

Chapter 18

Former Czechoslovakia, Hungary, and former Yugoslavia: Poverty in Transitional Economies

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In past decades the “Iron Curtain” was blamed for dividing Europe into the First and Second World. Both the similarities between Eastern Europe’s social policy programmes and those in the West (Atkinson and Micklewright 1992) and assumptions about convergent development (Andorka and Toth 1992; Deacon 1992) have shown this “ideological wall” to be porous. Recently, various initiatives indicate that poverty policy in Eastern Europe needs to be renewed, and the experiences of Western Europe might be seen as models. Any indiscriminate imitation, however, in terms of either poverty-alleviating programmes or methods of adjustment to the poverty standard, would be undesirable. Western poverty approaches may or may not be relevant in Eastern Europe, but the choice of method is in itself a matter of judgement, and the differences must be regarded as an expression of the preferences in these countries.

There may be particular features of pre-reform Eastern Europe that require the use of a scale quite different from that found in the West (Atkinson and Micklewright 1992). This is a very important reason for keeping in mind the fact that Eastern Europe will preserve its “late-comer” features and poor modernizing capacities in this field for the foreseeable future as well. Following the pace of dissemination, the West’s standards and programmes will mark related restructuring in the East. The warnings against indiscriminate imitation, frequently experienced in the Second World in the past, should force political authorities and administrators in the East to apply tested models

and strategies cautiously, taking into account specific economic circumstances and respecting historical tradition. Hence, the virtual "battlefield" on which the two models, liberal and continental-corporatist, will "fight" for domination will apparently be not in Western Europe but in Eastern Europe (Deacon 1992), which is desperately looking for a new social policy paradigm and trying to attain developed world standards.

Eastern Central Europe in common analytical perspective

According to the World Bank (1990), the countries under consideration in this chapter fit into the category of middle-income countries (GNP per capita of US\$ 545–6,000). As regards their indebted situation, they belong either to "severely indebted middle-income" countries (Hungary) or to "highly indebted middle-income" countries (Yugoslavia – at the end of the 1980s); Czechoslovakia has not yet reported the relevant information. The same source reports a slight increase in economic performance in the same period: real GDP growth was 1.4 per cent, and real GDP growth per capita was only 0.8 per cent compared with 4.8 per cent in the period 1965–73. At the end of the 1980s the incidence of poverty for the whole region was approximately 7.8 per cent, and the prospects for the year 2000 were slightly worse – 7.9 per cent.

Decreased economic performance is reflected domestically in an increase in unemployment and an enormous increase in the cost of living owing to price liberalization, which triggered a decline in living standards of approximately 20 per cent (Deacon 1992; 169). The deterioration of the economy and the accompanying deterioration in living standards for the majority of citizens present a specific "challenge" to the social policy sector, which is responding to the emerging problems. The social policy established and implemented by communist regimes was frequently accused of being too comprehensive, promising to care for (privileged categories of) residents "from cradle to grave". Rarely were these promised benefits delivered. Recently, this sector has had to confront dual "social obligations". On the one hand, Eastern Europe must modernize its programmes and strategies, particularly if it wants to achieve Western Europe's standards and become part of the European Union. At the same time, the economic decline and transformation to a market economy are pushing more people onto welfare with the expectation that the state should solve their problems.

Externally, the countries of Eastern Europe present an enormous threat to the West in terms of migration. The turmoil in this region caused huge migration flows into the countries of Western Europe, which lack effective political programmes to meet the emerging problems related to refugees, asylum-seekers, and impoverished immigrants. As usual, the economic migration from East to West is intensified by severe impoverishment owing to the transformation to market economies, ethnic conflicts, and political liberalization (Ronge 1991).

The external impacts of Eastern Europe's current problems attract Western investigators in particular, while the internal problems are responded to by both domestic and foreign social scientists. The latter's findings on poverty measurement and related poverty-alleviation policy will be taken into account next. Comparative studies concerning Hungary, (the former) Czechoslovakia, and (the former) Yugoslavia will be presented. Studies investigating poverty in each individual country will then be considered separately.

Measurement of poverty in temporal perspective

Milanovic's work (1991) and Atkinson and Micklewright's joint effort (1992) made a substantial contribution to income distribution analyses and poverty measurement in an East European comparative perspective. Because the authors highlighted different points in poverty investigation it makes sense to consider their works separately.

Atkinson and Micklewright (1992) used absolute and relative definitions of poverty lines backed up by the subsistence concept of poverty in observing the incidence of poverty in Eastern Europe. Their objective was to prove that the empirically non-verified application of any definition is misleading and professionally incorrect. The absolute is operationalized by the monetary value of a commodity basket, while the relative is operationalized by average income. Taking into account this analytical perspective, the general hypothesis can be summarized as follows: the definition and measurement of poverty in Eastern Europe have distinctive features that differ from those of Western Europe.

