Introduction

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The issues at stake

On 1st May 2004, Hungary and Slovenia, together with six other former centrally planned economies in Central Eastern Europe joined the European Union. Bulgaria and Romania followed less than three years later. As recent as 20 years ago, such a rapid process of integration would have been regarded by many as improbable, or even impossible. This process was accompanied by profound economic, political and social changes in each of these countries. Those had a direct impact on labour markets and labour market behaviour, on household incomes and poverty risks and, finally, on social policy responses. However, only a few generalized patterns emerge and most developments have been country-specific, not least due to differing "starting positions", economic as well as political.

This book is about changes in household structure, activity and income distribution during the transition period in four countries: Bulgaria, Hungary, Romania and Slovenia. It closes important gaps in many aspects of our knowledge of the transition process and its outcomes in these countries. First, it draws on these country-specific experiences to proceed to a true comparative analysis. It covers two countries of the first wave of EU enlargement and two countries of the most recent wave – at first sight, covering two sides of the prosperity spectrum of countries in the Central Eastern European region. Second, it looks at a longer time span, covering the almost 20 years since transition to market economies started. Third,

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while providing some basic comparative macro-economic background, it focuses on a perspective "from below", i.e. on labour market behaviour of people and income developments of households. Fourth, it relates these developments on a micro-economic level to social policy reforms.

In the early years of economic transition, the social insurance based systems in the four countries were under severe strain due to an unprecedented increase in beneficiaries and an erosion of the contribution base. Social policies reacted with *ad-hoc* measures to ensure the financial viability of the system: in Bulgaria and Romania, for instance, pensions were increased on a discretionary basis and not fully price-indexed until the late 1990s. In Hungary, a switch to an unfavourable calculation of the pension base in the early 1990s reduced the value of real pensions. And in Slovenia, pension indexation was discontinued for a short period around 1990/1991.

Starting in the mid-1990s, all four countries witnessed the search for more structural social policy reforms. Bulgaria introduced a new family allowances system in 2002, linking payment to household income and including means-testing while at the same time increasing level of benefit. The coverage of family benefits therefore sank from 95 to 72%. From 2004, family benefits are no longer paid to the employer but to the family directly. These reforms are aiming to increase the targeting features. Entitlement to unemployment benefits was restricted in 1997, especially for long-term unemployed and young first-job seekers, concerning about half of the registered unemployed. The Bulgarian pension system was reformed in 1999/2000, introducing a three-pillar system and increasing the standard retirement age to reach 60/63 in 2009.

The Hungarian reforms culminated in the so-called Lajos Bokros package, which was an overall package including new taxation and devaluating the Hungarian Forint. It also brought about a narrowed access to most social benefits. Family benefits became means-tested in 1995 but with a high income threshold – the philosophy being to "exclude the rich" rather than "targeting the poor" families. After 1998, the nominal value of the income-independent part of family benefits did not change and was replaced by a tax allowance which can be drawn only above a given income threshold. However, family benefits returned to universal coverage in 2000. The 1997 pension reform reduced the first pay-as-you-go pillar and comprised a new funded second pillar, while the statutory pension age was raised. A new pension indexation was introduced at the same time as "Swiss indexation" (half prices half real wage growth).

Unlike other Central Eastern European countries, Romania made only very modest efforts in social protection for a longer period and therefore did not compensate for the social costs of transition during much of the 1990s. Locally financed social aid was introduced in 1995 but its value decreased enormously until 2000. It was replaced by a guaranteed minimum income in 2002 (with a benchmark minimum revenue set at 36% of the minimum wage). In 2004, a means-tested support allowance for single parents was introduced. A pension reform took place in 2001, introducing a new calculation method aimed at reducing the enormous differences between high and low pensions, and a special social allowance for single old-age persons introduced in 2004 should improve the situation further. A new mechanism to recalculate all pre-2001 pensions was installed in 2004, and the legal retirement age was increased to 60/65.

