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THE SOCIAL DIMENSION IN SELECTED CANDIDATE COUNTRIES IN THE BALKANS – BULGARIA, ROMANIA, CROATIA AND TURKEY: SYNTHESIS REPORT

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Executive summary

General economic issues

Economic growth in Bulgaria, Croatia, Romania and Turkey has stabilised in recent years (2003-2006Q2) at the relatively high level of 4.8% (Croatia), 5.5% (Bulgaria), 6.3% (Romania) and 7.3% (Turkey). This is, on average, in line with the developments in the New Member States (NMS) and much more than in the EU15, which points to a gradual and consistent convergence in income levels. There is still a long way to go, however, as the GDP per capita in this region amounted to less than half of the EU25 average in 2005: 12-30% in current euro or 31-49% in PPP terms.

The relatively fast GDP growth has recently been driven mostly by investments and – to a lesser extent – by levels consumption that are underpinned by steady real wage growth and unprecedented expansion of domestic credit. Net exports, on the other hand, have contributed negatively to the GDP due to persistent external imbalances – a common feature of the transition process. On the production side, all four countries are characterised by higher shares of primary sectors (agriculture, fishing, forestry and hunting) compared to GDP and lower contribution of services (mostly due to less developed public services such as public administration and defence, education and health) than is the case in the EU25. However, both shares are gradually converging with EU levels.

Like most NMS in the mid-1990s, the candidate countries now register high current account deficits in the range of 6%-12% of GDP, which is expected to rise in recent years. This is particularly evident in the fast-growing countries (BG, RO and TR) where the worsening of the current account deficit can be linked to the widening of trade deficits, brought about by growing imports to meet expanding domestic demand. On the other hand, export performance has been good (with double-digit dynamics except for CR in recent years) and potential problems related to high current account deficits are alleviated by steadily rising FDI inflows, which covered on average more than 75% of the deficits in 2003-2005 (except in Turkey where the average coverage in this period was 27%). The CC4 region has also radically reoriented its foreign trade towards the EU25 (Turkey has been trading heavily with the EU since 1960s) and become more open to foreign trade in general.

The region seems to have achieved stable inflation rates. Turkey and Romania managed to bring annual inflation down from the high double-digit ranges prevailing before 2004 to rates of 7-10% in 2005-2006. Both Romania and Turkey adopted inflation targeting recently (in August 2005 and January 2006, respectively). However, after the considerable disinflation success both countries seem to be stuck just below 10% and cautious monetary policy will be needed to bring inflation down further and keep it there in a sustainable manner. Inflation in Bulgaria and Croatia has been closer to EU levels over the past few years due to a successful stabilisation of the currency – in the strict regime of the currency board (BG) or through open market operations aimed at exchange rate stabilisation (CR).

Labour market

Both activity rates and employment rates in the four countries analysed remain below the EU25 average and – with the exception of Romania – also below NMS10 levels. In Turkey this is explained by the alarmingly low participation and employment rates of women – roughly one third of the male rates and well below half of EU25 and candidate country rates.

In contrast, Bulgaria, Croatia and Romania are actually characterised by a lower gender gap in economic activity and employment than is the case in the EU25. The dynamics of activity and employment rates in Bulgaria, Croatia and Romania were determined by major restructuring processes resulting in output declines, whereas in Turkey population dynamics played a more important role.

The sectoral structure of employment also requires attention. Turkey and Romania stand out with a very large share of the labour force in agriculture, mainly subsistence agricultural activities, characterised by very low productivity. The process of labour shifting between sectors will necessarily continue in these two countries, but also in Croatia and Bulgaria. This will open up opportunities but also create problems and challenges for economic and social policies.

The region as a whole has managed to translate the economic expansion into higher employment. Over the last 4-5 years Bulgaria and Croatia saw their unemployment rates gradually falling from the very high levels recorded around 2000-2001, similar to the trends in the NMS10 group. In contrast, unemployment rates in Romania and Turkey were relatively low in the past but more recent periods brought their stabilisation to somewhat higher levels. In 2005, harmonised unemployment rates ranged between 7.9% in Romania and above 12% in Croatia. Similar trends can be observed in long-term unemployment. Here, the relative success of Bulgaria in significantly reducing the long-term unemployment rate could be interesting for many of the NMS countries, which saw little progress in this sphere.

Looking ahead, labour market policies in all candidate countries will be faced with very similar challenges to those faced by the NMS: (i) past and ongoing economic restructuring; (ii) disincentives to labour market participation (iii) a high tax wedge; (iv) administrative and legal barriers to job creation including rigidities on the labour market; and (v) skill mismatches.

Demography

In terms of demographic developments candidate countries fall into two very different groups. The population of Turkey (above 72 million at present) is expected to grow by more than 25% by 2050, while populations of Croatia (4.4 million), Romania (21.6 million) and Bulgaria (7.7 million) are expected to fall and the pace of depopulation of the last two is expected to be the fastest in Europe – more than 20%.

Over the last decade or so demographic trends in Bulgaria, Croatia and Romania were broadly similar to what was typical for NMS countries with the most negative developments in this sphere. Fertility declined to very low levels (well below 1.5) and the population has been shrinking quite substantially, especially in Bulgaria and Romania. In Bulgaria this was largely due to substantial natural decrease, while in Romania the negative migration balance also played a significant role. Large migration flows resulting from the Balkan wars in early 1990s have had an impact on the population of Croatia.

In contrast, Turkey stands out among EU and EU candidate countries for its very fast population growth over the last 30 years or so. It increased from 40.3 million in 1975, to an estimated 71.8 million in 2004 with almost half of the population under the age of 25. This, coupled with the expected increase in life expectancy (from low levels), implies a continuation of population increase, although on the other hand falling fertility levels indicate that the pace of population growth in Turkey is going to slow in the near future.

Poverty, income inequalities and the social protection system

Income inequalities in Romania and Croatia are similar to the corresponding levels in Germany and France and, among NMSs, in Hungary. In Bulgaria it is below the EU25 average, close to Scandinavian levels and that of moderately unequal NMSs, such as the Czech Republic. Income inequalities in Turkey reflect a dualistic social structure with an export-oriented competitive sector, predominantly concentrated in Western regions of the country and a less efficient, more informal sector with less value added, in particular in the Eastern and South-Eastern regions. One consequence of this deep regional divide is that Turkey is the most unequal among the countries considered. It's Gini coefficient of the distribution of household disposable income was 45% in 2003, although inequalities in consumption are much smaller: 34%, than income inequalities. This highlights the importance of the household economy, and subsistence farming in particular, in the Turkish economy.

In the three post-transition candidate countries the effectiveness of the social protection system, measured by the proportion of people salvaged from poverty, is about the same as in the EU25. Social transfers eliminate around 60% of pre-transfer poverty. The corresponding figure in Turkey is only 13%. Turkey has indeed the lowest pre-transfer poverty rate among the candidate countries but an ineffective social protection system leaves it with the highest post-transfer poverty rate in the EU29.

Social expenditures are higher in Croatia than in the other three candidate countries with a level comparable to the average of the current member states. In Bulgaria, Romania and Turkey social protection spending as a percentage of the GDP is about ten percentage points lower. The largest difference compared to the EU25 average is in expenditure on non-health social protection (COFOG 10). While this figure is still close to 20% in Croatia, although decreasing, as in the EU25 countries, in the other three candidate countries it remains around 10% of GDP.

The leading cash programme of social protection is pensions. Pension systems have undergone reforms in each candidate country in recent years and are likely to be further reformed in the coming years, albeit for different reasons. In the three post-transition candidate countries the national pay-as-you-go schemes faced severe financial problems due to the decreasing participation, the growing informality of the economy, emigration of labour (in Bulgaria and Romania) and the decreasing efficiency in the collection of contributions. In addition, the population is shrinking in these three countries and rapid ageing in the next decades presages future problems as well. The case of Turkey is different since the working-age population has been growing and is expected to grow further over the coming decades. The pension system was still, nevertheless, in deficit due to over-generous options for early retirement.

Quality of governance

Difficulties in the enforceability of property rights and contracts and an inefficient judiciary drive up the transaction costs of the economy, which could be a severe obstacle to economic growth. Governmental regulatory activity is another important component of this institutional environment. If business creation is overregulated entrepreneurs will choose to operate in the informal economy. Since informal assets cannot be used as collateral to obtain loans, the likely result is slower growth. This affects poor people the most since they lack the formal assets necessary to obtain credits. The quality of governance in the four candidate countries, measured by the World Bank's project on monitoring governance is considerably poorer than

the unweighted average of either the eight new Central European member states or the EU15 countries. Romania has the lowest scores in three of the four relevant indicators (rule of law, government effectiveness and control of corruption); regulatory quality is rated slightly better than in Turkey. Indeed, Romania performs below the world average in all four dimensions, whereas Turkey is usually around the world average except in control of corruption. Bulgaria and Croatia are closer to the NMS8 average (Croatia in government effectiveness, Bulgaria in regulatory quality).

From human capital training to employment

An effective system of education and training is important for several social and economic reasons. Among a wide range of objectives for education policy, the preparation of people for active involvement in social and economic life, in particular through employment, is of special relevance. Education levels, or more generally the skills attained, are among the key determinants of individuals' success in the labour market. On the macroeconomic level the ability of the labour force to adjust the skills to the emerging challenges is vitally important for the smooth management of structural changes in the economy.

Rapid transformation of labour markets and the labour force of candidate countries takes place in an environment where the average education level of the labour force, and perhaps more importantly the quality of education and the extent to which skills are up-to-date, is somewhat lower than in advanced EU economies (there are big differences between candidate countries in this respect, too). One consequence of this may be that the convergence process involves high social costs, such as high unemployment rates among unskilled groups and increasing skill-related wage dispersion. Another result may be that the catch-up process itself is hindered, e.g. when public pressure persuades governments to try and protect unproductive jobs.

Education and training is an important part of the solution to the difficult labour market issues of low employment in certain social groups, hidden unemployment in agriculture, high long-term unemployment, high unemployment of the youth, etc. The education system should provide young people with skills matching the needs of modern, internationally competitive economies. The workers in the mid and later stages of their careers should be offered a wide range of possibilities to update and improve their skills. This last task requires a well-functioning system continuous education (formal and informal) and a culture of life long learning.

The education systems in all four candidate countries have undergone substantial changes over the last decade or so, but the starting points were very different. By now, all countries have achieved universal coverage of education at primary level, but in Turkey this achievement is relatively new. Depending on the measure, applied the educational attainment of the working age population is below or on a par with EU average (with the exception of Turkey, where it is much lower).

The key challenges for the education and training system are participation rates at various stages of education, and in particular the problem of low participation of certain groups that on average perform worse in the labour market and may be more often at risk of social exclusion. The second major set of issues relates to the quality of education. The problem here is in ensuring that the skills that the graduates of both vocational and general streams are equipped with match the rapidly changing labour demands and that people already active in the labour market can get support in updating or learning new skills.

In Turkey, Romania and Bulgaria numerous groups of the population show very low level participation rates in education (even at the primary level), much below national averages. This applies to the Roma minority in Romania and Bulgaria and girls from poor families, particularly in South-Eastern Turkey. In addition, the education systems of the candidate countries are not always successful in providing adequate services to disabled people (in all countries) or to the small Roma minority in Croatia (similar problems can be observed in many EU countries). While improvement in educational provision for these and similar groups is certainly difficult to achieve; a substantial part of the problem is also on the demand side for education among disadvantaged groups, it is evident that substantial and quick progress is a necessary precondition for improving the social status of these groups, limiting the incidence of poverty and avoiding the trap of inherited social exclusion.

Assessing the quality of education is far from trivial, especially from an international perspective. Proof of the quality of the system can be seen in the relative success of graduates from various educational institutions on the labour market. Here the experience of the candidate countries is mixed; the prevalence of high unemployment rates of young people just entering the labour market suggests problems but data interpretation is not straightforward. International comparisons of educational outcomes perhaps remain the most reliable source. The outcomes of candidate countries appear to be below EU averages (in some cases – particularly in Turkey – substantially below), but the comparison is complicated by insufficient data and a mixed picture.

Candidate countries' achievements in continuous education are unsatisfactory as the proportions of the adult population participating in life-long learning are far below EU and NMS averages. Moreover, participation rates in Bulgaria, Croatia and Romania also appear to be much more concentrated on the youngest cohorts than in the EU countries. Despite the fact that these are mainly older strata of the population who suffer from the skills mismatch due to rapid technological change and economic restructuring, they do not appear to be expressing any demand for training, or there is simply no offer suitable for older workers. In practice, people over 35 years of age (in Croatia perhaps 45 years) did not undergo any training at all as of early 2005.

Regional disparities and the social protection system

Neoclassical growth theory predicts convergence, in the long run, of countries and regions on the basis of the nature of technology as a public good. The main driving force behind this reduction in productivity gaps is capital accumulation. By contrast, the theory of endogenous growth emphasises the private or local nature of technology, which is entrenched in cooperative networks of economic actors such as firms or other types of economic organisations. Accordingly, diffusion of technology depends also on factors other than capital accumulation; regional or national disparities are not bound to decrease, but they can be maintained or even increase if less developed regions are unable to absorb higher productivity technologies. The Third Progress Report on Cohesion by the European Commission (2005) found that output disparities decreased across member states, but increased across regions. Effects of the EU Structural and Cohesion Funds are not self-evident on the regional level.

The four candidate countries differ in their regional patterns and dynamics. Bulgaria, Croatia and Romania are strongly capital-centred but in Turkey neither Ankara, the administrative capital, nor Istanbul, the financial, economic and cultural centre are the richest regions. In the three smaller candidate countries the rural-urban divide is deeper than regional disparities. In

Turkey, by contrast, there is a wide development gap between its Western and Eastern regions. Subsistence farming is an important substitute for the social protection system in Romania and in particular in Turkey but it is also present in Bulgaria.

The level of centralisation in the social protection system and its ability to mitigate regional disparities vary across the candidate countries.

In Bulgaria, the social assistance system was decentralised at the beginning of the transition. However, underfinanced local authorities with administrations unprepared for the job were frequently unable to provide even basic services so that the system was recentralised between 1998 and 2001. By international comparison poverty alleviation relies heavily on the pension system whilst the effectiveness of the social assistance system, which applies means tests and targets poverty directly, is rather limited. Neither the pension system, which is, by its nature, a national programme, nor the social assistance system give much discretion to the regional directorates or local directorates.