The theoretical framework is shaped by analysing the incidence of poverty and related retrospective observation. Several poverty investigators illustrated that poverty was, for many years, a sensitive issue for the communist governments of pre-reform Eastern Europe. This is true even in countries where substantial information was published on inequality and

household incomes. In the 1960s poverty surveys were conducted in Hungary (e.g. by Kemeny and Fekete) and Czechoslovakia (e.g. by Hirs and Kucarak) and poverty rates were estimated, but the results remained confidential. In the 1980s, renewed official interest in poverty line computations and in the estimation of the rate and composition of poverty gave the impetus to new poverty investigations. Apart from this, regularly published data invite comparisons of post-socialist Eastern Europe with the West, and pose the question of which of the concepts and related definitions in use in the West is best for the East.

The major data source used in investigating the subject at hand is empirical evidence on poverty line calculations in comparative retrospective. Atkinson and Micklewright (1992) observed that poverty lines in Eastern Europe (including Poland and the USSR) have a number of similarities: like the US official poverty line, they are quite independent of social security benefits and they are based on a basket of goods; despite the standard of living orientation, the scales are applied to total incomes rather than to total expenditures; the unit of analysis is the household.

Analysis of poverty lines in pre-reform Czechoslovakia indicates that the calculations of subsistence and social minima for different household types were made in the mid-1960s by Hirs and Kucarak. At that time, 1967 prices were used to determine the minimum standard for a single pensioner. This was based on estimations of subsistence food consumption determined by nutritional experts, in addition to clothing and footwear requirements based on actual expenditure by pensioner households. Also included were other items ascertained directly or taken from observed budgets. The subsistence minimum was set at 75 per cent of the social minima.

The social minimum calculation in Hungary was based on a commodity basket. The first official calculations were made in 1968, and since 1984 the Central Statistical Office has been making regular calculations using the data from the budget survey. The calculation began by establishing a minimum-cost food basket for a number of different types of household; for example, in 1986 the minimum subsistence level for a single pensioner represented 46 per cent of median earnings, and the social minimum was 53 per cent.

In contrast to Hungary, the Czech basket covers all goods, rather than being a multiple of food spending. But in both countries the minimum is arrived at by a more sophisticated version of the food share method used in the USA, which is based on regressions of food spending on income. Apart from this, both countries differ from Western countries in certain

other features. The equivalence scales that have been applied in Eastern Europe differ in that they assign higher allowances to active than to inactive workers and they give greater weight to the needs of larger households with children. Since the 1980s the poverty line in Hungary has been indexed to prices, while in Czechoslovakia the indexation is in line with changes in average income. Hungary's price index in the pre-reform period is considered to have been among the best in Eastern Europe – although real wages decreased, the subsistence minimum slightly increased during the 1980s.

Atkinson and Micklewright concluded that the method of adjustment to the poverty standard has particular relevance at a time of economic transition. A poverty line indexed to official prices may overstate the growth in poverty between the pre- and post-reform periods. This may be an argument for indexing by incomes rather than prices. Such a procedure means that any reduction in real incomes during the transition process is transmitted to the poorest section of the population. A government might well want to protect this segment from a general decline in average real incomes. This may point to the need for fresh calculations of the social minima, following the long-established tradition in Eastern Europe.

Like Atkinson and Micklewright, Milanovic (1991) also looks back to the end of the 1970s and points out the significant features of economic performance in Eastern Europe. In observing the rates and composition of poverty in the previous decade he applied a relative definition of the poverty line backed up by the subsistence idea of poverty and welfare as a framing concept. The definition is operationalized by disposable household income. Of the countries concerned, Hungary and Yugoslavia fitted within the developed framework.

Two hypotheses underscore the main analytical scope. First, the slowdown of growth and the reversal in the transfer of resources were so dramatic in East European countries that they were reflected at the household level in an almost uniform decline in real income and an increase in poverty. Second, the low share of capital income and the absence of increased unemployment in socialist economies suggest that the increase in poverty resulting from recession would be less than in a capitalist economy.

The theoretical framework is shaped through hindsight. In the 1980s, the countries in Eastern Europe have experienced declining growth rates, debt problems, reductions in economic productivity, and a widening technological gap compared with the West. Little is known about how the crisis has affected the

standard of living or about its impact on poverty. During the 1980s Hungary and Yugoslavia experienced stagnation and crisis, but the recession was not accompanied by increased unemployment. In Hungary, unemployment was actually non-existent, while in Yugoslavia the rate remained unchanged during the entire decade. Salary expenditures were lowered by cuts to all wages, but real per capita income for workers and farmers practically stagnated.

Inter-country comparisons of income inequality and poverty are fraught with difficulties. It can be argued that comparisons are more reasonable when the level of development, the social system, and the macroeconomic performance of the countries are similar. A similar data source, i.e. household surveys, also helps. Hungary and Yugoslavia fit these criteria, though the main results reveal significantly different poverty rates.

In 1978, the Yugoslav poverty rate was 17 per cent and it stabilized at 25 per cent in the mid-1980s. The poverty rate for the non-agricultural sector (workers and pensioners) doubled, but it remained lower than the poverty rate for mixed households and farmers. The average per capita income for non-agricultural households remained higher than that of the other two groups (farmers, mixed). The poverty rate for farmers declined sharply from 42 per cent in 1978 to 27 per cent in 1983, but increased to 45 per cent in 1986 and 1987. Apart from this, the data indicate that urban poverty doubled, from 24 per cent to 47 per cent whereas rural poverty decreased from 76 per cent to 53 per cent.