In Slovenia, large legislative steps were taken in 1994 and 1996 to increase the coverage of child benefits to make it more universal. At the same time, parental allowances were expanded and a special allowance for families with three or more children was introduced in 2001. The unemployment benefit reform in 1998 brought a cut in duration, lower minimum amounts and changes in the basis for benefit calculation. The fairly stable expenditures on pensions resulted from a gradual decrease in the ratio between pensions and wages. This was mostly caused by the pension reform introduced in 2000, which decreased the pension rights not only of new entrants – i.e. future pensioners – but also for the current stock of pensioners – a rather unusual feature when compared to other countries.

All these structural policy reforms in these four countries took place in the context of huge shifts in income and household structure and the emergence of new groups at risk of poverty. It is tempting to compare the developments in the four countries with more global trends in the OECD world. The OECD recently released a major study on an issue entitled "*Growing Unequal?*" (OECD, 2008). This study finds that inequalities have increased over the past 20 years. The rise was moderate but significant and widespread, in that it concerned more than three quarters of OECD countries. At the same time, the study concludes that this trend had nothing inevitable and that policies can make a difference. Social policies, active labour market policies and fiscal policies can cushion and even reverse very high levels of market income inequality.

When put in such an international context, the reported levels of income inequality and poverty would place Hungary and Slovenia somewhat below OECD average, in the range of most Continental European countries, Romania above average – especially concerning poverty – with Bulgaria occupying an intermediate position. It should be noted, however, that these levels – due to a broader income definition (except for Slovenia) – are very likely to be underestimated. That said, the ranking *among* the four countries still prevails.

The micro data analysis in this book covers the period between the early / mid-1990s[2] and the early / mid-2000s[3]. Over the whole period, income inequality and poverty appeared rather stable, with smaller increases in Bulgaria and Hungary. As in many OECD countries, income from wages is more unequally distributed than most other sources of income, and increasingly so. On the other hand, there are other income sources shaping the distribution in the four countries which are of much less importance in OECD countries, notably farming income, income from self-consumption and inter-family transfers such as remittances. Interestingly, one of the few generalized patterns across the four countries which emerge from the analyses mirrors the experience in a great majority of OECD countries, namely a change in poverty risk groups. Older people experienced a fall in their exposure to income poverty while, at the same time, child poverty increased considerably.

Table 1: Age-specific risk of relative income poverty, trends over time. Income poverty rates of the entire population in each year = 100[a]

	Children			Older People		
	mid-1980s	early/mid-1990s	early/mid-2000s	mid-1980s	early/mid-1990s	early/mid-2000s
Bulgaria	-	102	120	-	135	47
Hungary	-	120	174	-	43	26
Romania	-	140	157	-	79	57
Slovenia	-	92	97	-	172	138
OECD	109	116	120	154	136	118

Note: a) Risk of relative income poverty is the age-specific poverty rate divided by the poverty rate for the entire population times 100. The poverty threshold is set at 50% of national median income of the entire population in each year. Children defined as persons below age 18 for OECD figures and persons below age 15 for the other countries. Older people defined as persons above age 65 for OECD figures and persons above age 60 for the other countries.

Source: OECD (2008) and country chapters in this book.

2 1992 for Bulgaria, 1993 for Hungary and Slovenia and 1995 for Romania.

3 2001-03 for Slovenia, 2002 for Bulgaria and Hungary and 2004 for Romania.

Contents of chapters

In Chapter 1, Manuela Sofia Stănculescu describes the macro-economic frame in which the four countries evolved in the past two decades. Almost all key macro indicators suggest that the two "old new" EU members have been performing better than the two "new new" EU members. The first three to four years after 1989 brought by a "transitional recession" during which output levels fell by as much as 20 to 25%. However, while Hungary and Slovenia saw steady growth after that period, Bulgaria and Romania experienced a second period of recession toward the later 1990s. Since 2000 and until 2007, all four countries have annual GDP growth rates above EU and OECD average, in the order of 4 to 5%. Today, real GDP levels in Hungary and Slovenia exceed the 1989 levels by 40-45%, while they are just one tenth higher in Romania and barely exceed the 1989 level in Bulgaria. This means that absolute differentials between the countries accentuated. Slovenia achieved the most in closing the gap to other EU countries, its GDP per capita level is only little below the EU-27 average, somewhere between the Greek and Portuguese level. Hungary is more than one third below EU-average, a bit above the levels in the Baltic countries and close to the Slovak one. And GDP per capita levels in Bulgaria and Romania are both still almost two thirds below the EU average and by far the lowest levels across EU-27.

