Child Poverty and Social Exclusion in Post-Communist Societies

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1 Introduction

The collapse of socialist systems since 1989 has been followed by far-reaching welfare changes in Central and Eastern Europe (CEE) and the former Soviet Union. Although a temporary drop in output and in real incomes was projected as the price to be paid for market reforms, few expected the scale of impoverishment and the staggering social decay that have taken place in many countries in a short time period. This article focuses on two main perspectives – a poverty model and a social exclusion framework – as possible explanations for the observed social dislocations. Its central contention is that while both are necessary to understand the changes and the policy responses adopted to date, a social exclusion framework captures far better the processes of change, the multi-dimensional nature of these changes and their underlying causes in countries in transition. If this contention is correct, it carries major implications for policy formation and will lead to strategies that are very different from those driven solely by poverty alleviation considerations.

The article focuses on the complexity of children's needs. Its starting premise is that childhood is important both numerically but also developmentally, as children are especially sensitive to short-term impacts. Moreover, since children are the future of any society, concentrating on their needs puts an intrinsic development focus into the analysis.

The article first discusses key concepts of social exclusion and poverty, and their application to pre-transition socialist societies. It then analyses trends in child poverty and their determinants before testing out the explanatory capacity of the poverty and social exclusion frameworks by drawing an inter-regional picture. After reviewing transition policies to see how far poverty or social exclusion frameworks have determined the interventions, the article finishes with some conclusions for future policy formation.

2 Social Exclusion, Poverty and their Applicability to the Initial Conditions in CEE

The concept of social integration has been most commonly linked to French republicanism (de
It concerns equity in fundamental citizenship rights and participation in economic, social, and political activities to attain these rights. Conversely, social exclusion implies the absence or inability to obtain those entitlements. It is a powerful framework for conceptualising a set of inter-relations between culture, identity and power, as well as access to material well-being. All of these dimensions are crucial in any analysis of the transition process from planned socialist societies to market economies. Surprisingly, such analysis has not been extensively applied so far in the region (one of the few exceptions being Tchernina 1996).

The poverty approach which dominates Western thought cannot easily be applied to pre-transition Central and Eastern Europe because of the primacy it attaches to income as the gateway to living standards, privilege and access to services. Income was, of course, important in pre-transition societies but it did not necessarily determine access to goods because of shortages and the reliance on non-market distributive channels. Even more importantly, earnings were flat, but employee benefits, secondary jobs in the grey economy and cradle-to-grave price and social subsidies all made the linkage between earnings and material well-being even less straightforward. Nor did income determine social status, culture and power to the same degree as in the West.

The notion of social integration, on the other hand, seems to fit the socialist systems strikingly well. The centralised state machine shaped all aspects of political, economic and social policy and relations between state and individual. Ideology and education stressed the importance of equity, community and citizenship and required participation from all. In its heyday, this provided millions with a belief system that socialism was morally and socially superior to anything found in the West. Although by the 1980s the belief system had been heavily eroded as corruption grew, the characteristics of the system that derived from integrative principles were still basically intact. In fact, the anti-Communist Solidarnost in Poland demanded, not less, but more socialism.

But participation in the socialist society was built not on the rights and free will of individuals, but on compulsion forced by the party-state. Some minorities were explicitly excluded: the bourgeoisie, the kulaks, the dissidents. Even the children of these groups tended to be excluded from participation in the society (e.g. their access to universal welfare systems was limited or blocked and/or they were committed to permanent state care; Harwin 1996). The high number of children placed in institutions – because of disability, parental neglect, truancy or other behavioural problems – and the inhuman treatment they faced there mirrored the sickness of society at large (Harwin 1996). Large-scale collectivist provision, and a belief that the state could readily replace natural units like the family, were basic characteristics of the Eastern European regimes.