In Croatia, the recent World Bank study on poverty found that the tax-transfer system effectively redistributes income across regions in favour of the poorer areas. Cash transfers are still largely centralised, except for housing and fuel allowances, which are county and city-financed. In 2002, the social assistance system was partly decentralised so that financing and maintaining some of the in-kind services, such as old people's homes and care centres, was delegated to local governments. In addition, local governments may also top up other social assistance programme or establish their own programmes.

The Romanian social assistance system has a highly fragmented structure with a large number of small programmes and overlapping responsibilities of various central agencies. The distribution of resources and responsibilities among central and local authorities is opaque and frequently based on informal processes. The local administrations are discouraged from raising their own revenues and the allocation criteria of central tax revenues by the principle of 'territorial solidarity' are frequently unclear and deliberately ignored. This creates fertile ground for cronyism and political migration toward parties winning general elections.

In Turkey, regional disparities are not only present but they did not decrease over time in recent decades. Despite the *Priority Provinces Development* scheme of the government, which aimed at decreasing cross-provincial discrepancies, priority provinces did not grow faster than core-developed provinces in the last two decades. The backbone of the social assistance system is the Social Assistance and Solidarity Encouragement Fund (SYDTF, by its Turkish acronym), which advises and finances the provincial and sub-provincial Social Solidarity Foundations (SYDVs). The SYDVs are separate legal entities, independent of the SYDTF. The Board of Trustees of the SYDVs have extensive discretion in devising the local assistance program and define who is in need and who is not in their respective region.

The informal economy and the social protection system

Based on the ILO (2002) approach we differentiate between two main sectors in the informal economy, the enterprise sector and the household sector, although the borderline between the two sectors can at times be blurred. Both are unreported and unaccounted for but they differ in many other respects. The enterprise sector informal economy consists of market-based production of goods and services, similar to transactions of the formal economy, but unlike the latter it remains undetected in calculations of the official GDP. In the household sector informal economy economic activities, most notably subsistence farming, are organised

within the household or the extended kinship. The extent of the enterprise sector in the informal economy strongly and negatively correlates with the quality of governance of the economy. Informality of property rights, weak performance of the judicial system, excessive regulation of the economy and high taxes are all boosts to for the informal economy.

Informal employment is also characterised by atypical employment settings, such as seasonal or temporary employment, self-employment and other similar forms. Coverage of workers by social protection under such arrangements is limited. Employees of the informal sector have restricted access to public health care, social security pensions and unemployment protection. Such lack of coverage, while perhaps controlling so certain negative incentive effects of the social protection system on savings, labour supply and fertility, leaves employees of the informal sector unprotected. These people face poverty in old age and a severe fall in living standards in the case of job loss or illness.

Household labour does not accrue eligibility in social security so old age security and insurance against other contingencies can only be provided by the extended family or kinship network. Such networks can function well as substitutes for social protection but still fall behind in efficiency due to the limited risk pool. The seamy side of social protection based on the extended family, the kinship or the local community is a level of fertility that undermines investments in the human capital of children and threatens economies with overpopulation.

Due to their large subsistence farming sector, Romania and Turkey have a much higher share of these workers employed under non-regular conditions than Bulgaria and Croatia. This is reflected in the institutional history of their pension systems. The candidate countries have a limited tradition of occupational pension schemes. This is frequent in countries where legislation initiated much of the pension system rather than the other way around, such as in Switzerland, the United Kingdom or the Netherlands, where it was employers who set up pension schemes first and legislation only regulated the schemes already established later. In the former group of countries the typical way is forming a pension scheme first for civil servants then a separate scheme for blue-collar workers and finally, a third for the self-employed and/or farmers. In some cases the self-employed urban population belongs to the scheme of blue-collar workers, in other cases they share a scheme with farmers. Usually, civil servant schemes offer more favourable conditions than blue-collar schemes. Farmers' schemes frequently face major difficulties in collecting revenues and depend on government transfers; these schemes often pay the lowest pensions. The general tendency is the integration of these schemes with the exception of some professions such as the armed forces. The speed of integration depends largely on developments in agriculture, most notably the speed of industrialisation, urbanisation and the extent of subsistence farming.

Among the candidate countries Bulgaria has the lowest rate of non-regular employment in the labour market and this is the country that went through the integration process first, completing it by 1975. Croatia had three separate schemes, those of the employees, the self-employed and the farmers, until 1998. In Romania the funds of the employees were merged with the farmers' fund between 1998 and 2001. The social security administration still keeps providing separate data, which reveal that benefits paid by the farmers' fund is significantly lower than the benefits in the employees' fund. The government struggled through the 1990s to feed the farmers scheme. Before the merger only a marginal share of the revenues were raised from contributions of the farmers. Romania has a large self-employed population, mainly in agriculture, characterised by low coverage, extensive contribution avoidance, poor benefits and difficulties in access to other chapters of social security, such as health care. In Turkey nearly half of the employed work under non-regular conditions. The administration of

the three social security funds, those of the civil servants, the blue-collars and the self-employed and farmers will be unified in 2007.

The labour market parameters also strongly correlate with the collection of contributions. The two candidate countries with low rates of non-regular employment, Bulgaria and Croatia have higher rates of active contribution, 75% and over 90%, respectively. In contrast the two countries with extensive subsistence farming and non-regular employment see their corresponding rate at around 50%. The data even reveal that urban self-employment, although it makes the collection of contributions difficult, is easier to accommodate with contributions to the social protection system than rural self-employment and other forms of non-regular employment. Whereas in Bulgaria and Croatia the self-employed are about 50% underrepresented among the contributors (7 and 10%, respectively, of the self-employed among the active contributors against 14 and 21%, respectively of the self-employed among the employed), the self-employed in Romania hardly contribute to the social protection system at all.

Despite certain similarities on the surface, in the relative prevalence of subsistence agriculture and the lack of coverage by the social protection system institutions, the Romanian and the Turkish cases differ. In Romania, subsistence farming saw its revival in the last decade after a shock hit the labour market and the government proved unable to build up the necessary institutions of the social protection system, including the unemployment services that were missing in a centrally-planned economy of nearly full employment. Alternative social institutions such as extensive family or local community networks are rare. In contrast, that part of the Turkish society that has weak links to the labour market and is not properly covered by the social protection system had its time to build up its alternative institutional system such as the *hemsehri* (hometown organisations). The *hemsehri* are associations and foundations regrouping people from the same place (district, village, town, county, region) as well as migrants from the 'Turkish World', mainly the Balkans and the Caucasus. The emergence of hemsehri is linked to the migratory influxes created by rural to urban migration, and, since the 1960s, by immigration from the 'Turkish world'. The *hemsehri* appeared in the 1940 and have grown incessantly since then, even more so since the 1990s.

The state of ethnic and religious minorities

Ethnic and religious diversity is an asset to a society provided the chances of individuals to live a full life are not affected by their ethnic or religious backgrounds. However, if social disadvantages coincide with ethnicity or religious tensions, disintegration may threaten the development of the society in question. The four candidate countries face various ethnic and religious minority issues. In Romania and Bulgaria, the Roma are among the largest and most disadvantaged minority groups. Bulgaria has another, though less grave issue: the Muslim minority and in particular the Turkish minority. Fewer data are available on Turkey. However a number of sizeable and relevant minorities are living in Turkey, the most important minority issue being the social, political and legal status of the Kurds.

According to expert estimations the number of the Roma in Central and Eastern Europe (CEE) and in South-Eastern Europe (SEE) reaches or even exceeds 5 million (excluding Turkey where data are not available). The largest Roma population in CEE and SEE can be found in Romania, where the most reliable expert estimations put their number between 1.5-2.0 million, which is 7-9% of the total population. In Bulgaria, expert estimates put their number to 550–800 thousand or about 10% of the population.

The Roma fall far behind the respective national majorities in many aspects of everyday life. In spheres such as education, living conditions, housing, income, employment status, poverty, or access to services, they fare significantly worse than the majority population in general, or non-Roma neighbours living in close proximity to the Roma. In these three countries the Romany differ from the majority in the main demographic trends along several basic indicators such as birth rates (higher than average), timing of marriage (earlier than the average), family structure (larger families and households) and age profile (lower rates of Roma among older age groups and higher rates among younger age groups).

The level of education of the Roma is low compared to the EU25 average in general, to the majority population of the candidate countries or to the majority population living in close proximity. As regards living conditions, about half of Roma people in Bulgaria and two-thirds of them in Romania live below the income based absolute poverty line of USD 4.30 at PPP per day per capita, while the rate of poor non-Roma living in the neighbourhoods of the Roma is much lower (6% in Bulgaria and 20% in Romania).

As regards other minority issues in the candidate countries, an estimated 15–20% of the Turkish population belongs to some ethnic or religious minority. These minorities can be broken down into various sub-groups by further ethnic, religious, linguistic or other dimensions and there are also overlaps between the communities, thus a part of the Turkish society can be considered as a mosaic of different identities. The most relevant minority issue, nevertheless, is the political, legal and social status of the Kurds due to their share in the entire population, mostly in less developed Eastern and South-Eastern regions, the lack of political stability and security and the low level of integration. Official data or estimations on Kurds is not available; the wide range of expert estimations that can be found occasionally appear contradictory.

The Muslim population of Bulgaria constitutes a sizeable but heterogeneous group, including several ethnic or national minorities besides Pomaks such as Turks, Gypsies and Tatars. These mostly Sunni Muslim groups have been living in Bulgaria for centuries. During the cold war, in the 1960s and 1970s Bulgarian Muslims were forced to take Bulgarian names. The largest group among them are the Turks. A sizeable part of the Turkish minority emigrated to Turkey during the second half of the 1980s, as a result of their political, legal and social situation.

Introduction

The consortium was composed of TARKI Social Research Institute (Hungary), CASE – Center for Social and Economic Research (Poland) and CEPS - Centre for European Policy Studies (Belgium), which was awarded a contract by the European Commission to analyse the socio-economic developments and the process of structural reforms in Bulgaria, Croatia, Romania and Turkey, the four candidate countries at the time the call for tenders was issued. The objective was to identify major challenges in the current demographic, social and economic context which could be considered relevant in determining the capacity of the candidate countries to function in the Union.

Our Proposal was submitted to the Commission on June 27, 2005. The contract came into effect on November 30, 2005. On February 8, 2006 consortium members and Commission representatives met in Brussels for a kick-off meeting and on September 29, 2006 to discuss the first results of the project.

The outputs of the project, specified in the contract, are four country studies and a synthesis report meeting the following criteria:

- The four country studies for, respectively, Bulgaria, Croatia, Romania and Turkey on the social dimension take into account the demographic, social and economic context. The call for tenders explicitly required "[c]omprehensive harmonised quantitative information" in the four country studies. In order to guarantee standardised content we provided the teams working on the country studies with a detailed template describing the uniform content of each subsection and a methodological yardstick including the specification of indicators to be applied. The template was presented to the Commission in the Inception Report of this project submitted in March 2006.
- In addition, the call for tender specifically required a joint Statistical Annex following the format of the 2004 Social Situation Report.
- The synthesis report presents a comprehensive overview of the social situation in the four countries with a comparative focus addressing key problems in the light of possible accession to the EU. The kick-off meeting gave an opportunity to further specify the issues of special interest such as:
    - human capital investments in relation to employment,
    - regional disparities, in particular the functioning of centralised versus decentralised social protection,
    - the interrelation between the informal economy and the social protection system, and
    - the state of ethnic and religious minorities.

The special issues are interrelated. In the context of the candidate countries the functioning of centralised versus decentralised social protection is particularly important. There are remarkable regional differences in some candidate countries. A one-size-fits-all type of social protection system is dysfunctional in such a case. However, the good performance of a decentralised system requires highly efficient governance in general. Another such interrelation is to be found between the informal economy and the social protection system. In some candidate countries a significant part of society, mainly in rural areas, does not appear in the formal labour market. They, frequently the most vulnerable members of society, are not covered by the social protection system either. Finally, social exclusion can also have an ethnic or religious background, which can be particularly dangerous for long-term social stability.

The first chapter of the synthesis report contains some of the most important results on the social dimension of the candidate countries in a comparative context, covering general macro-economic trends, the labour market, demography, poverty, the social protection system and the quality of governance. The second chapter looks at the special issues listed above.

1. A comparative view of the social dimension in selected Balkan countries

1.1. General economic issues

Economic growth in Bulgaria, Croatia, Romania and Turkey has stabilised in recent years (2003-2006Q2) at the relatively high level of 4.8% (Croatia), 5.5% (Bulgaria), 6.3% (Romania) and 7.3% (Turkey) – see Figure 1. This is, on average, in line with the developments in the NMS and is much higher than in the EU15, which points to a gradual and consistent convergence with EU25 levels. There is still a long way to go, however, as the GDP per capita in this region amounted to less than half of that in the EU25 in 2005: 12-30%[1] in current euro or 31-49%[2] in PPP terms.

The relatively fast GDP growth has recently been driven mostly by investments. In particular, Bulgaria and Turkey as well as – to a lesser extent – Romania have registered high, double-digit investment growth rates (19% in BG, 24% in TR and 13% in RO in 2005). The dynamics of investments in Croatia were disappointing in 2003-2004 (after a surge in 2002) but seem to be picking up in recent quarters, giving rise to expectations of a similarly large contribution of investments to GDP growth. It is important to point out that the share of investment (*gross capital formation*) in GDP in CC4 has been rising steadily in the past decade to reach 25.7% (on average) in 2005[3] compared to 23.6% for NMS8 and 20.1% for EU15 where the share has been stagnant for years.

The strong consumption dynamics (from 6.1% (BG) to 16.7% (CR) during 2003-2005) was still somewhat weaker than the dynamics of investments. External imbalances have become a persistent feature of economic growth in the region so that net exports have contributed negatively to GDP. Croatia managed to shrink its net export gap somewhat during 2003-2005 to 7.4% of GDP in 2005. In the remaining three countries external trade gaps widened considerably in recent years to 17.3%, 10.4% and 6.6 % of GDP in 2005 in Bulgaria, Romania and Turkey, respectively, well above the 4.6% average trade deficit registered in NMS8.