Like in other European countries, the four countries are experiencing an ageing of the population. The share of people over 65 in the population now stands at 15-17%. At the same time, the share of children decreased from one fifth (one fourth in Romania) in 1989 to 14-16% today. The change in the population structure occurred thus much faster than in the "old" EU member countries. The structural population changes were exacerbated by emigration in Bulgaria and Romania where the total population shrank by 13% and 6%, respectively. Among the young, enrolment in general secondary education and tertiary education increased at a fast pace in all four countries.

Economic and population changes had serious repercussions on the labour market, but not necessarily the ones that were "expected". Stănculescu describes patterns of "jobless growth", especially in Romania and Hungary. Employment rates fell steeply at the beginning of the transition. After that they continued to fall in Romania and increased only slightly in the other three countries. In terms of levels, Slovenia developed very closely to the EU average, reaching a current employment level of about 65% while employment rates in the other three countries are very far from the Lisbon target of 70% – at about 56-58%. In Hungary, the agriculture's share in employment fell and in Slovenia it remained broadly stable while it actually increased in Bulgaria and Romania. Stănculescu suggests that agricultural employment acted as a coping strategy for the unskilled in these two countries, especially Romania.

After an initial upsurge of open unemployment at the beginning of the 1990s, the unemployment rate remained below the EU-average during the past decade in Hungary, Romania and Slovenia and above it in Bulgaria – though approaching the EU-level recently. At the same time, all four countries share the problem of very high long-term unemployment. Equally worrisome is the increase in the economically inactive population. The share of pensioners increased at a much faster rate than the share of elderly, due to a rise in early retirement, and also in disability pensions which in many cases acted as an alternative pathway into early retirement.

Chapter 2 by Tine Stanovnik and Nataša Kump turns the attention to the micro level: trends in household incomes and their elements and in the socioeconomic structure of households. Labour earnings are the most important source of income. The growth in real gross wages mirrored the development of real GDP per capita only partly: they increased steadily in Slovenia (since 1992) and Hungary (since 1996), to reach about 140% of their 1992 level by 2003. On the other hand, they increased at a much slower pace than GDP (and only since 1997) in Romania and only marginally in Bulgaria, suggesting a decreasing wage share in GDP in these countries. Except in Bulgaria, the growth of real pensions was less than that of wages, leading to a gradual decrease in the pension/wage ratio. This development was brought about by policies (Bokros austerity package in Hungary in 1996/97, Slovenian pension reform 1999) or had structural reasons (unfavourable system dependency ratio in Romania).

Apart from wages, agricultural income is particularly important in Bulgaria and Romania, accounting for one fifth of total household income. The lion's share, some 80%, constitutes in-kind agricultural income. The share of self-employed people increased in all four countries, but in Romania and Slovenia the share of self-employed income decreased – suggesting existence of "coping strategies", with employees and unemployed moving into low-productive self-employment activities.

Stanovnik and Kump juxtapose the traditional unemployment figures (based on the ILO definition) with estimates derived from household budget surveys and based on self-declaration. The latter are considerably higher than the former and did not decrease over time (except in Hungary). The authors take this as an indication that restructuring is not over yet and that there is a poor matching between the skills of the unemployed and the jobs offered. The share of very young and old dependants (people without own income resources) has decreased; for the latter, this is due to increased coverage of pensions. At the same time, the share of younger adults who are dependants has increased due to higher enrolment for tertiary education.