Hungary did not experience a similar deterioration in the real incomes of households. The poverty rate for workers was 17–18 per cent in the mid-1980s, while the poverty rates for pensioners and farmers decreased from 14 per cent in 1985 to 11 per cent in 1987. At the end of the 1980s, just before the onset of the post-socialist upheavals and turmoil, a crumbling economy and significantly high poverty rates were common features of Hungary and Yugoslavia.

Poverty-related social policy

The observation about an overly lax and comprehensive social policy in Eastern Europe, monopolized by the state, frequently overshadows any debate on its present features and future prospects. The confrontation between civil initiatives and the state monopoly in this area normally receives less attention in related concepts. In this respect Marklund (1993) expresses certain expectations about civil society's initiatives, which should give an impetus to the social welfare reforms. Furthermore, his

hypothesis implies the following: learned helplessness or anomie was created by strong state control over all aspects of life and these structures should be replaced by small-scale institutions, the family, and individual responsibility.

In shaping the theoretical framework, it is of substantial help to reconsider social policy in terms of Esping-Andersen's three models of welfare. Formally, the socialist European countries can be classified as institutional redistributive systems. This is based on the fact that the state played a dominant role in all aspects of social policy, which was an integrated part of economic policies at both national and enterprise levels. Apart from findings referred to by various social policy researchers in Eastern Europe, no other specific data source was used in applying the concept to the available information. The analytical results support conclusions that do not contradict the initial assumptions, that is, that in both Czechoslovakia and Hungary the social policy model was developed well before the Second World War and was based on the German corporatist model. After the war, access to welfare benefits was not universal: farmers and the self-employed were excluded. Residual forms of welfare in the sense of private charity and church involvement were weak. As far as social actors are concerned, current dominant social forces are very reluctant to promote cooperation between the state and social movements. The most influential views about civil society are opposed to all forms of social policy reform.

Atkinson and Micklewright's work (1992) again presents a substantial contribution to the unveiling of specific features of poverty-related social policy in a temporal and comparative perspective. The subsistence concept of poverty underlies the investigation, but the definition of the poverty line varies according to country: in Czechoslovakia the relative definition is used, whereas in Hungary the absolute definition is utilized. Furthermore, although both definitions are operationalized by subsistence and a social minimum, this distinction is derived from the indexation. In Czechoslovakia, the minimum was indexed to average income, while in Hungary it was indexed to prices.

Despite these differences, a common hypothesis is advanced: in the process of economic transition existing schemes should be scaled-down with the objective of balancing the state's budget and improving the incentives to work.

The theoretical framework concerns the safety-net features before the beginning of the transition period when, it is commonly held, the state in pre-reform Eastern Europe provided an all-embracing comprehensive system of cash benefits. Empirical evidence on safety-nets in comparative perspective shows that

the social security system (all cash transfers) was comparable to those in developed Western countries. Although the state "cradle to grave" policy of support had abolished poverty, the social security system was inadequate in preventing subsistence poverty. In simple terms, pre-reform Eastern Europe can be seen as providing a safety-net through a combination of full employment, generous family benefits, and social insurance linked to employment.

Hungary

The changing structure of prosperity

Professional concern with and investigation of poverty, particularly in the countries of Eastern Europe, usually lack a sociological perspective in that classical topics such as the relation between social and economic change and between social stratification and mobility are not addressed. Owing to Ferge's (1987) early work on poverty and its dynamics, it was not ignored in poverty studies in Hungary. Moreover, although the evolutionary aspect has been dropped, Szanto and Toka (1990) try to comprehend the recent structure of individual well-being using the framework of "classical" conceptualism.

Ferge (1987: 168–169) actually analysed the dynamics of the reproduction of social relations. Of specific concern is the parental generation's transfer of wealth to its children. Multiple deprivation caused by a combination of poor schooling, bad jobs, low incomes, and bad housing is the key concept shaping the analytical background. The central hypothesis concerns the intended or unintended transmission of social advantages and disadvantages, which is a general tendency in all hierarchically structured societies.

The related theoretical framework deals with social change and economic growth after the Second World War, coupled with full employment and a rapidly expanding social policy, which helped to eliminate the massive absolute poverty that had prevailed in prewar Hungary. These events created the belief that constant economic growth and large-scale and multi-step mobility were inevitable concomitants of socialist development, and that all the problems connected with social inequalities, unequal opportunities, poverty, marginality, and the like could be solved. However, social stratification studies showed convincingly that many forms of inequality persisted, although usually on a much reduced scale, and that additional inequalities were constantly being generated by various new mechanisms.