In all four countries the primary sectors (agriculture, fishing, forestry and hunting) contribute much more to total value added than in the EU25. Even though this contribution has generally been falling over recent years, in 2005 it was still in the range of 6.7% (CR) to 10.5% (TR) – well above 1.9% average for EU25 countries (where it ranged from 0.4 to 5.7% for individual countries). Services, on the other hand, have a relatively smaller contribution than in the EU25 (mostly due to the lower share of public services such as public administration and defence, education and health) but likewise, see their share in value added gradually converging to EU levels.

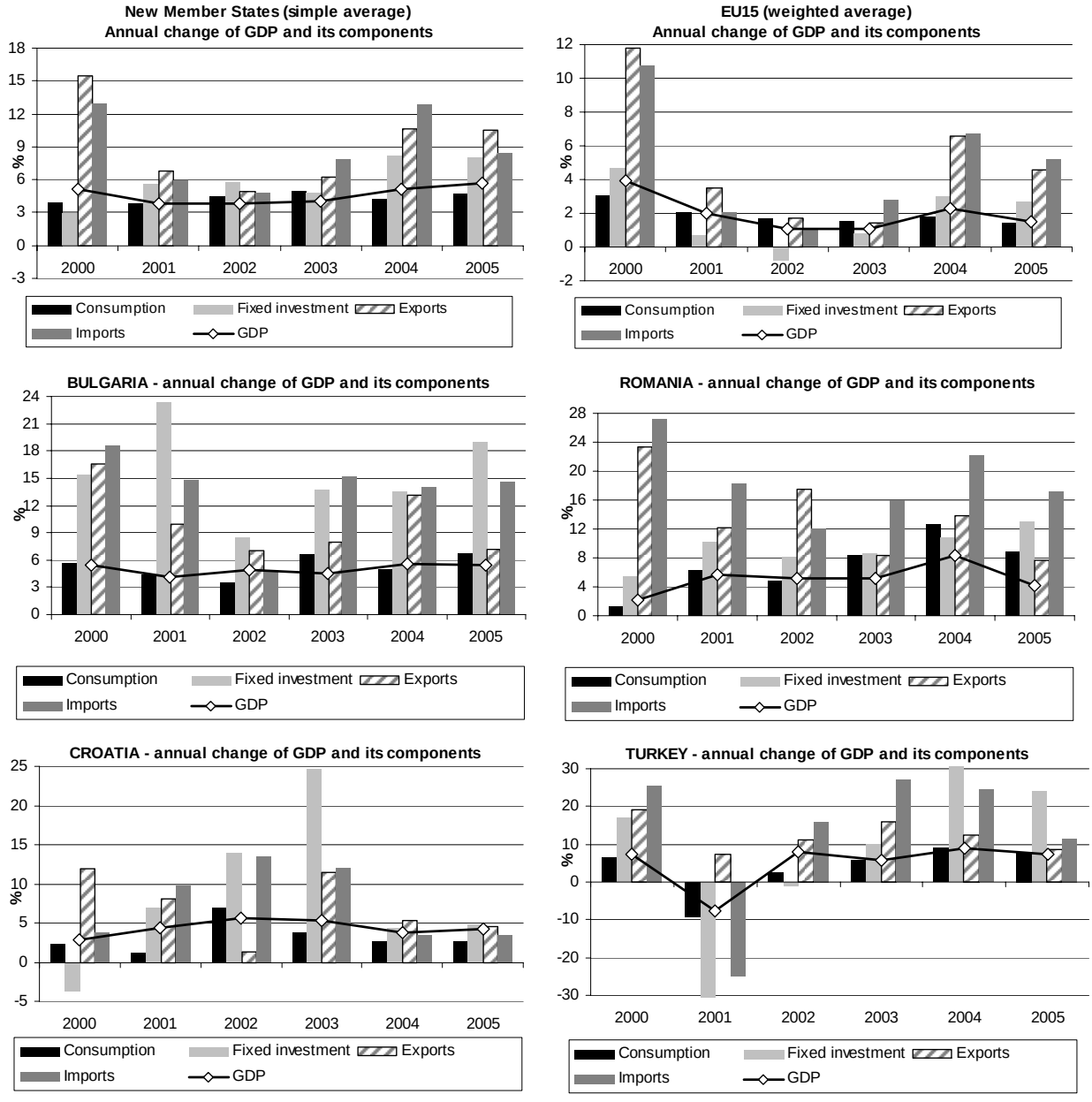
[1] 12% (BG), 16%(RO), 17%(TR) and 30%(CR), source: Eurostat.

[2] 31% (TR), 32%(BG), 34%(RO) and 49%(CR), source: Eurostat.

[3] Unweighted average; 22.7% (RO), 24.8% (TR), 27.2% (CR) and 28% (BG), source, Eurostat.

The region as a whole has managed to translate the economic expansion into higher employment. After a rise in unemployment rates in the second half of the 1990, recent years brought an improvement in Bulgaria and Croatia while Romania and Turkey have seen their rates stabilised (more in line with labour market trends below).

Figure 1. Annual change of real GDP and its components



Source: Eurostat.

The recent balance of payment developments in the candidate countries is similar to what was observed in many NMS in the late 1990s. There, after the widening of current account deficits in the second half of 1990s, most non-Baltic NMS countries have seen their deficits narrow in recent years. The candidate countries are currently in the high deficit range of 6%-12% of

GDP[4] with a clear tendency to rise in recent years. This is particularly evident in the fast-growing countries (BG, RO and TR) where a worsening of the current account deficit can be linked to the widening of trade deficits brought about by imports growing to cover the expanding domestic demand[5]. The export performance in the region has been relatively good with dynamics in the double-digit range (except for the CR in recent years) thanks to improved external demand (growth accelerated among all major trade partners) and the positive effects of past investments in industry. However, exports have grown slower than imports in recent years, which, coupled with relatively stable income and current transfers balances, resulted in a worsening of current account deficits.

Table 1. Main Economic Indicators for Bulgaria, Croatia, Romania, Turkey, EU15 and NMS

		1999	2000	2001	2002	2003	2004	2005
Real GDP growth	NMS8*	2.2	5.3	4.5	4.6	5.4	6.0	6.5
in %	EU15**	3	3.9	1.9	1.1	1.1	2.2	1.5
	Bulgaria	2.3	5.4	4.1	4.9	4.5	5.6	5.5
	Croatia	-0.9	2.9	4.4	5.6	5.3	3.8	4.3
	Romania	-1.2	2.1	5.7	5.1	5.2	8.4	4.1
	Turkey	-4.7	7.4	-7.5	7.9	5.8	8.9	7.4
GDP per capita in PPS	NMS8*	9.3	10.0	10.7	11.4	11.9	12.8	13.9
thousand PPS	EU15**	20.7	22.1	22.8	23.5	23.7	24.7	25.4
	Bulgaria	4.9	5.3	5.8	6.1	6.5	6.9	7.5
	Croatia	7.5	8.2	8.6	9.4	10.0	10.6	11.4
	Romania	4.8	5.0	5.5	6.1	6.5	7.3	8.1
	Turkey	5.5	6.0	5.3	5.6	5.8	6.5	7.2
Balance of the Current Account	NMS8*	-6.4	-5.2	-5.0	-5.4	-5.6	-7.3	-6.0
in % of GDP	Bulgaria	-5.1	-5.5	-7.3	-5.6	-8.5	-5.8	-11.8
	Croatia	-7.0	-2.4	-3.7	-8.6	-7.1	-4.9	-6.4
	Romania	-4.0	-3.7	-5.5	-3.3	-5.5	-8.4	-8.7
	Turkey	-0.8	-4.9	2.4	-0.9	-3.3	-5.2	-6.4
Inflows of FDI	NMS8*	4.9	5.5	4.7	6.2	2.2	3.7	5.1
in % of GDP	Bulgaria	7.1	8.1	5.9	5.9	10.4	13.9	10.8
	Croatia	7.3	5.7	6.8	4.9	6.8	3.5	4.5
	Romania	2.9	2.8	2.9	2.5	3.7	6.7	6.6
	Turkey	0.4	0.5	2.3	0.6	0.7	0.9	2.7
Unemployment rates	NMS10**	12.0	13.6	14.5	14.8	14.3	14.2	13.4
in %	NMS8*	11.5	12.5	12.4	11.8	11.3	11.2	10.1
	Bulgaria	17.0	16.4	19.5	16.8	12.7	11.8	9.9
	Croatia	:	16.1	15.8	14.8	14.3	13.8	12.7
	Romania	6.2	6.8	6.6	7.5	6.8	7.6	7.7
	Turkey	7.7	6.5	8.4	10.3	10.5	10.3	10.3
Annual average inflation	NMS8*	4.1	5.3	4.9	3.0	2.0	3.6	3.2
in %	Bulgaria	2.6	10.3	7.4	5.8	2.3	6.1	5.0
(definition: HICP for NMS8, BG, RO and TR; national CPI for CR)	Croatia		4.6	3.8	1.7	1.8	2.1	3.3
	Romania	45.8	45.7	34.5	22.5	15.3	11.9	9.1
	Turkey	61.4	53.2	56.8	47.0	25.3	10.1	8.1

Source: Eurostat, UNCTAD (FDI) and national statistical institutes
** unweighted average*
*** weighted average*

[4] CR -6.3%, TR -6.4%, RO -8.7%, BG -11.8% (2005 data, source Eurostat).

[5] Since 2004 the annual dynamics of imports in BG, RO and TR has exceeded 20%.

Similarly to the NMS, the CC4 region has radically reoriented its foreign trade towards the EU25 (Turkey has been trading heavily with the EU since 1960s) and become more open to foreign trade in general. In 2005, the share of total exports of goods and services in GDP accounted for 60% in BG, 49% in CR, 33% in RO and 29% in TR (63% on average in NMS8) which represents a several percentage-point increase in comparison to analogous shares in the second half of the 1990s.

While current account deficits in the CC4 are high and might deteriorate increase further, potential problems related to this are partly alleviated by record-high FDI inflows which covered more than 3/4 of the deficits in 2003-2005[6] on average (except in Turkey where the average coverage in this period was 27%). Furthermore, recent years have seen a marked acceleration of FDI inflows across the region: average annual per capita inflows more than tripled between 2000-2002 and 2003-2005 in RO (to 189 EUR per capita in the latter period), more than doubled in BG (to 273 EUR), increased by 86% in TR (to 54 EUR) while the CR recorded a mere 8% rise (to 320 EUR).

Several years of sound economic growth have brought rising incomes across the region. In particular, the period 2002-2005 saw real wages (deflated by the CPI) increase by 2.9% y/y on average in TR[7] and BG[8], 3.1% y/y in CR[9], and as much as 8% in RO[10]. In addition to steady real wage growth, rising domestic consumption in the region has been underpinned by an unprecedented expansion of credit. The annual dynamics of domestic credit (in domestic currencies) have been accelerating gradually over past several years, reaching very high rates in the range of 17% (TR) – 49% (RO) in 2005.

The region now seems to have achieved stable inflation rates. Turkey and Romania managed to bring annual inflation down from high double-digit ranges prevailing before 2004 to rates of 7-10% in 2005-2006. Both Romania and Turkey adopted inflation targeting recently (in August 2005 and January 2006, respectively) and the former experienced some nominal currency appreciation associated with this regime change. However, after the considerable disinflation success both countries seem to be stuck just below 10% and cautious monetary policies will be needed to bring inflation down further and keep it there in a sustainable manner. Inflation in Bulgaria and Croatia has been closer to EU levels over the past few years due to a successful stabilisation of the currency – in the strict regime of the currency board (BG) or through open market operations aimed at exchange rate stabilisation (CR). Recently, inflation has been on the rise in both countries, jumping to several-year highs of 8% in BG and 4% in CR in mid-2006. However, these swings were triggered by one-off administrative price changes and other supply-side shocks and inflation has been falling again in the third quarter.

1.2. Labour Market

Both activity rates and employment rates in the four countries analysed remain below the EU25 average and – with the exception of Romania – also NMS10 levels (Figure 2). Turkey

[6] 146% in BG, 81% in RO and 80% in CR on average during 2003-2005; source: UNCTAD.

[7] Private manufacturing industry hourly wages, source: Turkstat.

[8] Wages and salaries of the employees under labour contract in total economy (http://www.nsi.bg/Labour_e/Labour_e.htm)

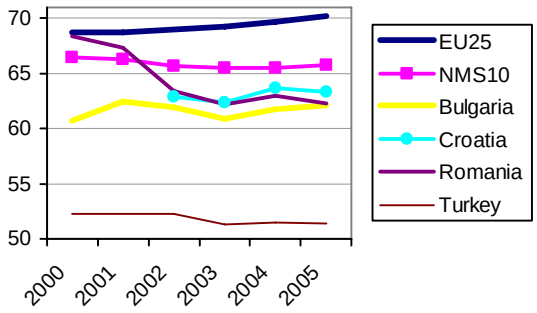
[9] Earnings in total economy (www.hnb.hr)

[10] Gross wages in total economy (www.insse.ro)

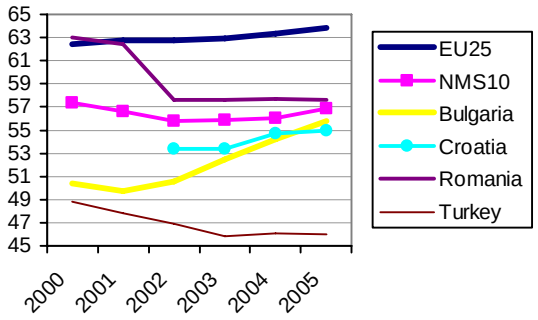
is an outlier in this respect – activity rates (in the 15-64 group) have fallen to just above 51% and employment rates to around 46% in recent years. This is explained by the alarmingly low participation and employment rate of women in Turkey – roughly one third of the male participation and employment rates and well below half of respective rates for women from the EU25 and candidate countries. In contrast, Bulgaria, Croatia and Romania are actually characterised by lower gender gaps in economic activity and employment than is the case in the EU25.