It is interesting to look at the distribution of main socioeconomic groups and corresponding income aggregates across income deciles. For instance, the share of wages as well as of workers increases monotonically with income. However, this pattern is much less pronounced in Bulgaria indicating a fairly high share of working poor. The distributional patterns for pensions are different. In Hungary and Romania, the distributions of pensions and pensioners is middle-class biased, i.e. they follow an inverted U-shaped curve. In Bulgaria and Slovenia, pensions have a tendency to decrease with higher deciles while the share of pensioners is pretty stable across the income spectrum. The patterns for the third important income source, agricultural income, are very country-specific: in Bulgaria, its shares in household income are increasing with higher income and they are high (10-30%) despite a low share of people active in agriculture, indicating a very large extent of agriculture as a secondary activity. In Hungary, income shares are lower but still sizeable (7-10%), especially in higher deciles which the authors take as indicating market-oriented agricultural activities. Romania is the only country with a higher share of persons in agriculture particularly in the lower deciles pointing to a large extent of subsistence farming. In Slovenia, the share of persons active in agriculture as well as agricultural income is very small but concentrated in the lowest deciles.

Stanovnik and Kump also examine trends in the coverage of public social benefits. For the financing side, they show that the covered wage bill (the amount of wages upon which social contributions are levied) is still very low in some countries: measured as a percentage of the actual wage bill, it is close to 80% in Hungary and Slovenia, but only 60% in Bulgaria and 45% in Romania. This suggests the persistence of a large informal sector and results in a weaker social protection system in the latter countries. As concerns the recipiency side, pension coverage increased while coverage of unemployment benefits decreased, except in Hungary. In addition, the average replacement rate of unemployment benefits fell in all four countries, from a 50-60% to a 30-40% range. Trends in the coverage of family benefits were subject to repeated regulatory changes. Currently, this coverage is rather high, in the 80-100% range.

How did the changes in income and household structure translate into income inequality and poverty? Surprisingly, the authors find little change in inequality of disposable household income between the early / mid-1990s and early / mid-2000s: a slight increase in Bulgaria and Hungary, stability in Romania and a slight decrease in Slovenia. Of course, this might hide significant changes which happened in the very early years of transition (as the authors suspect) but unfortunately no comparable data are available for this early period. There is more of a systemic evidence for income poverty trends. First, poverty incidence increased in the first sub-period, the mid- to late 1990s and decreased thereafter. Only in Romania, it remained at the same level throughout, significantly higher than in the other three countries. Second, the composition of poverty changed. In all four countries, the relative poverty risk of pensioners fell while that of children increased. Another group whose position worsened during the transition process and now records poverty rates twice to three times the country averages are the unemployed.

The subsequent chapters examine developments in the four countries in turn. In the country chapter on Bulgaria, Chapter 3, Silviya Nikolova analyses inequality and poverty against the backdrop of the transformational recession of the early 1990s and the severe financial crisis 1996 / 97. During the latter, social protection expenditure shares in GDP fell considerably, in particular pension expenditures. After this second recession, the number of regular old-age pensioners slightly decreased to 1.7 million, while the one of invalidity pensioners almost doubled and the one of social pensioners increased by a factor of 7 (both now account for 0.5 million people each). Nikolova describes this as coping strategy to escape open unemployment and as an inroad into early retirement.

Household incomes did not keep pace with GDP growth. The latter increased continuously since 1997 to reach in 2002 the level recorded one decade before. Net household incomes, however, stagnated since 1998 at around 60% of their level of the early 1990s. This had to do with a shift in the household income structure away from labour income coupled with a drop in average real wage. Indeed, the share of all labour income taken together fell from over two thirds to some 60% while that of transfers increased from one fourth to over 30%. Interestingly, the pattern was the inverse for low-income households, suggesting a growth in the number of working poor.

Nikolova looks at trends in coverage and adequacy of selected transfer payments. Family allowances have been universal in Bulgaria until 2002 when they became income-tested. The average recipiency rate among households with children thus fell from about 90% to 70%. Nonetheless, this rate did not vary by income decile. The author relates this to the fact that allowances are granted on the basis of "insured" (rather than real) income and concludes that "the targeting of family allowances needs further improvement". As for unemployment benefits, the percentage of households with unemployed members receiving this form of compensation fell from 33 to 14%, mainly due to cuts in eligibility. In fact, by 2002 just 19% of the 0.6 million registered unemployed received benefits, compared to 40% ten years earlier. The percentage of households receiving social assistance decreased while they became more strongly targeted. Taking incidence and targeting features of all cash social transfers together, Nikolova reports that these reduce poverty by about one third. This figure needs to be compared with the 60% reduction (50% among the working-age population) recorded on average in OECD countries (OECD, 2008).