UNICEF (1997) has compared the initial promises of the transition with the higher risks to welfare that children have been facing since the fall of communism, in 18 out of the 27 countries of Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS). The study concludes that one of the most pervasive consequences of the transition has been widespread impoverishment, but it calls attention to the complexity of factors resulting in the higher risks for children. Our analysis will rely heavily on these empirical findings.

3 Changes in Determinants of Well-Being and Poverty

Huge falls in economic output and earnings, widespread unemployment and higher income inequalities have resulted in massive impoverishment for many in all countries of the region, and social security systems have been unable to offer a cushion against these losses:

- Output declines have been the steepest in the Caucasian countries (Armenia, Azerbaijan and Georgia);
- GDP has been halved in Western CIS countries (Belarus, Russia, Ukraine and Moldova);
- GDP in Central Europe (Czech Republic, Slovakia, Hungary, Poland and Slovenia) was nearly back to the pre-transition levels by 1996 after initial drops of 15–20 per cent, but earnings have remained generally depressed even here.

In Central Europe, unproductive state industries have been closed down or privatised, and high
unemployment has become a long-term, persistent problem – 4.8 million jobs have been lost in five years. In the Baltic states, the Western CIS, and the Caucasus – where about 13.2 million jobs officially have been lost – steep losses in production have resulted in widespread low pay and/or long delays in payments for those formally still employed. The collapse of the industrial state has been especially staggering in the Caucasus where real wages have fallen more than 80 per cent.

The drops in individual earnings have been matched by falls in public budgets in all countries. Deliberate efforts to reduce the role of the state, inertia and, especially in the FSU, poor tax reform and huge problems in the collection of revenues are responsible for the shrinking public budgets. The large drop in the value of pensions, maternity benefits and family allowances, all constitute evidence of the rise in poverty. Although all countries have recognised the importance of providing a safety net to counter the worst effects of price liberalisation, cushioning has been effectively established only in the Czech Republic. In most countries it has been at best limited and at worst wholly inadequate.

Income inequality has grown especially in the eastern part of the region. The Gini coefficient shot up from 0.26 to 0.40 in Russia and Moldova during 1989–95 (UNICEF 1997). This scenario is even more true for the Caucasian nations: in Armenia, according to a survey conducted in 1995, the average income of the poorest 20 per cent of the population was 13 times less than that of the richest 20 per cent (Magloutchants 1996). In Georgia, survey evidence shows that the richest 20 per cent of families received over 65 per cent of total household income (Papaya 1996).

Young people and families with children have been particularly vulnerable to impoverishment. They are well represented in all the groups who make up the ‘new poor’ – people with low income, the unemployed, refugees and internally displaced persons. Families with many children tend to have a blue-collar background and lower education levels, and these families have been particularly hard hit by layoffs and depressed wages. Rates of unemployment among young people tend to exceed those among older people (OECD 1996). Finally, young families have found that their social transfers have been less well protected than those of pensioners (UNICEF 1997). All across the region countries are now spending less on child benefits as a proportion of GDP than they were at the start of the transition (Fajth 1996).

Figure 1 shows that only the Czech Republic is an exception to the rule that children have been systematically more exposed to poverty increases than have adults or the elderly. However, sensitivity analysis shows that even this exception is true only when a meagre poverty line of a per capita family income level in the range of 20–30 per cent of the national average wage is applied. If a somewhat higher poverty line of about 35–45 per cent of the average wage is applied, children appear to be unequivocally over-represented among the low-income population.

The share of children in poverty depends heavily on the way poverty is defined. If we take a per capita income of 20–30 per cent of national average earnings as threshold, and purchasing power as constant in real terms since 1989, we see that 1.5 million children have been affected by poverty since 1989 in Central Europe alone. This increases the total number of children living in poverty to 2.5 million in that sub-region (UNICEF 1997). But it is far harder to estimate how many of the 100 million children in the entire CEE/CIS region have been pushed into poverty since 1989. The available evidence is simply inadequate to answer this question; but even an unrealistically low estimate based on extrapolation from Central European data suggests that about 10 million children have recently joined the ranks of those living in poverty.

