

Extended abstract: Economic inequality in Central, East and Southeast Europe

Mario Holzner, Sebastian Leitner (both wiiw)

The recent picture of income inequality in the region as well as its development since 1990 is analysed taking into account the profound political, economic as well as social transitions having occurred in Eastern Europe from the breakdown of the communist regimes onwards.

Although a rise in inequality can be observed in the whole region, the situation differs from country to country, depending on the institutional heritages as well as the transition policies chosen. While the Gini coefficients reported for the Central European countries except Poland remained, although rising, in the rather low range of Sweden and Austria, the Baltic States as well as Poland reached the level of Great Britain, being one of the Western European countries with the highest level of inequality. Almost all South East European countries share a level of inequality comparable to the one of Austria, whereas Russia's rising Gini coefficient as well as those of the CIS countries show a fast growing asymmetry in the distribution of income and wealth.

We analyse the determinants of inequality in Central, East and Southeast Europe starting with factors influencing the changing distribution of wages, being at the core of economic inequality. Thereupon a broader view of the situation of income inequality of households is given.

The situation of wage disparities was shaped by enormous and still ongoing changes in the labour markets of the Eastern European countries, driven by transitional recessions and by enormous structural and sectoral shifts in the period of recovery from the mid 1990's onwards. The way in which these changes were driven as well as accompanied by macro-economic policies (monetary and fiscal policies – on the revenue as well as on the expenditure side) affected the situation of the labour force. Furthermore structural policies (e.g. in the field of Trade, FDI, etc.) influenced the transition paths in the region. Direct impacts on distributional outcomes are resulting from country specific modifications of labour market regulations, ranging nowadays from the almost non-existence of collective agreements in the Baltic states to continental European oriented labour market policies e.g. in Slovenia and the Czech Republic. Along with the liberalisation of labour market regulations socio-demographic factors (e.g. gender, ethnicity, education, etc.) regained importance in describing the emerging picture of wage distribution.

The broader view on income and wealth inequality as a whole directs the attention to structural policies in the field of privatisation as well as changes in the field of social transfer systems. Different country experiences in the change of ownership of firms as well as land and real estate lead to different outcomes in wealth (as well as wage) distribution. Furthermore the privatisation of (formerly) public services in the field of pensions, health care, education and other fields change the structure of provision of these services and have an ongoing influence on income distribution.

The research undertaken is based on a literature review as well as on an in-depth statistical analysis. We draw on various comprehensive data resources including databases provided by Eurostat, wiiw and the World Bank.

Sebastian Leitner
Tel: 00-43 1 533-66-10/46
E-mail: leitner@wiiw.ac.at

Mario Holzner
Tel: 00-43 1 533-66-10/28
e-mail: holzner@wiiw.ac.at

wiiw - The Vienna Institute for International Economic Studies
Oppolzergasse 6
Austria - 1010 Vienna