The data used were collected in 1979 by random sampling of 500 families from the micro-census, mostly from the central cohort (born between 1928 and 1934). The major results lead to the conclusion that early poverty made social mobility difficult, though not impossible; its main impact was in hindering multi-step social mobility. Great childhood poverty did not affect shorter upward moves or the opportunities open to the offspring of unskilled workers or farmhands to become skilled or lower white-collar workers. In contrast, the offspring of the prewar, better-off strata, who assessed their childhood as well-to-do, said that they had started their adult life in unsatisfactory circumstances. Only a feeling of relative deprivation can explain these ratios, because it is almost certain that, objectively, unskilled workers or farmhands fared far worse than the majority of the above group, even in that period.

A few decades later, the impact of the introduction of the socialist "equalizing" of Hungarian society was evident. It attracted Szanto and Toka's scientific knowledge in terms of stating the following hypothesis: everybody had an equal share of the goods (Szanto and Toka 1990).

The living standard as a key concept was operationalized by income and assets as central variables. There was no theoretical framework, and the longitudinal data were collected by random sampling of the adult population. The major findings suggest that the role of demographic factors in poverty decreased while that of labour market factors increased. In general, Hungary in the 1980s was closer, in terms of the distribution of material assets, to the type of society characterized by almost equal distribution than to one featuring extreme inequality. The "equalized" income distribution is also revealed by Andorka and Toth (1992) and is supposed to be due to transferred cash benefits. They found the distribution curve to be as flat as income distribution in the observed capitalist countries, for instance Scandinavian countries.

Poverty line calculations

Among researchers of East European poverty, Hungarian social scientists seem to be the most concerned with studying its historical roots. Frequently, they focus on the development of both official and academic attitudes to poverty. Moreover, many studies on the present state of affairs are implicitly backed up by a historical perspective. In this respect, the work of Salamin (1992) and Andorka and Toth (1992) is notable in that it

combines dynamics with the calculation of the structure of poverty lines.

The main topic under investigation, i.e. the development of official poverty line calculations, determines the concept to be used. The absolute poverty line operationalized by "minimum of socially accepted needs" underlies the studies of both Salamin (1992) and Andorka and Toth (1992), whose basic conceptual framework is the subsistence view of welfare. The hypotheses put forward do not differ very much and they can be outlined as follows: the social minimum was considered to be an income that adequately meets conventionally accepted basic needs; it was the role of cash benefits to diminish pauperization and decrease inequality.

The major concern of researchers of poverty line calculation was its development during recent decades and it seems this venture consumed their interest, with the result that the theoretical framework lacks comparable consideration. The data come from historiographical evidence on poverty line calculation (Salamin 1992). The historical perspective marks results, which lead to the following conclusions. Calculation of a poverty line began in Hungary in the 1920s. Between 1923 and 1939, trade unions calculated and published weekly poverty reports based upon a worker family of five. In 1955–6 the Central Council of Hungarian Trade Unions estimated poverty using an empirical method based on two types of families (families of three and four). Many people debated the necessity of such calculations under socialist conditions, and the series was subsequently dropped. Other poverty calculations were carried out by the Hungarian Central Statistical Office (CSO) in 1968. During the course of this work, norms were worked out for all products and services. More recently, poverty calculations have been indexed to prices and published regularly, and clearly have an important orientational role in the field of social policy.

Since Eastern Europe's "opening", there has been an explosion of poverty line calculations and poverty rate and composition estimations, which have captured the interest of researchers who refer to the household and/or income survey data (e.g. Andorka and Speder 1993; Szalai 1990, 1992; Toth and Foerster 1994). In these studies, only the subsistence poverty concept is employed, but the poverty line is defined in both absolute and relative terms, and, as usual, operationalized either by socially accepted needs or by disposable household income. The hypotheses are more frequently implicit than explicit; nevertheless, some common assumptions can be outlined as follows:

- poverty in Hungary is a stable and enduring phenomenon;
- in the 1980s there tended to be low levels of poverty among the elderly and high levels of poverty amongst people of working age and in large families;
- the analytical results are influenced by the common use of a per capita concept.

The theoretical framework is frequently lacking, although the subject under investigation is considered in temporal perspective in terms of the development of poverty line calculations (Andorka and Speder 1993; Szalai 1990, 1992) and the data source is the same, i.e. household and/or income surveys, which are conducted regularly by the Central Statistical Office. The major findings lead to the following conclusions. Between 1977 and 1987, the number of people living below the poverty line remained within the same range – between 10 and 17 per cent. The young, families with children, and less educated sectors of society were most vulnerable to poverty. A significant change in the social composition of the poor was also discerned: there was a sharp increase in poverty among urban households with an active earner and in the proportion of children living below the poverty line. This structural distribution of poverty was partly the product of a long-term economic and social crisis and partly the result of a whole set of changes launched in the present time (Szalai 1990).

The main conclusion, therefore, is that income and poverty estimates in Hungary are extremely sensitive to the context chosen (subsistence minimum or economic distance approach) and the method of calculation (per capita or equivalence scale). The sole use of per capita income does not seem to provide sufficiently solid estimates, because it introduces a serious bias into some poverty estimates, for example the overestimation of large households (Toth and Foerster 1994).

