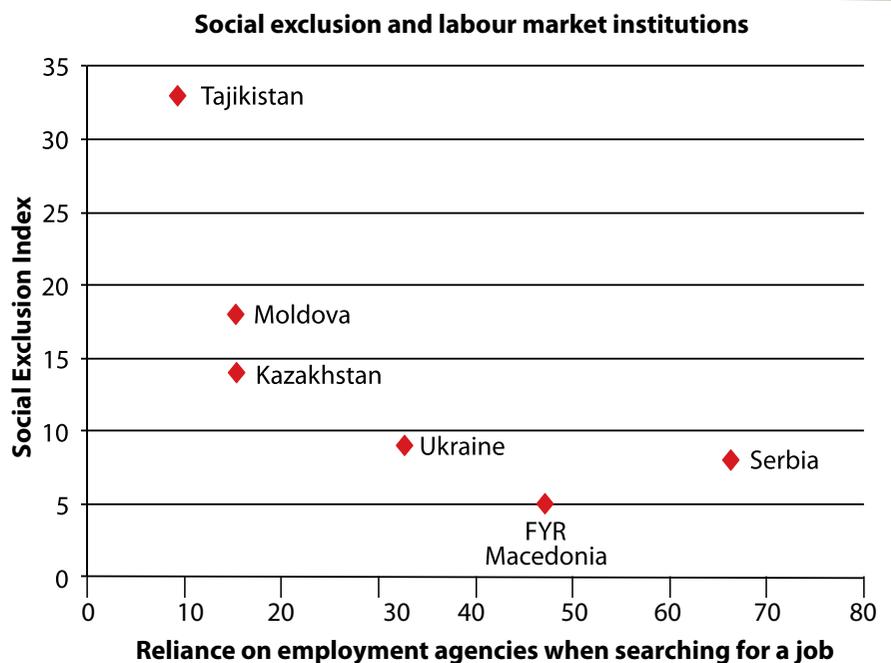
Source: Social Exclusion Survey 2009.

Turkmenistan. Metal exports contributed substantially to foreign exchange earnings in Ukraine, Armenia, and Tajikistan. High commodity prices during part of the 2000s were a key underlying factor driving growth. However, job creation associated with such

<sup>70</sup>/Guriev and Ickes 2002.

<sup>71</sup>/Cornia and Popov 2001.

Figure 4.8: Labour market institutions foster social inclusion



Source: Social Exclusion Survey 2009.

growth was minimal, with employment gains mostly limited to highly specialized skilled labour. Hence, without strong spillovers to other sectors, this growth model contributes to more exclusive and capital-intensive growth, which creates economic enclaves and leaves a large fraction of the population excluded from economic participation. Social inclusion can be fostered through revenues generated from extracting industries, but in most countries, social inclusion was modest at best. In fact, if not matched by strong governance capacity and an effective system of checks and balances, misallocation and corrupt use of revenues can increase social exclusion.

*Manufacturing industry (including SMEs):* The contribution of the manufacturing industry to social inclusion is important, although it often remains limited to urban areas. In many of the ECA transition countries, employment was concentrated in large industrial state enterprises that tended to hoard labour. Compared to extractive industries, manufacturing is more labour intensive, with more forward and backward linkages to other parts of the economy. Therefore, it has the potential—realized in many countries of the region, especially in those more open to trade—to reduce economic exclu-

sion through the labour market. Importantly, migrant workers have taken many industrial jobs, resulting in cross-border benefits.

Except in some EU-10 transition countries, the small- and medium-sized enterprise sector has been slow to make a significant impact on economic inclusion by raising employment and incomes. Except in parts of Central Europe, experience has not been a key characteristic of the private SME sector—which has the highest job creation potential. Large numbers report that they do not know what steps to take to pursue a business idea: 67 percent of survey respondents in Tajikistan, 64 percent in Kazakhstan and Ukraine.<sup>72</sup> Moreover, the regulatory environment in most countries in the region remains restrictive. Together with administrative barriers, this imposes burdensome transaction costs and hinders private sector development. The best social inclusion outcomes are likely to occur when SMEs join large companies' supply chains, when barriers to entry and exit are low, and involvement in production is linked to opportunities for improving skills and participation in the knowledge economy.

*Agriculture with a primary cash crop:* Agriculture has the potential to foster social inclusion, primarily by decreasing rural poverty. Cotton tops the list of export commodities in Uzbekistan. Together with strong import substitution, it financed the development of other industries, notably the natural gas sector.<sup>73</sup> It has also played an important role in Turkmenistan and Tajikistan. Unfortunately, agriculture-led growth was not pro-poor and also faces serious sustainability issues in many parts of Central Asia. Poverty remains more widespread in rural than in urban areas in most countries. To realize the social inclusion potential of agriculture, effective policies are needed to develop local markets and facilitate access for producers to markets. Land reform and the diversification of agricultural output (often difficult for political reasons) are important to make these gains sustainable.

*Service sector, construction and real estate:* These are highly cyclical sectors that contributed significantly both to the observed rapid growth in the early 2000s, and to the decline during the global crisis. Soaring bank lending contributed to this, especially in the Baltic states, but also in Central Europe, Bulgaria, Armenia, Kazakhstan and

72/ Similarly large rates are seen in the other survey countries: 54 percent in the Republic of Moldova, 50 percent in the former Yugoslav Republic of Macedonia; the rate is 38 percent in Serbia.

73/ Cornia et al. 2003.

Table 4.2: Official aid and remittances

	Official Aid/ GDP (%)	Official Aid/ GDP (%)	Remittance/ GDP (%)
	1990-1998	1999-2006	2007
Albania	16.6	6.7	10.1
Armenia	9.9	8.4	9
Bosnia and Herzegovina	30.8	9.6	...
Georgia	5.3	6.8	6.8
Kyrgyz Republic	10.7	13.3	19
Moldova	2.4	7.4	38.3
Tajikistan	6.2	11.7	45.5
FYR Macedonia	2.2	5.8	3.6
Uzbekistan	0.6	1.4	...

Source: World Development Indicators Database (2008).

Georgia. In these and also in some other countries, speculative developments in the real estate sector led to a bubble, with painful consequences for social inclusion. The initial spike in demand for construction services attracted investment and labour into the sector, which boosted internal migration and drained resources from other sectors, notably agriculture. These effects persist, undermining social inclusion.

*Migrant remittances:* Migration was driven by 'distress push' and 'demand pull' factors. The former originates in poverty, vulnerability and social exclusion, while the latter arises from, and is influenced by, opportunities in emerging local industries, booming urban economies, and demand for foreign labour. Remittances very often reduce poverty, but migration has also strong social exclusion effects, as family structures are disrupted, and potential exists for discrimination against migrants in the 'receiving' country. Since most migrants are involved in the informal sector and lack social insurance, the pension systems of the source countries may experience huge stress in the future. Realistic assessment of the benefits of large-scale migration requires that future costs to the pension system be taken into account.

Official data on remittances are typically estimates of flows through the banking system and informal transfers. Remittances amount to just under 6 percent of GDP in Bulgaria and Romania, but 10 percent of GDP in Albania and almost 20 percent in Kyrgyzstan. In the Republic of Moldova, remittances account for 38 percent of GDP, eclipsed only by Tajikistan, where the rate was 45.5 percent of GDP in 2007 (table 4.2). The recent financial crisis led to a sizable decline in these shares in 2009 as employment of migrants in the receiving countries fell, rapidly transmitting the impact of the crisis to source countries, although remittances recovered in 2010.

*Official development assistance:* Some economies in the ECA region (such as Armenia, Bosnia and Herzegovina, the Republic of Moldova, the Kyrgyz Republic and Tajikistan) have received large amounts of ODA in the past, and this generally continues to be the case. Official aid flows were important drivers of growth in these economies. The social inclusion impact of an ODA-dominated model of growth is highly dependent on the quality and appropriateness

Figure 4.9: The questionable benefits of informal employment



Source: Social Exclusion Survey 2009.

of policies pursued in recipient countries. Though ODA has the potential to improve social inclusion, massive inflows can skew local actors' incentives and shift attention away from sustainable sources of growth.

*The informal economy:* In various ECA transition economies, the informal (or shadow) economy is still pervasive. Large shares of women are often involved in this sector. Activities not prohibited by law but out of the tax office's sight can have some positive impacts on social inclusion. They raise output, lower the level of marginalization, and also help the workforce maintain skills and secure some income. But this comes at the cost of a diminished tax base, and hence lower budget revenues, unfair competition from the side of informal firms, large gaps in social protection for those employed in the shadow economy, and adverse long-term financial implications for the social insurance system. By contrast, the outright 'black' economy (criminal activities like smuggling, human and organ trafficking, drugs and arms trade) fractures the fabric of societies and deepens social exclusion. Tackling this problem will require the availability of more stable and sustainable growth patterns and income distribution. Figure 4.9 demonstrates a strong correlation between informality in the labour market and social exclusion.

Finally, data on spatial poverty show that growth models in the CIS that relied heavily on exclusive 'growth poles' promoted social exclusion rather than inclusion. The quality and rate of growth have been relatively poor in the countries where this form of highly unbalanced growth took place. Cazes and Nesporova, 2007 describe economic growth rates that don't promote employment growth as 'jobless growth'. The large employment losses stemming from the current crisis underscore the importance of making growth more sustainable and equitable.

### Social policies as drivers

Social policies can promote social inclusion. However, differences in political economies and governance structures driving social exclusion outcomes, as well as differences in the nature and impact of social policy choices, are evident across the region.<sup>74</sup> Several Central and Eastern European countries saw membership in the European Union as their key policy goal. With some notable exceptions, these countries began to adopt more socially inclusive policies and programmes, emphasizing the importance of social cohesion, redistributive taxation, contribution-based entitlements, and comprehensive social programmes. This combination of transition-related marketization, universalism, and contribution-based social insurance formed the core elements of the new hybrid Central European welfare regime.<sup>75</sup> The recent financial crisis has hit hardest those parts of the sub-region, notably the Baltic states and Romania, which have based their welfare systems, at least recently, on 'radical economic reforms resulting in minimal states, low welfare spending, low taxes, strongly deregulated labour markets and widespread liberalization.'<sup>76</sup>

In countries of Southeast Europe, conflicts in the 1990s and the complexities of state fragmentation and (unfinished) state building have led to a rather complex web of responsibilities for social welfare. As a result, sub-national inequalities among capital cities, other urban areas, and rural or mountainous regions grew. One of the defining characteristics of the region is the challenge of building social policies which ensure equal access for all ethnic groups and consistent delivery nationwide.

Social policies are often designed to benefit well-organized groups, such as war veterans in countries emerging from conflict. In several countries, pensioners are also a powerful political lobby. Remittances from abroad, large-scale migration and dual residence in different states all contribute to a disconnect between citizenship and welfare entitlements. In the short- and perhaps even medium-term, this sub-region is unlikely to exceed a 'minimal welfare state'<sup>77</sup> in which weak states seek to regulate, but where formal and informal marketization dominate, and residual, targeted, and means-tested social protection systems persist.

Another sub-regional grouping in social policy terms consists of the energy-based economies of the CIS, including the Russian Federation, Kazakhstan, Uzbekistan, Turkmenistan, Azerbaijan, and to some extent, Belarus. The fiscal space created by oil revenues is, of course, quite recent and volatile. The emerging social protection systems of the region are quite varied and frequently do not reach their full potential. The systems tend to be skewed towards privileged entitlement for some groups, such as war veterans, the police and members of the political elite, and to rely on underfunded and at times dysfunctional Soviet-legacy institutions. Informal welfare provided through family and kinship networks are also typical.<sup>78</sup> On the other hand, some of the countries have tried to use oil revenues to develop and extend social protection and in some cases, redistributive social policies. Belarus, for example, has a system of universal child benefits for children under three years of age which appears to have contributed to significant gains in terms of child well-being.<sup>79</sup> On the whole, though, oil and gas revenues have been used predominantly for short-term efforts, rather than to build sustainable rights-based systems. Parts of the sub-region have responded to the demographic crisis with pro-natal policies, which in some cases favour some ethnic groups at the expense of others, and to some extent deter women's participation in the labour market.

The other countries in the CIS region are all net energy importers, but their social protection systems are perhaps too diverse to be grouped together. They all exhibit features of the Soviet legacy, elite capture within a broad set of privileges, combined

74/ Cerami and Stubbs 2010.

75/ Cerami 2006.

76/ Lendvai 2009.

77/ Drahokoupil and Myant 2009, 2010.

78/ Cook 2007.

79/ Richardson et al. 2008.

with a reliance on informal sectors for the majority of the population.

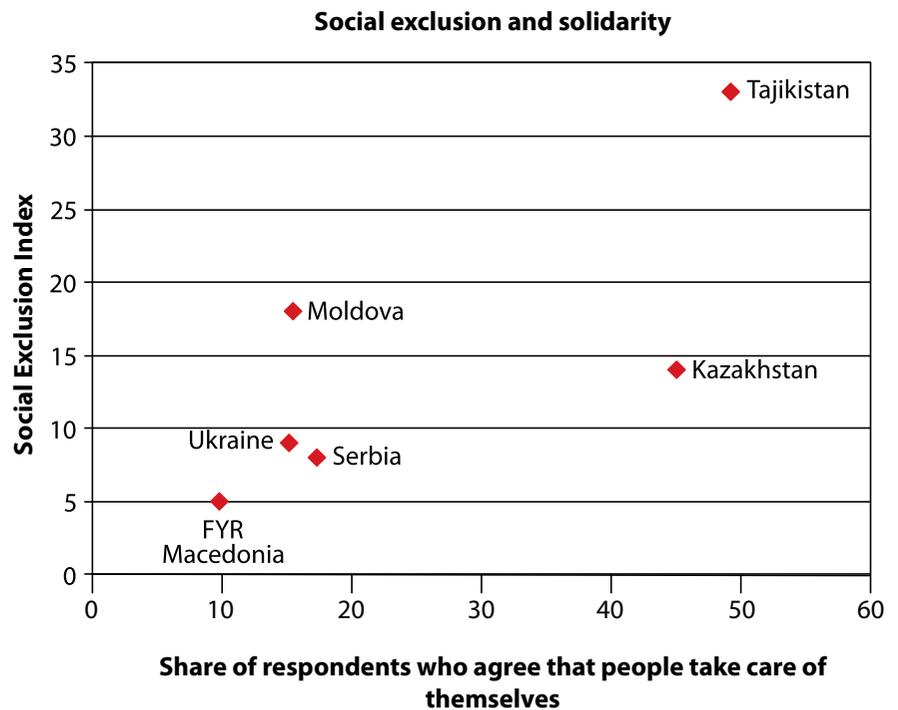
The largely fragmented welfare systems also require people to take care of themselves. The correlation between the acceptance of individual responsibility and social exclusion can be seen in Figure 4.10, where social exclusion is higher in countries where a larger percentage of people believe that everyone has to take care of himself or herself. But correlation doesn't imply causality—the high share of individualistic attitudes can result in more social exclusion; or equally, the high level of social exclusion can lead to a higher level of individualism (perhaps through disappointment in the existing 'inclusion frameworks').

Targeting social protection is a critical issue in the region, with several associated difficulties. Targeted schemes are problematic in contexts where informality and poverty are widespread and where there are weak institutional structures. This is particularly important in the ECA transition region where large parts of the middle class are vulnerable to poverty. Targeting on the basis of income can entail high administrative costs or a restrictive set of formal welfare conditions, it can lead to stigma amongst beneficiaries, and can 'foster segmentation of social programmes and separation of middle and higher classes from the poorer strata'.<sup>80</sup>

While social policy choices always involve trade-offs within a given fiscal space, relatively little attention is paid to analysing the different impacts of policy options on various socio-economic groups. In the context of the dramatic social impacts of the recent global crisis, there may be a new convergence with international financial institutions' recognizing the need to move beyond informality to some basic safety net in those countries which spend the least on social protection while, at the same time, urging expansive welfare models in parts of CEE to concentrate scarce resources through targeting.<sup>81</sup> The budget cuts after the crisis tend to erode and undermine broad political support for a welfare state, such that 'welfare for the poor is likely to become poor welfare'.<sup>82</sup>

Most of the targeted social assistance/minimum income schemes in the region are discretionary and involve judgements by front-line staff, posing risks, notably bias against certain groups, including mi-

Figure 4.10: Declining solidarity goes hand in hand with social exclusion



Source: Social Exclusion Survey 2009.

norities, and even fraud committed by low-paid officials. Moreover, making a claim requires a large number of documents from different sources, and hence, considerable persistence. Many prospective claimants are discouraged by the stigma of applying or by the lack of the required documents. Roma, displaced persons and homeless often cannot access basic social services because they lack documents. In addition, support for vulnerable people and those from stigmatized groups to make a claim is insufficient; very little information is made available (especially accessible information for persons with disabilities) and there are almost no proactive media campaigns. Means-testing in some parts of the region uses as criteria the ownership of land (with no reference to realizable income in some cases) or a car (which may be a necessity in some remote areas), as well as housing status (which has forced some claimants to sell their sole asset).

### Decentralization policies as drivers

Most ECA countries attempted to decentralize power, but this was not always done in a comprehensive manner. When admin-

80/Hujo 2009.

81/Drakhoupil and Myant 2009.

82/Drahokoupil and Myant 2010.

istrative decentralization preceded fiscal decentralization, local governments found themselves responsible for education, health care, and social assistance without sufficient fiscal authority or transfers allocated. Such unfunded local government mandates occurred frequently in countries facing a difficult economic transition and insufficient resources to address multiple social and economic problems, e.g., in Romania when the central government devolved responsibility for care of orphans to local government.

Inadequately financed fiscal decentralization ended up creating huge winners and losers. The legal framework did not support civil society and citizenry in exercising their rights to information and demanding accountability from their local government. Corruption, which already had fertile ground during the Soviet period, persisted. Resources for service delivery – particularly for vulnerable and marginalized populations who were least able to complain – were squeezed.

In other cases, the design of the fiscal decentralization system reinforced existing inequities. Without an effective redistribution system, usually consisting of equalization grants backed by a sufficient pool of funds, fiscal decentralization leaves those regions with weaker economies at a disadvantage in addressing social inclusion. In fact, regions or local governments with the weakest capacity to meet their citizens' needs often have a higher proportion of citizens with special needs, a dynamic critical for fiscal systems to take into account. In the case of the former Yugoslav Republic of Macedonia, grants for education and health care are made based on existing infrastructure, leaving rural municipalities that historically ended up without such infrastructure greatly disadvantaged in providing these services to their citizens.

More than 50 percent of respondents in Tajikistan and Ukraine and 43 percent in Serbia believe that the quality of education within their community has become worse compared to 25 years ago. One must recognize that the Soviet era made great advances in introducing services such as electricity, water, schools, and health care. The investments were not purely humanitarian, but were also intended to facilitate natural resource exploitation as part of centralized

plans for regions to become cotton or corn exporters. This was achievable because the rural population could not relocate to cities because of the *propiska* system. Over the past 20 years, young people have been migrating towards larger cities in search of work and the receiving communities have been overwhelmed with increased service demand. At the same time, the sending communities are faced with the economic problem of trying to provide the same level of services, most of which have a fixed cost element, while the working-age population that contributes to the tax base is decreasing.

In countries where the decentralization process is already advanced, local governments are starting to learn how to address issues of social exclusion and improve service delivery. Countries bordering the European Union have greater capacity, both in terms of financial means and know-how to implement decentralization. However, in some cases in Central and Southeast Europe, service delivery may have been devolved to municipalities too small to deliver services efficiently. Inter-municipal cooperation (IMC) is a promising innovation to deliver services to multiple municipalities by benefiting from economies of scale.

How decentralization is managed has direct impact on social exclusion. Local governments will need diagnostic tools which integrate national analysis with local features in order to leverage decentralization policies to improve social inclusion. Chapter 5 explores such an analytical approach in depth.

## ***Values and behavioural patterns as drivers of social exclusion***

Behavioural and value-based drivers are caused by discriminatory attitudes and cultural practices that regulate norms and behaviour in society and among groups. Social exclusion can result from, and persist in, social traditions and values among different social groups of the population. Thus, individuals, families and communities, as well as state institutions can promote exclusion among vulnerable groups. Behavioural and

value-based drivers in ECA countries are strong enough to perpetuate exclusionary patterns and have the potential to undermine well-intentioned inclusive projects. Addressing these drivers require long-term approaches that focus on mindset changes within society as well as require changes in social and cultural norms.

## Gender

Transition has affected women's access to the labour market. During the period of rapid industrialization, there was a strong emphasis on the inclusion of women in the labour market. However, most women faced the triple burden of work in the formal economy, being the main carers of small children and home workers, and often also working in the informal economy, including subsistence agriculture. Child care was, however, a partnership between families and the state with the provision of factory-based childcare; but sometimes agricultural workers were excluded. The vacuum caused by the collapse of the old workplace-related child care system was not filled by other forms of care, forcing many women to choose between professional careers and taking care of their children. Especially in the case of marginalized groups, the net outcome is falling workforce participation rates among women, an increasing number of children out of child care, and shortfalls in early childhood development.

Prevailing gender or cultural norms create exclusionary patterns. This often leads to difficult dilemmas for ethnic minority women and girls between acceptance and inclusion within their community and with the broader society. In more conservative circles in Central Asia, for example, the exclusion of women can follow from the traditional distribution of social roles in patriarchal societies. More subtle discrimination often takes place in the labour market and in public institutions throughout the region due to the existence of gender stereotypes within societies. Women of fertile age often face obstacles when looking for employment, as employers often prefer hiring men rather than face the risk of having to shoulder burdens stemming from maternity rights. This restrains the career development of women and forces them to take low-paid jobs, which hamper their

### Box 10: Influencing local policies that impact women in Albania

*Several local authorities in Albania have expressed an interest in integrating gender equality into the application of the Law on Social Services and Social Assistance in their municipalities. They were also interested more generally in capturing their experience of delivering social assistance to beneficiaries. Many local government partners felt that the decentralization process had stalled, and that the local level – which was experiencing firsthand the weaknesses of key social assistance policies – had something to say to the national level, based on their direct contact with citizens.*

*UNIFEM therefore initiated a beneficiary analysis to assess how central government policies work on the ground through case studies in two municipalities (Elbasan and Kukes). In so doing, it also provided a channel to raise the voices and concerns of local authorities to central authorities.*

*The beneficiary analysis of the Law and the procedures for implementation use aspects of the Swedish 4R method.\* The method involves the following elements: a) Representation – a quantitative mapping of the way in which men and women are represented; b) Resources – a quantitative mapping of the way in which resources are distributed and utilized; c) "Realia" – looking at the reasons for the distribution of representation and resources from a gender perspective; and d) Realization – formulating new objectives and measures.*

*The findings of the beneficiary analysis revealed not just women's unequal access to social services but also the specific institutional barriers they face. For example, the Law on Social Services and Social Assistance assumes that the head of household is a man. Unlike men, women who apply as heads of household must first document that they fill this role. Women reported significantly greater difficulty than men in obtaining the documents to prove that they are household heads. In addition, only certain categories of women qualify as head of households. Women whose husbands are living abroad but who do not send remittances, and women who have left their husbands but have not been formally granted a divorce, do not qualify as heads of household and are not eligible for economic aid.*

*The primary recommendation of the analysis was that a head-of-household approach enshrines an inherent gender bias. The Law should instead target individuals, and within this, their dependents. However, until this significant shift in thinking towards social protection takes hold, the recommendations focused on the need to expand the categories of female-headed households that are eligible for EA. Specific groups of women were suggested to be included. Through meetings between the central government and local authorities, and through UNIFEM advocacy, the recommendations were formally presented to the Ministry of Labour, Social Assistance and Equal Opportunity (MOLSAEO), as the institution with overall responsibility for the law. This process was timely in that it coincided with the national elections of June 2009, when the ruling party expressed a commitment to amend the Law on Social Services and Social Assistance so as to ensure those in greatest need were being reached effectively.*

Source: UNIFEM.