Of course, the thresholds applied by UNICEF for Central and Eastern Europe would not be used to measure absolute poverty in Africa or India. Those living in poverty in the CEE/CIS region are, relatively speaking, still asset rich. They have had the benefit of a good education and, apart from those people in war torn areas, have homes, often with refrigerators and televisions, although these are often very poor quality. But this is not the right comparator. What really matters is the change within countries over time. Some of the extreme survival tactics now emerging reflect the growing desperation of low-income families and those living in deep poverty. Child labour, hitherto wholly
Figure 1: Poverty increases among children, adults and the elderly related to a 1 per cent rise in the poverty rate in the total population.

Note: OECD equivalence scales have been applied.

unknown in the region, is, for example, now reported to be on the rise (Avraamova 1995).

4 The Relationship Between Poverty and Well-Being: The Inter-Regional Picture

The rise in relative and absolute poverty cannot fully explain the welfare dislocations in the region. This becomes clear when inter-regional comparisons are made:

- Caucasian countries have experienced the greatest poverty and GDP drops, but they do not all show the worst welfare outcomes, especially in indicators of mortality and life expectancy, and social cohesion (rates of divorce, child abandonment, and youth suicide).
- Central Europe, with the best economic indicators, also shows worrying deteriorations in indicators associated with declining social integration.
- The bleakest picture is reserved for the Western CIS and Baltic regions. Even though the economic deterioration has not been as bad as in the Caucasian economies, welfare outcomes have been worse.

Figure 2 summarises this using three sets of countries (shown by the circles) entering by various degrees into the 'zones' of negative and positive welfare outcomes.

The Western CIS and Baltic states exhibit the highest rates of excess adult premature deaths. Latvian and Russian male life expectancy, down to 58, is now on a par with India, increasing the number of new orphans in Russia by a massive 500,000 since the transition. This area has also seen the most significant alterations in family formation and social
Figure 2: The inter-regional picture of positive and negative changes in child welfare 1989–95

+ positive | - 'zone' of negative changes | + positive

Central Europe | Baltics and Western CIS | Caucasus

'absolute poverty increases'

The figure is based on Table 1.6 of the report Children at Risk in Central and Eastern Europe: Perils and Promises (UNICEF 1997), which provides a summary review on changes in 27 key welfare and social cohesion indicators (such as income, wages consumption, mortality, nuptiality, fertility, health, education, child adoption etc.) in 18 CEE/CIS countries.

cohesion indicators and has the highest divorce rates. Fertility has fallen most markedly in this part of the region. Juvenile delinquency rates, including juvenile homicide, have spiralled, and rates of teen suicide and sexually transmitted diseases have increased sharply. The Baltic states have seen the biggest increase in the number of institutionalised infants. In Lithuania the number of children left without parental care has risen by 2.6 times. But the child protection trends are disturbing throughout this sub-region. 'Infants of the transition' have been particularly vulnerable to entering public care; where, exceptionally, as in Moldova, there has been a sharp drop, this reflects the complete collapse of the public care system.

By contrast, the Caucasian economies, the poorest of all in the area, appear to be more resilient in terms of a cluster of factors which may broadly be classified as indicators of social cohesion. Most strikingly, although marriage and fertility rates have fallen (as is true across the region), so have divorce rates. Of course, falling divorce rates cannot automatically be taken as an optimistic indicator, but they may be so. Teen suicide rates have also fallen in Azerbaijan and are markedly lower there than in the countries of Eastern Europe. The rate of infant institutionalisation has also fallen sharply, so that Azerbaijan is one of the very few countries in the whole region to show any drop. The incidence of sexually transmitted disease is well below the level...
in any other part of the region and has also remained relatively unchanged. Youth conviction rates in Azerbaijan are significantly below the corresponding rates in the rest of the CEE, although they are rising slowly. Finally, adult mortality rates have remained relatively unchanged despite the fact that this whole area is still in a critical emergency situation as a result of long-standing ethnic conflicts and war. The greatest share of stability and improvement indicators are found in this region which also has the smallest proportion of welfare decline indices.