Figure 2. Key labour market characteristics of candidate countries: 2000-2005

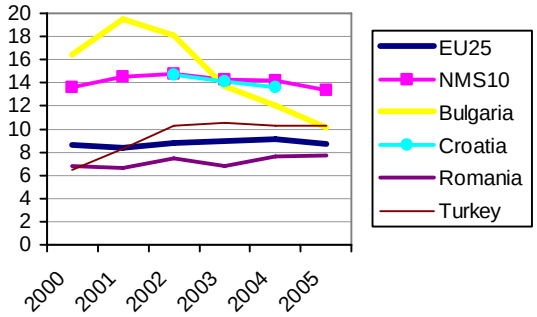
Activity rates (15-64 years)



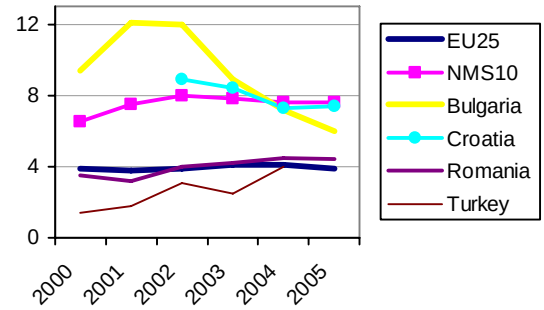
Employment rates (15 to 64 years)



Standardised unemployment rates



Long-term unemployment rates



Source: Eurostat.

Over the last 10-15 years the dynamics of participation and employment were determined by economic and demographic developments. Bulgaria, Croatia and Romania went through a major restructuring of their economies accompanied by output declines and labour shedding, then followed by recovery in recent years. To explain developments in the Turkish labour market we should perhaps look at population dynamics (large cohorts entering the productive age; migration from rural to urban areas). Nevertheless, recent periods have seen a gradual increase in employment along with robust economic growth.

As far as the sectoral structure of employment is concerned Turkey and Romania stand out with a very large share of the labour force in agriculture. Given the very low productivity levels of agriculture and the fact that a substantial part of this employment is in fact related to subsistence agriculture rather than production for the market, the process of labour shifting between sectors is likely to take place in these countries (and – perhaps to a slightly lesser extent – also in Bulgaria and Croatia) over the coming years and decades both creating

problems and opening up opportunities. Another important process with a potentially strong influence on the labour market is population ageing and the sharp decline in the size of cohorts entering the production age in Bulgaria, Croatia and Romania, as compared to the continued rise of productive-age population in Turkey.

Over the last 4-5 years Bulgaria and Croatia saw unemployment rates gradually falling from very high levels (close to 20% in Bulgaria and around 15% in Croatia) recorded around 2000-2001. This is very similar to the trends in NMS10 group. In contrast unemployment rates in Romania and Turkey were relatively low around 2000 (6.8% and 6.5%, respectively, compared to the EU25 average of 8.6% and NMS10 level of 13.6%) but more recent period brought their stabilisation at somewhat higher levels. In 2005, standardised unemployment rate stood at 7.7% in Romania and 10.3% in Turkey, broadly comparable to EU25 average of 8.7%.

Similar trends can be observed in long-term unemployment. Here, the relative success of Bulgaria in significantly reducing the long-term unemployment rate could be interesting for many of the NMS countries, which has seen little progress in this sphere.

Looking ahead, labour markets policies in all candidate countries will be faced with very similar challenges to those faced by the NMS: (i) past and ongoing economic restructuring; (ii) disincentives to labour market participation (iii) a high tax wedge; (iv) administrative and legal barriers to job creation including rigidities on the labour market; and (v) skill mismatches (World Bank 2005).

1.3. Demography

Turkey is by far the largest of the candidate countries in terms of population. It is also the only one registering population increase, so that by the time of its eventual EU accession (2014 or later) it is likely to become the most populated member state (at the moment it is somewhat smaller than Germany). Its population increased from 40.3 million in 1975, to 67.8 million in 2000 and an estimated 71.8 million in 2004. Consequently, currently almost half of the population is under the age of 25. This, coupled with expected increase in life expectancy (from low levels), implies a continuation of population increase. However, Turkey is now following other European countries in that its fertility rate is declining – currently it hovers around a replacement rate, still well above the EU average. There is also an important regional aspect to this – fertility is higher in less developed eastern regions (where life expectancy is significantly lower). Romania is another large country in this respect – its population of over 20 million would rank it behind Poland and ahead of the Netherlands. By contrast, Bulgaria and Croatia are small countries. Long-term population projections point to markedly different developments in the candidate countries. In the period up till 2050 Turkey is likely to be among the small group of countries (Cyprus, Ireland, Luxembourg and Malta) registering the fastest population increase (by more than 25%). Croatia together with a few NMSs (Czech Republic, Hungary, Poland, Slovakia and 3 Baltic States) is likely to see its population decline by between 10 and 20% while the pace of depopulation in Bulgaria and Romania will be the fastest in Europe – more than 20% (Social Situation Observatory, 2005).[11] It is therefore clear that in terms of demographic developments candidate countries

[11] Based on EUROPOP 2004 projections for EU25 and 2004 UN World Population Prospects for the four candidate countries.

fall into two very different groups: Turkey on the one side and the three other countries on the other.

Over the last decade or so demographic trends in Bulgaria, Croatia and Romania were broadly similar to what was typical for the NMS, or those countries among the NMS with the most negative developments in this sphere. Fertility declined to very low levels – well below 1.5, an average level in the EU25 as of 2003. Population has been shrinking – and quite substantially so in Bulgaria and Romania. In the case of Bulgaria this was largely due to a substantial natural decrease, while in the case of Romania a negative migration balance also played a significant role. Large migration flows resulting from the Balkan wars in early the 1990s have had a huge impact on the population of Croatia – some 300 thousand Serbs (ca. 7% of the whole population) might have left the country in the early 1990s and only some of them returned in subsequent years.

1.4. Poverty, income inequalities and the social protection system

The emergence of the private sector, rewards to entrepreneurship and risk-taking has resulted in increasing income inequalities in transition economies, such as Bulgaria, Romania and to a lesser extent Croatia. A further consequence of the shift to a market economy has been the rising wage premium linked to education in the labour market, which has also contributed to growing inequalities. In addition, the corresponding economic restructuring and the transformational recession amplified the dynamics of inequalities and changed the spatial pattern of inequality. As a result, the Gini coefficient of inequality for household disposable income rose to 29-31% in all three transition countries discussed here. In Romania and Croatia inequalities have remained at these levels, whilst in Bulgaria inequalities decreased from 29% in 1995 to 25% in 2005. Inequalities in Romania and Croatia are similar to the corresponding levels in Germany and France and, among the NMSs, Hungary for example. Inequality in Bulgaria is below the EU25 average, close to Scandinavian levels and that of moderately unequal NMSs, such as the Czech Republic.

Table 2. Inequalities (Gini indices)

	BG	HR	RO	TR	NMS10	EU25
consumption based	30	25	29	34	na	na
income based	25	29	30	45	30	30

Source: World Bank, Eurostat, national statistics.
Consumption based: BG: 2001, RO, TR: 2002, HR: 2004; income based: BG: 2005, HR, NMS10, EU25: 2004, RO, TR: 2003.

Income distribution in Turkey reflects a dualistic social structure with an export-oriented competitive sector, predominantly concentrated in Western regions of the country and a less efficient, more informal sector with less value added, in particular in the Eastern and South-Eastern regions. As a consequence of this deep regional divide Turkey is the most unequal among the countries considered. Its Gini coefficient of the distribution of household disposable income was 45% in 2003, much higher than in any EU member countries. It is worth noting that inequalities in consumption, although still large, are much smaller, 34% (see Table 2) than income inequalities. This reflects the importance of the household economy, and subsistence farming in particular, in the Turkish economy. The two Ginis are somewhat different in Croatia as well, whereas the Bulgarian and Romanian figures refer to different years so consumption inequalities cannot be compared to income inequalities.

As a consequence of the skewed income distribution, relative poverty is highest in Turkey. According to the methodology adopted by the EU, 26% (2003) of the population are considered poor (that is, have an equivalent household income below 60% of the median income). Croatia and Romania are again similar with a poverty rate of 17% and 18% respectively, while Bulgaria has a somewhat lower rate (14%). Poverty is related to labour market status, household composition and demography, degree of urbanisation, and region as well as ethnicity. In all candidate countries the poverty rate is below average among the employed, except in Turkey where the poverty rate among the employed is close to the average due to the high prevalence of the informal sector.

Table 3. Poverty profiles by gender and age

	Bulgaria	Croatia	Romania	Turkey
total	14	17	18	25
female	15	18	18	25
male	13	15	18	25
0-15	**18**	15	**25**	**32**
16-24	16	13	21	26
25-49	13	*12*	16	21
50-64	*10*	15	*13*	*18*
65<	**18**	**30**	17	20

Source: Balkandide country reports and Annexes.
BG: 2005, HR, RO: 2004, TR: 2002.
Italics/bold-face: lowest/highest prevalence across age-groups of a respective country.

An important dimension of poverty is demography (see Table 3). The poverty rate of children in Turkey is higher than average (32%) while that of the elderly is lower than average (20%). Children have a higher than average poverty rate in Romania and Bulgaria as well, but in Bulgaria the poverty rate among the elderly is also higher than average. In contrast, Croatia reveals a different pattern. The elderly are more severely hit by poverty than any other demographic group, whereas the poverty rate of children is slightly lower than average. This is partly the effect of the social protection system. Families with three or more dependent children are also subject to higher than average risk of poverty in all four countries. Poverty has an explicit gender face in Bulgaria and Croatia, the two countries where old-age poverty is above the average. This is due to the over-representation of women, usually having below average pensions, in the oldest cohorts.

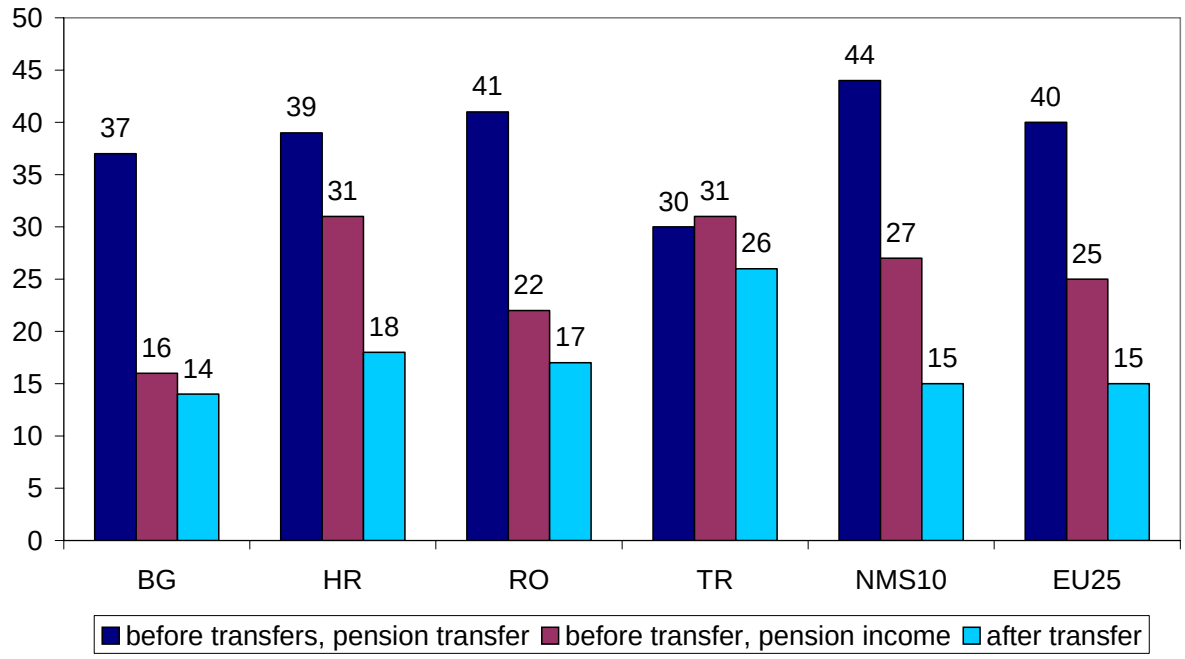
The other critical dimensions of poverty, regional disparities, the rural/urban divide and ethnic background will be discussed more in detail below among the special issues.

The social protection system mitigates poverty and income inequalities with varying degrees of effectiveness and efficiency across countries. In the three post-transition candidate countries the effectiveness of these institutions, that is, the proportion of people salvaged from poverty, is about the same as in the EU25. Social transfers eliminate around 60% of pre-transfer poverty (see Figure 3). In contrast, there is a 30% pre-transfer poverty rate in Turkey, indeed the lowest among the candidate countries, which has decreased to only 26%, leaving Turkey with the highest poverty rate in the EU29.

The candidate countries differ in the effectiveness of their particular social protection institutions. In Bulgaria, the social assistance system is not very effective in poverty alleviation (European Commission 2006). Income policy is working through the pension

system, which is an indirect and expensive way of poverty relief. If pensions and other social transfers are deducted from household disposable income, the relative poverty rate is 37%, which decreases to 16% if pensions are added but the further inclusion of other social transfers only brings about another 2 percentage point reduction in the poverty rate. To some extent, the same applies to Romania. By contrast, in Croatia transfers other than pensions are more effective in reducing poverty. The poverty rate is 39% without pensions and transfers, 31% after the inclusion of pensions and 18% after the inclusion of other social transfers as well. Indeed, the Croatian social assistance system is more effective in poverty mitigation than the EU25 average.