\* Gender Mainstreaming Manual: A book of practical methods from the Swedish Gender Mainstreaming Support Committee (Stockholm: Swedish Government Official Reports, 2007). <http://www.sweden.gov.se/content/1/c6/08/19/82/3532cd34.pdf>.

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*"I worked while in school in order to pay for my education, but after I graduated I could not find a job, even though I applied everywhere. I graduated with a degree in graphic design, and in the school where I applied for employment, the position is held by a teacher. He has his job because of family connections" (Albanian youth, the former Yugoslav Republic of Macedonia).*

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long term social and economic security. Gender stereotypes are also creating problems in accessing employment in branches of industries that are considered 'a man's job'.

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*"We do not feel any differences in the orphanage. We are all brothers and sisters there; we face the same problems. But in school, parents of other children do not let their children socialize with us. "The children from the orphanage have lice, they are dirty, uneducated", they say (Orphans, the former Yugoslav Republic of Macedonia).*

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## Minorities

Social exclusion of *ethnic minorities* can stem from various sources. Participation in social, cultural, political and economic processes can be put at risk for several reasons, but often because of prejudice and misconceptions, exacerbated by fears and insecurities, especially in periods of crisis and uncertainty. At the same time, however, when ethnic groups and minorities become the subject of state-sponsored programmes and benefits due to their ethnicity, they could become the subject of exclusion and non-acceptance by other communities that face similar socio-economic problems but do not benefit from such state support.

For example, majority populations often view people from the Roma community working in the informal sector as 'free-riding' because such unofficial work allows them to collect social assistance benefits, to which people in regular employment—often the 'working poor'—contribute a significant share of their income. Despite the limited scope of the phenomenon, the perception of free-riding easily translates into xenophobic attitudes that further deepen people's prejudices and their unwilling-

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83/ World Bank 2004.

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*"Not at university, but in high school I had a problem. Because I was a lesbian, I was thrown out of class, and there was talk of transferring me to a different school. Then my mum came and sorted it out so I wasn't transferred to a different school, but I was transferred to a different class" (Girl, Serbia).*

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ness to give Roma a chance to improve their future. Such attitudes make it much more difficult to gain public endorsement of long-term strategies to improve educational opportunities for, and thus the employability of, Roma.

*People with different sexual orientation* very often face forms of discrimination throughout the ECA transition countries. An increasing number of countries have adopted anti-discrimination legislation that also promulgates the rights of sexual minorities, yet these laws are rarely implemented in full. In Central and Eastern Europe, sexual minority communities are often exposed to violence and hate speech, but they continue to advocate for their rights. In most of the Caucasus and Central Asia, their rights are not even debated in political forums and in public. The issues related to sexual minorities are still taboo. These populations are exposed to severe discrimination and physical and verbal abuse, taking place in the labour market, in social clubs and associations, or even when accessing basic social services.

People with *mental and physical disabilities* also experience multiple forms of exclusion, ranging from discrimination in the labour market, social isolation, to lack of political power. Despite assistance efforts, economic exclusion among people with disabilities can reinforce stigma. For example, despite their numbers, many earthquake survivors with disabilities in Armenia reported feeling ghettoized and isolated despite extensive material aid. They explicitly described themselves as 'poor' because they were unable to earn money and saw no prospects for employment or integration into society at large.<sup>83</sup> Limited access to public transportation excludes persons with physical disabilities from shops, public facilities, employment, education, polling stations and cultural opportunities. Many countries in the region provide constitutional rights to persons with disabilities to support their ability to provide for themselves and pursue professional training, and many have ratified the UN Convention on the Rights of Persons with Disabilities, or are in the process of doing so. However, few have protected these rights in practice.

An evaluation of the needs and demands for social services of vulnerable children and their families in Kazakhstan suggests that children with disabilities are typically educated in spe-

cialized institutions or at home, where the quality of teaching varies widely.<sup>84</sup>

People in the region are not familiar with the idea of educating children with disabilities in regular schools, which often lack the equipment and staff to accommodate them. In Kazakhstan, 16 percent of children with disabilities consider regular schools unsuitable for their safe and free movement.

In Tajikistan, most children with disabilities cannot attend regular schools. Only 200 out of 18,600 children with disabilities under 16 years of age were enrolled in boarding schools in 2008.<sup>85</sup> Schools are not accessible to children with disabilities, despite laws mandating that they be. Concentrating such children in special schools,

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*“People with disabilities, especially women, need the help of social workers. Even if a person with a disability has the support of family or friends, he or she still needs the help of social workers. Currently, social workers only help those who live alone. For example, I became paralyzed two years ago, so my husband took care of me every day. Because I lived with family members and relatives, I was not allowed to use the services of a social worker. As a result, he was forced to quit his job and our living standards deteriorated rapidly” (Woman with a disability, Uzbekistan).*

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or denying them access to standard educational institutions, instils a feeling of isolation. By effectively removing children with disabilities from society, educational exclusion severely limits opportunities for advancement.

Attitudes towards including persons with

84/ Sange 2008.

85/ *Statistical Yearbook of the Republic of Tajikistan.* (Dushanbe: State Committee on Statistics, 2009).

### **Box 11: Inclusion in community structures versus the individual right to choose in Tajikistan**

*Local communities have historically played an important role in Tajikistan, especially in maintaining and nurturing solidarity networks, which can act as shock absorbers when change happens. Traditional community structures (mahallas) had survived the Soviet period reasonably intact, especially in rural areas, and with the collapse or weakening of formal state structures in the transition period, represented a valuable source of protection and support for vulnerable sections of the population. The traditional strengths of communities are in maintaining social cohesion and stability. The authority of the oldest and wisest of the community can be invoked to help solve inter- and intra household conflicts. The elders also provide economic support, such as helping households organize traditional ceremonies, including weddings. These are important rituals, almost obligatory for households participating in community life, but can put a massive strain on the household budget. Communities can also organize voluntary community help to families in building or repairing homes (hasher).*

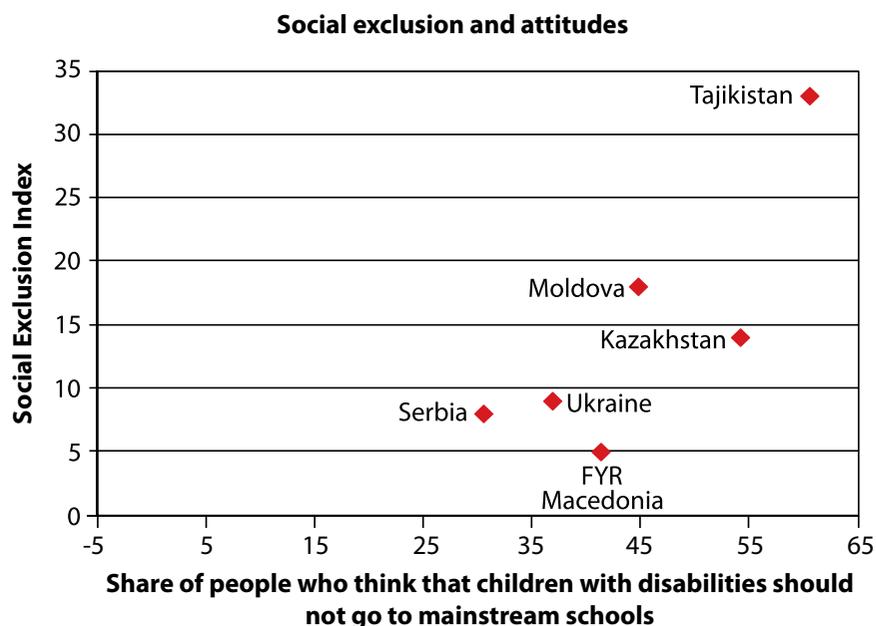
*Communities also play an important role in transmitting traditional values and roles, which in the past have underpinned their internal stability and social cohesion. Inclusion in the community can bring positive benefits for its members, but it requires adherence to traditional values, which can be contrary to individual rights and freedom of choice, especially for women. Since the collapse of the Soviet Union, the country has been striving to strike a new balance between secular and religious values. The dominance of secular values has receded, while the prevalence of traditional and religious values has increased. This has led to a reversal in some of the gains made by women in*

*the Soviet period. Moreover, the loss of guaranteed employment and collective-farm and party structures has led to a decrease in the rights and securities of women outside family and community.*

*In this situation, some women benefit from inclusion in communities, but for others, the price of inclusion is accepting constraints on individual choices. Traditional values encourage women to stay at home, and to depend on the husband, meaning that women are not economically empowered, and have less voice in the home and community. Women who live alone – widows, divorcees and those with husbands working abroad – can suffer from lack of status or even exclusion from community life due to the lack of a male head of household. There is some evidence of young people suffering from the tradition whereby parents choose the husbands for their daughters (and wives for sons). And if a man has a position of power in the community, it is not culturally permissible to criticize his behaviour even if it involves mistreatment of family members.*

*Women may choose not to go against community pressures due to the prospect of loneliness and fear of social exclusion, given the lack of alternative sources of support. The establishment of crisis centres and shelters in some areas of the country, with support from local NGOs and donor organizations, are examples of structures outside the community that are helping women in these situations to exercise their choice to go against tradition and the decisions of their families and communities. Women who have turned to the centres include those being forced into marriage, divorcees, and those with husbands who have migrated for work.*

Figure 4.11: Should children with disabilities attend mainstream schools?



Source: Social Exclusion Survey 2009.

86/UNDP Moldova 2010.

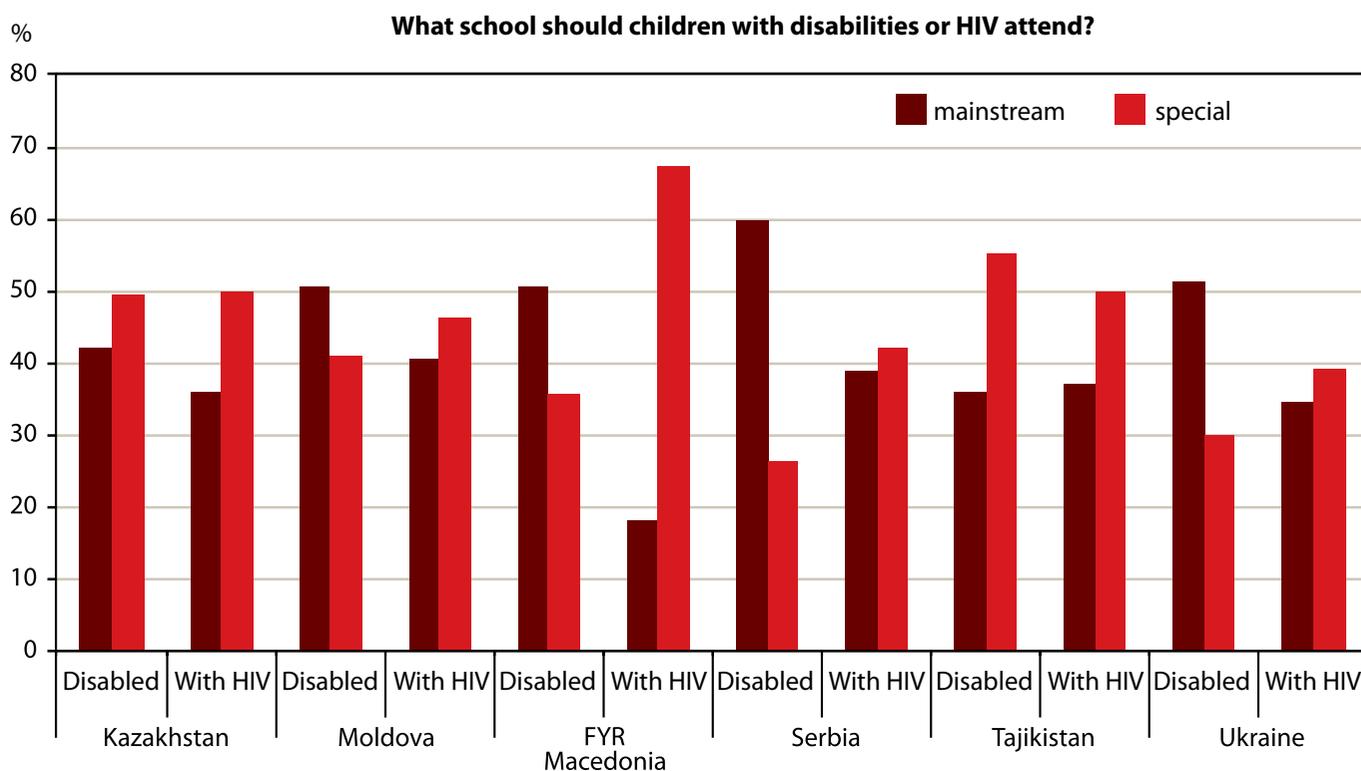
disabilities into mainstream education correlate positively with social inclusion (see figure 4.11). This suggests that the attitude of the general population has a direct impact on mitigating social exclu-

sion. Although openness towards inclusive measures is prevalent according to the survey, a wide range of capacity needs in the educational sector (and especially among teachers) would first need to be addressed. As a recent educational study shows, the reaction of many teachers to learning difficulties of children includes moralization, punishment, contempt towards children and other similar attitudes.<sup>86</sup> According to the same study, pupils are more tolerant of children with disabilities and their inclusion into mainstream schools. Some 40 percent of pupils absolutely agree that children with disabilities should study in their schools; an additional 30 percent of pupils partially share this opinion. The rest do not support inclusive education.

Some groups, such as people living with HIV/AIDS, are stigmatized and often socially and economically excluded. The main cause of social exclusion of people with HIV/AIDS is fear by others who believe that they can contract the disease when interacting with people with HIV/AIDS. Stigma is equally important in exacerbating social exclusion risks for people with HIV/AIDS (see box 12).

There is limited openness in the six countries towards including children with HIV

Figure 4.12: What school should children with disabilities or HIV attend?



Source: Social Exclusion Survey 2009.

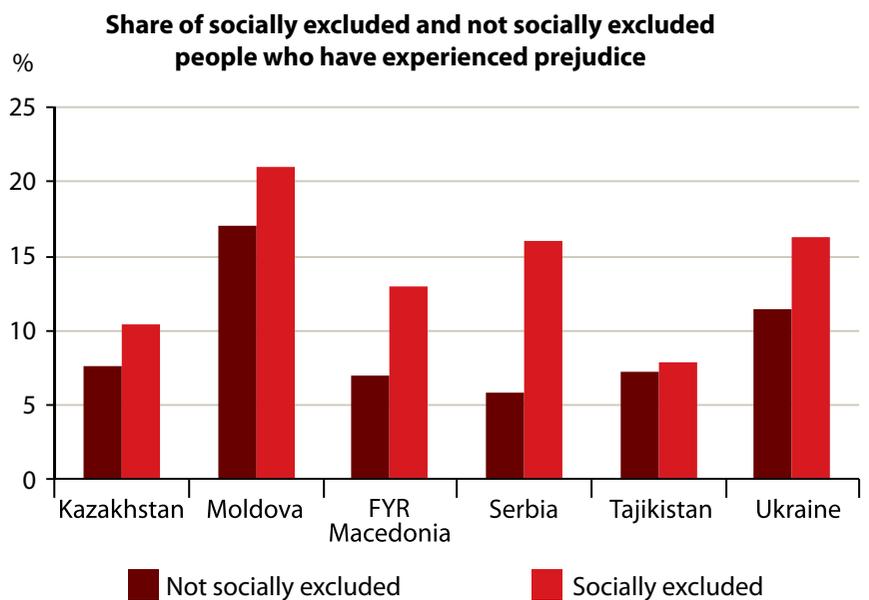
into mainstream education (figure 4.12). Fear and bias lead to rejection, isolation and the tendency to treat the people living with HIV as a threat to society. Such values and attitudes complicate the process of inclusion of people with HIV/AIDS in society.

Prejudice and social exclusion go hand in hand. A larger share of the socially excluded compared to those who are not socially excluded have in the past three months experienced prejudiced treatment, indicating that discriminatory practices play an important and instrumental role in bringing about social exclusion (figure 4.13).

### Alienation and withdrawal from society

Forms of self-exclusion and withdrawal from society and social relations can also be a consequence of the lack of social networks, social capital and the feeling of 'being left out of society'. Alienation, marginality and withdrawal are often the outcomes of deliberate institutional exclusion, when individuals and groups feel alienated from existing processes. But they can also be seen as a driver when extreme withdrawal hampers possibilities to engage with society. At one level, this type of marginalization is a result of prolonged exclusion throughout the lifespan of individuals or groups, which

Figure 4.13: Share of people who have experienced prejudice in the past three months



Source: Social Exclusion Survey 2009.

hampers the individual's motivation and capacity to make use of opportunities. It can also result in the intergenerational reproduction of poverty, perpetuating social exclusion, and making it difficult for existing generations to provide better opportunities for subsequent ones.

### Box 12: Social Exclusion of people living with HIV in Eastern Europe and the CIS

*"Recently I visited a private dental clinic in which a very good doctor refused to treat my teeth. We have a mutual friend, so I informed her about my status. But she told me frankly: "I am sorry, but you should understand that if anybody knows that I am assisting an HIV-infected person, nobody will visit me anymore". She is not afraid of becoming ill but she is afraid that people will know".*

*The quote from a regional research on the exclusion of people living with HIV illustrates that the lack of basic training on HIV epidemiology (transmission and prevention), explicit biases and unclear policies contribute to the unpreparedness of employers, educational institutions and health service providers outside of specialized AIDS centres to accept and serve people living with HIV. The research found that in fact, many people living with HIV in the region fear social stigma more than the health consequences of the disease. The root causes of stigma are lack of knowledge about HIV and AIDS, lack of personal familiarity with people living with HIV, and societal bias against marginalized groups.*

*The fear of stigma and discrimination is a major cause of reduced up-take of prevention, care treatment and support services, even when free, by people living with HIV or at risk of infection, which in turn diminishes the effectiveness of national responses and further contributes to marginalization. Stigma poses a large risk to the well-being of people living with HIV and contributes to putting others at greater risk. In order to be effective, social inclusion strategies therefore need not only to remove barriers in access to services but also to encompass efforts to reduce stigma.*

*"Social inclusion for people living with HIV means that we can lead longer, more productive lives as individuals and citizens, that we can better serve our families and better help prevent further HIV transmission. I think, what is good for people living with HIV and for populations at higher risk is good for society as a whole"; said Vladimir Zhovtyak, Head of the Eastern Europe and Central Asia Union of People living with HIV.*

UNDP 2008. *Living with HIV/AIDS in Eastern Europe and the CIS - The Human Cost of Social Exclusion.*

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*“When you apply for a job, being long-term unemployed makes it more difficult. When I go somewhere now, I’m simply ashamed to say it’s been 11 years since I finished school and I don’t have a single day of work. I’m simply ashamed” (Long-term unemployed youth, Serbia).*

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## **Major findings of this chapter**

The chapter has analyzed how the three groups of drivers of social exclusion (a) structures and institutions, (b) policies and (c) values and behavioural patterns can interact with individual risks to produce social exclusion. The analysis has shown that legacies of the past 20 years still dominate people’s perceptions and shape social exclusion outcomes today.

The political and economic transformation has led to new forms of governance and massive institution building, posing new challenges to institutional capacities. These developments have significant implications for social inclusion. For example, effective institutions and improved rule of law were found to be important for mitigating individual risks with the potential to prevent social exclusion from occurring. Low wages in local government could make it difficult to improve the quality of governance—an essential ingredient for inclusive local development. Old and new prejudices can increase social isolation. Non-existent or unenforced anti-discriminatory legislation can encourage intolerance and make inclusion of minorities even more difficult. Labour market institutions are another important channel through which social exclusion risks materialize in the region. Unemployment agencies matter for decreasing social exclusion, which strengthens the case for improving active labour market policy interventions in Europe and Central Asia.

The chapter has investigated relationships between social exclusion and models of economic growth, decentralization and social policies. It finds that unbalanced, capital city-centred growth models have created new exclusionary structures in some countries. These have been exacerbated by the legacy of centralized planning that left mono-company towns with very limited economic alternatives and excluded whole communities from economic and social and civic opportunities. Moreover, the large share of the population working in informal jobs and in insecure labour conditions has also led to higher social exclusion outcomes.

Unfinished social policy reforms represent a critical gap in social inclusion tools and can even hinder social inclusion if they do not reach the socially excluded. Such social protection mechanisms are not very effective in fostering social inclusion.

Decentralization policies, though intended to improve efficiency, can also undermine social inclusion. Assigning spending mandates to local governments needs to be accompanied by resource transfers and capacity building to ensure that decentralization policies do not exacerbate sub-national inequalities.

Behavioural and value-based drivers related to gender or culture are strong enough to maintain exclusionary patterns and can even cause inclusive projects to fail. Addressing these drivers requires long-term approaches that focus on mindset changes within society as a whole, as well as changes in social and cultural norms.

The drivers discussed so far have focused on the national context. The subsequent chapter brings the local context into the analysis of the social exclusion chain.

# Chapter 5: The local context and social exclusion

As discussed in Chapter 1, individual characteristics (such as age and gender) can lead to social exclusion. Whether they do depends on two sets of external factors: drivers and local context. The drivers have been analyzed in Chapter 4. Now we will examine the local context, defined as the set of socio-economic factors that affect individual risks and drivers of social exclusion. For example, legislation supporting private sector development has nation-wide relevance, but its effectiveness depends on local capacities, local infrastructure, environmental legacies, and spatial factors.

## The local context

In order to investigate the impact of local conditions, we used data from the 'Social Exclusion Survey' on such issues as people's tolerance of corruption or attitude to diversity, and correlated these with the Social Exclusion Index. At the same time, we assessed survey respondents' locality according to a number of criteria common to all respondents in the locality (number of employment providers; quality of transport; incidence of environmental or man-made disasters; proximity to an academic institution; and so forth). These location-specific data supplement respondents' individual characteristics. We call this procedure 'secondary source contextualization of the survey data'.

This exercise allows us to disaggregate individual data along a number of local characteristics reflecting the major development and transformational patterns experienced by all countries in the region. This makes it possible to extrapolate our findings about the magnitude and character of social exclusion beyond the six countries surveyed.