As might be expected because of the economic recovery, the picture in Central Europe is also characterised by optimistic indicators: adult mortality levels have virtually returned to or even improved on the pre-transition levels (except in Hungary); infant mortality has improved; and secondary school enrolments are up so as to meet the rising demand for a well-educated workforce. But there are also clear signs of falling levels of social stability. With the exception of Hungary, male teen suicides are up in all Central European countries. Indeed, they show the highest increases of all among young men in Slovenia which now ranks fifth in the world in terms of teen suicides. In the Czech Republic the suicide rate among teenage girls has doubled over the period. Drug abuse has risen massively, sexual exploitation of children and prostitution have increased (Karlen and Hagner 1996), and teen births or out-of-marriage births have climbed across the entire sub-region, as have child
institutionalisation rates (with the exception of Hungary).

If poverty cannot fully explain the wide range of variation in the responses to the transition, what other causal frameworks need to be taken into consideration? At least three factors can be highlighted: the role of culture and tradition, the variances in the onset and pace of reform, and exposure to 'Westernisation' and globalisation. The falling divorce rates, greater numbers of adoptions, and lower child institutionalisation in the Caucasus are based on a cultural tradition that emphasises family and kinship, and may also reflect religious beliefs as well as a profound historical mistrust of the state. For Central Europe or the Baltics, integration into the Western economies and lifestyles is more a realistic scenario than for south-eastern Europe or the CIS. In Central Europe the reform process began earlier (and in a more predictable manner) which may have helped absorb changes more easily than has been possible in the FSU, where shocks have led to more dislocation. However, because of its geographical and historical links with the rest of Europe, Central Europe is particularly vulnerable to many of the negative trends in drug use and sexual behaviour. The rise in youth social problems across the region needs to be linked to the trend towards Westernisation, as well as to market changes. This has hit the Baltics too, and its societies have had to undertake an economically painful and complicated detachment from the Soviet past and the current CIS world.

5 The Rise in Social Exclusion and the Unravelling of State Networks

In the region, we are witnessing a significant rise both in psychosocial indicators of personal anomie and in social dysfunction. The changes in the role and functions of the three systems of social cohesion – education, health and social security – play an important part. The new policies adopted are creating a fertile soil for social fracturing and marginalisation, and may increase the likelihood of social exclusion. The overall trend is from universality to selectivity and thus from inclusion to exclusion.

Of these three systems, education appears the least eroded: the former full enrolment in compulsory education has been affected relatively little and tertiary education enrolment has increased not only in Central and south-eastern Europe, but also in several newly independent FSU states. This undoubtedly reflects the importance attached to preparing a well-educated workforce and highlights the beneficial impact of the cultural capital embodied in the education parents received in the past.

However, there are negative developments as well. Secondary school enrolment has declined in much of south-eastern Europe, the Baltics, and the Western CIS and Caucasian countries. Although private schools have not yet made much impact in the region, the state school system have become more selective, squeezing out the children of the poor, minorities, lone parents and rural families. This growing inequality in schooling and the reduced integrative role of education start early. Throughout the region, pre-school kindergarten enrolments have dropped. After-school and leisure activities have also been cut back, and many of these are now fee-paying.

The shift in health care policy has been much more overt. Prior to the transition, health care was free, funded by the state and universally available. Today the entire CEE/CIS region has been moving towards insurance-based health care funded through employment-based schemes or through private investment funds, or towards a sub-system of special entitlements based on agreed categories of vulnerability. As with all systems based on stratified rules of entitlement, this runs the risk of producing problems of coverage for those who are not eligible or who do not adequately understand the rules.