Figure 3. Relative poverty rate before and after transfers in 2003 (%)



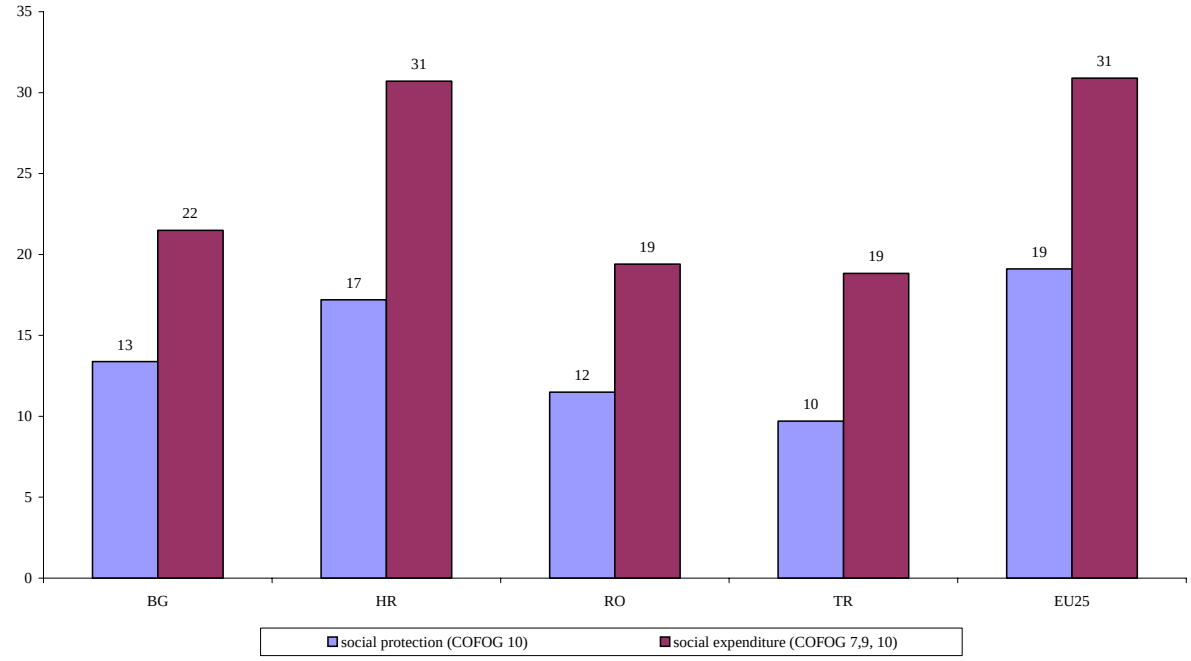
*Note: poverty line is 60% of median equivalent (OECD 2 scale) household disposable income. Source: Eurostat, Structural Indicators database. The Eurostat applies two definitions for before-transfer income, one excluding pensions (*pension transfer*) and another one including them (*pension income*).*

Social expenditures are higher in Croatia than in the other three candidate countries (see Figure 4). The Croatian social budget, including health, education and other social protection expenses such as old-age pensions, unemployment benefits, family benefits and social assistance, amounted to 31% of the GDP in 2001 (although it has declined since then), which is the same as the average of the current member states. In Bulgaria, Romania and Turkey social expenditures as a percentage of the GDP are about ten points lower. The largest difference compared to the EU25 average is in expenditure on non-health social protection (COFOG 10). While this figure is still close to 20% in Croatia, although decreasing as in the EU25 countries, in the other three candidate countries it remains at around 10% of GDP.

The leading cash programme of social protection is pensions. Pension systems have undergone reforms in each candidate country in recent years and they are likely to be further reformed in the coming years, although for different reasons. In the three post-transition

candidate countries the national pay-as-you-go schemes faced severe financial problems due to decreasing participation, the growing informality of the economy, emigration of labour (in Bulgaria and Romania) and the decreasing efficiency of contributions collection. In addition, the population is shrinking in these three countries and rapid ageing in the next decades foretells future problems as well. The case of Turkey is different since the working-age population has been growing and is expected to grow further over the coming decades. The pension system is still, nevertheless, in deficit due to over-generous options for early retirement.

Figure 4. Social protection and social expenditure as a percentage of GDP (%)



Note: COFOG 7: health, COFOG 9: education, COFOG 10: social protection,
Sources: JIMs, Eurostat, OECD, ILO (2005), Balkandide - Turkey country study.
Social protection BG, EU25: 2003, HR, RO: 2004, TR: 2005.
Social expenditures: HR: 2001, BG, EU25: 2003, RO: 2004, TR: 2005.

In all four candidate countries important institutional changes have taken place on this matter. The social insurance budget was separated from the government budget in the post-transition countries. The fragmented pension system, consisting of separate funds, was unified in Croatia and Romania. We will return to this issue below in the informal economy section. A similar reform is in the making in Turkey. Collection of social security contributions was centralised in Croatia in order to make collection more effective and contributions easier to control.

Further measures in pension reform in post-transition countries followed the recommendations of the World Bank. The World Bank not only suggested parametric reforms (such as to increase the retirement age, reduce pensions and extend the contribution base) but also to build up a pre-funded mandatory pillar in order to mitigate the effects of decreasing fertility and increasing longevity. In Bulgaria and Croatia, the pension system has been

recently reformed into a three-pillar system with a mandatory pay-as-you-go first pillar, a mandatory and funded second pillar and a voluntary funded third pillar. In Romania, a similar reform was attempted but it was not, in the end, implemented. Parametric reforms were also carried out in these countries. Standard retirement age was increased and the required contributory period was also extended. Some of the legislated retirement ages are as high or even higher than those within EU15 countries and are usually above those within the NMSs. However, actual retirement ages fall below even the current age of entitlement, by 3.2 years for men and 0.4 years for women in Bulgaria, 1.5 years for men in Croatia (ILO 2005, 28).

The coverage of old-age pension, that is the ratio of benefit recipients to those older than 65 is 76%, in Croatia, while it is around 140% in Bulgaria and Romania due to lower retirement ages and early retirement (ILO 2005, 30). Replacement rate, or the ratio of average old-age pension to the average gross wage is higher in Bulgaria (38%) and Croatia (34%) than in Romania, where the average old age pension is only one quarter of the average gross wage.

Provision of child-related benefits reflects the demographic situation of the country. The three post-transition candidate countries, having relatively older populations, spend relatively more on children than Turkey where the age-structure of the population is considerably younger. In Bulgaria, Croatia and Romania child-related benefits reach out to 75-85% of children (ILO 2005, 38) although recent changes in Croatia and Bulgaria are aimed at reducing coverage of certain provisions. In Croatia, child allowance is no longer attached to the employment history of the mother but became subjected to a means test after the 1999 reform. In Bulgaria, new legislation was adopted in 2002, which reduced benefits and introduced means testing for all kinds of benefits (except lump-sum birth grants). Coverage of benefits decreased by 25% after the introduction of the means test.

1.5. Quality of governance

The institutional environment of the economy is a crucial input to economic and social development. Difficulties in the enforceability of property rights and contracts and an inefficient judiciary system drive up the transaction costs of the economy, which might be a severe obstacle to economic growth. The regulatory activity of governments is another important component of this institutional environment. If business-creation is overregulated entrepreneurs will choose to operate in the informal economy. As informal assets cannot be used as collateral to obtain loans, the likely result is slower growth. This affects poor people the most since they lack the formal assets necessary to obtain credits (World Bank 2005).

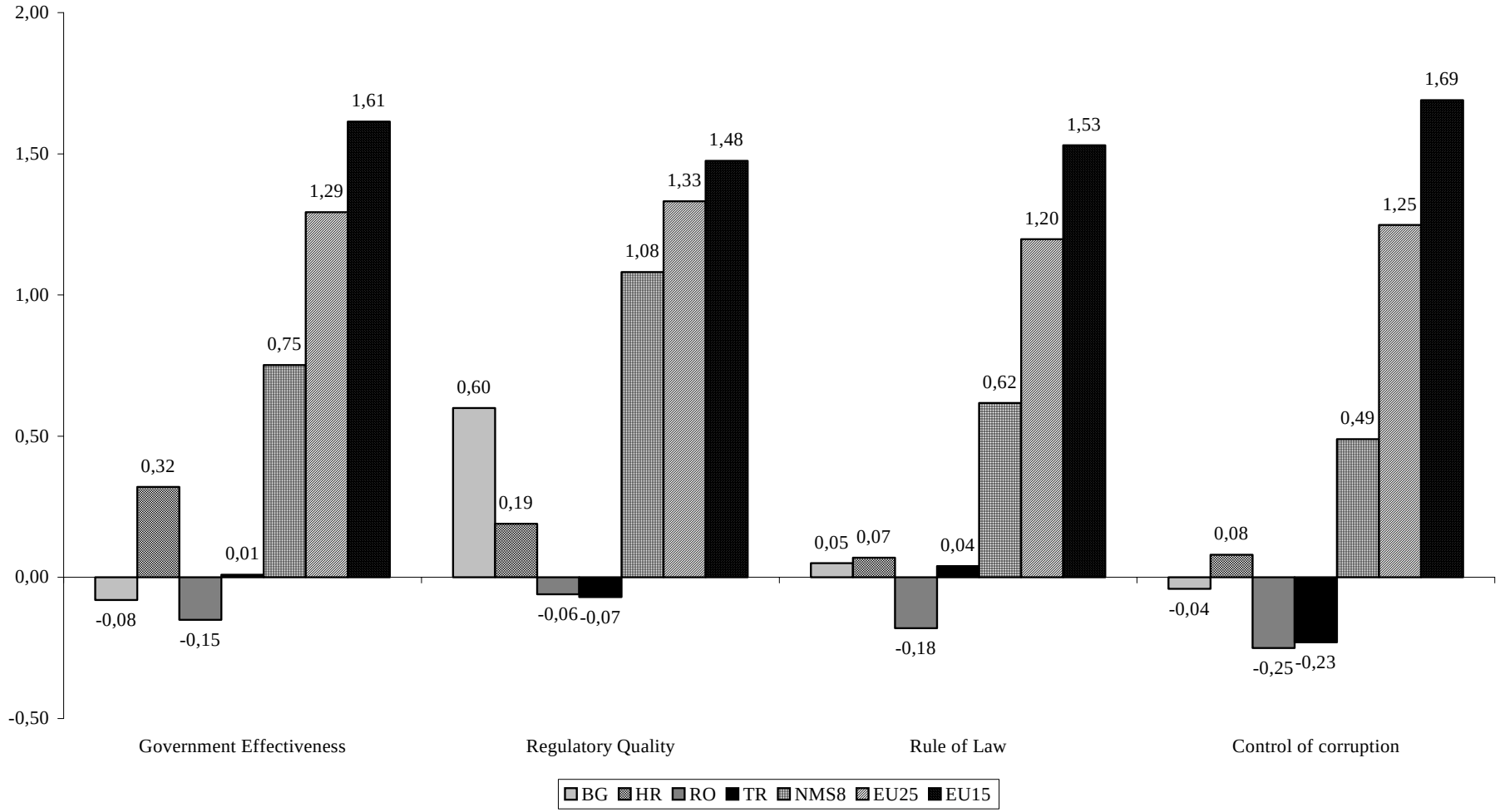
The World Bank's project on monitoring governance measures different aspects of the institutional environment including the rule of law, government effectiveness, regulatory quality and the control of corruption (Kaufman et al. 2005). The rule of law dimension measures contract enforceability and the effectiveness of the judiciary. Government effectiveness is assessed according to the quality of bureaucracy and the competence of civil servants. Regulatory quality measures the occurrence of market-unfriendly policies and excessive market regulation. Control of corruption is based on the perception of corruption. Governance indicators aggregate information from various related indicators measured in diverse data sources. Values of these aggregate indicators are rescaled and normalised (across the 209 countries represented in the study) in order to get a standard normal distribution with values between –2.5 and +2.5. Higher values indicate better governance.

The four candidate countries do considerably worse than the unweighted average of either the eight new Central European member states or the EU15 countries in all dimensions considered (see Figure 5). Romania has the lowest scores in three of the four indicators (rule of law, government effectiveness and control of corruption); regulatory quality is rated slightly better than in Turkey. Indeed, Romania performs below the World average in all four dimensions. Turkey is usually around the World average except in the control of corruption. Bulgaria and Croatia are closer to the NMS8 average (Croatia in government effectiveness, Bulgaria in regulatory quality).

Governance problems also arise in the administration of social insurance. Collecting contributions is ineffective as evasion is widespread. The contribution debt of the Romanian pension system was over 6% of GDP in 2002 (down from over 8% in 2000; ILO 2004, 50). The covered wage bill (a hypothetical wage bill calculated from contribution revenues and contribution rules), which is usually around 40% of GDP in developed economies (see Palacios and Pallares-Miralles 2000), was 41% in Croatia and 16% in Romania in 2002 (ILO 2004, 47).[12] These figures compare to the corresponding numbers of NMSs such as Slovenia (35%), Poland and Hungary (both 28%). A low covered wage bill reflects a low wage bill in general and a high degree of informality and tax evasion in the economy. Employers employ workers with no labour contract or underreport their wages. The situation seems to be stabilising, though. Bulgaria witnessed improvements in recent years. The percentage of insured persons actually contributing to the pension system increased from 86% to 92%, while contributions in arrears decreased from 14% to 9%.

[12] Palacios and Pallares-Miralles (2000) calculate the rate of the covered wage bill to GDP across a wide range of countries for the mid-1990s. They found 16.3% for Bulgaria (1994), 36.% for Croatia (1997), 20.9% for Romania (1994) and 7.2% for Turkey (1990).

Figure 5. The World Bank Governance indicators in selected countries, 2004



Source: World Bank Governance database; NMS8, EU25, EU15 are unweighted averages.

2. Issues of special interest

2.1 From human capital training to employment

An effective system of education and training is important for both social and economic reasons in all countries, and particularly so in those undergoing structural transformation in the process of catching-up with more developed parts of Europe. Among a wide range of objectives for education policy, preparation of people for active involvement in social and economic life, in particular through employment is of special relevance. In comparison with the EU, the four countries covered in this report are characterised by somewhat weaker human capital levels and inferior performance of the educational systems and lower employment rates and other problems of the labour market functioning. There is a strong link between these two spheres and education is arguably an important part of the solution to the difficult labour market issues, such as the low employment rates of certain groups in society, hidden unemployment in agriculture, high long-term unemployment, high youth unemployment, etc. This section highlights some of the key issues for the education-labour market nexus.

In order to explain the importance of the link between the quality and availability of education and labour market outcomes one may look at the wide literature concerning skill-biased technical change (SBTC). SBTC is often defined as an increase in the relative productivity of skilled workers against unskilled workers resulting from fast transition from skills-replacing technologies to skill-intensive technologies, as discussed by Katz and Autor (1999) for example. To claim that the process of fast technological and economic convergence of candidate countries to EU averages makes the SBTC process especially fast in the former group is not in question. This leads to a rapid change of the employment structure with more demand for labour characterised by higher average skill content/requirements.

Recent employment trends in agriculture and industry in the candidate countries (Figure 6, Panels A and B) and the scale of differences in employment structure by occupations between the candidate countries and the EU15 (Figure 6, C) can be informative in this context. The former two capture the pace and direction of change of structural characteristics of candidate countries' economies and the remaining distance for full convergence. The latter illustrates how the differences in employment structure by sector transform into diversities in occupational structure, being a proxy for skill content/requirements.