### Mono-company towns versus the knowledge economy

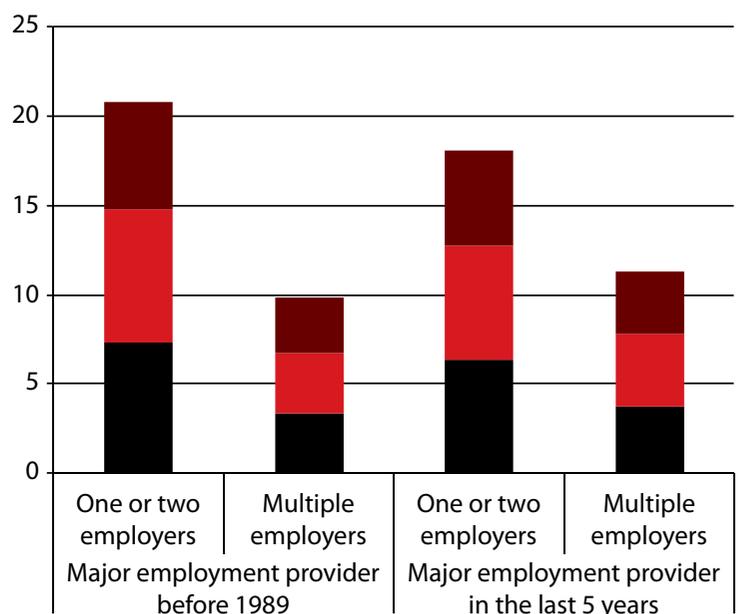
According to the survey findings, whether a town is characterized by one employer or

multiple employers plays a large role in determining the degree of social exclusion. It is highest in areas that had been dominated by one or two companies prior to 1989 (figure 5.1). It is likely that most of these localities are still mono-company towns, where social exclusion is high (the third bar in figure 5.1). But some of these traditional towns have managed to provide more employment opportunities, thus decreasing the risk of social exclusion (the fourth bar).

Mono-company towns not only have more limited employment opportunities, but also suffer from reduced access to services and participation in social life and networks. The data indicate that each of the three dimensions of social exclusion contribute

Figure 5.1: Multiple employment opportunities decrease the risk of social exclusion

The magnitude and composition of social exclusion in areas with different numbers of employers

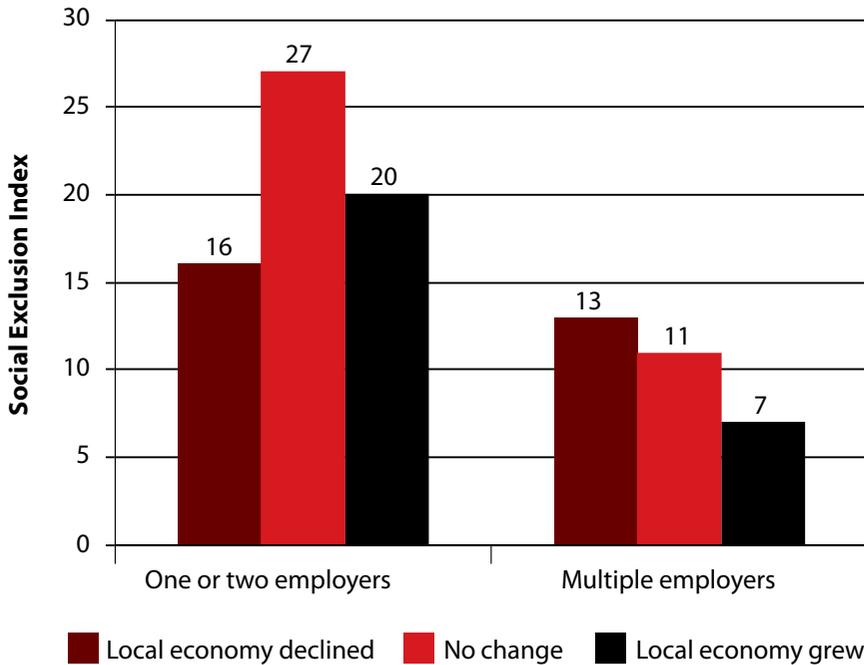


- Exclusion from participation in civic and social life and networks
- Exclusion from social services
- Economic exclusion

Source: Social Exclusion Survey 2009.

Figure 5.2: Areas with multiple employers are more resilient to crisis

**The Social Exclusion Index, by employment opportunities and resilience to the recent economic crisis**



Source: Social Exclusion Survey 2009.

equally to the level of social exclusion in both mono-company towns and in those with multiple employers. This finding may be a consequence of the extended welfare-state functions of enterprises in mono-company towns. It also suggests that diversifying employment opportunities in such localities could have marked benefits for social and civic participation.

When looking at how the recent financial crisis has affected these localities, we observe that social exclusion is lowest in areas characterized by multiple employers and by economic growth (figure 5.2). Notably, social exclusion is highest in mono-company towns characterized by stagnation, rather than by decline—contrary to what one would expect. The employment situation in these areas was unfavourable before the crisis, which may account for this finding.

Mono-company towns don't convert economic growth into reduced social exclusion, at least in the short term. This is supported by the observation in figure 5.2 that social exclusion in mono-company towns that are characterized by economic growth is even higher than in similar areas charac-

terized by economic decline. This implies that economic growth in mono-company towns won't reduce social exclusion in the near term if employment opportunities are not diversified. By contrast, where there are multiple employers, economic growth reduces social exclusion.

Proximity to an academic centre can decrease social exclusion. The value of the Social Exclusion Index in academic centres is lowest compared with other localities. When an academic centre is only 'nearby' a given locality, the level of social inclusion doubles; when an academic centre is far away, the level of social inclusion triples. Since many academic institutions are usually located in capital cities, where social exclusion is generally lower, one may reason that the results are biased. But even when capital cities are filtered out of the sample, the data still point to a correlation between proximity to academic centres and lower social exclusion.

How does the presence of academic centres reduce social exclusion? Better economic opportunities and public services typically characterize the areas that host academic centres. But the knowledge spread by academic institutions, and their advocacy for better social services, should also be taken into account. The findings suggest that investing in academic centres and ensuring their geographical distribution can help to mitigate social exclusion. More broadly, similar social inclusion benefits are likely to accrue by promoting the 'knowledge economy'.

Poor transportation infrastructure can be an important contributor to social exclusion (figure 5.3). Where transportation infrastructure is 'good' and 'excellent', the level of social exclusion is only 11 percent, but where infrastructure is 'poor' (where there is only one road, but in good condition) or 'bad' (one road, in poor condition) the risk of social exclusion increases to 19 percent and 29 percent, respectively.

**The impact of environmental disasters on social exclusion**

Environmental disasters also affect social exclusion. According to the 'Social Exclusion Survey', the magnitude of social exclusion is 27 percent in areas affected by environmental disasters versus 12 percent

in localities where such disasters have not occurred (figure 5.4). Moreover, in localities affected by environmental disasters, exclusion from economic life accounts for the biggest share (38 percent) of the Social Exclusion Index. In localities that have not been affected by an environmental disaster, exclusion from social services accounts for the biggest share (36 percent) of the social exclusion index. Disruption of production linkages, lower investment, and out-migration of qualified workers may explain the diminished economic opportunities of areas affected by environmental disasters.

Environmental disasters, however, may have unexpected positive externalities. The data also indicate that, in localities where an environmental disaster has occurred, exclusion from participation in civic and social life contributes least to social exclusion. This may be due to the fact that environmental disasters encourage people to use informal networks and community action, thus strengthening social networks and civil society participation.

## Individual risks and local context

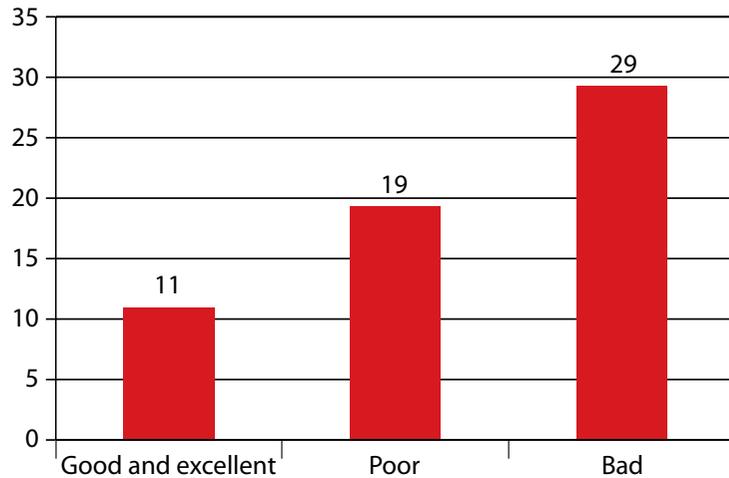
Our analytical approach allows us to examine individual risks together with elements of the local context. This allows us to move beyond basic statistical categories such as ethnicity, low educational attainment and unemployment. Combining these elements allows us to see deeper exclusion patterns that are relevant for social inclusion policies.

### Food and housing risks

People face a number of risks specific to their local context: chief among them are the risks of hunger and eviction from their home. The 'Social Inclusion Survey' finds that the risk of hunger is more pronounced than the risk of eviction among both the socially excluded and non-excluded populations (figure 5.5). This likely reflects the relatively high rates of apartment and home ownership in the region. Significant fear of hunger among the socially excluded in the Republic of Moldova and the former Yugoslav Republic of Macedonia underscores the fact that food poverty is not only an issue for developing countries but also for middle-income ones.

Figure 5.3: Better infrastructure promotes social inclusion

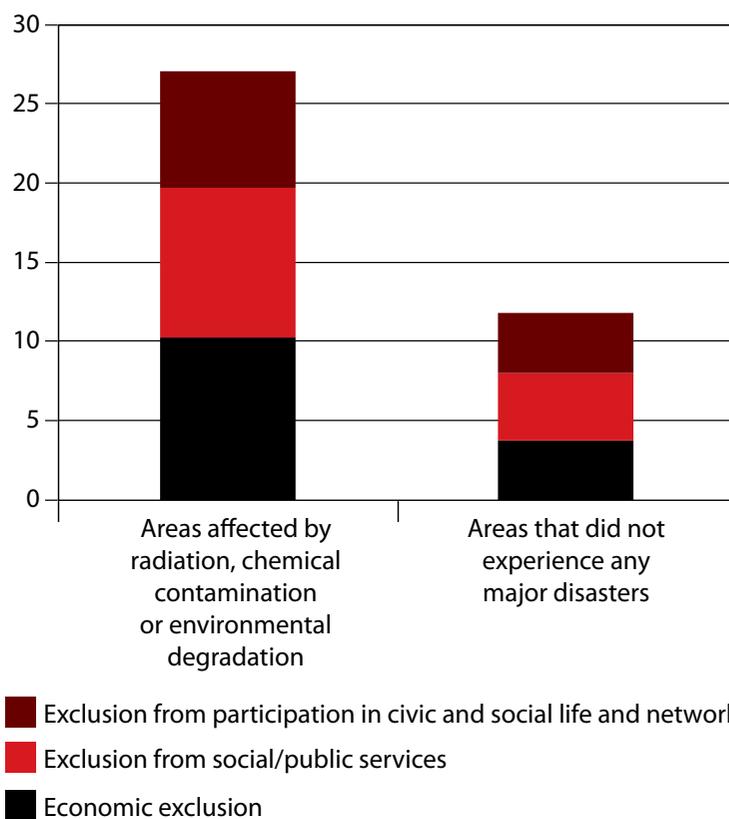
Quality of local transportation infrastructure and the Social Exclusion Index



Source: Social Exclusion Survey 2009.

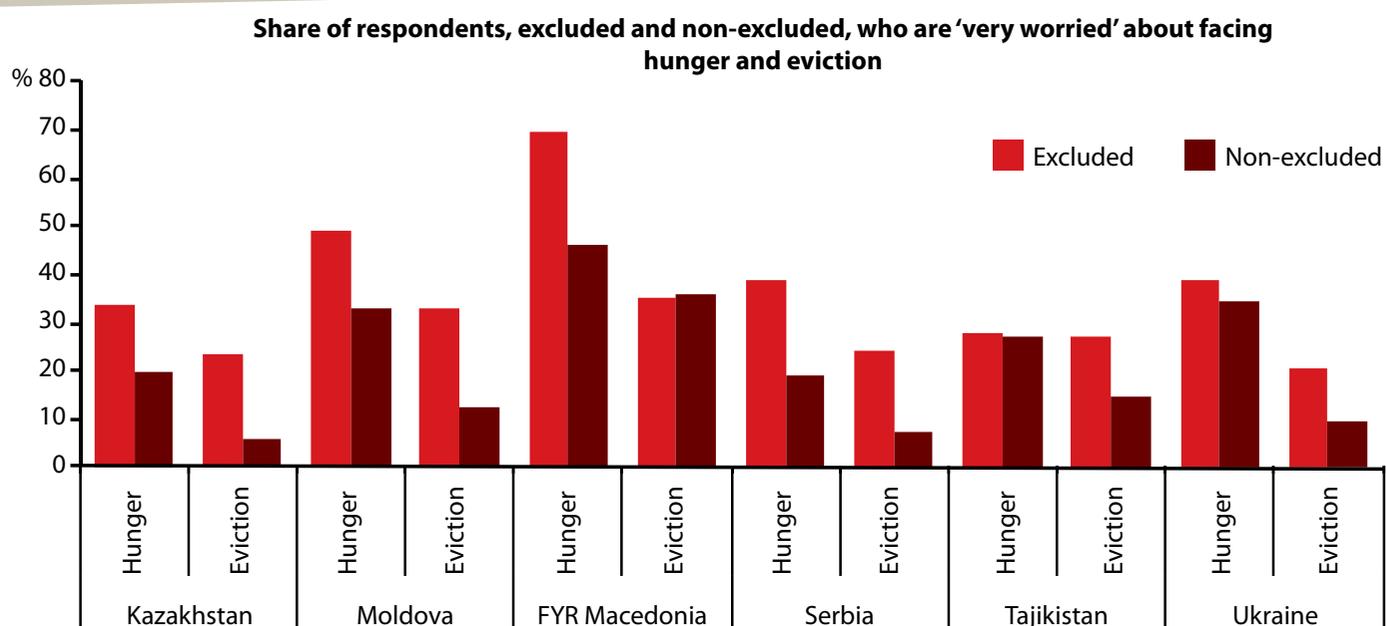
Figure 5.4: Environmental disasters contribute to social exclusion in three dimensions

Impact of environmental disasters on the Social Exclusion Index



Source: Social Exclusion Survey 2009.

Figure 5.5: The risk of hunger, and eviction persists



Source: Social Exclusion Survey 2009.

87/ The missing values for the former Yugoslav Republic of Macedonia indicate that respondents assessed the share of the products they produced themselves as less than 50 percent of their household needs.

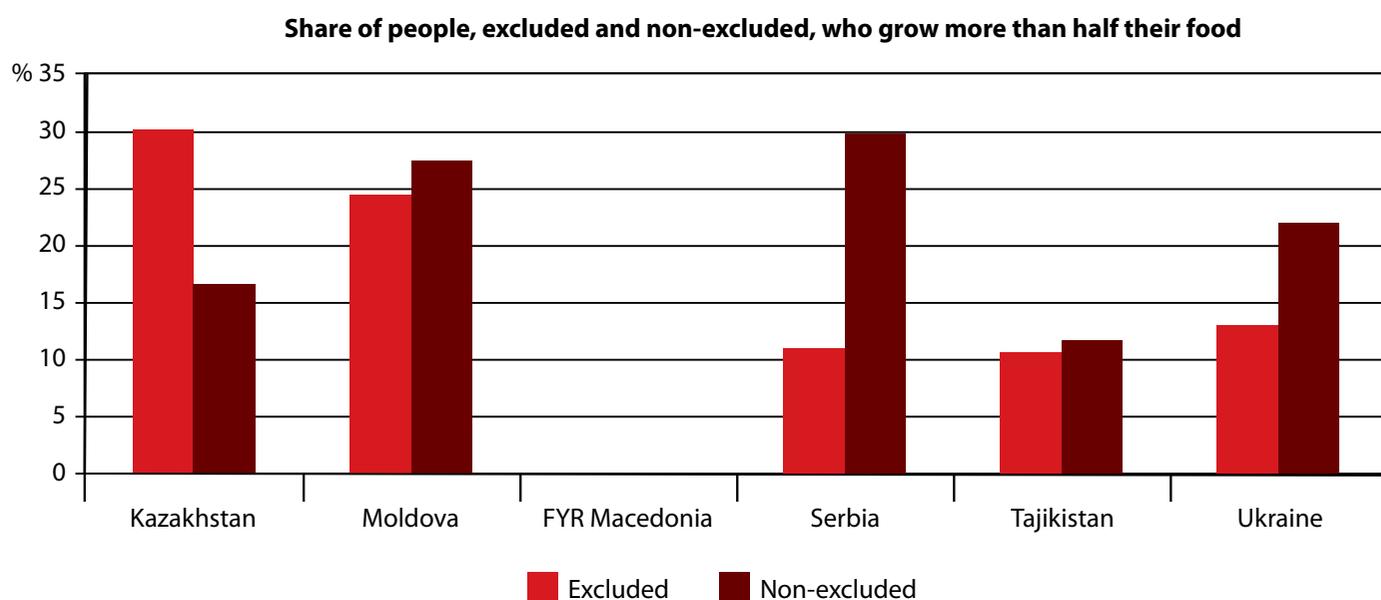
Subsistence agriculture is an important survival strategy both for the socially excluded and for the non-excluded (figure 5.6).<sup>87</sup> People in small towns and rural areas can benefit from engagement in subsistence agriculture. However, these activities can-

not fully mitigate the deprivations associated with living in rural areas.

### Local schooling

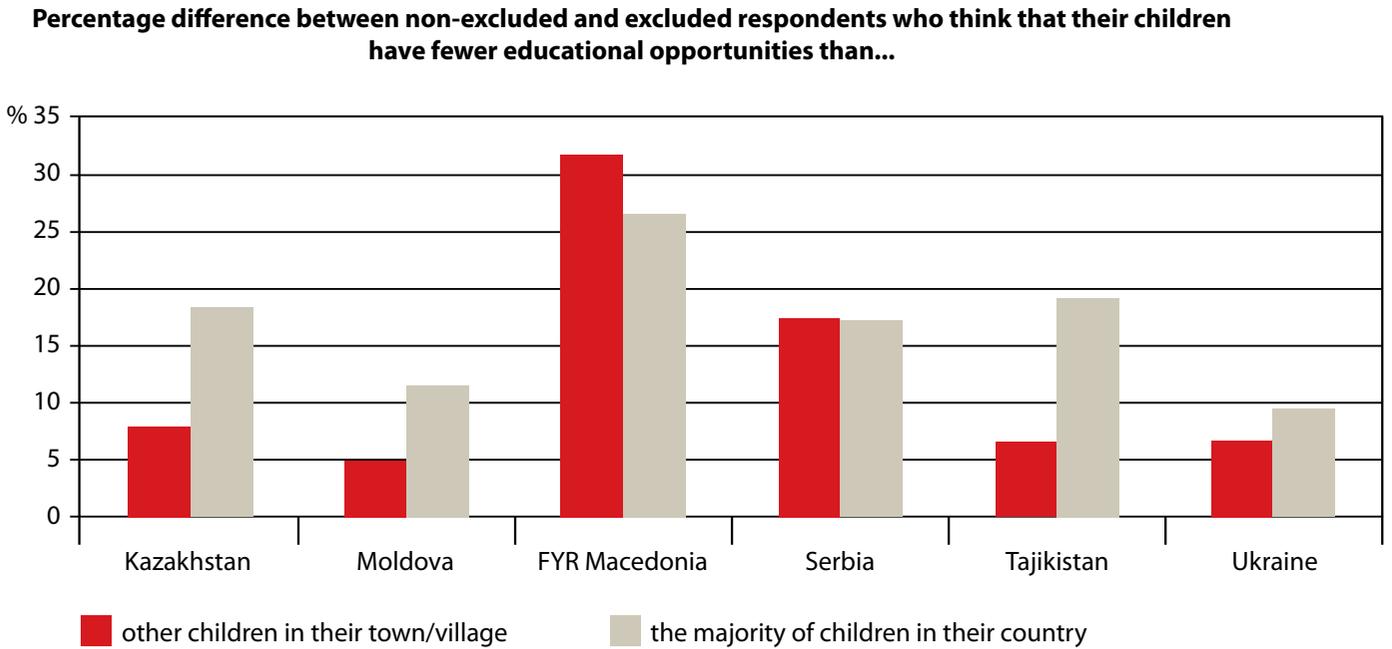
Inferior education can pass social exclusion down from one generation to the next by

Figure 5.6: Subsistence agriculture helps to decrease exclusion



Source: Social Exclusion Survey 2009.

Figure 5.7: Social exclusion leads to inferior education...

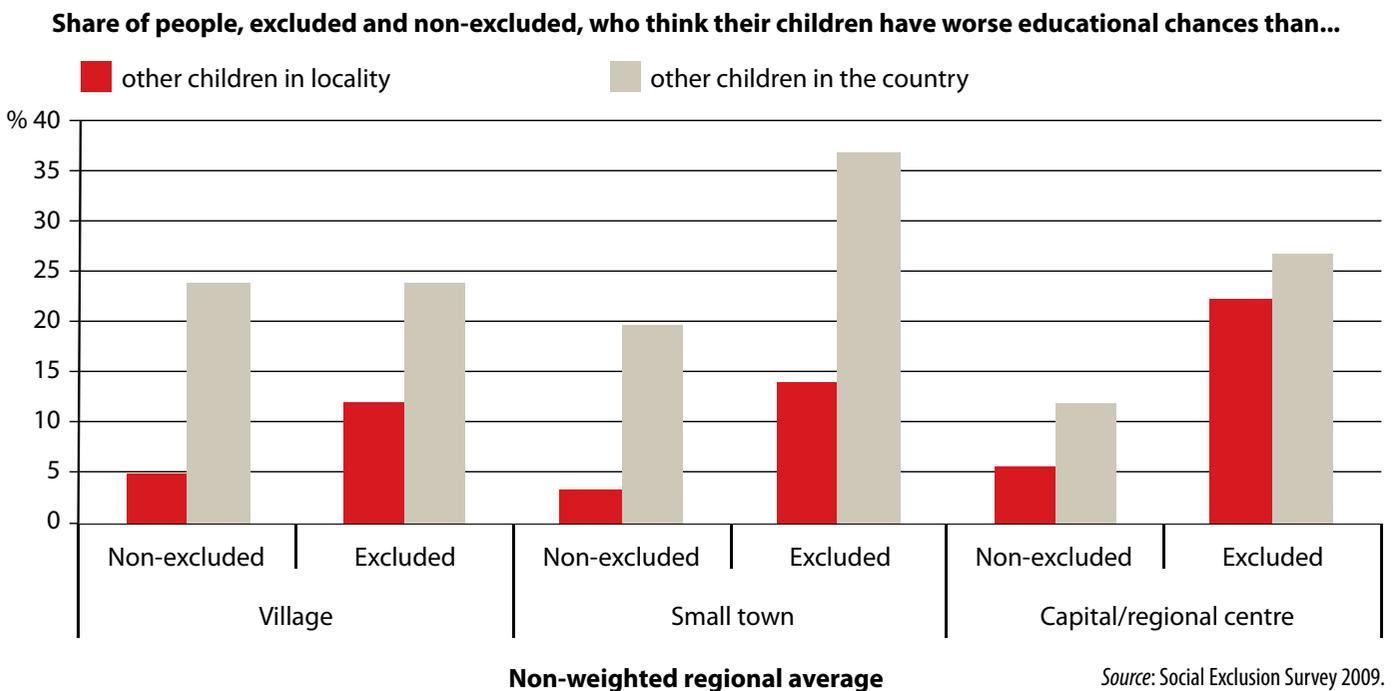


Source: Social Exclusion Survey 2009.

failing to provide the children of socially excluded adults with the knowledge needed to build a better life. The socially excluded in all surveyed countries think that their children have fewer educational opportunities than other children (figure 5.7). As concerns

village education, similar percentages of excluded and non-excluded parents think that their children are receiving an inferior education (figure 5.8). But differences in perceptions emerge as we approach urban centres. Capital cities and regional centres

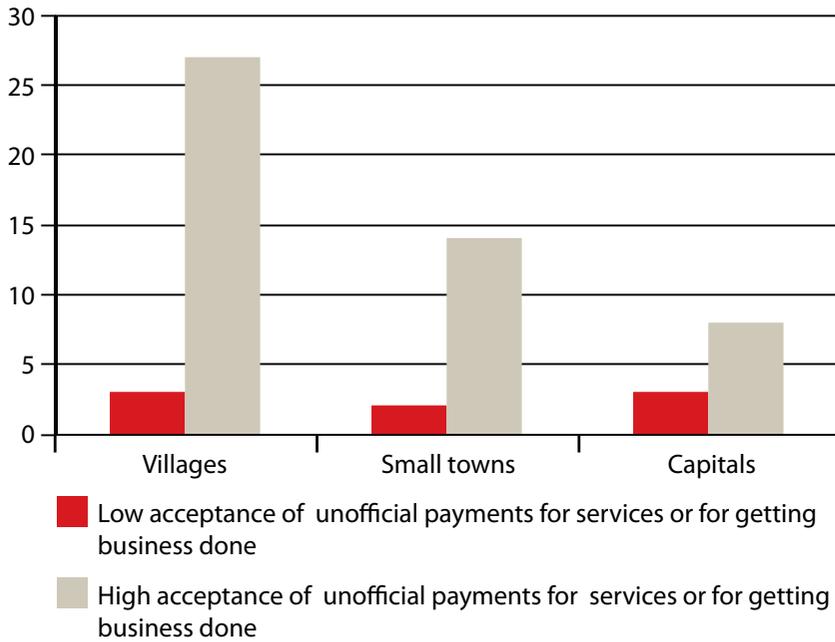
Figure 5.8: ...but how much so depends on location



Source: Social Exclusion Survey 2009.