Specific poverty aspects

The Hungarian poverty studies differ in many aspects from those from the other countries under consideration. Apart from a frequently implicit temporal perspective, specific features, in particular child poverty, have also attracted considerable research interest (see Szalai 1993). Though not explicit, the poverty concept can be described as the subsistence one using the absolute definition of the poverty line, particularly as the related social policy is considered in the perspective of socialism. An

implicit theoretical framework is supported by information on the socioeconomic development of the previous five decades. In contrast to the implied analytical framework, the explicit hypothesis is that child poverty is not transitory in character and is not caused by recent economic factors, but is strongly connected to social origins.

Two data sources are used: statistics from the Statistical Yearbook and the household and income surveys. The major finding of the existence and rapid expansion of child poverty is all the more shocking for Hungarian society, because the prosperous years of the late 1960s and the 1970s inculcated the general belief that poverty would be eradicated. The chronic economic crisis of the 1980s worked to the detriment of the poorer groups, producing stagnation or even a downturn in their standards of living. The infant mortality rate shows that significant improvements were accompanied by sharper inequalities over time. The lower the education of mothers, the higher the infant mortality rate in general, which is assumed to be due exclusively to increasing inequality of access to high-quality services.

Czechoslovakia

As in Hungary, poverty line calculations in Czechoslovakia were initiated in the 1960s, but remained unpublished for reasons of official secrecy. The political authorities declared poverty dead. At the beginning of the 1980s, however, poverty line calculations and poverty-related social policy began to attract the interest of both researchers and government administrators.

Various poverty line calculations

Three studies are particularly significant in providing information about the state of analyses of poverty (Hirsl and Dlouhy 1992; Van Praag et al. 1992; Vecernik 1993). In these studies, the authors apply distinct contextual frameworks that make the results comparable to similar Western approaches.

The concepts of poverty in use explicitly follow recent approaches in Europe by distinguishing between objective and subjective poverty, and between absolute and relative poverty. Both objective and absolute poverty are operationalized by the cost of a commodity basket, simply called the "Orchansky" index. The other two definitions are operationalized, respectively, by the empirical relationship between expenditure on

foodstuffs and income (relative poverty), and by individual perceptions (subjective poverty). Despite the contextual variations, apart from subjective approach none of the other definitions exceeds the underlying subsistence view of poverty.

Vecernik's (1993) hypothesis is based on the changes in economic life and material well-being since the "marketization" of the Czechoslovak economy. It can be stated as follows: the threat of poverty emerges as a result of the economics of inequality and security. As a development of Hirsli's relative poverty approach and the earlier "secret" computations of poverty lines, Vecernik built his theoretical framework by reconsidering this "historical" background.

Vecernik follows Hirsli's poverty research legacy by computing family budget survey data and micro-census data for 1958-88, as well as data from the regular sociological survey "Economic Expectations and Attitudes" sociological survey (1990, 1993). Any discussion of the major findings should undoubtedly take as its point of departure the marketization of the Czechoslovak economy and the related liberalization of prices, which enormously increased the cost of living and substantially decreased a "line of social tolerance" (Hirsli and Dlouhy 1992). Surprisingly, a significant increase in personal and household incomes was also recorded. This was thought to be attributable mostly to social benefits (pensions and family allowances).

However, poverty line computations applying different poverty line standards reveal similar results elsewhere: official poverty estimates are slightly lower than the European Community poverty estimates - 2-3 per cent versus 4.2 per cent (Vecernik 1993: 8-9). Unlike those in the official poverty category, the subjectively poor are better economically situated and better educated. They tend to be families with younger and older household heads; with one child or none; and single pensioners.

Van Praag et al.'s (1992) testing of various poverty lines based upon Czechoslovak empirical evidence starts from two assumptions:

- poverty is a feeling of lack of well-being and any statement about it requires at least the possibility of comparing interpersonal utility;
- household income is the yardstick for poverty measurement.

The theoretical framework is shaped by discussing various monetary poverty line definitions: the Beckerman line; the Centre of Social Policy poverty line; the subjective poverty line, applying the "minimum income question"; the Leyden poverty

line, applying the "income evaluation question"; the official poverty line, etc. The Economic Expectations and Attitudes Survey was used to help determine which definition was most compatible with the empirical evidence. Ten criteria serve as test items: the information value of the poverty line, income distribution (in)stability, population mixing, internal consistency, flexibility, robustness, systematic error, data collection costs, actuality, and intuitive plausibility (Van Praag et al. 1992: 11-13).

Regarding the empirical evidence on poverty available in Czechoslovakia and the outlined conceptual framework, the results suggest that the best choices would be the official poverty line and the Leyden poverty line (based on a subjective definition of poverty). In particular, the subjective poverty line is much more informative, because it is neither wholly relative nor wholly absolute and it is more robust to changes in income distribution and/or compared with other poverty lines. Apart from this, it was discovered that there are no technical difficulties in applying subjective attitude questions regarding income or well-being.