A number of noteworthy changes in the socioeconomic structure happened in Bulgaria between 1992 and 2002: the concentration of self-employed in agriculture shifted from higher to lower income deciles while the concentration of non-agricultural self-employed in the highest deciles increased. Pensioners' concentration shifted from the lowest to the middle income deciles while children made the inverse move.

The distribution of incomes became slightly and that of consumption expenditures more significantly more unequal. The main contributing factors to income inequality during the period 1992-2002 were wages and salaries and income from agriculture. Similarly, relative income poverty – defined at several thresholds – slightly increased, whereby a stronger increase has been recorded in the first half of the 1990s. Throughout the whole period, unemployed persons recorded one of the highest poverty risks. Child poverty increased, especially for children in single-parent and large households and those with very young mothers. By contrast, pensioners' poverty decreased from above to below-average levels.

Nikolova devotes a separate section on the very high poverty risks experienced by the Roma population. It is estimated that the majority of this population lives below a poverty threshold, be it defined in relative or absolute terms, based on income or expenditure. The risk is therefore 7 to 10 times higher than for the rest of the population. The author relates this to the extremely high incidence of unemployment (itself related to low education and loss of opportunities for low-skilled agricultural jobs) and lack of access to basic services. Clearly, the Roma population was hit hardest by the economic transformation.

In Chapter 4 György Molnár and Viktoria Galla analyse the development in Hungary which was characterized by an early transition recession between 1988 and 1993 after which growth first resumed and then accelerated since 1997. This was not the case of employment which continued decreasing until 1997 and barely took up since then. Many working-age people went into inactivity through the pathway of early retirement or disability pensions – their growth largely exceeded that of regular old-age pensions. In Hungary, over half of all households receive some form of pension income.

Nevertheless, labour income remained the most important source of household income in Hungary and its share even increased from 57% to 60% between the early 1990s and early 2000s, whereby a fall in agricultural income was compensated for by a rise in self-employment and occasional work income (in the case of the first, particularly among wealthy households; in the case of the latter, among poor households). The share of pensions increased, too. This happened as the share of working-age benefits (unemployment, family and other) was more than halved, from 13% to 6%. This significant fall is not due to a decline in the unemployed and children population but to shrinking average benefits and a somewhat stronger targeting.

That said, coverage of family benefits followed the legislative changes in Hungary: quasi-universal coverage in 1993, 70% to 90% for the richest three deciles in 1997 and return to quasi 100% by 2002. Coverage of unemployment benefits (that is the share of households with unemployed members receiving benefits) fell from four fifths to two thirds in the mid-1990s but returned to four fifths by 2002. At the same time, the replacement rate for unemployment benefits strongly declined over the whole period, except for the years between 1997 and 1999. Coverage of other social benefits (mainly income support) decreased significantly.

Molnár and Galla look at the changes in the socioeconomic household structure along the income ladder. They find that the relative position of the (diminishing) unemployed population has worsened, related to a reduction in the insurance-part of unemployment benefits. The relative income position of pensioners improved only slightly in the first half of the 1990s and their majority is clustered around the middle deciles. By contrast, the position of children has worsened.

Income inequality in Hungary increased between 1993 and 2002. In the first period, until 1997, this was due to a deterioration in the relative position of low-income households ("poor getting poorer") whereas in the more recent period, which was characterized by overall income growth, the position of high-income households improved ("rich getting richer"). Analysing the distributive patterns of the different household income elements, Molnár and Galla report a very high and increasing concentration of capital and non-agricultural self-employment income (though those account for just some 8% of total income). Wages are highly concentrated, too, but this somewhat smoothened over the years. On the other hand, unemployment and family benefits became increasingly concentrated towards the poorest households and are thus acting as "income inequality equalizers".

Overall income poverty increased between 1993 and 1997 and remained roughly stable since then. Among groups at risk, the unemployed are particularly exposed; their poverty rate was about three times the country average in 1993 and four times as high in 2002. A second group at risk of increasing poverty rates are children, especially younger children (i.e. during parents' child care leave); children in single-parent families and families with unmarried couples; and children in large households.