Figure 5.9: Social exclusion is lower in communities that do not tolerate corruption

**Social Exclusion Index by tolerance of corruption and type of settlement**



Source: Social Exclusion Survey 2009.

Note: Low acceptance of corruption denotes when less than 10 percent of the population finds unofficial payments acceptable; high acceptance is denotes when more than one third of the population finds unofficial payments acceptable.

seem to better serve the children of non-excluded parents. This suggests that even when excluded families migrate to urban centres, they continue to have difficulties

ensuring a better future for their children. Social exclusion status contributes much more to poor education than location.

### Tolerance of corruption

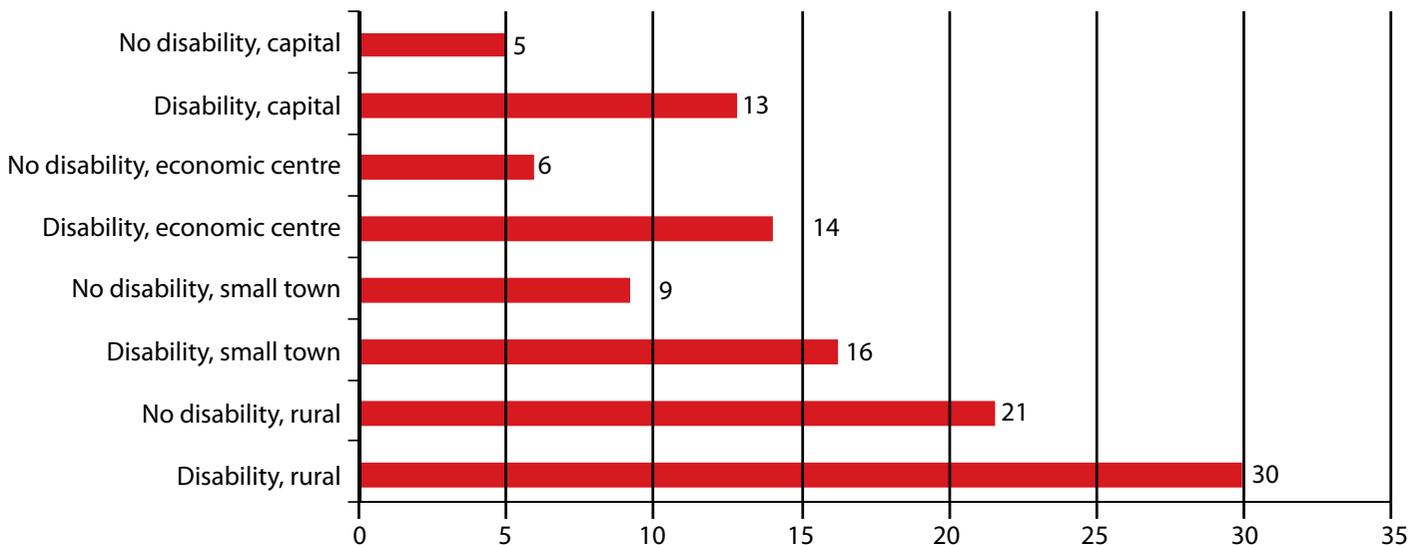
Social exclusion is relatively low in communities that exhibit low tolerance for corruption (true across villages, towns and capital cities). Social exclusion is more prevalent in communities where people make informal payments to receive social services—such as medical care, education and social benefits—and to facilitate business with local administrations (figure 5.9). Villages that tolerate corruption display a higher level of social exclusion than towns and capital cities. This does not necessarily mean that rural authorities are more susceptible to corruption. Higher tolerance in villages and small towns can result from the more limited range of social services available. Under such scarcity, unofficial payments can be required for accessing social services. Such dynamics contribute to greater social exclusion in villages.

### When local context aggravates individual risks

Standard research methods do not always capture the full range of multiple social

Figure 5.10: Disability increases the risk of social exclusion, but not universally

**Value of the Social Exclusion Index by status of respondent and type of settlement**



Source: Social Exclusion Survey 2009.

Figure 5.11: Individual risks and local specifics interact to produce social exclusion

**Value of the Social Exclusion Index by education, type of settlement and available employment opportunities**



Source: Social Exclusion Survey 2009.

exclusion risks. Some risks are related to individual status, others to the local environment. All accrue in various combinations to produce different levels of social exclusion. We can better analyse these combinations by contextualizing the survey data with secondary sources.

**Disability and the local context**

Persons with disabilities experience the most severe risk of social exclusion in rural areas (figure 5.10). The risk falls by almost half in urban centres, and further in capital cities. Attitudes play a major role in determining whether people with disabilities experience social exclusion. Social exclusion risks for a person with disabilities doubles when a significant portion of the population (at least one third) opposes inclusive measures. The impact of attitudes can increase further when augmented by institutional drivers, which can interact with individual risks to produce social exclusion (box 13).

**Education, location and job prospects**

When young people lack employment opportunities, they have a heightened risk of social exclusion. If—on top of this—they live in a rural area, their risk increases further. The data indicate that a young person with a primary education in a rural area with only one employment provider has the highest risk of social exclusion (figure 5.11). The risk decreases with higher levels

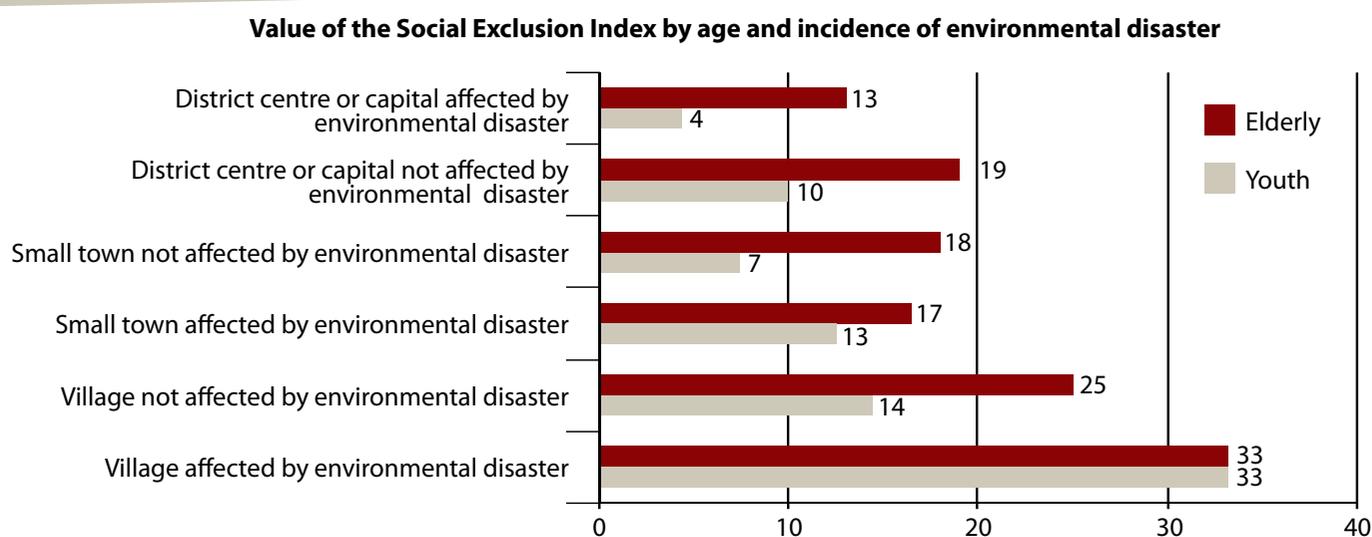
of education and increasingly urban settings. But the data also indicate that higher education levels cannot significantly mitigate the risk of social exclusion in the same locality. The risk of social exclusion for a young person with secondary education in a rural setting where there is only one employment provider is higher than for a young person with only primary education in a small town with a single employer. A young person with primary education in a rural area or small town where there are multiple employers faces the lowest risk of social exclusion. Thus young people have

**Box 13: Adults and Children with Disabilities**

*In the Europe and Central Asia region, persons with disabilities face widespread social exclusion. Many are prevented from enjoying their right to education, political voice, movement, employment, and medical care – for they need special assistance to exercise these rights. Persons facing multiple forms of exclusion are particularly challenged. For example, a person with a disability living in a rural area is likely to be denied access to transport, infrastructure, education, public health, social support and employment.*

*Some 71 percent of survey respondents in the former Yugoslav Republic of Macedonia reported not having any close friends with disabilities. In Kazakhstan, 11 percent of respondents with disabilities said they experience prejudice both from ordinary people and from government officials (who should be serving them). The highest levels of discrimination against persons with disabilities were reported in medical institutions (according to 67 percent of respondents), by ordinary people in public places (33 percent), and on public transport (17 percent). Similarly, persons with disabilities in Serbia reported significant problems receiving health care (37 percent) and social security services (22 percent) – the services which they need the most.*

Figure 5.12: Youth and the elderly living in villages are especially vulnerable to social exclusion



Source: Social Exclusion Survey 2009.

the lowest risk of social exclusion in localities with multiple employers.

### Age, location and environmental disasters

The legacy of environmental disasters exacerbates social exclusion both for old and young alike, but especially for young people. The difference in terms of social exclusion risk between living in a village affected by an environmental disaster and living in a village that is not affected is significantly higher for youth than for the elderly (figure 5.12). This is likely because environmental disasters reduce opportunities for employment and civic participation—a phenomenon that affects young people most of all.

Adding more parameters would make the picture even richer, but also more difficult to visualize and analyse. Instead of detailed descriptive analysis, a social exclusion risk calculator is more appropriate for educating people about the challenge of social exclusion. It provides a richer picture of how individual risks translate into social exclusion. Such a social exclusion risk calculator is available online, at <http://europeandcis.undp.org/poverty/socialinclusion>. Understanding the multidimensional nature of risks is a prerequisite for formulating effective and comprehensive policies for social inclusion. By allowing policy makers to quantify the trade-offs between various aspects of social exclusion, this knowledge helps them to formulate priorities.

## Major findings of this chapter

This chapter has suggested that local characteristics can compound individual vulnerabilities to increase the risk of social exclusion. In so doing, the chapter completes our analysis of the social exclusion chain.

Examining local characteristics is important because it can illuminate patterns of exclusion that national-level data often fail to capture. Policy makers need to understand these factors to effectively address social exclusion. Only with this knowledge can governments design targeted and relevant policies.

Secondary source contextualization has been employed to factor in local specifics. This approach opens the door to even richer analytics in conjunction with social exclusion indexes. With minor marginal cost, additional information can be collected on the status of political activity (such as voter turnout) and the style of local policy-making (as expressed, for example, in the performance of municipal councils). Complementing social exclusion indicators with data on school enrolment or social security outlays yields a richer picture, with greater dividends for policy makers. The next chapter lays out a number of policy recommendations designed to foster social inclusion that emerge from the analysis thus far.

## Chapter 6: **Towards inclusive societies**

**A**n inclusive society is one that rises above differences of race, gender, class, generation and geography to ensure equality of opportunity regardless of origin, and one that subordinates military and economic power to civil authority. In an inclusive society, social interaction is governed by an agreed set of social institutions'.<sup>88</sup> The capability and empowerment of all citizens to act as agents to influence how those institutions function, is indeed a hallmark of an inclusive society. This capability, and the resulting opportunities for people to live lives they have reason to value, represent a major area of convergence between human development and social inclusion.

Previous chapters have analysed how and why social exclusion occurs, and estimated the level and intensity of social exclusion in six countries. This chapter reiterates the main conclusions of the report, then provides policy recommendations that promote inclusive human development in the ECA region. It takes into account the results of the research described in the report, and lessons from relevant social inclusion policy frameworks and practices in the region and in the European Union.

### **Main conclusions of the report**

The report has presented an integrated conceptual framework for social inclusion and human development. It has put forth a new measure for analysing social exclusion that goes beyond income, thus offering a more comprehensive perspective. It integrates individual risks, drivers, and local context to create a policy-relevant tool for assessing social exclusion and its causes.

Chapters 2 and 3 have suggested that social exclusion results not only from economic deprivations, but also from lack of access to public services, civic participation, and social networks. Exclusion from social and civic participation is sufficient to deprive people of the opportunities needed to de-

velop their capabilities. Social ties are instrumental for social inclusion, particularly in this region, given people's high degree of reliance on a range of informal ways to gain opportunities and access to institutions and services.

Economic growth has not always translated into increased job opportunities, improved social services or greater opportunities for civic participation. Despite the region's heterogeneity in growth and development levels, the intensity of social exclusion is similar across countries. This finding suggests that, despite the vast macro-level differences between Kazakhstan and the former Yugoslav Republic of Macedonia, social inclusion policies in these two countries would need to simultaneously target the three dimensions of exclusion (economic exclusion, civic exclusion and social services exclusion).

Pre-transition structures, institutional inefficiencies and attitudes have played a major role in determining whether a person experiences social exclusion or not. Large parts of the population have not been able to adapt to the new demands of the labour market, where exclusion has been strongly influenced by urban and sectoral biases. These factors can contribute to exclusion from economic life.

Social exclusion can affect any member of society, not just those who are disadvantaged and marginalized. Individual risks, interacting with drivers and local contexts, can lead to social exclusion. Marginalized groups are overrepresented among the socially excluded, but not everyone from these groups is excluded. Neither are the excluded only from these groups. Moreover, social exclusion is dynamic: feedback loops can reinforce social exclusion over time, even over generations. But there is also movement in and out of this group. Policies can influence these movements over time, underscoring the important role governments can play in creating inclusive societies.

88/ UNDESA 2010.

This report confirms earlier research that found that the determinants of social exclusion are linked to, and reinforce, one another. Exclusion in one area can trigger a series of exclusions in other areas. It is rare when social exclusion can be mitigated by focusing policy interventions on a single vulnerability or driver. Instead, multiple interventions implemented in a concerted manner are needed, reflecting the complexity and dynamic nature of social exclusion. Improvements in economic, social services or civic inclusion can lead to massive and measurable human development dividends. But sustainable progress can only be achieved over the long run.

To move beyond narrow interventions that target only one cause of exclusion, policy makers must understand the interaction between drivers and outcomes. Rarely do policies address the multiple causes of social exclusion. Formulating a mix of social inclusion interventions constitutes a major policy challenge. It is especially critical that this collaboration occur at the lowest level of government administration in order to ensure multi-dimensional outreach to socially excluded groups.

Values are an important driver of social exclusion. Under socialism, diversity was not often seen as benefitting society, and this view still prevails in much of the region today. Despite progress made during transition, intolerance and low levels of social solidarity are prevalent. For example, Central Asia has seen a return to traditional gender and cultural norms, which has created new sources of exclusion for women. Throughout the region, we find discrimination against ethnic minorities, persons with disabilities, people with different sexual orientations, people living with HIV, and former prisoners. Changing mindsets requires long-term approaches.

Maintaining political support for social inclusion policies is a challenge. When the socially excluded receive social benefits, some construe this as free-riding and an abuse of the tax-funded social assistance system, to which people in formal employment—especially the working poor—contribute. The perception that socially excluded groups are free-riding easily translates into xenophobic attitudes that further deepen prejudices. Such attitudes make it more difficult to gain the public's endorsement of long-term multi-sector strategies for social inclusion.

The report also points out that governments play an instrumental role in the process of social exclusion and inclusion. During transition the state underwent a significant transformation 'on the run'. After years of one-party rule, many desired to reduce the role of the state as much as possible. As a result, state responsibilities shrank considerably, but this left huge grey areas without a clear division of labour among government, emerging civil society and the business sector. This led to weak governance, law enforcement and, in some countries, entrenched corruption—all serving to foster social exclusion. The changing views on the role of the state contribute to policy swings that diminish the efficiency of social inclusion interventions.

Real or perceived risks of exclusion can—and often do—give rise to negative coping mechanisms. These include participation in illegal activities, migration for menial jobs, crime, (domestic) violence, alcoholism, and so forth. In contrast with demand-pull migration that responds to evolving opportunities, 'distress push' migration is in part a response to social exclusion. It is expressed in migration from rural to urban areas, or from urban centres to the capital, and also in migration abroad.

Social exclusion has contributed to low levels of trust, especially in institutions that are seen as perpetuating exclusion. This has led many to believe that the state is not fully discharging its responsibilities. Social exclusion has also diminished people's sense of belonging to society in the six surveyed countries. The high rate of social exclusion among children and youth, a trend that has been exacerbated by the economic crisis, is a sign that we risk losing a whole generation. This could create serious consequences, including aggravated social tensions and unrest.

## ***Recommendations: the strategy level***

The goal of social inclusion is not an inconsequential abstraction; its achievement is vital for sustainably stable and productive societies. Policies and activities promoting social inclusion are gaining prominence at the international and regional levels, through the EU, the Council of Europe, as well as the UN and its agencies. EU mecha-

nisms in particular have contributed towards the development of targets, indicators and other monitoring frameworks that enable more coherent and harmonized examination of the dimensions and scope of social inclusion.

Social exclusion results from a complex web of risks, drivers, and local context. Alone, no single policy change can bring about definitive and lasting social inclusion. This is why the policy recommendations put forth here need to be seen as interlinked, making sense only as a coherent whole. Individually, the recommendations can contribute only modestly. However, in aggregate—especially if combined with a coherent strengthening of both local- and national-level engagement—they will have meaningful impact. Still, results will only come over a longer period of time.

The current limits on fiscal space make it imperative to devise efficient policies to address the challenges of social inclusion. However, this will not be easy: promoting social inclusion requires a complex mixture of political will, institutional fit (including policy coherence and governance capacity); and fiscal space. Such complexity demands careful attention to political economy, a concern with questions of governance and coordination, and an explicit and long-term focus on issues of technical capacity development. Even during the recent pre-crisis period of growth, which saw an increase in fiscal space throughout the region, social expenditures have not kept pace with needs. Social expenditures are too often designed without an evidence base, delivered with limited coherence and without full transparency in central and local budgets.

This report proposes a framework to inform policy makers, and sets out some key policy considerations on the basis of the analysis. Recent years have seen a plethora of multi-sector strategic plans that have not always improved the lives of the socially excluded. This report aims to ensure that these plans do not exist only on paper but make a difference in people's lives.

## **Genuine policy commitment to social inclusion**

Political commitment to social inclusion is a prerequisite for progress. Awareness that

something needs to be done precedes the question what can be done. Promoting social inclusion must be recognized as a key policy goal alongside economic goals. A key ingredient for getting to this stage is the realization that reducing social exclusion is not only morally right but also in society's long-term interest.

The idea of social inclusion has sufficient momentum at the international level, but needs to be translated into political commitment at national and local levels. The institutional framework for promoting social inclusion was set up by the Copenhagen Declaration and the Programme of Copenhagen—documents of the 1995 World Summit for Social Development. Heads of State were encouraged to create a society 'for all', in which each individual, each with rights and responsibilities, has an active role to play. World leaders at the Social Summit in Geneva in 2000 restated their commitment to social protection as a core issue in poverty alleviation. This forum also highlighted the dangers of social exclusion and their impact on sustainable human development.

It is through the EU that the idea of social inclusion has most vibrantly become an explicit policy goal, articulated in the Lisbon Strategy in 2000. Since then the EU has advanced this agenda by applying a coordinated policy and monitoring framework. The EU path reflects not only the history and culture of the countries involved, but also the valuable experience of multi-country cooperation. The EU's 27 member countries have commonly agreed objectives and yardsticks to evaluate and assess their achievements. As such, the negotiations that have led to a common set of social indicators in the EU, at the national, sub-national and supranational levels, may offer valuable lessons for other countries (box 14).

The EU accession process is a worthy precedent and good practice for the ECA region. Adopting inter-country commitments could add value and momentum to national efforts to promote inclusion. Each country needs to have its own strategy for combating social exclusion, incorporating all relevant sectors with clear responsibilities, a designated lead government agency, and a robust, transparent and independent monitoring and evaluation system. The strategy needs to be based on continued

involvement of all stakeholders including—crucially— persons and groups experiencing social exclusion. It needs to encompass all policies that impact social exclusion, including macro-economic policies, and not only those policies traditionally considered ‘social’. It also needs to ensure improved horizontal and vertical coordination of policies, a balance between national, regional and local levels, and diversity in state and non-state service providers.