In Central Europe, provision is basically private, but is covered by health insurance. By contrast, very little health care is covered by social security insurance in Armenia or Georgia, where private doctors charge directly for their services. In Russia the ownership of most health facilities has been turned over to local governments, and financing has been based on payroll taxes. Local governments are supposed to make contributions for the non-working population (Klugman and Schieber 1996). These solutions forecast growing inequalities among richer and poorer regions. A range of cost recovery measures
has been introduced, such as payment for some medication, and fees for services. Ironically, the richer Central European countries, such as Poland, have been able to preserve services covered by social security to a high level (up to 90 per cent), whereas in poverty-stricken Georgia and Armenia, the exemptions are few, increasing the vulnerability of those least able to cope.

Family income support strategies also bear out the general shift away from a socially inclusive strategy to residualism. This is very evident in the case of the former generous maternal and parental leave entitlements, although the parallel divestitures in crèche provision have often resulted in increasing rates of use. Because of massive fiscal pressures, several CIS countries have ceased entirely to pay parental leave allowances, demonstrating the state's diminishing role as a force for social support and integration. Reforms of the monthly family allowance system across the region also show a clear trend towards disentitlement as a result of the introduction of means-testing, more restrictive eligibility criteria and the wholesale withdrawal of benefit schemes.

The same problems apply to unemployment benefits. Establishing unemployment benefit entitlements was one of the first requirements among the new regimes, with the aim of helping in the drive to a more efficient use of the labour force. But the generosity of these schemes has been eroded, and changes in the rules have reduced the duration of the benefits (OECD 1993; Micklewright and Nagy 1997). This has hit the long-term unemployed particularly hard and left them the most vulnerable to marginalisation and long-term poverty. The children of the non-registered unemployed in most countries have hardly any rights to family or social assistance benefits (Fajth 1996). Survey evidence from Russia confirms the special vulnerability of the long-term unemployed who have built up a 'negative potential' comprising poor health, loss of skills, hopelessness and social isolation. They retreat into the home, concentrating only on short-term survival tactics (Piirainen 1997; Tchernina 1996).

Much of the restructuring in the health, education and income maintenance systems is both inevitable and often desirable. Health reform is much needed. The health care standards during the years of socialism were well below those in the West, and services were underfunded, overstuffed and over-reliant on hospital-based care, while there was a woeful neglect of public health issues such as alcohol consumption, smoking, diet and exercise (Barr and Field 1996). Choice was largely missing from the education systems, which need extensive modernisation of curricula and assessment approaches. Income maintenance systems have had to respond to entirely new problems, as well as to those of the past; the old solutions were neither appropriate, nor feasible. But the new tendencies in all these areas increase the risk of social exclusion; they send the message: even if we may head for the same shores, we do not share the same boat anymore.

6 The Three Paradigms of Social Exclusion and Policy Options in the CEEICIS

For policy options, the real issue is the kind of welfare models now being selected in Central and Eastern Europe and the CIS. This issue is often reduced to a dilemma between the market and the state, and to a question of the affordability of poverty relief. This article puts forward another dimension in the policy debate: the integrative or exclusionary character of any policy option under consideration, using Silver's (1994) classification of paradigms of social exclusion.

Silver's central contention is that different concepts of social exclusion/integration lead to differing policy choices, welfare strategies and integration mechanisms:

- The 'specialisation' paradigm assumes that industrial development and/or the power of the market, if allowed to operate freely, are powerful integrative forces.
- The 'monopoly' paradigm assigns a major role to the state in the mediation between weak and strong groups, through the regulation of social rights to promote citizenship and reduce segmentation.
- The 'solidarity' model puts forward a Rousseausque ideal of equity, asserting the equal worth of all citizens because of their common national heritage.

While the solidarity paradigm stresses a centralised
national state, in the monopoly paradigm the government may also be a multi-national and function at various levels, and it is supposed to co-operate with civic organisations. The specialisation theory relegates both the state and interest groups to a subsidiary position and stresses the integrative role of the market.