Chapter 5 by Manuela Sofia Stănculescu and Lucian Pop is devoted to Romania. This country experienced a deep recession between 1988 and 1992 and a second one between 1997 and 1999. Real wages have grown since then but, by 2004, are still 20% below their 1990 level. Employment, on the other hand, kept falling even after 2000. This led to a significant fall in the contribution of wages to total household incomes which was only partly compensated for by social benefits. A serious problem arose for the value of pensions and sustainability of the system: the total number of pensioners almost doubled to more than 6 million people between 1990 and 2004, while the number of employees declined, from over 8 million to about 6 million, of which only about 4.5 million were contributing to the system. The real average pension in 2004 was 40% below its 1990 level.

Stănculescu and Pop analyse the changes in the socioeconomic structure of households between 1995 and 2004. Employees are increasingly concentrated in high-income groups while farmers are persistently and unemployed increasingly concentrated in the lowest income groups. The non-farming self-employed display a U-shaped distribution and pensioners an inverted U-shape, i.e. they are concentrated in middle income classes.

Although on a falling trend, labour incomes taken together – be it wages, self-employment or agriculture – are the main contributors to the total household budget for poorer and affluent households alike, accounting for little above two thirds. Interfamily transfers (which notably include remittances from abroad) had a small contribution to the total household disposable income but still exceed that of income for capital, even for the most affluent households for whom this income source is particularly important. In 2004, the share of these transfers in household income was higher than that of family and unemployment benefits together. Stănculescu and Pop construct an indicator of "protection balance" which divides state protection (the sum of all public benefits in household income) by self-protection (the sum of agricultural income and interfamily transfers in household income). This is taken to indicate to which extent the state or else people's efforts for self-protection (by growing their own food and by investing in social networks) help cushioning the population against the transition shock. In Romania this indicator displays an inverse U-shape across the distribution implying higher state efforts only for middle classes. In Bulgaria, for comparison, this indicator is monotonically falling with higher income. The authors explain this as particularly strong kinship networks in Romania which had developed already before the transition as a response to the state socialist economy of shortage.

Stănculescu and Pop look at the changes in coverage of the main social benefits and conclude that (i) old-age related social risks have been tackled rather well by pensions; (ii) the unemployment benefit system reduced its protection function during the period; (iii) child allowances had an impact on absolute child poverty alleviation and (iv) social assistance significantly increased coverage and targeting after 2002.

Income inequality slightly decreased between 1995 and 1997, i.e. just before the second recession, and then slightly increased until 2004. Levels are relatively high but would be considerably higher if self-consumption would not be counted within income. Stănculescu and Pop demonstrate that this would increase the quintile share ratio from about 4 to about 7 and the Gini coefficient from 0.31 to 0.36. The first levels are close to the average across OECD countries (which do not account for self-consumption), the second ones correspond to levels found in Poland, Portugal and the United States. Looking at different income components, wages and capital income became increasingly concentrated while the inverse was the case for self-employment and farming income. The concentration of interfamily transfers was as high as the one for wages. Both unemployment and family benefits have negative concentration coefficients throughout the period, i.e. the poor received a larger part of them, but values changed little over the period, i.e. they did not become much more or less targeted.

Differences in returns to education between attainment levels have been large and growing. The relative income of people with tertiary education increased to almost double the overall level while relative incomes of all other attained educational levels decreased. Since 1995 the rural-urban education gap has widened which explains the significant poverty risks of the rural population. People active in agriculture and the unemployed are the population subgroups with the highest poverty risk in Romania – about 1.5 times the country average. Next exposed to risk come children, and particularly those living in single-parent families. Older people and pensioners, on the other hand, have below-average poverty rates. This gap between social groups tended further to increase since 1997. Stănculescu and Pop also look at the specific situation of the Roma population. These accumulate several risk factors: low education, high unemployment, low pension coverage and living in rural areas and large families. This is also the case in Bulgaria, where the Roma population faces huge risks of poverty. The authors estimate that half of Romanian Roma live below 40% of median income and four fifths below 60% of it.