To move beyond paper targets, social inclusion strategies need to address the spa-

tial dimensions of sub-national exclusion, prioritize disadvantaged locations, and be fiscally sustainable. Area-based interventions, such as local or regional action zones, should be considered in localities experiencing multiple deprivations. Ensuring that the budgetary process is participatory, inclusive, and responsive to concerns of excluded individuals and groups is a crucial component of an effective strategy. The resulting fiscal policy also needs to be sustainable. Given the challenges building a political constituency in support of so-

#### **Box 14: How the European Union seeks to achieve social inclusion**

*EU experience can offer lessons for countries engaging in social inclusion agendas by providing a basis for key strategy elements: principles and capacity needs for social inclusion policy design; monitoring and implementation; as well as coordination mechanisms and data requirements. These general practices provide useful precedents for countries in the ECA region, regardless of their individual European integration aspirations.*

##### **Commonly agreed goal**

*In 2000, EU Heads of State declared in the ‘Lisbon Strategy’ the objective of making a decisive impact on the eradication of poverty and social exclusion in member states by 2010. The Lisbon Strategy identified the EU’s primary goals as growth and employment, coupled with greater social cohesion. To these three pillars, an environmental dimension was added a year later in the form of a strategy for sustainable development in which all four pillars should mutually reinforce each other.*

*The year 2010 marks the end of the Lisbon Strategy and despite significant effort, progress has fallen far short of ambitions. For the EU as a whole, the poverty risk rate in 2008 was as high as 17 percent—a figure that has remained broadly unchanged over recent years (Frazer and Marlier, 2010). During 2010, the ‘EU2020 agenda’, which sets out a vision for Europe for the 21st century, was adopted. The EU2020 strategy calls for smart, sustainable, and inclusive growth for the EU in the coming decade, and proposes an EU headline target for poverty reduction (EC, 2010).*

##### **Commonly agreed method for monitoring strategies**

*Since 2000, the EU has coordinated the social inclusion process through the so-called Open Method of Coordination (OMC). The Social OMC, also referred to as the*

*EU Social Protection and Social Inclusion Process, is now applied to social inclusion (covering both poverty and social exclusion), pensions, and health care and long-term care. \* The Social OMC has essentially been a ‘soft’ process, based on voluntary cooperation in pursuit of common objectives. Responsibility for developing and implementing policies remains with countries. Much of the emphasis is on information exchange and policy learning. However, peer pressure is present as a result of the regular monitoring and reporting and, more recently, some international benchmarking.*

*In 2008, the Commission adopted the Renewed Social Agenda, which shifted the focus to empowering and enabling individuals to realize their potential while at the same time helping those who are unable to do so. The agenda recognizes that it cannot be confined to traditional social domains but has to be cross-cutting and multidimensional, covering a wide range of areas from labour market policies to education, health, immigration and intercultural dialogue. The renewed social agenda is built around three principles: opportunities, access and solidarity.\*\**

*To implement these principles, the EC has introduced the concept of Active Inclusion, a comprehensive policy mix combining three elements: (i) a link to the labour market through job opportunities or vocational training; (ii) income support sufficient for people to lead a dignified life; and (iii) improved access to services to remove hurdles encountered by some individuals and their families in entering mainstream society, thereby supporting their reinsertion into employment’\*\*\* Social inclusion policies are to be based on all three elements and their interaction, with close involvement of all partners and stakeholders, including from other policy fields.*

\* 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. The SPC reports to the EU Employment, Social Policy, Health and Consumer Affairs (EPSCO) Council of Ministers.

\*\* <http://ec.europa.eu/social/main.jsp?catId=547&langId=en> (19.02.2010).

\*\*\* European Commission consultation on the promotion of the active inclusion of people farthest from the labour market, COM 2006, 544 final.

cial inclusion, knowledge sharing is critical within the region and beyond.

The EU's social inclusion policy remains an evolving process whereby policies, their accompanying implementation mechanisms and measurements are continuously improved based on experience. Policies were initially largely based on socio-economic aspects of poverty and exclusion, with considerable focus on labour markets. Nuanced themes such as child poverty and well-being, homelessness and housing exclusion, the social inclusion of migrants and ethnic minorities (especially Roma) and the impact of the financial and economic crisis have subsequently enriched the social exclusion framework. This report further expands upon the EU's social exclusion framework by offering a policy-relevant empirical approach with an increased focus on social services and civic participation, and using drivers and local context to capture dynamic and causal elements.

## Learning from experience in the European Union

While this report proves that transition history makes the regional story unique, the EU experience still provides valuable lessons for ECA countries. It provides a set of basic principles and capacities needed for promoting social inclusion centred on broadening consultation, promoting coordination and cooperation across sectors and types of actors, and improving oversight mechanisms. It highlights the importance of several additional aspects, notably of:

- the active participation of local and national authorities and civil society stakeholders in designing multidimensional and coordinated policies with transparent budget processes;
- mainstreaming social inclusion objectives into all areas of national policy;
- collecting systematic feedback for policy makers and administrators from all implementing levels and from the intended beneficiaries to determine why policies are (or are not) working; and using this feedback to refine policies as needed; efficiently involving both government and non-governmental organizations in the delivery of public services;
- making the process evidence-based and

using quantifiable targets, indicators, and baselines to measure progress and assess policy effectiveness;

- involving stakeholders in monitoring and reporting through a variety of methods, including local- and community-level monitoring systems to provide information on social inclusion intervention outcomes at the local level.

The key principles, processes and mechanisms of the European Social Inclusion Process to coordinate social policies and mutual exchange across countries can be of particular relevance to the wider European neighbourhood if tailored to fit local contexts. 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), New Member States, and in the developing and transition economies that are recipients of development and technical assistance from the European Commission (EC).

For example, EU candidate or potential candidate countries in Southeast Europe are expected to develop the institutional capacity needed to discharge their social inclusion obligations. Candidate countries in the pre-accession period work with the Director General for Employment to design the Joint Inclusion Memorandum (JIM) as a preparation for participation in the Open Method of Cooperation (OMC), an approach to governance that relies on the voluntary cooperation of Member States. JIMs analyse the situation of social exclusion, identify key challenges, review the effectiveness of existing policies and identify key priorities for the future. However, while they build statistical capacity for monitoring poverty and social exclusion, they come with no formal commitment to implement future actions.

The countries of the Southern Caucasus and Western CIS 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.<sup>89</sup> Countries in Central Asia receiving budget support from the EC (the Kyrgyz Republic and Tajikistan) are also strongly influenced by the EU experience through social protection

89/ Frazer and Marlier 2010.

policy reform programmes, which constitute integral parts of the budget support agreements.

The value of the social inclusion framework for countries in the region goes beyond possible funding and expertise from the EU. As the current report proves, social inclusion has intrinsic value. Reducing the risks of exclusion improves human development opportunities and is in the long-term political, economic and social interest of ECA societies.

Meeting the commitments set forth in these EU partnership frameworks not only sets in motion efforts to design and monitor social inclusion strategies, but also necessitates institutional capacity development among state, private sector, and civil society actors. Specific social inclusion processes also require aligning poverty reduction strategies and other overarching macroeconomic and development frameworks with social inclusion objectives. The principles set out above have been promoted to a considerable extent through the MDG and poverty reduction agendas. It is now time to reinforce efforts in this regard and move towards inclusive policy frameworks in the countries of the region, building on the lessons learned in the EU context.

## ***Towards pre-emptive policies: decreasing individual risks to social exclusion***

Rather than reacting to social exclusion once it materializes, a pre-emptive approach holds the promise of being more effective and efficient. Addressing individual vulnerabilities before they translate into actual social exclusion requires both active and passive interventions. The first type of interventions encompasses the entire range of social services that improve an individual's capacity to respond to exclusion risks. Passive interventions refer primarily to social protection and social safety nets.

### **Inclusive social services**

Beyond improving quality and access, the first policy recommendation in the area of social services is to move beyond a sector approach. Most of those services are sector-

specific, but their outcomes spread across the entire spectrum of social exclusion risks. Better education means not just more knowledge but also better employability, higher incomes and lower risk of poverty. Better health services lengthen people's productive time-span and hence raise societies' productive potential. The recommendations below are organized by sectors, but efficient policy packages should be based on a careful analysis of their linkages.

### **Education, health and basic services accessible to all**

As demonstrated in chapters 2 and 3, the provision of good quality and accessible education and health services is vital for breaking the intergenerational cycle of poverty and social exclusion in the region. Four strategic areas stand out: early childhood education, improving school infrastructure and the transition from school to work, increasing access to adult education and life-long learning, and promoting e-inclusion.

Educational inequalities based on ethnicity, disability, or place of residence already solidify by the time of primary school enrolment and become increasingly entrenched at later stages. Large out-of-pocket payments to accessing basic health care creates barriers for the poorer population in the region while stigma and discrimination prevent access to basic social services for persons with disabilities, people from Roma communities, and persons living with HIV, etc. This has to be addressed jointly with a range of other services, such as housing, water, sanitation and transportation that in many cases affect educational or health outcomes.

High quality pre-school education is important for children's development and for future performance in the school system. Hence, it should be readily available to all pre-school age children, particularly for those who come from poor and disadvantaged backgrounds, for whom early intervention is crucial and in many cases cost-effective. Making pre-school obligatory and affordable is only the first step; critical policy elements include training teachers, allocating resources for infrastructure and developing support services such as parent counselling and transportation. Early education should be coupled with regular health check-ups for children.

Health services need to ensure that the principle of access for all to basic health services is genuinely delivered. In particular, access of those who are outside the current basic health insurance system needs to be enabled, while making sure that out-of-pocket expenditures and discrimination do not limit access of those most in need. From a social inclusion perspective, two issues—both also backed by a compelling economic case—deserve emphasis. First, there is a need to develop preventive health care programmes. Second, there is a need to remove passive barriers to health care, such as lack of transportation for those living in more remote rural areas, notably by providing more mobile health centres or local health clinics to reach the socially excluded where they live.

This report has demonstrated that the lack of public transportation is a key determinant of social exclusion, reducing opportunities for participation. Other services, such as water, sanitation and housing can play an equally important role and need to be seen as critical elements of social inclusion policies. Given the legacy of institutionalized care, countries in the region should explore opportunities for community-based housing for persons with disabilities and other disadvantaged groups as an alternative to institutionalization. It is also important to develop, in conjunction with civil society where appropriate, a strategy for supporting the homeless, as well as increasing funding for shelters.

## **Improving the employability of the labour force**

Active labour market policies are an important area of state responsibility. Facilitating entry to the labour market and the transition from one employment to another in a dynamic economic environment is a crucial element of social inclusion.

A precondition for labour market inclusion is that people's qualifications meet the needs of the labour market. School curricula need to be adapted to the changing labour market and to the diverse needs of children. Particular focus should be given to ensuring that children from disadvantaged backgrounds, such as Roma children or children with disabilities, are fully integrated into and supported by the school system. This means developing effective

support services such as counselling and mentoring for all parents, ensuring that schools are sufficiently equipped, and have trained staff to work with children with special needs. It is also important to ensure that the costs associated with education (e.g. books, transport) do not act as barriers to attendance.

The transition from school to work requires deliberate policies in flexible form. Vocational education is often the bridge between formal education and employment. It needs to adapt to labour market needs and provide opportunities to acquire desirable new skills, such as internet literacy. Broader inclusion into education and training will also help address widespread youth unemployment—one of the main challenges for regional labour markets.

While pre-emptive educational policies are the most strategic, developing accessible adult education and life-long learning opportunities can help people escape the low education-unemployment trap. Particular attention needs to be given to increasing engagement in life-long learning by those who are unemployed or are members of a disadvantaged group. In this regard, new information and communication technologies can be extremely useful.

While measures to increase the employability of disadvantaged individuals are clearly critical, diversifying growth opportunities and thereby increasing the overall supply and quality of jobs is another equally important part of the solution. One way to promote employment opportunities for population groups at risk of social exclusion is through developing or strengthening the social economy (see box 15). In this respect, governments should ease the legal requirements for establishing social enterprises and—fiscal space permitting—should provide financial incentives to encourage their setup. Finally, physical and other barriers to workplaces or public transportation faced by persons with disabilities need to be removed.

An open question with regard to social enterprises is the scope of government involvement. Should the system of training and requalification services be entirely market-driven, or should individual services be provided within an overall framework that sets strategic priorities more closely aligned with the intended recipients' needs even if

that does not maximize profits? The answer to this question has immediate fiscal implications, and varies from country to country. The experience from recent years—and in particular from the pre-crisis boom in some sectors in the region—suggests that markets do not automatically factor in a longer term social inclusion vision despite it being optimal in the long run. Such a market failure could be overcome through government incentives that align autonomous private entities' rational short-term choices with societies' long-term interest.

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**Box 15: Social enterprise: U Pana Cogito Inn in Poland**

*In Poland about 60 social enterprises are in operation. Many were established between 2004 and 2008 with start-up funding from the EU's EQUAL\* programme. Despite strong beginnings, a significant number ceased to operate once the EQUAL funding dried up. (Some put the failure rate at 60 percent.) Experience demonstrates the importance of sustained support.*

*A successful Polish social enterprise is the U Pana Cogito Inn in Cracow. It provides employment opportunities for people with schizophrenia by creating jobs adapted to their needs. Employment allows them to play a positive role in society and to feel needed, thus improving their relationship with their immediate community.*

*To form the venture, local NGOs teamed up with governmental bodies. The partners include: Limerick Institute of Technology, Association for the Development of Psychiatry and Community Care, National Disabled Persons Rehabilitation Fund, the Polish-German Society for Mental Health, the Municipality of Cracow, and the City of Edinburgh.*

*The inn has 34 beds and a 90 percent occupancy rate during high season. Some 2,500 people frequent the hotel and restaurant annually. It employs 21 people with disabilities. They work as kitchen staff, room cleaners, receptionists and accountants. In addition, through the project dozens of people have learned how to operate a social enterprise.*

*In 2006 the tourism industry recognized U Pana Cogito as 'Simply the Best 2006'. Advisor Hotelier, a trade publication, awarded the head of the Inn, 'Manager of the Year 2006'.*

*The experience of U Pana Cogito suggests that in order to succeed, a social enterprise needs significant start-up funding. In addition, it cannot be seen as a pure market entity, as it requires a subsidy for psycho-social support. But from a human development perspective, the subsidy is an investment that bolsters the dignity of vulnerable people. The investment also yields savings for the state, in terms of lowered social support for the employees of the inn. The state also collects employment taxes.*

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\* The EU EQUAL Initiative seeks to ensure that no person is deprived of access to the labour market. This initiative to help implement the goals of the European Employment Policy and the Social Integration Process derives 75 percent of its funding from the European Social Fund (ESF) and 25 percent from the state budget. EQUAL differs from the mainstream ESF by serving as an instrument for developing new, innovative methods for fighting labour market discrimination and inequality. As a result, EQUAL is often referred to as a 'labour market experiment'.

Source: *Social Economy Good Practice Handbook* and information at [www.ekonomiaspoleczna.pl](http://www.ekonomiaspoleczna.pl).

## Revisiting social protection

This report has shown that exclusion from access to social services is a critical contributor to social exclusion outcomes in the six countries surveyed. This calls for creating an inclusive social system with access to a wide range of social benefits and services adapted to the different needs of various population groups.

There is a need for a thorough review of social protection in the region. Transition has eroded the availability of low- or no-cost public services and traditional forms of solidarity, notably inter-household support and community networks. The ensuing formal and informal marketization of key social services has excluded many people. In addition, some groups in the region have managed to maintain a relatively privileged position in terms of social protection priorities and expenditure. The legacy of category-based social protection benefits and privileges, together with the mix of formal rights and *de facto* discretion of the front-line bureaucracy in allocating benefits and services, along with stigma and discrimination, increasingly constrain access for the excluded.

One option is to introduce a 'social floor' or 'minimum social protection package' which was endorsed by the UN system in 2009. The basic components of the social floor are the establishment of a minimum guaranteed basic income for those capable of work; universal child benefits; a social pension for all over a certain age and for those incapable of work, and sufficient and adequate access to quality social services, including health, education, and social services. The inter-linkages between these components are crucial in the region, with sufficient access of particular importance. The fiscal feasibility of such a package for the region should be explored. A good short- to medium-term approach would be to focus on universal child benefits and the provision of quality social services and adequate social pensions.

Introducing a 'social protection floor' is not easy when fiscal space is limited, but much could be achieved within the existing fiscal envelope, if reallocation of resources is based on sound first principles. This would be clearly preferable to cutting the overall level of social spending, which would not

make the currently inefficient social protection systems more efficient. That would require carefully crafted reforms of the social safety net and the provision of public sector social services. Two aspects that could create fiscal space for more inclusive provision of social services include revoking ill-targeted social transfers and subsidies, and diversifying the provision of social services by providing beneficiaries with the opportunity to choose private providers if those are more efficient.

Raising the average targeting performance of social protection systems is feasible. While some programmes should remain universal, others that can rely on observable characteristics of the poor and vulnerable can effectively target those in need. The use of incentives to self-select in applying for social assistance can also enhance overall targeting efficiency of some social programmes. For instance, incentives can encourage people to rely on employment in public works or social enterprises, rather than receiving cash transfers.

Better targeting of social safety nets should go hand-in-hand with efforts to reduce dependency. Programmes to reduce dependency on social support have been tested in various contexts. The problem is that many people don't have an incentive to move off welfare, which provides a small—but regular—income that is not taxed. For many it is irrational to switch to formal employment, which can be low paid as well as unstable. The availability of informal employment opportunities while receiving public support also discourages people from taking on a formal job.

## Services for the elderly

The high share of elderly considered to be socially excluded—almost twice the national average in most countries surveyed—argues for policy interventions on their behalf. The absence of tailored and community-based care, especially long-term care and accessible transport and health care for the elderly, is a major contributor to social exclusion, which is exacerbated by declining family support networks. The report also found that elderly generations feel increasingly lost in today's societies, distanced from mainstream society. Policies addressing these aspects can markedly advance social inclusion.

Another central issue is the sustainability of pension systems in light of rising dependency ratios in the majority of the region's countries. Obviously, there is no 'one-size-fits-all' solution. Some countries have introduced three-pillar pension systems, and many have increased, or are considering increasing, the pension age. More flexible pension systems could also foster social inclusion, e.g., by allowing a combination of basic protection through pensions and part-time employment as additional income and inclusion opportunities. But the bottom line remains that countries will need to have resources to cover pension outlays in the future. These resources will need to come from pension contributions and from accumulated funds in the funded pension pillars. At present most countries lack these resources.

## Child benefits

In the poorer parts of the region, where the cost of moving to universal benefits may be prohibitive in the short run, the emphasis may have to be on categorical child benefits. These could concentrate initially on family types with above-average poverty risk, such as households with two or more children, households with young-

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### Box 16: Conditional cash transfers can promote social inclusion

*Conditional cash transfers have a number of important features. They require the recipients of social assistance or child benefits to fulfil certain conditions, such as taking a job, studying in school, or ensuring that their children have regular health check-ups (Stubbs, 2009). Conditional cash transfers can promote social inclusion by encouraging people to take advantage of networks of employers and schools. Conditionality can also help to reduce the prejudices of people who regard beneficiaries as 'free riders' merely living off the state.*

*Like other middle income countries such as Brazil and Mexico, some countries in the Europe and Central Asia region have piloted conditional cash transfer programmes. Experience has found that conditional cash transfers can yield results, but they need to be accompanied by other measures such as improving education or expanding job opportunities. Otherwise, the programmes will not increase human capital and promote social integration (Friedman et al., 2009). Evidence also suggests that conditional cash transfers have not helped to mitigate social exclusion among Roma households.*

*Schools must be receptive to the idea that tying state transfer payments to school attendance can enhance educational performance. Similarly, requiring work in return for social assistance is only half the answer; recipients must have work opportunities. Without them, conditional cash transfers will not increase social inclusion.*

er children, or lone parent households.<sup>90</sup> However, to sustainably reduce the risk of exclusion among children, focused efforts are also needed to improve the availability and quality of education, health and social services.

Child benefits can also be used to motivate socially desirable behaviour, along the lines of conditional cash transfers used successfully in Latin America. This could involve measures to remove incentives for children to drop out of school. Children are still involved in seasonal work in agriculture or in other income-generation activities, especially in Central Asia and in marginalized populations. Introducing elements of simple conditionality by linking child benefits to school attendance could be an effective way of decreasing drop-out rates, particularly among marginalized populations for which both the drop-out rates and the relative weight of benefits in the household budgets are the highest.

### **Social services for vulnerable families**

There is a legacy in the region of a large number of residents in institutional care—including children lacking adequate family care, and children and adults with disabilities. Such care is often of poor quality and lacks links to families and communities. As a first step, reforms could aim for deinstitutionalization and in parallel the provision of diverse community-based social services, especially for families at risk, as well as for adults and children with disabilities and persons with mental health issues. Such support and care services for families need to encourage burden sharing between genders to care for children, the elderly, persons with disabilities or other dependent persons. Integrated social services of this sort would require effective coordination across areas such as social housing, health services, education and training services and employment services. Thus, they also require cooperation and partnerships among a wide variety of actors, including state agencies, local authorities, NGOs and the private sector.

An outcome-oriented and comprehensive system of social services would particularly benefit those who tend to be marginalized, directly improving their human development opportunities through improved ac-

cess to mainstream services. This is not only beneficial for individuals and households in helping them to cope with risks stemming from a globalized market economy in a more effective manner through skills development, but would also benefit society at large. The range of services needs to be extended, depending on context, to include housing, water, sanitation and transport which, in their present state, increase social exclusion outcomes.

### **Unemployment benefits**

Unemployment insurance benefits constitute an important element of the social safety net, particularly in economically depressed and remote regions where they tend to have the largest effect. Their coverage in the region is sparse and uneven, with large sections of the unemployed rendered ineligible by obstacles to registration. These obstacles stem from the lack of prior contributions (e.g., youth and those with informal jobs), or from efforts to avoid paying unemployment benefits to recipients simultaneously taking on informal sector employment.

Unemployment benefits should provide basic protection without creating disincentives to look for new jobs. They have been reformed several times in most CEE countries, mainly to reduce incentives for 'living on welfare' and increasing the appeal of active employment. But while labour supply disincentives are now less marked, the risk of the 'unemployment trap' has not markedly receded. This is the case especially in backward regions, where benefits account for a high proportion of the prevailing market wage of low-skilled labour. The socially optimal way of addressing these problems is providing the right incentives by increasing the returns on efforts to obtain active formal sector employment, rather than by decreasing unemployment benefits.

### ***Turning drivers of social exclusion into drivers of inclusion***

Social inclusion strategies should be preventive and empowering. Policies need to divert individual risks from materializing into actual social exclusion, best done by building and expanding people's capacities

and opportunities. For the most part, the region's institutions and norms are still not structured to respond to people's capacities, which are critical for success in social inclusion.

## **Towards inclusive institutions**

The report demonstrates that institutions in the ECA region matter for social inclusion. Institutions have been generally weak in terms of accountability, transparency and flexibility, which led to a high level of distrust towards public institutions and public service systems. In addition, high levels of intolerance in society and exclusionary forms of social capital fail to promote a culture of responsive and inclusive institutions. As a result, government institutions are often incapable of engaging with marginalized and disadvantaged groups and communities.

For inclusive societies to develop, appropriate policies are necessary, but not sufficient. This also requires the support of a minimum critical mass of citizens, non-governmental organizations, the business community, trade unions and political parties. A common vision and coordinated actions are required to create a genuinely inclusive society in countries of the region. A meaningful dialogue is needed that reaches out to women, minorities, indigenous peoples, adolescents and young people, displaced persons, vulnerable and disadvantaged communities, and other poor, excluded or marginalized groups. Public institutions need to make genuine efforts to actively engage with traditionally marginalized and excluded groups or those who are less amenable to democratic transition and development discourse rather than focus on engaging a small group of likeminded national actors, as is often the case.

## **Defining an appropriate role for the state**

A major challenge in the wake of transition is to correctly define the role of the State. Governments have their responsibilities in defining and enforcing equal 'rules of the game' and addressing market failures. Progressing towards higher levels of social inclusion and human development requires appropriate state interventions at the national and sub-national levels. The way

in which public administration operates, provides or restricts information, delivers services and provides or prevents opportunities for engaging the policy debate has a direct impact on citizens' perception of how legitimate the governance system is.