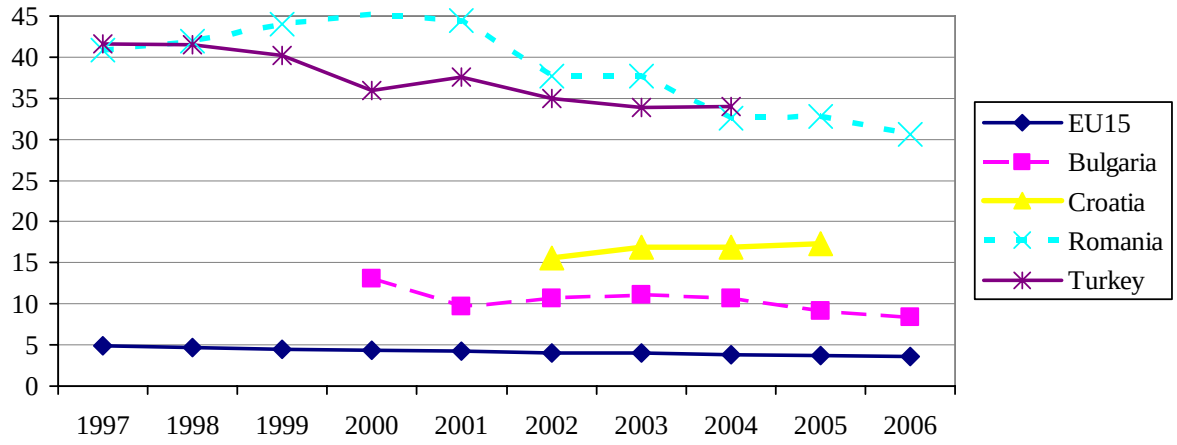
The general trend of declining employment in agriculture (and rising employment in services – not shown on the graph) is an indication of the convergence process taking place. However, increasing shares of industry indicate that the process will not be straightforward and that candidate countries (perhaps with the exception of Croatia) follow the earlier path of the West European economies where the transfer of employment from agriculture to services has taken place via industry.

The problem is, however, that the current global economic environment is very different from that of 20-50 years ago when a similar transformation was taking place in Western Europe. With much increased global economic integration, the industrialisation of European economies is now made more difficult due to rising competition from developing countries such as China and India. This implies that the scope for a slow, gradual transfer of labour from elementary jobs in agriculture to elementary jobs in industry at the first stage and then to more sophisticated jobs in industry and services at the second stage is strongly limited. Most probably the skill intensity of average jobs in candidate countries will have to increase much faster than was the case in Western Europe.

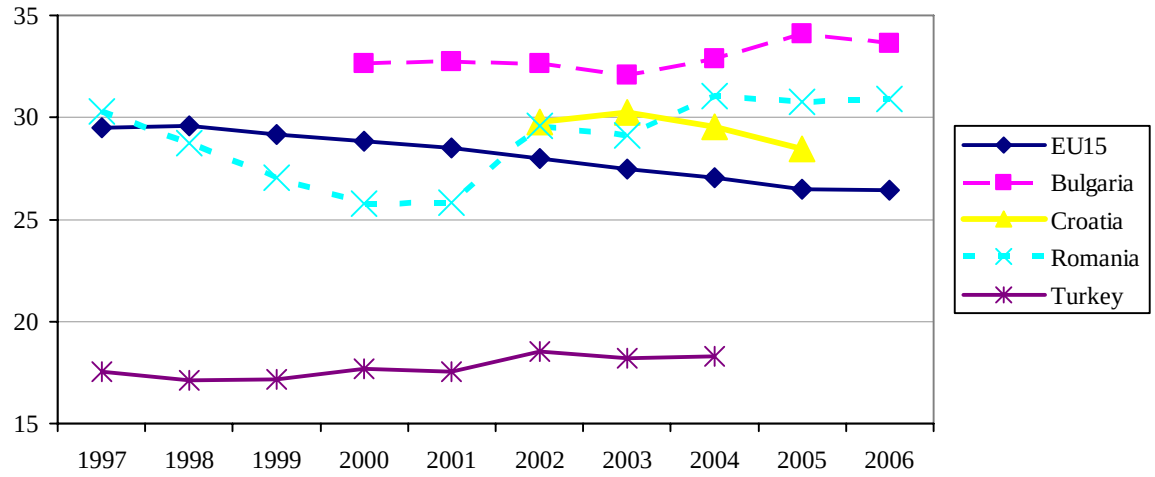
Even in countries with economic structures slightly closer to the EU15 average (Bulgaria and Croatia), the occupational structure is visibly different from the EU15. In all candidate countries the share of occupations requiring higher skills (senior officials, professionals, technicians and clerks) is lower than in the EU15. On the other hand the proportion of less skill-intensive jobs is higher (agricultural workers, crafts, machine operators and the category called 'elementary occupations'). As the economic structures of these countries converge with the EU the skill-content of the average job will increase. The speed of economic convergence and the pace of skill-convergence are closely interrelated.

Figure 6. Employment structures in the EU15 and candidate countries

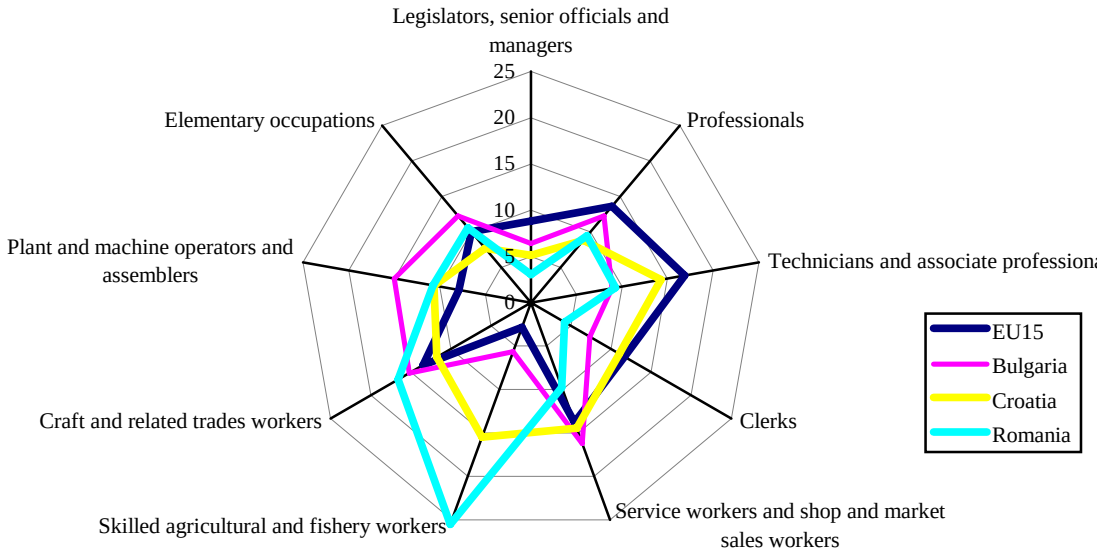
Panel A. Employment in agriculture as a share of total employment, 1997-2006 (%)



Panel B Employment in industry as a share of total employment, 1997-2006 (%)



Panel C. Employment by occupation as a share of total employment in 2006 (2005 for Croatia), (%)



Source: Authors' calculations based on Eurostat LFS data.

One has also take into account that this rapid transformation of the labour markets and labour forces of candidate countries takes place (and will be taking place) in an environment where the average education level of the labour force, and perhaps more importantly, the quality of education attained and the extent to which skills are up-to-date, is somewhat lower than in advanced EU economies (there are large differences between candidate countries in this respect, too). One consequence of this may be that the convergence process involves high social costs, such as high unemployment rates among unskilled groups and increasing skill-related wage dispersion. Another result may be that the catch-up process itself is hindered, e.g. when public pressure persuades governments to try protecting unproductive jobs (a history of coal mining restructuring in Romania is a case in point).

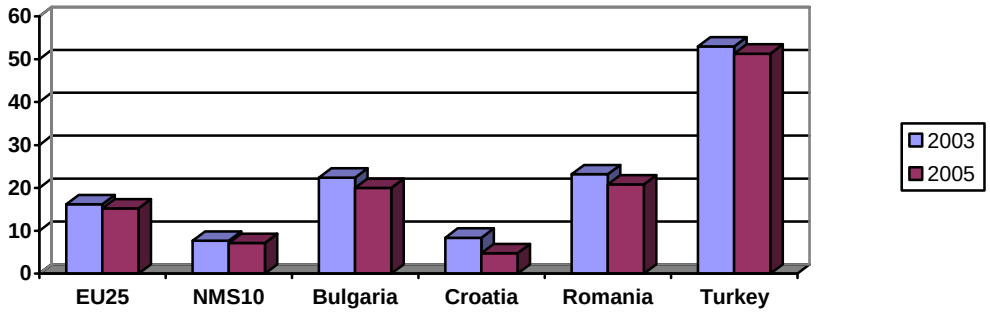
There are no easy solutions to this problem, at least in the short term. In the long run it can possibly be solved by significant advances in education. The education system should provide young people with skills matching the needs of modern, internationally competitive economies. Older workers should be offered a wide range of possibilities to update and improve their skills. This last task requires a well functioning system (formal and informal) of continuous education and a culture of life-long learning. Below we look at certain characteristics of the education systems and processes that are particularly relevant from this perspective.

The education systems in all four candidate countries have undergone substantial changes over the last decade or so, but the starting points were different. All countries have now achieved universal coverage of education at primary level, but in Turkey this achievement is relatively recent. Depending on the measure applied the educational attainment of the working age population is below or on a par with the EU average (with the exception of Turkey, where it is much lower). On the one hand people who completed at least upper secondary education in candidate countries (with the exception of Turkey) actually represent a higher share of the total population aged 25-64 than the EU average (NMS10 average is yet higher), but the share of tertiary graduates in the labour force is low in Turkey, Croatia, and Romania (in Bulgaria it

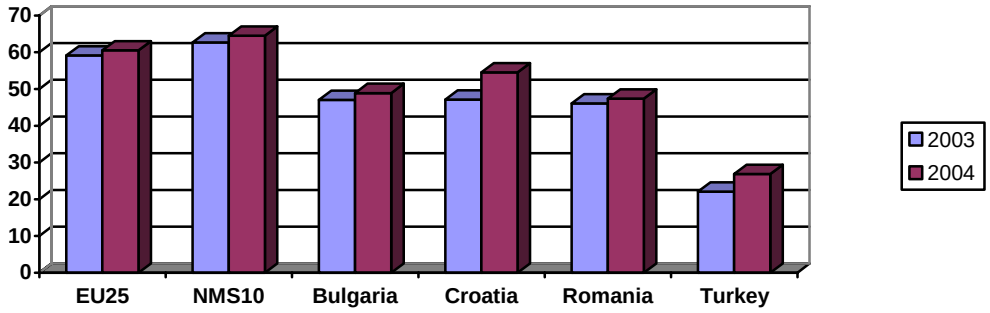
is at the EU average). However, current trends indicate on average a shorter (relative to the EU and the NMS) schooling period in all candidate countries, with the exception of Croatia. In Bulgaria, Romania and Turkey participation rates drop considerably around the age of 18-19 (Figure 7).

Figure 7. Educational attainment indicators at secondary and tertiary level

Panel A. % of the population aged 18-24 with (at most) lower secondary education and not in further education or training



Panel B. Students (ISCED 1_6) aged 15-24 years - as % of corresponding age population



Note: The jump in the share of students in Croatia between 2003 and 2004 suggests a lack of data comparability.
Source: Eurostat.

In Turkey, Romania and Bulgaria (even at primary level) several population groups reflect low levels of participation in education far below national averages. This applies to the Roma minority in Romania and Bulgaria and girls from poor families, particularly in South-Eastern Turkey (Roma Education Fund, 2004a; 2004b; World Bank, 2006b). Besides, education systems of the candidate countries are not always successful in providing adequate services to groups such as disabled people (in all countries) or the small Roma minority in Croatia (similar problems can be observed in many EU countries). While improvement in educational provision for these groups is certainly difficult to achieve, a substantial part of the problem is also in the demand for education expressed by disadvantaged groups; it is clear that substantial and rapid progress is a necessary precondition for improving the social status of these groups, limiting the incidence of poverty and avoiding the trap of inherited social exclusion. One of the key mechanisms supporting social integration is employment.

The link from education to employment and full social participation can be illustrated by the case of women in Turkey. While the employment rate of women in general is alarmingly low compared to male employment rates in Turkey (just above one third of the male employment rate) and relative to female employment rate typical for EU countries (below half), labour market performance of women with tertiary education is comparable to those of men (World Bank, 2006a). The issue of skills is becoming more important as women (together with their families) migrate to cities, where the options of employment in agriculture are no longer viable, but other employment options require much higher skills that women from rural backgrounds rarely possess. Since rural-urban migration is bound to continue, the problem will not disappear. Remedies are not easy to apply, but improving the access and quality of education in rural areas and opening opportunities for adult training in cities emerge as key components of the policy response.

Another crucially important issue is the quality of education and specifically the skills that the people are equipped with upon completion of various stages of their education. Evidence for the quality of the system can be found in the relative success of graduates of various educational institutions in the labour market. Here the experience of the candidate countries is mixed, but the prevalence of high unemployment rates among young people just entering the labour market is not that easy to interpret. In Turkey, for instance (and in other countries) it can indicate a combination of inadequate skills in graduates and an insufficient creation of high-skill jobs in the economy. Other important evidence for the quality of education can be found in international assessment programmes, particularly those looking at the ability of the students to put their knowledge to use in typical non-academic circumstances.