Given its history, it is understandable that the region is likely to opt for models most distant from their own: hence, the frequently fierce rejection of the social solidarity model. However, while the language used in this model may resemble that of the socialist regimes, its perspective is basically different from their centralised structures. But the cultural lack of acceptability of solidarity, and the highly sensitive problems surrounding nationalism in many of these countries, lessen the appeal and feasibility of the solidarity model for the moment.

The idea of the 'transition to the market' uses a vocabulary similar to that of specialisation theory. Hence, this would be the most acceptable to both reformer governments and advisors from international development agencies. But not only is the gulf widest between the socialist paradigm and the market emphasis, requiring the greatest adjustments from the population, it is also the longest path to integration. The specialisation paradigm alone, therefore, in the short term at least, seems to hold out poor prospects for safeguarding and promoting child welfare.

All three models can theoretically achieve social integration and provide protection to children and guarantee the provisions necessary for their proper development. Social inclusion could profit from strengthening all the basic institutions – the market, the state, the community and the family. This has a special relevance in the current CEE/CIS context. In the solidarity model, promotion of child welfare would be achieved as a response to nationality and culture, and to strengthen the nation-state by investing in the next generation. The rationale in a specialisation paradigm is essentially economic: investment in childhood is a means of strengthening social capital and thereby fostering industrial development and increasing the effectiveness of the market. Finally, in the monopoly paradigm, children would receive protection by virtue of their vulnerability and exposure to discrimination: families and children are seen as inherently vulnerable because of their reduced earning power relative to other social groups and must therefore be supported so as to avoid greater poverty risks. Combined with vigorous strategies to strengthen NGO activity and increase the social capital of populations, this would provide a role for the state that is stronger than the one currently in evidence.

National policy-makers could opt for one or other type of measure, according to the political, cultural or economic stand of their country or coalition. However, before any policy option is chosen, its potential impact on social integration should be investigated; policy-makers should see integration as a key issue for societies in transition. The stark fact is that the preservation of social integration has been the least important objective of the reform process so far.

7 Conclusions

Countries in transition are experiencing a sharp deterioration in welfare, including child poverty and social exclusion. The potential for social fragmentation is considerable. Children have borne the brunt of the difficulties experienced in restructuring. Roles and responsibilities of individuals, the family and the state have been changing. Policy responses have been largely laissez-faire, placing greater responsibilities on the family, at a time when it is least able to cope. Without new ways of support, this could increase the developmental risks for children.

Unless social inclusion and integration become a higher priority of the reform movement, child welfare and social stability seem highly precarious. Whatever paradigm of social exclusion is utilised – solidarity, monopoly or specialisation – the traditions of Durkheim and Weber seem more able than poverty perspectives to explain what happens when societies are split apart, and people have to rebuild both their material and social world and their inner belief systems. This is what really lies behind the bland phrase 'the transition to the market economy'.

By stressing rights, participation and inclusion, a social exclusion framework offers a more comprehensive and relevant approach to the parallel implementation of economic and social reforms in the
CEE/CIS region than does a poverty relief effort. Its application could be reconciled with both market or etatist policy approaches, and would not necessarily affect the size of public interventions. It would change the way these interventions are organised, what they target, and how they are actually carried out. In terms of child issues, this would imply a shift from the patriarchal approach which has always placed the right to protection above the voice of the child (Harwin 1995). Also, it would promote the recognition of the multidimensional nature of disadvantage, and the need for multi-agency approaches to prevent risk situations and enhance well-being (fragmented responses, often based on rigid demarcations of responsibility, still remain the norm in the region). Such an approach would opt for less means-tested targeting, even at the cost of fewer public cash programmes. The approach would shift the stress from relieving poverty, to a focus on the processes that create or maintain this situation; it would suggest the development of more services that aim at children, the strengthening of the family, the revival of the community and the serving of the state.

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