Strengthening the rule of law is equally important. It is a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and ideally consistent with international human rights norms and standards. It requires measures to ensure adherence to the principles of supremacy of the law, equality before the law, fairness in its application, accountability to the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness, and procedural and legal transparency.

Legal empowerment contributes critically to social inclusion. Legal empowerment involves the use of legal services, legal capacity building, and legal reform by and for disadvantaged and marginalized populations. In combination with other activities, it increases freedom, improves governance, and significantly contributes to alleviating poverty and social exclusion. It makes the rule of law approach more balanced and inclusive, thereby enhancing state legitimacy.

## **Improving government effectiveness**

Low government effectiveness is associated with social exclusion. The quality of public services, of the civil service and the degree of its independence from politics, the quality and credibility of policy formulation and implementation are the central building blocks of government effectiveness. Low government effectiveness in policy formulation and implementation wastes resources, institutionalizes barriers and discriminatory practices, which further generate inequalities between individuals and groups. These are particularly important in times of a crisis-induced shrinking of the fiscal space when governments need to do more with less. Effective civil service reforms can strengthen government institutions and enable them to also take into account special conditions facing the ex-

cluded. One means of accomplishing these goals is through e-governance whereby relevant information and public services can be provided to citizens instantaneously.

To achieve real institutional change supporting social inclusion, public-sector oversight needs to be strengthened. The Office of the Ombudsman, public information offices, parliamentary committees, effective and accountable judicial systems, civil society and media are all important for promoting accountability and fighting against corruption. These institutions work better if they can function independently, are mandated with specific decision-making or investigative and reporting powers, and are adequately resourced. Finally, transparency and access to information about public affairs need to be guaranteed by appropriate legislation.

### **Local councils and inter-municipal cooperation**

Social exclusion is fundamentally a local phenomenon, implying a critical role for local governments. Converting these from passive service providers into drivers of

social inclusion requires detailed data on the local social exclusion dynamics, as well as institutional capacity and behavioural transformation. This report has proposed a way to compile survey data that could be used in planning and delivering enhanced public services at the local level.

Local governments need to better consider exclusion patterns when designing and budgeting for municipal services. With chronically insufficient resources, they need to explore innovative instruments of service delivery to increase the effectiveness and efficiency of local public services. One of these tools is more local government empowerment with greater local participation. This combination will achieve two critical objectives: involving citizens and strengthening local administrative capacities. Another tool is improving inter-municipal cooperation (IMC). This could be an important vehicle for knowledge sharing and learning that can reduce the cost and increase the quality of public service delivery. IMC is particularly relevant for small municipalities which, taken individually, do not have the requisite population size, capacity and resources to perform certain functions efficiently. Transparent reporting mechanisms and public hearings can help strengthen the council's role vis-à-vis the executive, particularly with regard to allocation of resources. Elected representatives should ally themselves with civil society organizations and local media in these efforts, notably by inviting them to important council meetings.

### **Building social capital**

An inclusive society requires functioning social networks. The report has shown that there is a need to build structures which reduce 'network poverty' and, in particular, to ensure that public interventions strengthen or, at least, do not further erode, existing networks. Social accountability measures are essential in this regard. They rely on civic participation, in which citizens and civil society organizations participate directly or indirectly to demand accountability. These can contribute to building broader and more inclusive networks as well as to political participation and empowerment. The latter in turn can help push back the use of informal connections to secure advantage and other corrupt activities. Initiatives that involve citizens in the oversight of govern-

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#### **Box 17: The Shared Society Project**

*The Club de Madrid, an independent organization that brings together 81 democratic former presidents and prime ministers, promotes the idea—through its Shared Society Project—that an inclusive and shared society is an important contributor to human well-being and peace.*

*The Shared Society Project provides leaders with a greater understanding of the benefits of social cohesion; offers new approaches on how to achieve a shared society; and gives support as societies advance towards that goal. The project underscores the belief that societies will be peaceful, democratic and prosperous when leaders and citizens recognize the value of diversity and actively build a shared society.*

*Through its Expert Working Group, the project has produced research and policy recommendations on the economics of shared societies, highlighting the link between inclusion and economic growth. Experts believe that shared societies release economic potential and thereby increase the well-being of their people. Shared societies and improved economic well-being reinforce one other and create a virtuous circle that strengthens society as a whole.*

*The project aims to achieve this vision through, i) dissemination of project materials and follow-up on expressions of interest, ii) participation in selected international forums and on the promotion of partnerships and relationships with multilateral agencies and civil society organizations, iii) engagement with leaders.*

*More information can be found at [http://www.clubmadrid.org/en/programa/the\\_shared\\_societies\\_project](http://www.clubmadrid.org/en/programa/the_shared_societies_project).*

ment, e.g., citizen report cards or community score cards, participatory budgeting, and social audits can make governance processes more participatory and inclusive. They are also a means for building more inclusive social capital.

## Economic policies for inclusive growth

Inclusive economic growth is a long-term concept that focuses on productive employment, rather than attaining income equality through redistribution. It refers to sustained pro-poor growth that allows all people (in particular those in the bottom quintiles) to contribute to and benefit from growth as employees, and consumers, respectively. Inclusive growth tends to be broad-based both in terms of its sectoral coverage, and in terms of increasing incomes for excluded groups.

Inclusive growth and employment address economic exclusion, so on their own they will not succeed in reducing social exclusion. That will require addressing all the structural drivers leading to social exclusion as presented in this report. To this end, macroeconomic policies will need to be reconsidered, and action is also needed at the micro level to move away from territorially unbalanced development models that concentrate growth largely in capital cities at the expense of remote regions.

## Redefining growth in a human development context

The focus on people and their well-being as the ultimate objective of growth is what makes the concept of human development intuitive and appealing. Prospects for the enhancement of people's potential to be and do are placed at the core of the human development paradigm. In the post-crisis environment, this implies a need to 'reinvent' the traditional development logic, putting human capabilities at the centre of its incentive systems.<sup>91</sup>

Policies supporting inclusive growth need to be explored. The policy agenda will need to test economic growth strategies ex-ante for their effects on inclusiveness and sustainability of economic growth. Placing such an emphasis on the quality of growth would help in revamping the predominant unbalanced growth models.<sup>92</sup>

## Diversifying growth opportunities

The previous chapter suggested that rural areas, small towns and settlements dominated by one or two employers score highest in terms of economic exclusion. Policies aiming to enhance social inclusion should focus on these areas, and on preventing the process from turning into a self-reinforcing one. Such policies would stimulate local economic development by increasing the chances for starting small—and medium—sized enterprises in these localities, improving financial capacity of local authorities, and 'crowding in' private investment by providing improved infrastructure and communication. These policies are more important—and sustainably effective—than increasing transfers from central budgets. Self-employment and even subsistence agriculture are preferable alternatives to unemployment.

Similarly crucial for social inclusion are the creation of effectively *enforceable property rights* and *the legal empowerment of the disadvantaged*. The former can unleash development in areas where the absence of such rights had choked off private investment and entrepreneurship. The latter can vastly increase the pool of potential contributors to economic and human development. One example for this in the post-socialist context is the high rate of ownership of assets—housing, land, and in cases of restituted property, production facilities—that stand idle as largely frozen capital. This is mainly due to the absence of liquid markets and of the ability to use these assets as bank collateral when property rights are not enforceable. Filling such gaps can be a powerful tool for boosting bottom-of-the-pyramid productivity, self-employment and income generation, and in concert with other tools, for reducing social exclusion.

It is increasingly clear that in a medium-term perspective, the growth trajectory needs to move away from its current carbon-intensive path. This entails major restructuring in some countries. The region needs employment opportunities that are carbon-neutral or even help to reduce emissions (green jobs). Climate change adaptation also needs to be integrated better into central and local level development policies. Support of governments in that matter can be instrumental, both in pro-

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91/ Ivanov 2009.

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92/ '... growth can be also jobless, ruthless, voiceless, rootless, and futureless and thus not contributing to people's capabilities' (UNDP 1996).

viding appropriate regulatory frameworks encouraging 'green jobs' ventures, as well as investing in research and development, for instance aimed at developing and rolling out new crops that are more suitable to changing vegetation patterns.

### **Optimizing the scope of government involvement in economic activity**

*Public investment in productive and social infrastructure that will provide larger opportunities for the private sector to create jobs is one example of desirable state intervention. In crisis cases it can be matched with 'food for work' projects and Keynesian public works programmes providing temporary jobs for populations most at risk of unemployment. Indeed, such schemes can serve as a cushion in periods of job losses but on their own, their economic impact is short-term with questionable sustainability. They only have sustainable benefits if they strengthen human capital (through re-training and transfer of technology). If they do, they will also impart important intangible benefits, notably improving the appeal of certain communities for potential investors, providing long-term unemployed with a sense of hope, decreasing the threat of marginalization, etc. The higher relative weight of intangible aspects and subjective measures of individual well-being has been also identified by independent assessments of public employment programmes. Improving labour market institutions is an equally important aspect. It enhances flexibility and mobility in the labour market while increasing security through protective measures and sufficient unemployment benefits.<sup>93</sup>*

*Public employment schemes require a cautious approach also because they are prone to sectoral bias. So far, the majority of recent public work programmes was implemented in construction, involving a strong gender bias and, given the post-crisis re-trenchment, imparting less marketable skills. If such outcomes are to be avoided in the future, public works will need to be opened for new areas, ideally related to sectors providing marketable skills to women and sustainable activities such as environmental projects, e.g., forestation, irrigation, sewage works, small-scale renewable energy generation).*

93/ The International Labour Organization (ILO) calls this combination "flexicurity" (Cazes and Nesporova 2007a).

## **Changing mindsets: towards tolerant societies**

The analysis of social exclusion in the ECA region illustrates how values and behavioural drivers of exclusion can solidify social exclusion patterns, which become difficult to break with single-purpose interventions and single-sector policies. Values shared by constituencies translate into policies promoted by political actors seeking re-election. Increasingly, policies now need to be sold to the public and the public needs to be willing to accept them. Seen from that perspective, changing mindsets has immediate policy relevance.

### **Realistic approaches to anti-discrimination**

To tackle prejudice and intolerance—still prevalent in many countries of the region—existing laws, policies and mechanisms need to be amended to ensure non-discrimination, in line with existing European and international standards. Meaningful participation of the socially excluded in this process is of key importance. Adequate financial as well as human resources should be set aside for this to bring about real change. In this regard, countries in the region should also ratify and implement international and regional human rights treaties, including the UN Convention on the Rights of Persons with Disabilities.

Disadvantaged and marginalized groups should have access to information on their rights and be supported through legal advice and advocacy services when necessary, while the capacity of disadvantaged groups for their own advocacy and representation should be strengthened wherever possible. Introduction of legal empowerment and access to justice programmes will directly contribute to the achievement of this goal. Broad-based training and targeted capacity development initiatives should be put in place for public servants to create awareness and foster a culture of respect for the rights of all including the most disadvantaged and marginalized groups, setting an example to wider society. Regular reviews and the right to redress through well-resourced and politically independent

dent ombudsperson institutions should be an integral part of any anti-discrimination policy package.

Public awareness campaigns are also needed to address the consequences of discrimination and to ensure wide-ranging support for anti-discriminatory measures. Robust and independent systematic evaluation systems need to be in place, involving those experiencing discrimination. Regular reporting to relevant UN treaty monitoring bodies – such as the Human Rights Committee, CEDAW or CERD – is another useful mechanism in the exercise of anti-discrimination efforts.

Anti-discrimination frameworks will not work unless the roots of discrimination are addressed. In this regard, changing mindsets is also important for socially excluded populations. Most of the efforts targeted at inclusion are based on the assumption that the excluded groups *want* to be included. This assumption is not always correct. Inclusion is a two-sided process in which both the excluded and the majority population must accept and accommodate the characteristics of the other side. The ultimate success or failure depends on the ability of both sides to reach a mutually advantageous deal on mutually acceptable terms. They must also be aware of the short and long-term costs and benefits of inclusion.

To sustain support for social inclusion policies, a case needs to be made of the long-term costs of exclusion and for public spending on fostering social inclusion as a sound investment. Society incurs large costs in terms of foregone investment and employment opportunities, additional outlays on policing and prison detention, etc., if social tensions are allowed to soar as a result of rising social exclusion. Not only would the society that emerges be less vibrant, but also less productive and stable. This makes it optimal to devote additional resources today to enhance social inclusion over time.

## **Inclusive education and labour markets**

Inclusive education needs to become a priority reform area. Measures are needed that not only provide school structures that are inclusive but also promote respect, tolerance, interethnic dialogue, and non-discrimination among the general population

with the goals of reducing social distance among various groups and promoting a culture of social inclusion. Collaboration among all stakeholders should begin with the strategic planning process at school level and extend through programme planning, curriculum development, methodological training, and support for teaching staff. This reform agenda needs to go beyond compulsory education to also include vocational and educational training programmes. Women and girls must be afforded equality of opportunity in any chosen education and employment field, especially in the cases of cross-sectional vulnerability under threat of discrimination on multiple grounds.

Addressing labour market discrimination needs to involve both enforcing anti-discrimination legislation and implementing broad programmes of education and awareness-raising. Policies need to be informed by relevant indicators based on disaggregated data. Particular barriers also need to be identified and addressed, in close dialogue with the communities affected, such as physical barriers to build-

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### **Box 18: Social inclusion in Turkey: the Dreams Academy project**

*The methodological framework and social exclusion measure presented in this report are also useful for countries without transition experience. Social exclusion resulting from the interaction of drivers, local context and individual vulnerabilities is also apparent in other countries, such as Turkey.*

*In Turkey the number of persons with disabilities is estimated at 8.5 million. They experience exclusion in their daily lives. In order to promote their inclusion into society, Vodafone Turkey, the municipality of Besiktas, the Alternative Life Association, and UNDP initiated the 'Making Dreams Come True' project in 2008. The project has aimed to help persons with disabilities take part in the arts. It has supported their participation in music, dance, film and theatre. As a result, the 'Social Inclusion Band' and the 'Dreams Academy Dance and Theatre Company' have been established.*

*All initiatives have one important component. They conclude with an exhibition or a concert to show the public that persons with disabilities can perform just as well as those without disabilities. The project shows that it is in society's interest to utilize the talent of persons with disabilities. In the long-run, the project is expected to be mainstreamed into educational programmes, rather than remain a short-term project. In 2009 it won a Golden Compass Award from the Turkish Public Relations Association. The project has changed not only the lives of persons with disabilities but also the attitudes of society at large.*

*Source: Dreams Academy Project, <http://www.undp.org.tr/Gozlem2.aspx?WebSayfaNo=1707> and [www.duslerakademisi.org](http://www.duslerakademisi.org).*

ings or to public transport that people with disabilities face. In extreme cases, when access to normal employment may not be an immediate possibility, other options need to be developed, such as sheltered employment and community work to benefit local communities. In this regard, civil society organizations can provide insights based on their rich experience and good practices, including cooperating with governments.

Finally, local actions and plans should be encouraged and developed, in order to tailor broad solutions to the specific needs of local communities.

## ***Fine-tuning policies to the local context***

Local development actors need to enhance their role in providing better development opportunities beyond just the capital cities. To do so, in most countries of the region they need to improve their capacity to identify opportunities, formulate adequate policy responses and implement them effectively. The development of operational community networks could effectively facilitate people's access to markets. All these could markedly increase the stock of social capital in most countries of the region.

### **Strengthening community capacities and integrative social planning**

Local development actors need to think in economic and result-based terms, prioritizing goals and allocating resources efficiently. This can be achieved only through practice, in the process of doing and scaling up from small pilots to bigger endeavours. The promotion of local inclusive planning is crucial, through inclusive processes of setting objectives, mobilizing resources, providing services and, crucially, providing feedback on what works and what does not.

### **Individual entrepreneurship and sense of community**

The government should primarily focus on creating a supportive environment for individual entrepreneurship, facilitating community and market-driven activity. Such approaches are particularly effective at the local and community level. Involving com-

munities in projects—starting from joint discussions on local areas of need and reaching consensus on urgent priorities—has proven time and again to be simple but effective. Community-based interventions bring together individual actors in their efforts to enter the market through credit, supply or retail cooperatives, or through implementing small-scale community infrastructure projects. These are particularly effective if combined with public investment in sustainably reducing communal costs or opening income-generation opportunities for the local economy. Appropriate incentives could help channel a part of remittances towards investing in shared community facilities instead of using it all for consumer goods. Examples of such projects include school refurbishment that reduces energy costs, installation of sustainable energy sources, or building small packaging and food processing facilities. In all cases, the project not only provides employment benefits but also expands long-term opportunities.

A good example is the Rights-based Municipal Development Programme<sup>94</sup> in Bosnia and Herzegovina. It has markedly strengthened the capacity of local governments for more inclusive and participatory planning and service delivery. To achieve this goal, the project applied a human rights-based approach to local policy design, development planning and implementation. This example illustrates that social inclusion occurs at the local level, and requires partnerships and a wide set of capacities among the local authorities.

Experience from the local level, however, rarely feeds back into national—level policy discourse. Another example from Albania shows how gender equality was integrated into the application of the Law on Social Services and Social Assistance in municipalities and how the experience of delivering social assistance to beneficiaries influences national policies.

The impact of local-level interventions can be substantially augmented if they are implemented in the framework of area-based development. Focusing social inclusion interventions on vulnerable areas—rather than on vulnerable groups—can prevent group-based competition over resources. Such competition runs counter to the goals of efficiency and optimal allocation of resources, and can have negative human development implications. Experience sug-

94/ <http://www.undp.ba/index.aspx?PID=21&RID=59>.

gests that area-based development interventions have positive potential for alleviating ethnic or religious cleavage that often reappear in times of crisis, contributing to social exclusion.

Such local interventions can also be climate-friendly. Decreasing energy costs through buildings refurbishment, investing in renewable energy sources on a scale needed by the local economy and utilizing local resources can all provide additional employment opportunities, and markedly improve social cohesion at the local level.

## ***Integrating monitoring and evaluation into the social inclusion policy process***

### **Evidence-based policies, data and indicators**

Throughout the region, there is a clear need to strengthen policy makers' capacity to choose among policy options based on relevant data evidence that is up to date, credible, and accurate. Stereotypes can only be effectively challenged by bringing factual evidence to the table. Data identifying specific barriers to inclusion can generate 'policy-actionable' information. Rigorous impact assessments (ex-ante and ex-post) also need to rely on clear and agreed indicators on social inclusion at national and local levels. The local level is particularly critical as often this is where the data gap is binding. The indicators proposed in this report can act as guiding examples and starting points for developing and further tailoring indicators to national and sub-national contexts.

Statistical systems in the countries of the region need to implement innovative methods to adequately capture the multidimensionality of social exclusion and inclusion. Innovative ways to bridge departmental silos and link data from different sources should be explored as in the Republic of Moldova and in Poland. Ad hoc modules to existing survey instruments (e.g., the household budget survey) can inexpensively provide useful data on social

exclusion. At the local level, innovative and new data collection mechanisms through service providers or in public places could be introduced to collect and update information about social exclusion. In addition, independent research studies need to be encouraged which help to extend the evidence base, involve the views of persons and groups experiencing exclusion, and contribute to informed policy decisions.

More work needs to be done with regard to the census, which in most countries fails to capture the multiple identities of many ethnic and social minorities. The work of the Washington Group on Disability should be taken into account in the forthcoming census rounds in the region. Active and meaningful involvement of ethnic and social minorities in census design should also be introduced.

### **A sub-regional open method of coordination**

Regional and sub-regional approaches to social policy are seen as an increasingly important counterweight to adverse effects of globalization, through strengthening learning, sharing best practices and the establishment of regional standards.<sup>95</sup> The EU is currently introducing explicit targets on poverty reduction and social exclusion within their '2020 agenda'. The Millennium Development Goals (MDGs), which act as a framework for measuring progress in several human development dimensions, can be useful for comparing countries' performance in social inclusion, especially if disaggregated MDG targets and indicators by key personal characteristics and sub-national levels are available. With the year 2015 marking the end of the MDG agenda, there is momentum to establish a (sub)-regional social inclusion framework with common objectives, indicators and targets.

The report has shown that social inclusion can provide an operationally useful framework for the countries in the region to identify inherent inequalities and people at risk of exclusion. The UN and the EU should provide tangible incentives for countries to use this framework, e.g., by including these indicators—suitably amended to reflect local circumstances, if necessary—in their progress assessment criteria, and using them in determining eligibility for their various funding sources. The EU experience

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95/ Deacon et al. 2007b.

demonstrates the large potential for effective regional social policies where countries share similar traditions, development paths and objectives.

A regional (or sub-regional) Open Method of Coordination (OMC) could be a useful approach. For example, in the Western Balkans the OMC has been instrumental in facilitating an exchange of knowledge and experience among countries. The OMC has focused attention on the importance of sub-regional cooperation. Such cooperation is particularly effective when buttressed by specific policies that are pursued systematically. A similar approach can be adopted elsewhere in the region to promote social inclusion. It would provide a platform for open and frank policy debate, knowledge exchange and learning. Policy makers, international organizations, donors and civil society could promote its use for peer review and impact assessments based on

agreed explicit targets, indicators and monitoring tools. The conceptual and empirical framework presented in this report offers a comprehensive human development-centred foundation that can underpin such a (sub)-regional platform. Clearly, the set of policies that emerges as critical could differ among the sub-regions.

This report has offered a new methodological framework for defining and measuring social exclusion. It has also elaborated the links between the human development and social inclusion paradigms, rooting them in the specific context of the region. Based on this analysis, the report has proposed a broad array of reforms that are necessary for creating a more inclusive society. The process of implementing these reforms will differ from country to country, but the result everywhere will be a more efficient and sustainable society—one where people can realize their full potential.

# | Methodological annexes

## *Annex 1: Social Exclusion Survey (2009)*

### **Methodological note**

#### **1.1. Background**

The Social Exclusion Survey (2009) has produced data on the magnitude and determinants of social exclusion. The survey has proceeded from the hypothesis that social exclusion results from inequalities in access to economic resources, education and employment, as well as in access to social services, social networks, and political, cultural and civic participation. The objective of the survey was to address both the drivers and outcomes of exclusion, seeking to identify causal relationships between the two.

The survey did not sample pre-defined 'excluded groups'—such as ethnic minorities, the unemployed or people with disabilities—for three reasons. First, not all group members are excluded in all dimensions. Second, the group-focused approach underestimates the incidence of multiple identities (being unemployed *and* a minority) – and potentially multiple deprivation risks. Third, the size and distribution of such 'excluded groups' are not always evident. Thus, building a representative sampling model is difficult.

For these reasons, we have taken a different approach to identifying the excluded. We assume that most members of society face some level of exclusion in at least one dimension. The magnitude of this exclusion and its determinants are unknown (they are the subject of a mapping in the survey). Instead of defining 'excluded groups' and sampling them individually, larger representative samples have been interviewed to identify various types and magnitudes of exclusion drivers.

#### **1.2. Coverage and timing**

The Social Exclusion Survey was carried out in six countries of the Europe and Central Asia (ECA) region – Kazakhstan, Serbia, the Republic of Moldova, Tajikistan, the former Yugoslav Republic of Macedonia, and Ukraine. The preparations took place in September 2009, and the field work was conducted in November and December 2009. The fieldwork in Ukraine—and to a certain extent in the former Yugoslav Republic of Macedonia—coincided with the outbreak of the H1N1 virus. Therefore, data from these countries (especially respondents' perceptions) should be interpreted with caution.