Assessing the quality of education is far from trivial, if only because the socio-economic background of pupils remains key in determining educational outcomes in almost all countries. Still, international comparisons of educational outcomes remain perhaps the most reliable proof of quality assessment. Here, the results of candidate countries appear to be below EU averages (in some cases substantially below), but the comparison is complicated by insufficient data and the picture is mixed. In particular Croatia did not participate in any international comparison programmes, so there is no evidence on the situation there.[13] Among the three other countries Turkey and Romania clearly lag behind the EU as indicated by very low average PISA scores and a very high proportion of 15 year-olds achieving the lowest proficiency levels. TIMSS results (on mathematic and science proficiency) for the period 1995-2003, apart from confirming the poor performance of Turkey, also show that the results of Romania's eighth graders were flat during this period (and below European averages), despite ongoing educational reforms. A worrisome development can be observed in the case of Bulgaria, where eighth-grade students fared very well ten years ago, but since then there has been a serious deterioration in test scores, and Bulgaria has gradually fallen to very low levels. A somewhat different picture – particularly with respect to Bulgaria – emerges from the analysis of comparative reading achievements of fourth-graders (aged 9-10) as measured by PIRLS 2001 (IEA, 2003). Here, Bulgaria was in the group of countries with the best results, Romania was at or just above international average, while Turkey was among the worst performers (recording – together with Former Yugoslav Republic of Macedonia – the weakest scores among European countries participating in the study).

There is scant information on the relative magnitude of problems regarding the quality of education in different types of institutions. Vocational education is one field where it is

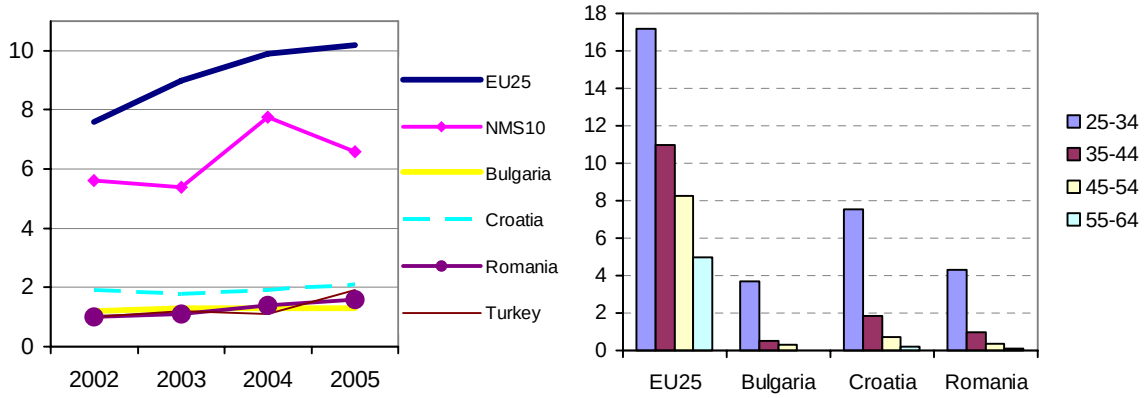
[13] PISA 2006 should bring the first internationally comparable results for Croatia.

particularly difficult to upgrade curricula to meet changing demand for skills in the labour market and also to keep the programmes attractive to young people. There is a general trend of expansion of general secondary education at the expense of the vocational stream. This primarily reflects the increasing demand for more education among the youth, but may lead to a trap where some people complete their education at general secondary level without any practical skills that could make them attractive in the labour market. Indeed, in Bulgaria and Turkey unemployment rates among young people with secondary vocational education appears to be visibly lower than among those with general secondary education. In Romania, both groups face similar unemployment rates (Betcherman, 2006). The difficult challenge is therefore in avoiding a collapse of the vocational stream by upgrading curricula, making them both attractive to students and relevant from the labour market perspective.

The rapid increase in tertiary participation rates calls for increased attention in ensuring that the expansion in quantity of provision will not lead to a major deterioration in quality. The importance of this issue appears to have been noticed by policy makers in the countries covered in this report. For example in Romania, following a review on the quality of tertiary education a new institution (Romanian Agency for Quality Assurance in Higher Education) was to become operational by end-2006. The efficient functioning of such institutions may be important in ensuring that higher education institutions observe some minimum standards, and that prospective students have access to objective information on the quality of services offered by different providers and also on the labour market outcomes of graduates to allow informed choices in the fields of study.

Figure 8: Life-long learning and participation in education activities in candidate countries

% of population in education and training 2002-2005	*% of population in education and training by age in 2005.*



Note: % of adult (25-64) population in education or training during last four weeks prior to the survey (LFS data).
Source: Eurostat[14].

Monitoring educational outcomes (by international comparison, but also within countries) certainly deserves attention and it is worth devoting resources to this. This would offer a very useful tool for designing educational policies. It could also help in addressing key questions such as whether education plays a role in social cohesion by providing equal chances for

[14] We are grateful to Terry Ward for providing us with data broken down by age.

equally talented people, and whether the educational system provides people with skills needed in the labour market of today and teaches them how to adapt to the constant changes in the labour market necessary in the globaled and integrated world of fast technical progress. The answers can be different for younger generations (covered by the state educational system) and for the older people (who can or perhaps cannot have access to life-long learning facilities).

Candidate countries' achievements in the sphere of continuous education can be assessed as unsatisfactory (see Figure 8). The levels of adult participation in life-long learning are much lower than EU and NMS averages (see left panel of Figure 8). Over the 2002-2005 period only Turkey and Romania saw (very limited) improvement in this indicator – in line with prevailing EU trends, while in Bulgaria and Croatia participation rates have stagnated.

It is mainly the older strata of the population who suffer from the skills mismatch resulting from rapid technological change and economic restructuring. Therefore one would expect that older persons in the candidate countries would be relatively more interested in education and training then their counterparts in the European Union. However, this does not seem to be the case (or there is simply no offer suitable for older workers). Participation rates in Bulgaria, Croatia and Romania, apart from being much lower in general, also appear to be much more concentrated among the youngest cohorts than in EU countries (see right panel of Figure 8). In the EU25, people aged 25-44 are twice as likely to participate in education and training activities than people aged 45-64. In practice this means that people over 35 years of age (in Croatia perhaps 45 years) did not participate in any training at all as of early 2005. In view of this it is important to build a relevant training offer and promote it among people in the middle of their working career and not only among the elderly.

The candidate countries are at various stages of reform in their educational system. While the past actions have already brought important positive results (such as an increase in the supply of primary education classrooms by 30% in the six years following the 1997 act on primary education in Turkey), the progress has been uneven and – not unexpectedly – certain problems impaired reform implementation and their outcomes. This partly relates to the quality of governance in general – education is one of the spheres where changes are often difficult to implement and require a high professional level of administration and planning, putting into practice and overseeing the execution of the changes.

Available statistics suggest that candidate countries devote a somewhat lower share of their resources to investment in education than is typical for EU countries. In 2002, public spending on education as a share of GDP oscillated around 3.5-3.6% of GDP in Bulgaria, Romania and Turkey and 4.6% in Croatia, compared to EU25 average of 5.2% (and 5.3% in the NMS). By this measure private spending in Bulgaria and Turkey appear to be roughly on a par with EU averages (although possibly private spending is of a different nature – e.g. in some regions of Turkey it is not uncommon that parents contribute to the heating of school buildings), while private spending plays a lesser role in Croatia and Romania. Naturally, this implies lower expenditure per student in candidate countries, even if measured at PPP exchange rates. However, when spending per pupil is related to GDP per capita the difference between candidate countries and the EU largely disappears (data are available only for Bulgaria and Romania). Another interesting feature is that both Bulgaria and Romania spend more on their tertiary students relative to students at earlier stages of education than is typical in EU countries (Commission, 2005).

The resulting picture (further complicated by demographic trends and changing educational participation patterns) is therefore complex and available information does not allow for the

formulation of clear judgments as to whether the current level of investment in education is sufficient in the candidate countries. We are inclined to believe that in view of the importance of education for socio-economic development some increase in public resources devoted to education could be justified in the medium- to long-term, although this should be preceded by reforms improving the efficiency of the education system, and the introduction of mechanisms allowing for the monitoring of educational outcomes. How the money is spent is perhaps much more important than the level of public resources devoted to education.

2.2. Regional disparities and the social protection system

Neoclassical growth theory predicts convergence, in the long run, of countries and regions on the grounds of the public goods nature of technology. The main driving force behind this reduction in productivity gaps is capital accumulation. By contrast, the theory of endogenous growth emphasises the private or local nature of technology, which is entrenched in cooperative networks of economic actors such as firms or other types of economic organisations. Accordingly, diffusion of technology also depends on factors other than capital accumulation. Regional or national disparities are not bound to decrease, but they can be maintained or even increase if less developed regions are unable to absorb higher productivity technologies. In addition, substantial regional disparities hold the potential to induce processes, including internal and external migration (with the associated brain-drain), which may further widen regional differences and lead to divergent development paths between regions in the same country. Successful policies to integrate less developed regions, while not easy to design and implement, may prevent such processes running their course or may even reverse them. The Third Progress Report on Cohesion by the European Commission (2005) found that output disparities decreased across member states, but increased across regions. Effects of the EU Structural and Cohesion Funds are not self-evident on the regional level.

Table 4. Selected measures of regional disparities in candidate countries, various years

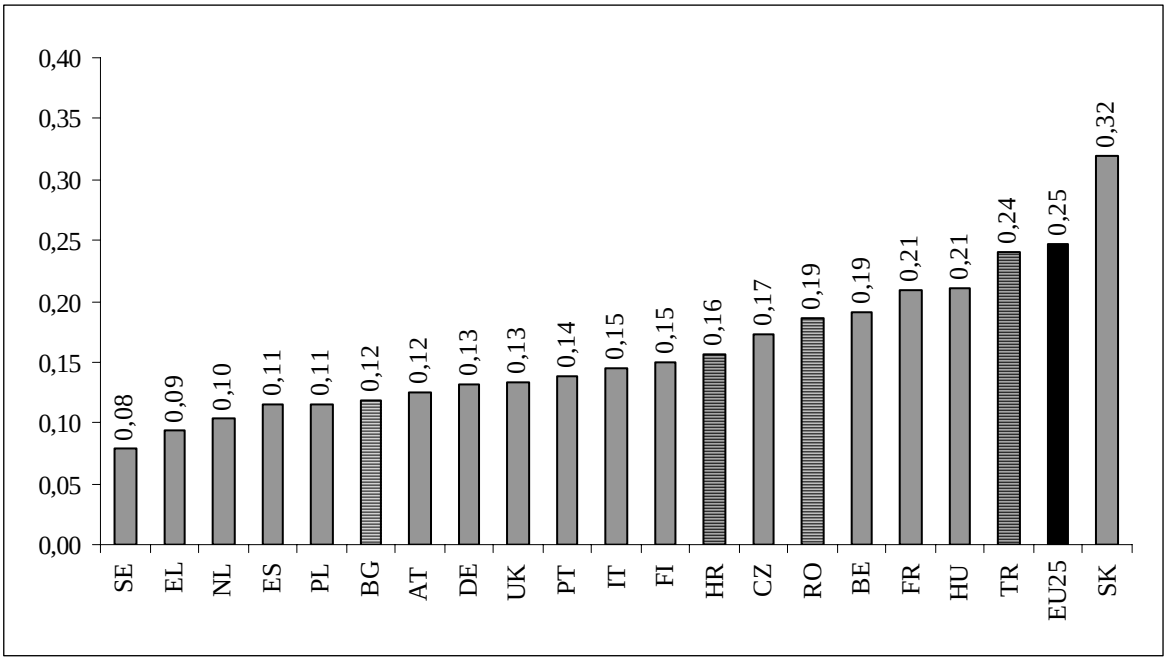
country	measure	year	NUTS level	number of territorial units	coefficient of variation	Gini*
Bulgaria	GDP/capita	2003	2	6	0.26	0.12
Bulgaria, excl. Sofia	GDP/capita	2003	2	5	0.03	0.02
Bulgaria	GDP/capita	2003	3	28	0.28	0.14
Bulgaria, excl. Sofia	GDP/capita	2003	3	27	0.16	0.11
Croatia	GDP/capita	2003	3	21	0.32	0.16
Romania	GDP/capita	2003	2	8	0.37	0.19
Romania, excl. Bucharest	GDP/capita	2003	2	7	0.16	0.10
Romania	GDP/employee	2002	2	8	0.44	0.22
Turkey	GDP/capita	2001	1	12	0.39	0.23
Turkey	GDP/capita	2001	2	26	0.42	0.24
EU25	GDP/ capita	2003	2	254	0.46	0.25

* *The Gini index reflects dispersion of per capita GDP by territorial units and not household incomes.*
Source: European Commission (2005b), World Bank (2002, 2005), Eurostat, national statistics.

The four candidate countries differ in their regional patterns of development and strategies, which in some cases are, and in other cases are not implemented to deal with regional differences. Table 4 shows selected measures of variation across countries and at various levels of territorial units. These measurements include, where available, the coefficient of

variation and the Gini index calculated across territorial units. The coefficient of variation comprises more information, but it is sensitive to outliers. The Gini-index, by contrast, is more sensitive to dispersion in the middle of a distribution, but its application for aggregates, such as regions, is less usual. Since the variation of per capita GDP among aggregates, such as territorial units, is smaller than that of per capita income among individuals for obvious reasons, the values of the Gini index are lower here than the usual values known from inequalities studies. To put this another way, even relatively small Gini values here reflect considerable inter-regional differences. Figure 9 shows the Gini values of per capita GDP across NUTS2 regions for all EU25 countries having 4 or more level 2 territorial units.

Figure 9. Gini of per capita GDP in euro across NUTS2 regions (2003)



Source: European Commission (2005), World Bank (2005), Eurostat.
Note: Turkey: 2001; Croatia: NUTS3.

Bulgaria

Bulgaria is strongly capital-centred but other parts of the country, at least the 6 territorial units at level 2, are rather homogenous in terms of per capita GDP. In particular, the only outstanding level 2 territorial unit, the South-West region, including Sofia and its surroundings, is alone responsible for almost the entire variation across the regions (Table 4 rows 1 and 2). Disparities across the 28 level 3 units are somewhat larger even after the exclusion of the capital from the calculation (Table 4 rows 3 and 4). Within-region disparities, in particular between urban and rural areas are wider than between-region differences. According to the *Survey on rural development needs* of the World Bank (2004) the per capita GDP in rural areas is only about half of the corresponding figure in towns. Household strategies to cope with poverty differ between rural and urban areas. Subsistence farming as a second job significantly reduces the risk of poverty compared to those who have no second job, whereas in urban areas the poverty risk is the same irrespective of holding one or two

jobs (World Bank 2002, 34)). Subsistence agriculture thus represents an important part of the safety net.