The historical perspective approach to social security programmes in transition

Two authors (Castle-Kanerova 1992; Potucek 1993) have attempted to reassess the future tasks of social security in shielding the residents of Czechoslovakia from the poverty risks experienced in the past. They say that the new authorities and governmental bodies should begin their social security "renovation" activities by revising what has been achieved in the past. Therefore they list arguments to support the "historical" approach in shaping the subject under (re)consideration and establishing (new) programmes to achieve better living standards and quality of life. In this regard, they do not follow any specific concept of poverty or related theoretical framework. Social security is primarily viewed as a sector of the overall social policy system in transition. The data sources mainly concern social policy and social security documents in temporal perspective; and flow-chart analysis is the major method applied.

Hypotheses are put forward implicitly, but the main assumptions are as follows:

- the idea of social justice is an evolutionary product of two liberal periods, the 1920s and the 1960s (Castle-Kanerova 1992);

- political transition is mirrored in the reconstruction of the social security programme (Potucek 1993).

The major results comprise the most significant features of the development of the social security scheme in Czechoslovakia since the First World War. In 1924 the industrial workers' insurance scheme was based on joint contributions, equally divided between employer and employee. It was founded on the principle of an equivalence between wages and expenditure, which did not constitute a firm foundation in times of economic crisis. It was a compromise between the bourgeois and the reformist coalition and it covered the basic risks, such as old age, invalidity, widowhood, orphanage, ill health, and injury (Castle-Kanerova 1992). Moreover, before the Second World War the Czechoslovak social security system was relatively advanced. It was based on the Bismarckian tradition of social insurance (Potucek 1993).

What distinguished the 1970s from the 1960s in social policy was the shift in the income/price relationship. Living standards in the 1950s and 1960s were maintained through a slow growth in wages accompanied by a slow fall in prices. This form of social economic policy was replaced in the 1970s by a model more common to dynamic industrialized societies where fast growth in wages is followed by rapid price increases. This sparked a greater emphasis on social welfare for a wider network of citizens, particularly those with lower earnings. Castle-Kanerova (1992) concluded that the benefit system quite clearly could not cope with the increasing poverty, particularly among the elderly. Social justice and social security emerge as the key concepts of the Czechoslovak social policy at is undergoes important changes. The same concepts were used before by Beveridge, Titmuss and the Czechoslovak social democrats of the 1920s and 1940s, as well as by more ideologically inclined orthodox Marxist-Leninists. In Castle-Kanerova's (1992) view, Eastern Europe in the next decade will remain a test case for the conceptualization of the role of social policy in the broadest sense. But such optimism may be ill founded should certain performance limitations hold sway, such as:

- heavy demands on the state budget owing to increasing unemployment and declines in living standards;
- restrictions on programmes based on insurance principles; and
- inadequately educated and unmotivated staff in social work institutions (Potucek 1993).

Yugoslavia

Apart from Milanovic's poverty studies, almost no other similar analysis has been undertaken of Yugoslav poverty vis-à-vis Eastern Europe. The references below indicate that investigations have most frequently been conducted on the regional level. Moreover, even the "intra-Yugoslav" comparative perspective is lacking.

Reassessment of the methodology of estimating subsistence and social minima in Slovenia

The methodology of estimating the cost of living as proposed by Sumi (1986) has been applied to Slovenia since the beginning of the 1980s. It has undergone a few revisions, but in the late 1980s the commodity basket consisted of 270 items, and subsistence and social minima were computed for categories of individuals depending upon their age and family composition. The monetary value of different commodity baskets is currently adjusted to the prices of goods and services (Novak 1993).

In considering the methodology of estimating the cost of living, both Sumi (1986) and Stanovnik (1991) applied, though more implicitly than explicitly, the subsistence concept of poverty. The absolute poverty line is operationalized by basic needs, which are reflected in the commodity basket items. Apart from Novak (1993), who reconsidered the implications of subsistence and social minima in terms of poverty-alleviating policy in Western Europe, there is no theoretical framework. In contrast to this, a common hypothesis is put forward very clearly, especially by Sumi (1986) and Stanovnik (1991). Both assumed that dietary patterns and the commodity basket underwent a substantial change during the 1980s, and, therefore, that the methodology of estimating the cost of living should reflect this shift. Novak extended this methodology debate further by assuming that any decision on the methodology of estimating the cost of living is purely a political decision. The household survey and related political documents on poverty policy are the major data source for testing the above hypotheses.

The opposing emphases of the researchers affect their conclusions. Sumi (1986) advocated a methodology based on a reassessment of his basic premise, that is, that the subsistence and social minima should reflect the expenditure of the lowest income decile. Stanovnik contended that the established official method of estimating the cost of living was too lax. Moreover,

the composition and quantity of items in the commodity basket should reflect actual consumption patterns and different household types. Novak's analytical findings undermine the simplicity and transparency of the methodology debate, revealing that the problem is far from being just a disagreement about methodology. If the poverty-alleviating programmes were to incorporate Stanovnik's suggestion about applying dietary patterns as a basic premise in estimating subsistence and social minima, then transfer entitlements would be considerably reduced. According to Stanovnik's estimation method, which has already been incorporated into new legislation, social benefits should provide only the subsistence minimum, in contrast to the previous benefits, which provided the social minimum.