Countries were selected for the regional survey based on their willingness to participate. The six selected countries represent a balance with respect to income levels, incidence of conflict, and geographic location. They do not constitute a 'statistically representative sample of countries in the region'. Russia was not included in the survey, owing to its size and large internal disparities, which would have affected cross-country comparisons. But the six selected countries reflect the region's major challenges. Thus, while the survey findings cannot be automatically applied to the region, they are valid for areas facing the same challenges, that were captured by the survey (for example, the implications of conflict, high unemployment, disparities in education, and environmental degradation).

### 1.3. Unit of observation and analysis, sample size and sampling method

The unit of observation was the individual (15 years of age and older). In each country except Serbia, 2,700 interviews were conducted. In Serbia, 3,001 interviews were conducted (2,401 with members of the general population, plus two boosters with 300 Roma, and 300 internally displaced persons (IDPs)).

The survey employed a multi-stage random sample divided into 450 clusters representative by age, gender and territorial distribution (at the first sub-national level) with the random route method for household selection and nearest birthday method for selecting respondents in the household.

**Table A1: Survey respondents by country and sex**

	Kazakhstan	Moldova	Serbia	Tajikistan	FYR Macedonia	Ukraine	Total
Male	1316	1145	1209	1164	1284	1196	7314
%	49	42	50	43	48	44	46
Female	1384	1555	1192	1536	1416	1504	8587
%	51	58	50	57	52	56	54
Total	2700	2700	2401	2700	2700	2700	15901
%	100	100	100	100	100	100	100

### 1.4. The questionnaire

The questionnaire, that was employed for face-to-face interviews comprised 136 questions reflecting 500 variables. An identical questionnaire was used in all the surveyed countries (adjusted to accommodate the different currencies). It was translated into a number of local languages (Serbian, Macedonian, Albanian, Moldovan, Ukrainian, Kazakh, Tajik and Russian). The questionnaire was divided into three sections:

*Section I – status questions:* Section 1 collected demographic information on the surveyed individuals and their households (as well as asked respondents to self-identify across a number of parameters). It captured the status of individuals across the three dimensions of social exclusion (from economic life, from social services, and from civic and social participation).

a. *Respondent's demographic information:* sex, age, education level, income, citizenship, ethnicity, country of origin, mother tongue, marital status

b. *Household information:* expenditures, sources of income

c. Data on the socioeconomic status of respondents (employment, housing, standard of living)

*Section II – practices, attitudes and perceptions:* Section 2 covers the practices, attitudes and perceptions that contribute to social exclusion across the three dimensions (drivers). This section gathered information to close data gaps in existing surveys and datasets related to social exclusion drivers.

*Section III – external attributes of exclusion:* This section covers individual household characteristics, the status of respondents' dwellings and the immediate surroundings. In an annex to the questionnaire, the survey enumerators filled in the description of the neighbourhood, including the quality of the street and adjacent public infrastructure.

## 1.5. Characteristics of the sampling clusters

Local experts also collected additional data on the external attributes of individual sampling clusters, which comprised the source of the 'secondary source contextualization'. The first area of interest was the *economic* area. Each location was assessed from the perspective of the general economic profile (major sectors of the economy), both before transition (prior to 1989) as well as from 2005 to 2009. Changes in the economic environment were addressed through the question 'How has the local economy changed in the past five years?' and 'How did the current crisis affect the local economy?' In both cases the options for this parameter were 'experienced decline (many industries closed)', 'no major changes' and 'economy growing (new employment opportunities, increased production)'. The third economic parameter was employment supply—to determine whether employment over the preceding five years had been provided by a single enterprise or multiple firms in the given locality.

Given the importance of *academic institutions and R&D centres*, information was collected on this aspect by noting whether there was a university or other academic centre in the sampling cluster, in close proximity or not. Finally, each sampling cluster was tagged according to environmental criteria. (Is the cluster in an area affected by a major man-made environmental disaster, by natural disaster, or by neither of these?) The quality of local transportation infrastructure in the sampling cluster was assessed as 'Bad' when there was only one road in poor condition, 'Poor' when there was only one road but in good condition, 'Average' when there was a good road but no railway station or airport at a reasonable distance, and as 'Excellent' when there was a main road as well as a railway station or airport at a reasonable distance.

The characteristics of the sampling clusters were encoded and added as additional variables to the dataset of individual household status. This was done not only to expand the individual profiles but also to go beyond country analyses and build typologies of challenges that are relevant from a social exclusion perspective. The six countries covered by the survey (and the big sample sizes in each of them) to a large extent represent the major development and transformational patterns of the region. Given the similarity of challenges across areas (be they environmental disasters, history of conflict, or dominance by a single enterprise), conclusions can be drawn for areas with similar characteristics in countries not covered by the survey. This approach enables the methodology to be open-ended: local characteristics do not change overnight, and additional parameters can be added in the future, serving to enrich the database with new dimensions.

## 1.6. Qualitative aspects of social exclusion

In all six surveyed countries, focus groups were interviewed. The resulting qualitative data complemented the quantitative data and captured those population groups that fall outside the scope of traditional surveys. In-depth dimensions and experiences of social exclusion that are specific to major vulnerable groups were collected through a series of focus groups interviews. The focus groups or individual interviews were implemented by local NGOs or specialized moderators that had a working relationship with the selected sub-population groups in each country. Each group consisted of 6 to 12 members, most of them recruited through NGOs or through the snowball method. Gender perspectives and gender representation were ensured in each focus group. The focus group discussion guidelines built on the areas of the survey questionnaire (employment, access to assets, housing, living standards and attitudes to life, access to education, health care and social services, social relations, cultural and political participation). But it focused on social exclusion in these areas, feelings of marginalization, as well as on suggested solutions.

The questionnaire, the raw survey dataset, the technical report, the frequency report and focus group reports can be found at: <http://europeandcis.undp.org/poverty/socialinclusion>.

## Annex 2: Multidimensional social exclusion measurement

### 2.1. Construction of the index and selection of the indicators

96/ See for example UNDESA 2010; Alkire and Foster 2007; Gordon and Pantazis 1997.

The literature provides no clear and straightforward algorithm for the construction of a multidimensional social exclusion index. It rather provides some general guidance and suggestions of good practices in the area.<sup>96</sup> The index in this report was constructed using these guidelines. The index encompasses three dimensions: exclusion from economic life, social services, and civic and social participation. Each dimension contains eight indicators, in total 24 indicators. Equal weights are assumed, as the chosen indicators are of relatively equal importance. As Atkinson *et al* (2002) observe, equal weighting has an intuitive appeal: ‘The interpretation of the set of indicators is greatly eased where the individual components have degrees of importance that, while not necessarily exactly equal, are not grossly different’. On the one hand, there was no evidence for using relative weights of dimensions and indicators, i.e. that people more seriously regret deprivation in housing than in social participation. On the other hand, the situation in the six countries covered by the survey is so different, that finding any common relative weights of dimensions or indicators would be an impossible task.

The indicators for each dimension were selected on the basis of research findings, expert opinion and availability of data. A number of iterations were performed to ensure the selection of the most appropriate set of indicators. Since data on total household expenditures were missing in many cases, they were imputed using personal income range and share of personal incomes in total household income for the “At risk of poverty rate” indicator. For the selection of material deprivation indicators, a regression analysis was made first that linked current incomes of the household (as a proxy of current income poverty) with possession of certain durable items. The results showed that these relationships are highly country-specific. In a second step, a factor analysis was made to select the most meaningful items, and reflect different living standards in the countries of the region. The results of both suggest that material deprivation indicators could be clustered into three groups—housing, amenities and ICT. Such a combination of indicators best reflects the diversity of living standards in the countries of the region. Table A2 provides the list of indicators used to construct the multidimensional social exclusion measure and the percentage distribution of the population by each indicator.

**Table A2. Indicators for the multidimensional social exclusion index and distribution of population by indicator and country**

Dimensions	Indicators	Kazakhstan	Moldova	FYR Macedonia	Serbia	Tajikistan	Ukraine
A. Economic exclusion	Inequality: At-risk-of-poverty rate (60 percent of median equivalent expenditures in a country)	30%	29%	30%	28%	29%	22%
	Subjective basic needs: In the past 12 months the household has not been able to afford three meals a day, or pay bills regularly, or keep the home adequately warm, or buy new clothes and shoes	4%	6%	4%	14%	14%	8%
	Employment: Being unemployed or a discouraged worker	10%	9%	12%	11%	6%	7%
	Financial services: Lack of access to a bank account on one’s own name	76%	78%	32%	33%	96%	61%

Dimensions	Indicators	Kazakhstan	Moldova	FYR Macedonia	Serbia	Tajikistan	Ukraine
B. Exclusion from social services	Material deprivation_housing: The household cannot afford a bed for every member of the household	13%	17%	3%	4%	76%	7%
	Material deprivation_amenities: Household needs a washing machine, freezer or microwave but cannot afford one	40%	44%	14%	16%	83%	25%
	Material deprivation_ICT: Household needs a computer or internet but cannot afford one	53%	47%	14%	21%	72%	34%
	Overcrowding: Household with less than 6m <sup>2</sup> per person	3%	3%	1%	0%	16%	1%
	Public utilities: Household with no running water or sewerage system	65%	55%	14%	26%	82%	33%
	Public utilities: Household heats with wood or with no heating device	7%	56%	68%	52%	53%	4%
	Education: Low educational achievements (basic schooling) and early school leavers	15%	19%	18%	18%	25%	6%
	Education: Household could not afford to buy school materials for every child in the past 12 months	29%	28%	16%	30%	15%	37%
	Education: Household with young children not in school or pre-school	3%	1%	7%	2%	18%	1%
	Health care: Household could not afford medication or dental checks for every child in the past 12 months	23%	20%	10%	13%	37%	30%
C. Exclusion from participation in civic and social life and networks	Health care: Medical needs not being met by the health care system	42%	58%	28%	30%	60%	55%
	Social infrastructure: Lack of opportunities to attend events due to distance (lack of transportation)	47%	48%	25%	33%	40%	41%
	Social capital: Rare or infrequent social contact with family or relatives	3%	16%	4%	7%	4%	6%
	Social capital: Rare social contact with friends	4%	8%	1%	2%	7%	9%
	Social capital: Lack of support networks that could help in the event of emergency	20%	12%	11%	13%	12%	19%
	Social participation: In the past 12 months the household has not been able to afford inviting friends or family for a meal or drink at least once a month	8%	9%	9%	3%	22%	13%

Dimensions	Indicators	Kazakhstan	Moldova	FYR Macedonia	Serbia	Tajikistan	Ukraine
	Social participation: The household has not been able to afford to buy books, cinema or theatre tickets in the past 12 months	51%	49%	38%	46%	65%	37%
	Civic participation: Inability to vote due to lack of eligibility or distance to polling station	2%	2%	1%	1%	6%	1%
	Civic participation: No participation/membership in associations, teams or clubs	92%	83%	78%	88%	86%	85%
	Civic participation: No participation in political/civic activities	77%	59%	54%	59%	65%	69%

## 2.2. Robustness checks of indicators for the Social Exclusion Index

A factor analysis of the indicators of the index was run to check the quality and robustness of the index. The results (see table A3) showed a very high uniqueness of the variance of the individual variables indicating the importance of each individual indicator. The uniqueness of variance for individual variables typically ranges from 0.75 to 0.99, with just a couple of exceptions for which this indicator is around 0.50. The results remain similar for the factor analyses run using the merged regional sample and by individual countries. The results of factor analysis therefore suggest that the index, as a combination of the 24 individual variables, is robust. These results were also confirmed by a Principal Components Analysis, which also showed that many components were needed and they together explained most of the variance, both for the whole regional dataset and for individual countries.

**Table A3. Factor loadings (pattern matrix) and unique variances**

Indicators	Variable	Factor1	Factor2	Factor3	Uniqueness
Inequality: At-risk-of-poverty rate (60 percent of median equivalent expenditures in a country)	ex_incpov	0.2763	-0.0557	0.1824	0.8873
Subjective basic needs: In the past 12 months the household has not been able to afford three meals a day, or pay bills regularly, or keep the home adequately warm, or buy new clothes and shoes	ex_subjpvbn	0.2683	0.2045	-0.1071	0.8747
Employment: Being unemployed or a discouraged worker	ex_labmark	0.0777	-0.0200	0.1527	0.9702
Financial services: Lack of access to a bank account on one's own name	ex_bank	0.4733	-0.0626	0.0551	0.7691
Material deprivation_housing: The household cannot afford a bed for every member of the household	ex_living	0.5146	-0.3432	-0.2044	0.5756
Material deprivation_amenities: Household needs a washing machine, freezer or microwave but cannot afford one	ex_housing	0.6016	-0.2677	-0.1216	0.5516

Material deprivation ICT: Household needs a computer or internet but cannot afford one	ex_ictxs	0.4807	-0.3168	0.0015	0.6685
Overcrowding: Household with less than 6m <sup>2</sup> per person	ex_crowd	0.2076	-0.1592	-0.0896	0.9235
Public utilities: Household with no running water or sewerage system	ex_water	0.5173	-0.1665	0.0662	0.7003
Public utilities: Household heats with wood or with no heating device	ex_heating	0.1780	-0.1534	0.0931	0.9361
Education: Low educational achievements (basic schooling) and early school leavers	ex_lowedu	0.3262	0.0915	0.0949	0.8762
Education: Household could not afford to buy school materials for every child in the past 12 months	ex_nobooks	0.1764	0.5577	-0.0837	0.6509
Education: Household with young children not in school or pre-school	ex_nosch	0.1309	-0.1461	-0.0623	0.9576
Health care: Household could not afford medication or dental checks for every child in the past 12 months	ex_hlthaff	0.3834	0.4404	-0.1881	0.6236
Health care: Medical needs not being met by the health care system	ex_hltsrv	0.3047	-0.0398	-0.0825	0.8988
Social infrastructure: Lack of opportunities to attend events due to distance (lack of transportation)	ex_culturev	0.2861	0.0081	0.2031	0.8768
Social capital: Rare or infrequent social contact with family or relatives	ex_norelnet	0.0988	0.1883	-0.0848	0.9476
Social capital: Rare social contact with friends	ex_nofrdnet	0.1775	0.2392	-0.0493	0.9088
Social capital: Lack of support networks that could help in the event of emergency	ex_nohelp500	0.2005	0.2584	0.0377	0.8916
Social participation: In the past 12 months the household has not been able to afford inviting friends or family for a meal or drink at least once a month	ex_noout	0.2984	0.2345	-0.1309	0.8388
Social participation: The household has not been able to afford to buy books, cinema or theatre tickets in the past 12 months	ex_nocultr	0.5050	0.2248	0.1021	0.6840
Civic participation: Inability to vote due to lack of eligibility or distance to polling station	ex_voting	0.0709	-0.0343	-0.0652	0.9896
Civic participation: No participation/membership in associations, teams or clubs	ex_nomember	0.2988	0.1790	0.3071	0.7843
Civic participation: No participation in political/civic activities	ex_nocivact	0.1214	0.1033	0.2205	0.9260

Correlation analysis (see table A4) also showed a lack of excessively strong correlations among the constituent indicators of the index. The only exceptions are housing and ICT indicators, which show a correlation close to 0.45. This could be explained by similar costs of items households cannot afford (washing machine, freezer or microwave on one hand and computer and internet connection on the other hand). However, taking into account the limited correlation, the essentially different nature of the items and significant country differences, it was decided to keep both these indicators in the index.

**Table A4. Partial correlation matrixes<sup>97</sup>**

Dimension A. Economic exclusion								
	ex_incpov	ex_subjpovbn	ex_labmark	ex_bank	ex_living	ex_housing	ex_ictxs	ex_crowd
ex_incpov	1.0000							
ex_subjpovbn	0.0740	1.0000						
ex_labmark	0.1169	0.0166	1.0000					
ex_bank	0.1267	0.0736	0.0939	1.0000				
ex_living	0.0921	0.1104	0.0023	0.2619	1.0000			
ex_housing	0.1245	0.1142	0.0290	0.2821	0.4793	1.0000		
ex_ictxs	0.1231	0.0481	0.0481	0.2575	0.3613	0.4692	1.0000	
ex_crowd	0.0735	0.0593	-0.0110	0.1040	0.2114	0.1526	0.1594	1.0000
Dimension B. Exclusion from social services								
	ex_water	ex_heating	ex_lowedu	ex_nobooks	ex_nosch	ex_hlthaff	ex_hltsrv	ex_culturev
ex_water	1.0000							
ex_heating	0.1818	1.0000						
ex_lowedu	0.1669	0.1618	1.0000					
ex_nobooks	-0.0126	-0.0792	0.0827	1.0000				
ex_nosch	0.0740	0.0913	0.0550	-0.0944	1.0000			
ex_hlthaff	0.1363	-0.0367	0.1218	0.4408	0.0223	1.0000		
ex_hltsrv	0.1385	0.0298	0.1066	0.0345	0.0285	0.0998	1.0000	
ex_culturev	0.1398	0.0439	0.0611	0.0286	0.0046	0.0757	0.1398	1.0000
Dimension C. Exclusion from participation in civic and social life and networks								
	ex_norelnet	ex_nofrdnet	ex_nohelp500	ex_noout	ex_nocultr	ex_voting	ex_nomember	ex_nocivact
ex_norelnet	1.0000							
ex_nofrdnet	0.1412	1.0000						
ex_nohelp500	0.0938	0.1710	1.0000					
ex_noout	0.0627	0.1540	0.1311	1.0000				
ex_nocultr	0.0737	0.1177	0.1493	0.2036	1.0000			
ex_voting	0.0517	0.0207	0.0174	0.0046	0.0008	1.0000		
ex_nomember	0.0320	0.0926	0.1242	0.0806	0.2275	-0.0142	1.0000	
ex_nocivact	-0.0378	0.0171	0.0533	0.0027	0.0720	0.0051	0.2309	1.0000

<sup>97</sup> Variable names as per previous table.

## 2.3. Constructing the multidimensional Social Exclusion Index

The report follows the methodology proposed by Alkire and Foster (2009). The identification step uses two forms of cut-off: within each indicator, and across indicators ( $k$ ). The first cut-off determines whether a person is deprived in the individual indicator as presented in table A2. As most information was collected on the level of the household or respondent only, the respondent's answers were assumed to be valid for all household members. Other characteristics (age group, gender, education) were available for all household members. Respondents with missed observations on the 24 indicators were excluded. The final dataset for the construction of the multidimensional Social Exclusion Index therefore includes in total 6,185 respondents, who represent 23,091 household members (see Table A5).

**Table A5. Final working sample for the construction of the Social Exclusion Index**

Country	Number of respondents	Number of household members
Kazakhstan	1,274	4,595
Moldova	932	2,878
FYR Macedonia	995	3,878
Serbia	865	2,874
Tajikistan	953	5,371
Ukraine	1,166	3,495
Total	6,185	23,091

The second cut-off  $k$  identifies the 'socially excluded' by 'counting' the number of indicators across the three dimensions in which a person is deprived. All possible values of  $k$  starting from 1 (union approach) and ending with 24 (intersection approach) have been tested. As noted in Alkire and Foster (2009), the cross-dimensional cut-off  $k$  is less tangible, since it resides in the space between dimensions rather than within a specific domain. The literature typically gives no specific multidimensional identification procedures, except the union (a person is deprived in at least one indicator) and the intersection (a person is deprived in all indicators) approaches. Setting  $k$  reflects a judgement regarding the maximally acceptable multiplicity of deprivations. A person with a greater multiplicity of deprivations is given higher priority than someone with only one or two deprivations. According to Alkire and Foster (2009), the choice of  $k$  could be a normative one, reflecting the minimum deprivation count required to be considered 'poor' or in our index 'socially excluded' in a specific context under consideration. The choice of  $k$  could also be chosen to reflect specific policy goals and priorities. For example, in order to focus on the most 'socially excluded' decile of the population, one could select a  $k$  cut-off whose resulting headcount was closest to 10 percent. Taking into account all these considerations, the cut-off  $k$  at the level of 9 was chosen for the social exclusion index, which is close to 3 deprivations per dimension.

The social exclusion index is built using the 24 indicators. Three measures were constructed: First, the social exclusion headcount ratio ( $H$ ) is defined as the share of people who are deprived in at least  $k$  indicators for any given  $k$  (in this report  $k=9$ ). It reflects the incidence of social exclusion. Second, the average deprivation share across the 'socially excluded' ( $A$ ) is calculated as the average number of deprivations divided by the maximum possible number of deprivations (24 in our case). The average deprivation share reflects the fraction of possible indicators in which the average 'socially excluded' person endures deprivation. In other words, it provides additional information on the intensity of social exclusion. Third, the adjusted headcount ratio, or Multidimensional Social Exclusion Index,  $M0$  are calculated to solve the issue of violation of 'strict dimensional monotonicity'<sup>98</sup>. The adjusted headcount ratio,  $M0$  combines information on the incidence of social exclusion and the average intensity of a socially excluded person's deprivation. As a simple product of the two partial indices  $H$  and  $A$ , the measure

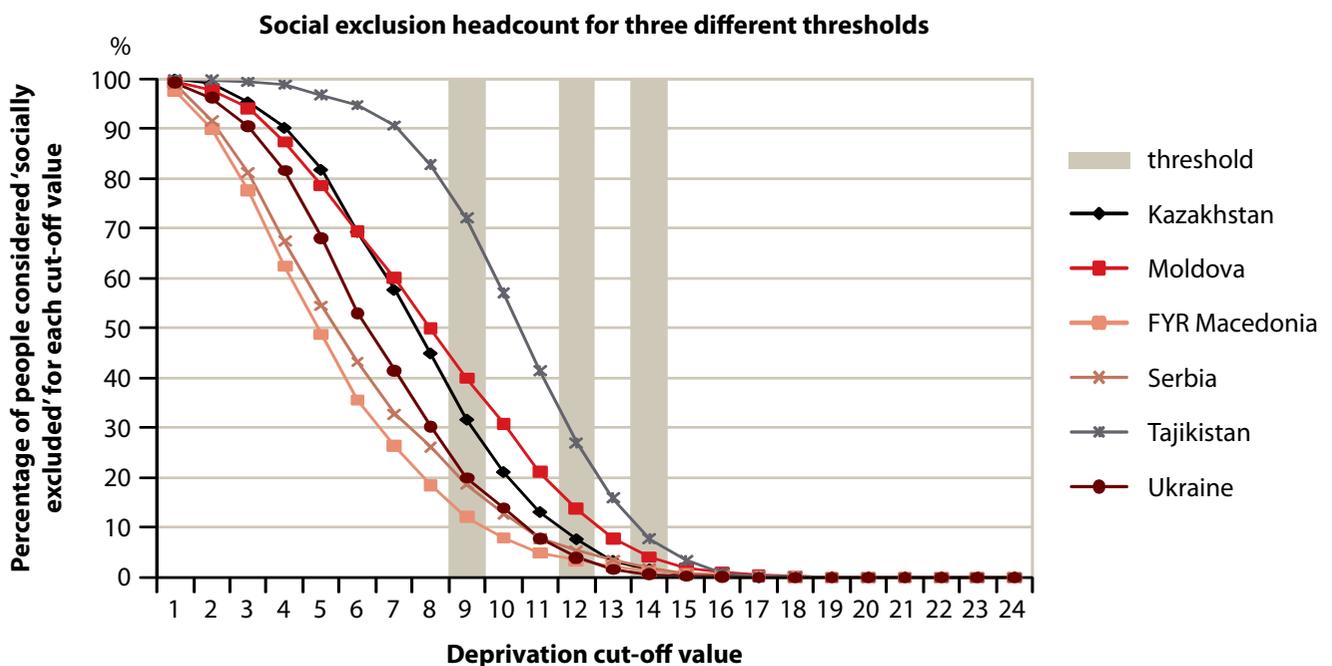
<sup>98/</sup> The property of strict dimensional monotonicity implies that if a 'socially excluded' person becomes newly deprived in an additional indicator, then the overall social exclusion level should increase. The social exclusion headcount  $H$  violates this principle, because when an already socially excluded person becomes deprived in a new indicator,  $H$  remains unchanged. The adjusted headcount ratio,  $M0$ , however clearly satisfies strict dimensional monotonicity by taking into account the intensity of social exclusion (how much a person is deprived).