The final chapter, by Tine Stanovnik and Mitja Čok, examines the development in Slovenia. Economic growth resumed earlier than in the other three countries, namely from 1992, and so did real average wages and pensions. Only overall employment kept on falling until 1996. The social protection system proved to be remarkably “accommodating” in adapting to the large increase in beneficiaries. Despite this, the share of social expenditure and its components in GDP remained fairly stable throughout the whole period.

Labour income represented a stable two thirds of household income in Slovenia throughout the years, while total transfers somewhat increased from 25 to 30%. Capital income remained marginal. Interfamily transfers and other income sources declined. But the development was not the same for poor and rich households: for the poor, labour income (mainly wages) decreased and among transfers, pensions decreased but family benefits increased considerably. For the rich, pension income increased.

In terms of transfer coverage, the share of families with children receiving family benefits increased from one fifth to four fifths between the early 1990s and the early 2000s. On the other hand, the share of households with unemployed members receiving unemployment benefit fell from half to one third.

The main changes in the socioeconomic structure in Slovenia were decreasing numbers of workers but also pensioners in the lowest decile and increasing numbers among the richest decile. The move was inverse for dependents, i.e. mainly children, and also unemployed. Stanovnik and Čok demonstrate that the latter include a large and increasing share of "discouraged" unemployed, i.e. those who are no longer actively seeking for work. Returns to education increased, especially in the early phase of transition, although differences in the relative position across educational levels appear not as stark as for instance in Romania.

Slovenia is the only country among the four where household income inequality slightly decreased with all of this decrease happening around the mid-1990s. This was due to the richest 20% losing significant income shares while the remaining 80% gained. This happened despite wages – with 60% the most important income source – becoming more concentrated during the same period, a period characterized by absence of wage regulation. This concentration was driven by the top 5% of wage-earners. By contrast, self-employment income became less concentrated over the period. Stanovnik and Čok explain this by the increase in the number of self-employed in the 1990s, often caused by redundancies and thus somewhat involuntary. Pensions became somewhat more concentrated though they are still much more equally distributed than wages. In line with policy changes, the concentration coefficient of family benefits moved from a high negative value to close to zero, implying that all people receive about the same amount.

Income poverty rates remained broadly stable over the period but the composition changed. For the period from the early to later 1990s, Stanovnik and Čok report trends observed in the other countries: pensioners' poverty moving from above to below-average values and child poverty moving in the inverse direction. However, in the early 2000s, Slovenia stands out in that child poverty decreased and pensioners' poverty increased again, though not reaching the levels of the early 1990s. In all years, unemployed persons faced the highest poverty risks, some three to four times the country average. Particularly worrisome is the high percentage of unemployed below the lowest poverty thresholds.

Outlook

The book reviews changes in household activity, household structures and incomes after the transition shock had taken place and stops around the time of the EU accession. A first imminent question is how the first years of membership in the European Union impacted on households' behaviour and income distribution in Bulgaria, Hungary, Romania and Slovenia. Did the economic integration bring about growth which trickled down to household incomes? What was the impact of the EU structural funds? During the process of political integration, were social norms changed, or new ones created? And did the social policy reforms undertaken in the late 1990s and early 2000s prove to be sustainable?

This could well be the issues of a new book to be written. But perhaps time has already run out to restrict us to this type of analysis. The first signs of a worldwide recession in late 2008 are prospected to lead to huge increases in unemployment and restrictions of income opportunities. In the OECD countries, the past period of economic and employment growth did not result in reductions of income inequality and relative poverty. As Sir Tony Atkinson put it when commenting on the OECD study, "*if a rising tide does not lift all boats, how will they be affected by an ebbing tide?*" The outlook for a second and, in the case of Bulgaria and Romania, third profound recession within less than two decades will put an extraordinary challenge to social policy makers in all four countries, if the progress which has been made in terms of policy reforms on the one hand, and living standards of households on the other, shall not be put at stake. The experiences and lessons resumed in this book will be a valuable element of help in this undertaking.

Reference

OECD (2008) *Growing Unequal? – Income Distribution and Poverty in OECD Countries*. Paris: OECD.