Surveys of well-being

At the beginning of the 1990s, a very extensive level-of-living survey was conducted by random sampling throughout Yugoslavia, but only a few results are available (Lay 1991 for Croatia, and Novak 1994 for Slovenia). In both studies, a similar conceptual framework was applied. This framework does not include poverty and impoverishment specifically, but uses the concept of low individual well-being as reflected in living conditions. Furthermore, the hypotheses proposed start from a similar assumption: individual well-being and prosperity reflect social class characteristics.

The theoretical frameworks differ for the studies under consideration. Lay's conceptual framework echoes Maslow's basic needs concept, this time operationalized by material needs (to have), social needs (to love), and emotional needs (to be). Furthermore, four clusters related to these basic needs (well-being, security, freedom, and self-fulfilment) were constructed, but only well-being was subjected to statistical analysis. The Scandinavian approach to living conditions, particularly Ringen's suggestion of a "third stage in the measurement of poverty", is evident in Novak's conceptual framework. Moreover, the Scandinavian approach was applied conceptually and methodologically to specific Slovene conditions in the investigation of unequal access to various resources. As stated earlier, both studies lacked a more poverty-oriented theoretical framework, especially as far as monetary measures are concerned.

The differing theoretical frameworks resulted in differing points. However, the conclusions as to lower well-being and prosperity are similar in both Croatia and Slovenia. Lay measured individual well-being by employing a comprehensive

indicator and “synthesizing” information on quality of diet, health, housing, work conditions, leisure time, and education. The results indicate that 8.7 per cent of Croatia’s residents live in bad conditions. In addition, the findings support the “classical” distribution of well-being: the lower the education and the social class, the lower the access to the resources for well-being (Lay 1991). Novak found similar features of individual well-being and prosperity in Slovenia.

Apart from this, analysis of longitudinal data (1984, 1991) reveals an increase in individual prosperity while at the same time reflecting respondents’ fears that the threat to their well-being has become more serious. The available information restricts any reconsideration of outcomes in terms of an interplay between macro factors and their micro reflections, meaning that conditions are to be determined at the individual level. It is perhaps too speculative to ascribe the discrepancy between objective conditions and subjective perceptions to a better commodity supply and higher aspirations, driven by the substantially higher living standard in neighbouring societies (Novak 1994).

Relative poverty estimations

The household survey at either at the federal or regional level is the common feature of the above studies. Regardless of the regional origin – whether Serbian (Posarac 1991) or Slovene (Malacic and Stropnik 1991; Stanovnik 1988, 1990, 1992, 1993) – all studies are based on the subsistence concept of poverty and employ the relative poverty line definition operationalized by household disposable income, and the data source, is the regional household survey. However, there are differences in the hypotheses advocated, the theoretical frameworks, and the major findings.

In their analysis of expenditure on children in Slovenia, Malacic and Stropnik (1991) implicitly assumed that the official standards exceed the accepted standards applied elsewhere in the similar sector. The officially established average expenditure on children is usually 50 per cent or less of household disposable income (as in the USA) – 50 per cent in families with three children or 40–45 per cent in families with two children. The results indicate that the norm – according to official standards – for a one-child family (with two employed parents) in Slovenia is to spend about half of its disposable income on the child. This suggests that a two-child family spends almost 90 per cent of its income on its children.

Stanovnik's name crops up most often when the economic aspect of poverty is raised. In computing different poverty lines or investigating respondents' perceptions of their satisfaction with their disposable income, Stanovnik also applied the relative poverty line definition, framed by the subsistence poverty concept, and uses the same data source, i.e. household survey. The hypotheses reveal small variations in either the relation between poverty concept and poverty estimation method or the relation between declining prosperity and its perception. Apart from this, the theoretical framework is usually supported by two pillars: either the federal administration's ignorance of emerging impoverishment (Stanovnik 1988) or an overly lax methodology for estimating poverty that also lacks the subjective approach (Stanovnik 1990, 1992). The OECD equivalence scale has recently determined the contextual pillars as well (Stanovnik 1993). The different concepts applied and the stagnant data source result in wide variations in the findings.

The analysis of food ratio in the former Yugoslavia reveals that the Yugoslav republics strictly followed Engel's law: the higher the stage of development, the lower the food ratio (Stanovnik 1988). When surveyed as to their perceptions of poverty lines, 10 per cent of residents of urban households in Slovenia reported living below the poverty line and another 25 per cent reported living on its brink. In short, one-third of urban households were subjectively living a sub-standard existence. However, this poverty rate was much higher than the official one, which "assumed" figures three times smaller than those subjectively perceived (Stanovnik 1990, 1992).

Compared with the extensive poverty research in Slovenia, at least as far as the economic aspect is concerned, for Serbia there is only one study (Posarac 1991), and there are no reports from the other regions. Describing the decade of economic regression in Serbia, Posarac implicitly assumed that stagnant growth and increased employment affected the redistribution of the gross domestic product and resulted in a higher poverty rate. Though an explicit theoretical framework is lacking, notions about the enduring economic crisis implicitly support the analysis of the distribution of disposable household incomes. The findings lead to the conclusion that the rate of poverty increased from 15.3 per cent to 21.0 per cent in the period 1978–1989 in Serbia. This was ostensibly due to the stagnant economic growth and persisting economic crisis of the 1980s. At the end of the 1980s, approximately one-fifth of Serbia's residents were living in conditions of relative poverty. In addition, the composition of poverty

underwent a considerable transformation – shifting from a rural to an urban setting.