M0 is sensitive both to the incidence and the intensity of social exclusion. Thus, the M0 measure satisfies the property of dimensional monotonicity: if a 'socially excluded' person becomes deprived in an additional indicator, A rises and so does M0. All three multidimensional social exclusion measures were calculated on the basis of household members. When disaggregating these indices by certain population groups (i.e. by the unemployed), calculations were based on the number of household members who belong to the respective population group (i.e. unemployed) living in households that are deprived in at least 9 indicators. The social exclusion measures were calculated using Stata (the programme code is available upon request).

## 2.4. The selection of thresholds

The *social exclusion headcount* in Figure A.1 refers to the share of individuals living in households that experience an absolute number of overlapping deprivations higher than a certain threshold. The choice of the threshold determines the headcount: the lower the threshold, the higher the number of people who meet the criterion of being considered 'socially excluded' (and vice versa). Figure A.1 illustrates how the share of persons identified as socially excluded declines with an increasing threshold of deprivations, albeit at a decreasing rate. All three thresholds used in the figure, however, produce a similar relative distribution of countries. The ranking of countries by the magnitude of deprivation is robust to the cut-off (i.e., it essentially never changes) as the threshold is varied between 9 and 14. At every cut-off value, Tajikistan faces a larger share of socially excluded people than the other countries.

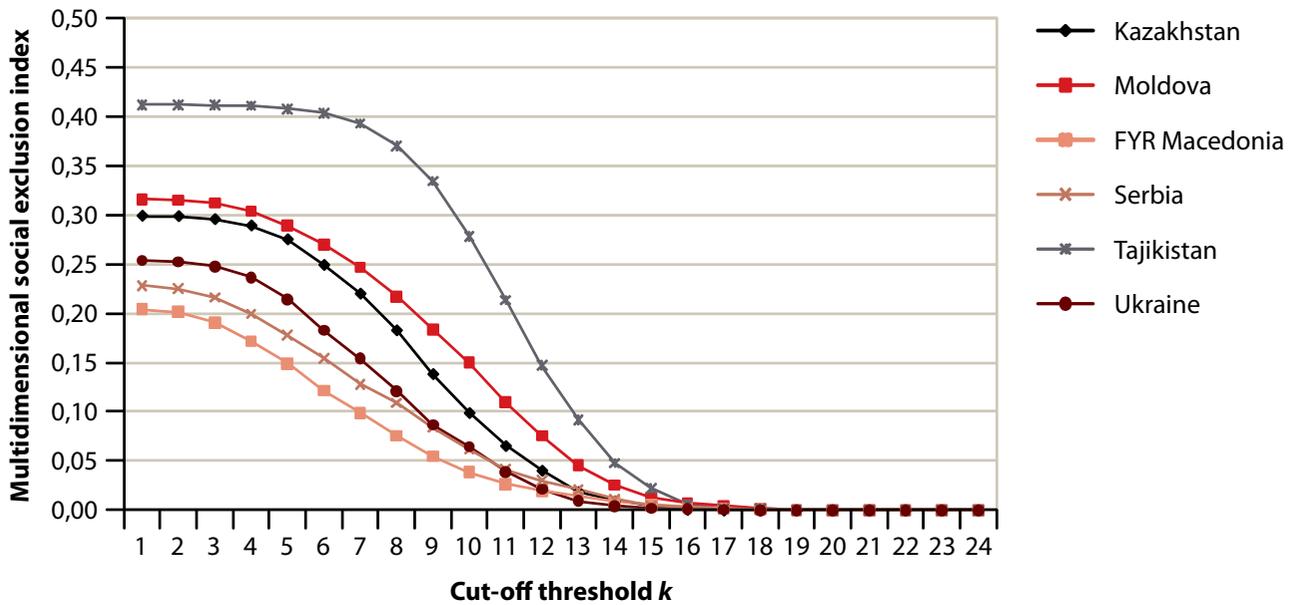
Figure A.1: Different thresholds but a similar outcome



Source: Social Exclusion Survey 2009

The literature recommends checking the robustness of the index values near the original cut-off, or even to opt for dominance tests that cover *all* possible values of  $k$ . Results of dominance tests are shown in Figure A.2. The x-axis plots all possible values of  $k$  and the y-axis plots the adjusted social exclusion headcount,  $M0$ . As one can see, virtually for all six countries the ranking remains the same for all values of  $k$ . The only exception is Ukraine, which changes ranking with Serbia and the former Yugoslav Republic of Macedonia for  $k$  above 12. However, the working values of  $k$  in this report lay in the range from 8 to 11. In addition, the primary purpose is to analyse drivers and patterns of social exclusion, rather than ranking countries by their level of social exclusion, so these changes in ranking do not affect the conclusions made in this report.

**Figure A.2: Testing the robustness of the adjusted social exclusion headcount, M0 for cut-offs  $k$**



The literature recommends checking the robustness of the index values near the original cutoff, or even to opt for dominance tests that cover *all* possible values of  $k$  (see the discussion on dominance test below in the section ‘Multidimensional social exclusion measurement’) were made for the 24 indicators and for 21 indicators. In the latter case, the three variables, which showed the higher number of relatively high correlation (more than .15)—exclusion from financial services (ex\_bank), housing deprivation (ex\_living), and exclusion from social participation—inability to afford buying books, cinema or theatre tickets (ex\_nocultr) were excluded. Finally, the robustness of the index was tested by removing the poverty variable. The results, summarized in table A6 below suggest that the index is robust to the exclusion of these variables. It shows a similar magnitude of social exclusion and maintains the ranking of countries for the cut-off threshold  $k=9$ .

**Table A6. Testing the robustness of the Social Exclusion Index for cut-off threshold  $k = 9$**

	All 24 indicators	21 indicators (three excluded)	Poverty variable excluded (full dataset*)	Income variable excluded (working dataset)
Kazakhstan	14%	6%	12%	12%
Moldova	18%	10%	17%	17%
FYR Macedonia	5%	3%	4%	4%
Serbia	8%	5%	7%	7%
Tajikistan	33%	15%	33%	33%
Ukraine	9%	4%	7%	8%

\*All cases with missed income were excluded from the working dataset. As the other exclusion variables were available for these cases, calculations were also made for the full dataset.

## 2.5. Regional averages – weighted or unweighted?

At times the analysis has relied on regional averages to capture social exclusion patterns that are common to more than one country. After much deliberation, unweighted averages were used for these calculations. This has implications for our analysis. The value of the

Social Exclusion Index obtained using weighted averages is slightly lower than the value obtained using unweighted averages. (This is because Tajikistan has both very high exclusion indicators and a small population.) However, the difference is so small that it does not affect the report's conclusions on the relationship between higher unemployment, lower education, and rural location with social exclusion. At the group-level, the only difference is the estimate of children experiencing exclusion. Applying weighted averages yields a slightly lower level of child exclusion – once again, due to Tajikistan. Using weighted averages is generally preferable, but the team concluded that the benefits of using them are offset by the noise that can be introduced by imprecise population data.

Figures A3 - A7 illustrate the differences between weighted and unweighted averages.

Figure A.3: Social exclusion headcount - regional averages (population-weighted and non-weighted)

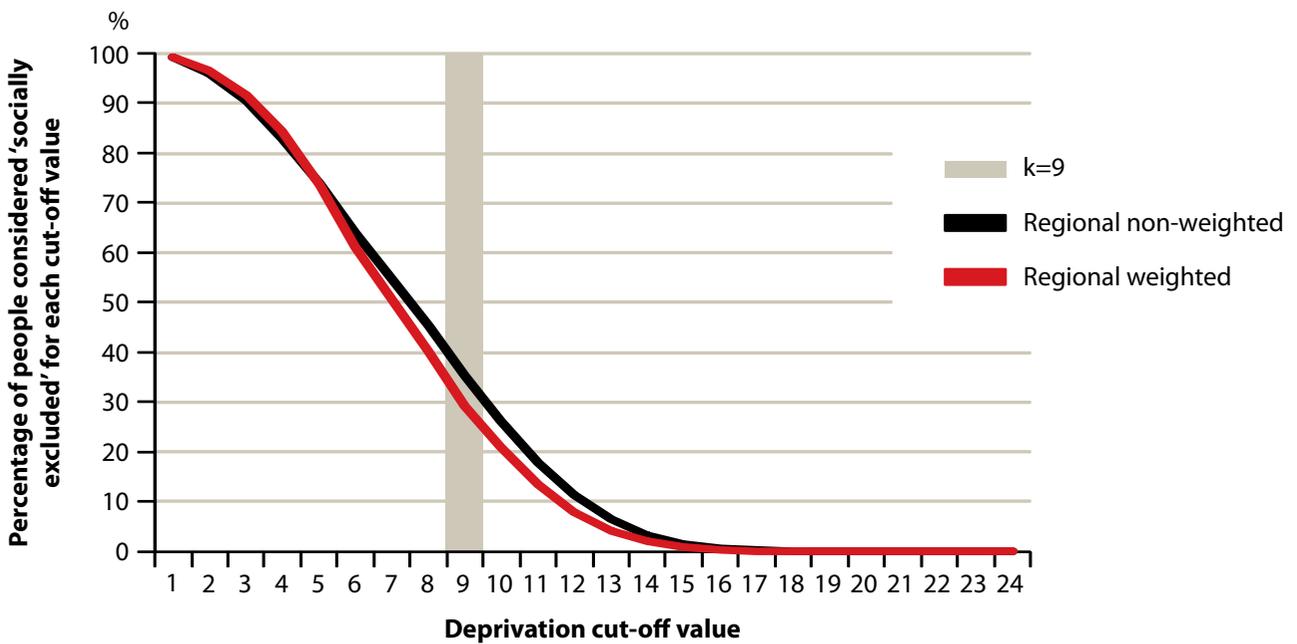
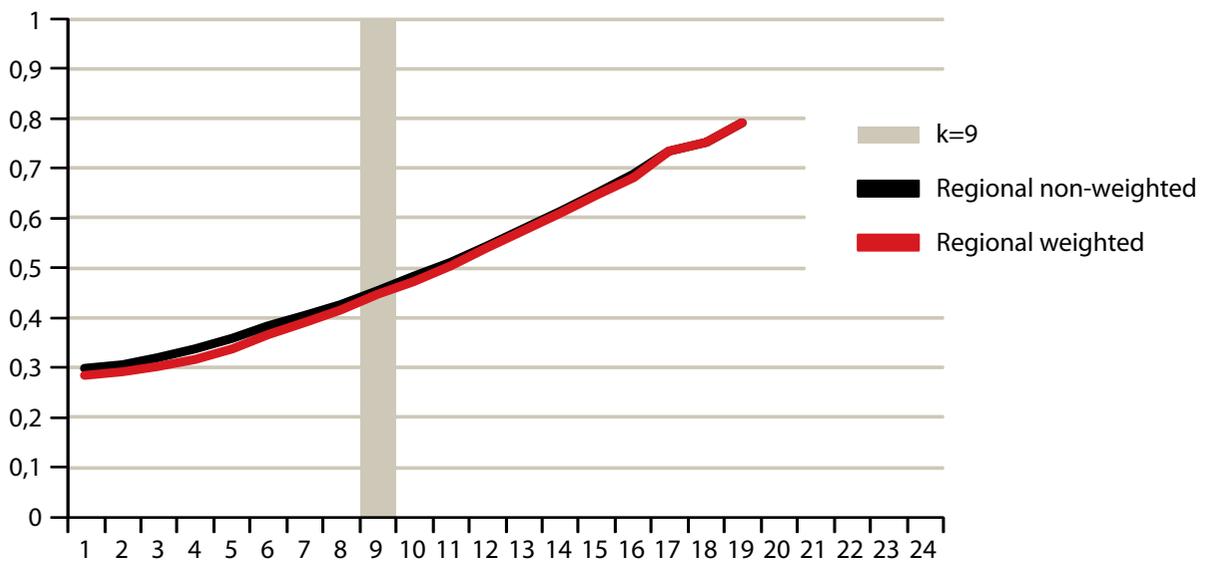
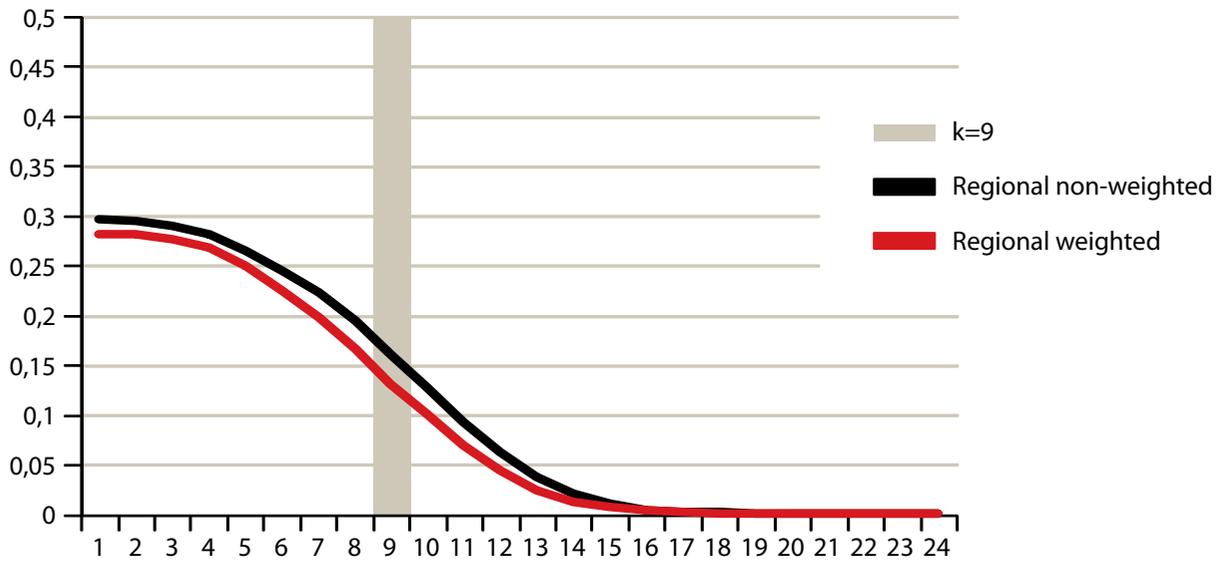


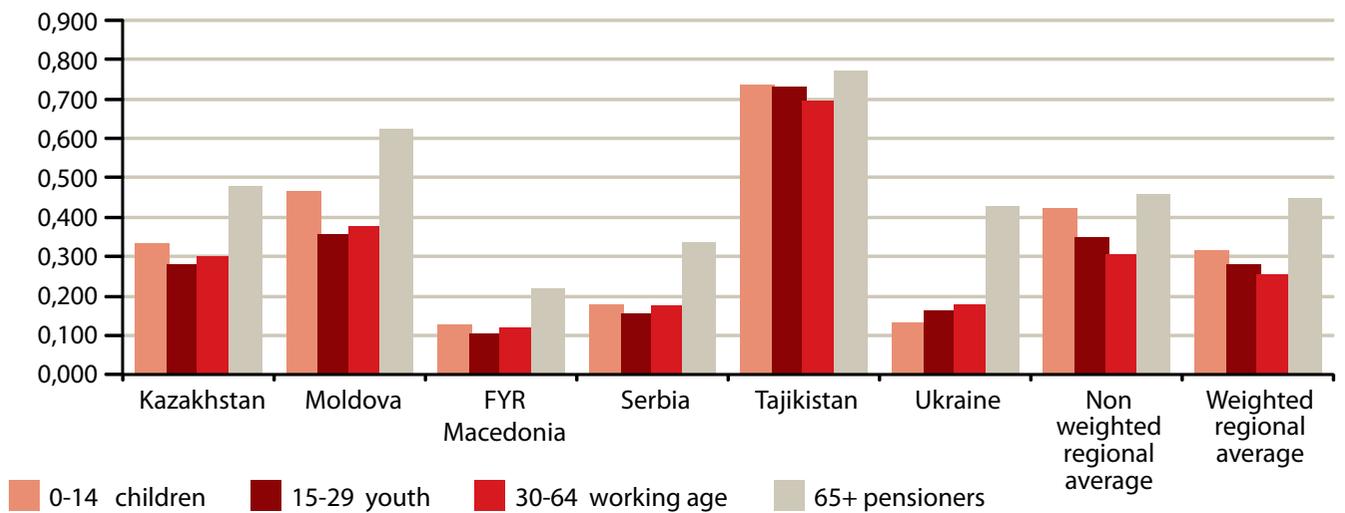
Figure A.4: Average deprivation index - regional averages (population-weighted and non-weighted)



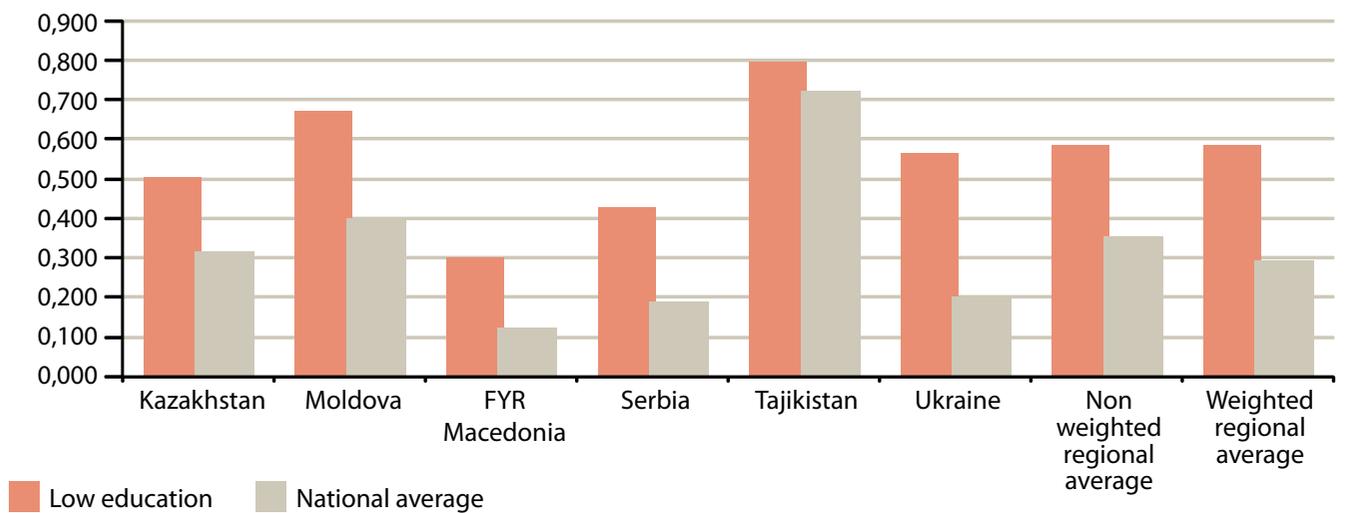
**Figure A.5: Multidimensional Social Exclusion Index - regional averages (population-weighted and non-weighted)**



**Figure A6: Social exclusion and age**



**Table A.7: Social exclusion and education**



# Annex 3: Social exclusion profiles of individual countries

**Table A8: The contribution of individual deprivations**

Dimensions		
Economic exclusion	Exclusion from social/public services	Exclusion from participation in civic and social life and networks
<b>Kazakhstan</b>		
<b>Moldova</b>		
<b>Serbia</b>		
<b>Tajikistan</b>		

Dimensions		
Economic exclusion	Exclusion from social/public services	Exclusion from participation in civic and social life and networks
<b>FYR Macedonia</b>		
<b>Ukraine</b>		
<b>Six-country average</b>		

## ***Annex 4: List of abbreviations***

<b>CEDAW</b> - Committee on the Elimination of Discrimination against Women	<b>IMC</b> – inter-municipal cooperation
<b>CEE</b> – Central and Eastern Europe	<b>JIM</b> – Joint Inclusion Memorandum
<b>CERD</b> - Committee on the Elimination of Racial Discrimination	<b>LFS</b> – labour force survey
<b>CIS</b> – Commonwealth of Independent States	<b>MDGs</b> – Millennium Development Goals
<b>CoE</b> – Council of Europe	<b>MTEF</b> – medium-term expenditure framework
<b>CSO</b> – Civil Society Organization	<b>NAP(s)</b> – national action plan(s)
<b>DAC</b> – Development Assistance Committee	<b>NGO</b> – non-governmental organization
<b>EBRD</b> – European Bank for Reconstruction and Development	<b>NUTS</b> - Nomenclature of Territorial Units for Statistics
<b>ECA</b> - Europe and Central Asia	<b>ODA</b> – official development assistance
<b>EC</b> – European Commission	<b>OECD</b> – Organization for Economic Co-operation and Development
<b>EU</b> – European Union	<b>OMC</b> – Open Method of Coordination
<b>ESF</b> - European Social Fund	<b>OPHI</b> – Oxford Poverty and Human Development Initiative
<b>FBiH</b> – Federation of Bosnia and Herzegovina	<b>PAYG</b> – pay as you go
<b>FDI</b> – foreign direct investment	<b>PIN</b> – personal identification number
<b>FGT</b> – Foster Greer Thorbecke	<b>PWD</b> – people with disabilities
<b>FOREX</b> – foreign exchange market	<b>RHDR</b> – Regional Human Development Report
<b>GDP</b> – gross domestic product	<b>RS</b> – Republika Srpska
<b>HDI</b> – Human Development Index	<b>SEE</b> – Southeast Europe
<b>HDR</b> – Human Development Report	<b>SILC</b> – statistics on income and living conditions
<b>HRBA</b> – human right-based approach	<b>SME(s)</b> – small- and medium-sized enterprises
<b>HIV</b> – human immunodeficiency virus	<b>UK</b> – United Kingdom
<b>HBS</b> – household budget survey	<b>UNDP</b> – United Nations Development Programme
<b>ICT</b> – information and communication technologies	<b>UNICEF</b> - The United Nations Children’s Fund
<b>IDP(s)</b> – internally displaced person(s)	<b>UNIFEM</b> - United Nations Development Fund for Women
<b>ILO</b> – International Labour Organization	<b>USSR</b> – Union of Soviet Socialist Republics
<b>IFIs</b> – international financial institutions	<b>VET</b> - vocational and educational training

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