Evaluation

The condition of the poor in Eastern Europe is unusual because of the state's major role in the provision of employment, housing, and other services. Poverty is largely an urban problem associated with low real wages and, increasingly, with unemployment. In several countries, poverty increased during the 1980s. Structural problems accompanied by low growth in productivity and chronic material shortages have caused a drop in real wages for a large segment of the labour force.

This state of affairs is perfectly reflected in the studies considered here. The main results and findings are largely in agreement whether researchers are analysing poverty in a particular country or in the three countries comparatively. It is evident that, regardless of the increase in prosperity of the higher social classes on the one hand, and the increased risk and incidence of poverty of the lower social classes on the other, poverty rates show a considerable increase in all countries, though to differing extents. In those instances where the country was thoroughly investigated (Hungary and the former Yugoslavia), a significant transformation of the composition of poverty is discerned. In both countries it shifted from rural poverty to urban poverty, and from poverty affecting the elderly to poverty afflicting young families with several dependent children.

Apart from the recorded features, poverty-related social policy and administrative measures are similar, and, interestingly enough, are also somewhat similar to certain Western models. A redistributive institutional welfare system and a significant work orientation bring East European safety-nets closer to the corporatist Bismarckian model. However, the future development in terms of "de-etatisation" of social policy in general, and of the social security system in particular, is far from being simple and achievable in the short run. As some researchers have remarked, Eastern Europe is confronting two opposing currents of change simultaneously: liberalization (e.g. of prices and economy), which will affect the de-equalization of the distribution of resources (income, wealth, benefits) in the long run, and "de-etatisation" of society in general, in which no other social actor can replace the demanded and expected withdrawal of the state. This obvious fact frequently failed to be recognized by the various critiques of the "all-embracing and

comprehensive socialist social policy that takes care of privileged categories from cradle to grave". In expressing the options for future social and poverty policy development, some researchers do not clearly distinguish between "wishful-thinking" and the actual capacities of society. This calls to mind the same story about legitimizing socialism in these countries half a century ago.

In this respect, I share Marklund's (1993) observations about the future prospects for East Europe's social policy, which will face many severe restrictions. Perhaps the major obstacle to restructuring will be state intervention in social welfare, which is still influential for a number of reasons. Further limitations will result from economic restrictions and the lack of strong social forces, social movements, or civil institutions that could replace state intervention. Though they are rare, encouraging factors can be observed in the welfare roots of the past, i.e. a strong work ethic and corporate features of social policy, which bring these countries closer to the corporatist model.

The studies from Hungary and Czechoslovakia illustrate a particular approach to the investigation of poverty. Whether explicit or implied, the historical perspective on either poverty alleviation policy or poverty measurement is always the basis of the studies considered. This perspective enables a considerably wider analytical perspective than in other countries. The lack of such an analytical framework is most evident in the Yugoslav studies. Moreover, Yugoslavia was frequently excluded from an overall East European perspective, as if it did not belong.

The majority of studies also lack a sociological (and theoretical) perspective on the results, particularly those that are supposed to take heed of their real professional nature. The reconsideration of poverty either in terms of social (in)equality or in terms of the distribution of the resources necessary for well-being continues to be ignored. The frequently observed inadequacy of the theoretical framework that should be related to the utilized poverty concept, e.g. the subsistence concept, is hypothetically in accordance with the above observation. But, Eastern Europe's poverty researchers are not the only ones to blame for ignoring theoretical considerations. Perhaps, the Western demand for information on Eastern Europe's post-socialist transformation simply does not require such an approach. "Rudimentary" information, not loaded with any additional values, norms of the country it comes from, is desired in order to satisfy Western models on Eastern phenomena. The reported similarity between Western welfare models and Eastern practice is simply unrecognized, owing to a very distinctly one-way exchange of information during the past century.

Prospects on comparative studies

The state of poverty investigation in the countries under consideration is more optimistic than it looks at first glance, although the estimation of poverty rates and composition began much later than in comparable Western countries. Moreover, some efforts in Hungary and Czechoslovakia were brought to a halt by communist regimes and have been revived only recently. What makes this picture more optimistic than it seems is the fact that in all countries the household and income surveys are conducted and published regularly. In addition, the official organizers of these surveys try to follow the related methodologies of the West, particularly those applied by research groups working for the European Union. As one researcher remarked, there is no particular problem in joining this "club", at least not for Czechoslovakia. In this respect, the regions of the former Yugoslavia present a slightly larger problem. The household income survey is still being conducted, at least in Slovenia. However, it is irritating that the comparison of poverty rates and composition in the Yugoslav regions is lacking, at least for the period when the aggregated poverty rates at the federal Yugoslav level were computed.

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