Internal migration frequently amplifies regional disparities, as it is usually the young, the better educated and the more able that leave less developed areas. However, a high proportion of owner-occupied dwellings (92%) hinder internal mobility in Bulgaria. This, combined with the dependence of house prices on regional economic performance, inhibits labour force migration from depressed regions to more prosperous ones.

The social assistance system was decentralised at the beginning of the transition. However, underfinanced local authorities with administrations unprepared for the job were frequently unable to provide even basic services so the system was recentralised between 1998 and 2001. As a consequence, per capita social assistance expenditures have little relation to per capita GDP across the 28 NUTS3 level regions. If Sofia is included in the calculation the two distributions are weakly and negatively correlated. Regions with lower GDP tend to receive somewhat higher social assistance ($r = -0.29$). This is solely due to the low per capita social assistance in Sofia. If the capital is excluded from the calculation even the weak correlation disappears ($r = 0.05$) despite the variation of per capita GDP across level 3 territorial units.

By international comparison (see Figure 3 on social protection before and after transfers) poverty alleviation relies heavily on the pension system in Bulgaria whilst the social assistance system, which applies means-tests and targets poverty directly, is rather ineffective in elevating the poor above the poverty line. The two main means-tested social assistance programmes are monthly benefit and the Energy benefit. Monthly benefits are granted to people who live under the Guaranteed Minimum Income level. Energy Benefits are paid to households that have difficulties paying for heating during the winter and are also subject to means testing. These social assistance programmes are administered by the Regional Directorates of the Social Assistance Agency. Neither the pension system, which is, by its nature, a national programme, nor the social assistance system gives much discretion to the regional directorates or local directorates.

Croatia

Per capita GDP figures are currently available only at NUTS3 (county) level. Since the variation across higher level, larger units is usually lower than across lower level units, the Croatian Gini value in Table 4 or Figure 9 is less straightforward to compare with the corresponding figures of other countries. Nevertheless, as it seems, Croatia is fairly capital-centred; the city of Zagreb brings about one-fourth of the coefficient of variation across the counties.

The recent World Bank (2006) study on poverty found that the tax-transfer system effectively redistributes income across counties in favour of the poorer areas. The 5 analytical territorial units, which the study used for level 2 territorial units had higher deviation in terms of per capita GDP than in terms of primary income and still less in terms of disposable income. In addition, among level 3 territorial units, the five counties with the lowest per capita GDP are not those that have the lowest per capita disposable income or per capita consumption or average monthly earnings or the highest headcount poverty rate. There seems to be a clearer divide between urban and rural areas. The same survey found 6.2% of the urban population against 18.3% of the rural population below the poverty line. The county level averages frequently hide large intra-county disparities, such as in the case of the Dalmatian counties that include the prosperous coast line as well as the less affluent Dalmatian Hinterland.

Another important aspect of regional disparities in Croatia is the effect of the recent war. About one-quarter of the country was occupied and about half was directly affected by the hostilities. The war left a legacy of destroyed infrastructure, land mines and led to the depopulation of certain areas. The effects are persistent and even self-accelerating as the most active 18-40 year old cohorts are underrepresented among the returnees. In order to mitigate the consequences and avert the negative trends the government defined preferential territories, or *areas of special state concern*. The preferential treatment includes tax exemptions for local citizens and governments as well as for investors and direct investments in accommodation and infrastructure. The programme has not yet been evaluated systematically. According to the qualitative assessment in the corresponding *Balkandide - Croatia country study* part of the initially planned measures have not been implemented, and adverse trends have not been impeded. Unemployment is still exceptionally high in these regions, investment activity is undesirably low, the depopulation trend seems to be continuing and the income structure of households apparently shows the signs of welfare dependency.

Croatian cash transfers are still largely centralised, except for housing and fuel allowances, which are county and city-financed. The role of the non-governmental sector in the provision of social services is slowly increasing. Coverage of social assistance extends to 4-6% of the population. In 2002, the social assistance system was partly decentralised in that financing and maintaining some of the in-kind services, such as old people's homes and care centres, was delegated to local governments. In addition, local governments may also top up other social assistance programmes or establish their own programmes. Since local governments differ widely in their financial capacities decentralisation may possibly provide incentives for internal welfare migration. As the *Balkandide - Croatia country study* stated, there has not yet been enough evidence collected about the actual functioning of this multi-level system.

Romania

Romania is a highly capital-centred country. It has 8 territorial units on level 2, which are rather homogenous in terms of per capita GDP with the exception of Bucharest. The latter alone is responsible for nearly 60% of the coefficient of variation of regional per capita GDP. Only Belgium, France (including overseas regions), Hungary and Slovakia have deeper regional disparities among current member states if measured by the Gini-index (see Figure 9).

Bucharest attracts about half of all foreign direct investment; it has the lowest poverty rate and the highest life expectancy. In contrast, it has the lowest labour market participation rate and the lowest employment rate among the regions. In general, the participation rate and the employment rate are negatively correlated ($r = -0,6$, and $r = -0.7$, respectively) with per capita GDP across regions, whereas the rate of unemployment, by the ILO definition, is positively correlated ($r = 0.5$) with it. Regions with the lowest output level, such as South-West Oltenia, North-East and South Muntenia have the highest participation rates as well as the highest employment rates. This reveals still wider disparities in efficiency, when measured as GDP per employed (see Table 4 row 6).

Data on employment dynamics provide a greater insight into cross-regional differences in the speed of economic restructuring. Although the employment rate decreased in all regions between 1997 and 2003, the higher the per capita GDP in a region, the smallest this decrease was ($r = 0.9$). This predicts a further decline in employment across the poorer regions and a

further pressure on the social protection system or, in its absence, pressure to migration to the subsistence economy.

By sectoral distribution, a high proportion, over 30%, of the employed work in agriculture. This is more than in any other country among the NMSs. Nearly two-thirds of the land consists of subsistence farms, with a high rate of self-consumption and limited linkages to the agricultural products market. This is due to the way partial restitution of the pre-war land property reallocated very small land holdings to a large number of people, and due also to the absence of a proper framework system for land transactions, which would lead to the emergence of reasonably sized farms. The lack of proper credit mechanisms, entrepreneurship and preparedness of producers as well as the weaknesses of the food market mechanism leave this sector stagnating at best. Lack of job opportunities in urban areas and a potential mismatch between demand and supply of skills renders it difficult for the excess labour in agriculture to find more efficient employment elsewhere. Indeed, from the late 1990s the direction of internal migration reversed and more people moved from cities to rural areas than vice versa. In the absence of effective social protection and efficient employment services, subsistence agriculture absorbed a considerable share of the newly unemployed who lost their jobs during the recession of the late 1990s.

The Romanian social assistance system has a highly fragmented structure with a large number of small programmes and overlapping responsibilities of various central agencies. The Social Security Inquiry of the ILO (2005) identified 48 different benefits within this framework. The distribution of resources and responsibilities among central and local authorities are opaque and it is frequently based on informal processes. The local administrations are discouraged from raising their own revenues and the allocation criteria of central tax revenues by the principle of ‘territorial solidarity’ are frequently unclear and deliberately ignored. This creates fertile ground for cronyism and political migration toward parties winning general elections.

The same procedure frequently favours people in richer counties at the expense of poorer counties. The key component of the social assistance programme, the Minimum Guaranteed Income (MGI), is set as an income level to which effective incomes of the poor are supposed to be topped up. However, average social benefits tend to be significantly higher in richer counties as compared to poorer counties.

The same problems of centralisation and weak enforceability of rules apply to the distribution of funds at the county level as well. As the *Balkandide – Romania country report* stated “[a]lthough a strict formula should apply for the distribution of funds at the county level, deviations from this standard are tolerated on the large scale and the usual practice is actually based on some unclear quantitative criteria. No local council knows the amount that will be allocated by the county, since the process relies on individual negotiations between the two levels; rural communes will therefore suffer the most from this erratic distribution. ... The lowest level of local government, rural communes, receives transfers from the county councils. Since their capacity to raise local taxes is very limited, the main source of revenue remains funds allocated from above; when this money comes from the state budget, it passes through the county council, which keeps for its own needs a corresponding part and then transfers to lower echelons whatever remains available. It follows that the only workable mechanism allowing a local authority to get more resources is the use of personal influence and networking.”

Turkey

Regional disparities in Turkey are wide and differ from those of other candidate countries. Turkey is not capital-centred (neither Ankara, the administrative capital, nor Istanbul, the financial, economic and cultural centre is the richest region), as in many member states, but it has a development gap between its Western and the Eastern regions. If measured by the Gini index of per capita GDP its regions differ from each other almost as much as the 254 regions of the current 25 member states of the EU combined. This wide variation is not due to some outliers; there are not simply one or two exceptional regions. Output differences are echoed in various other human development measures as well. Life expectancy at birth is ten years longer in Marmara than in Eastern-Anatolia. Respective shares of under-weight children among children of 5 years or younger are 6% and 19%. The adult literacy rate is over 89% in Marmara but only 62% in South-Eastern Anatolia (World Bank 2005 and *Balkandide – Turkey country report*). The overall Human Development Index (HDI) was 0.869 in Kocaeli, the most developed province, which is above the national averages of some Central European NMSs, such as Hungary, the Czech Republic and Poland. In contrast, the lowest HDI value of Kars province was only 0.644 in 2000 (Bugra 2005).

Family structure and fertility and access to education follow the same regional patterns. These and other pieces of indirect information support the view of a similar regional disparity in the role of the subsistence economy and coverage by social security. Further data collection is needed to fully confirm this view.

As Table 5 displays, efficiency in those segments that are connected with the formal economy is considerably higher than in Bulgaria and Romania. The gross value added is comparable and in sectors like services or manufacturing it is even higher than the corresponding values in the Czech Republic, one of the most advanced NMS. Efficiency in agriculture, however, is lagging behind and the existence of an extended subsistence segment confirms the dual nature of the economy.

Table 5. Sectoral Gross Value Added per person employed, 2000 (Thousand current €s)

	Agriculture	Industry	Services	Economy average
Bulgaria	4.3	3.7	4.3	4.1
Romania	1.1	5.8	7.5	4.2
Turkey	4.6	13.5	15.7	10.9
Czech Republic	9.7	12.4	12.1	11.7

Source: EUROSTAT. No comparable data of Croatia are available.

Regional disparities are not only present but, as Gezici and Hewings (2004) demonstrate, they did not decrease over time in the last decades. The authors found no evidence of convergence across provinces or functional regions between 1980 and 1997 despite the *Priority Provinces Development* programme of the government, which aimed at decreasing cross-provincial discrepancies. Their analysis indicates that priority provinces did not grow faster than core-developed provinces.

The backbone of the social assistance system is the Social Assistance and Solidarity Encouragement Fund (SYDTF, by its Turkish acronym), which advises and finances 931 Social Solidarity Foundations (SYDVs) in the 81 provinces (NUTS3 level regions) and 850 sub-provinces. The resources of the SYDTF are distributed across the SYDVs reflecting the population structure and the local socioeconomic development index of the regions. The

SYDVs are separate legal entities, independent of the SYDTF. The Board of Trustees of the SYDVs have extensive discretion in making the local assistance programme and define who is in need and who is not in their respective regions.

2.3 The informal economy and the social protection system

Based on ILO (2002) we differentiate between two main sectors of the informal economy, the enterprise sector and the household sector, although the borderline between the two sectors can be at times blurred. They both share some common features, as they are unreported, unaccounted for and not taxed, but they differ in many other respects. Below we will focus on differences regarding social cohesion and social protection.

The enterprise sector informal economy consists of market-based production of goods and services, similar to transactions of the formal economy, but unlike the latter it remains undetected in calculations of the official GDP.

The enterprise sector informal economy has various forms of unreported income derived from the production of legal goods and services to employee discounts and some types of fringe benefits to bartering of services and goods and to legally prohibited commerce, such as prostitution, drug trafficking or gambling. On the one hand, the enterprise sector informal economy distorts the allocation of productive resources and, being unenforceable by regular legal mechanisms, limits the division of labour and gives rise to private law enforcement. On the other hand, it may also create welfare by circumventing inefficient regulation. The extent of the enterprise sector informal economy strongly and negatively correlates with the quality of governance of the economy. Informality of property rights, weak performance of the judicial system, excessive regulation of the economy and high taxes are all thrusts for the informal economy. Figures in Table 6 show that the enterprise sector is considerably more informal in the candidate countries (above one-third of GDP is produced in the informal sector) as compared to the NMSs (the corresponding figure is slightly above one-quarter) and the EU15 countries (17%).

Table 6. Share of the enterprise sector informal economy in the GDP, 2002/03, (%)

Bulgaria	Croatia	Romania	Turkey	CC4	NMS8	EU15*
38.3	35.4	37.4	34.3	35.1	27.0	17.4

Note: CC4, NMS8 and EU15 are averages weighted by size of economy. EU15: excluding Luxemburg.
Source: Schneider (2006), Eurostat and own calculations.

Informality affects commodity markets when trade evades sales tax, excise tax or VAT, as well as labour markets. Informal employment is also characterised by atypical employment settings, such as seasonal or temporary employment, self-employment and other similar forms. Coverage of workers by social protection under such arrangements is limited. Employees of the informal sector have restricted access to public health care, social security pensions and unemployment protection. Such lack of coverage, whilst perhaps controlling some negative incentive effects of the social protection system on savings, labour supply and fertility, leaves employees of the informal sector unprotected. These people face poverty in old age and a severe fall in living standards in case of job loss or illness. Such consequences are also likely to be inherited by the next generation.

The household sector informal economy takes on various forms depending on the level of economic development. In low-income societies the majority of economic activities, most notably subsistence farming, are organised within the household or the extended kinship. Here the division of labour and specialisation, and consequently efficiency, are limited. Monetary income is small as most products are made for own consumption. Skills acquired in such an economy are hardly applicable outside the household so alternative employment is sporadic and temporary usually offering low compensation. Household labour does not accrue eligibility in social security so old age security and insurance against other contingencies can only be provided by the extended family or kinship network. Such networks can function well as substitutes for social protection but still fall behind it in efficiency due to the limited risk pool. The seamy side of family-based social protection is a level of fertility that undermines investments in the human capital of children and threatens economies with overpopulation.

Low efficiency in subsistence agriculture exposes people to poverty even in absolute terms. Life expectancy is significantly lower. Yet, there are significant difficulties in how to lift people or communities out of this type of poverty. The social capital or network capital of the extended family is frequently an asset lost if individuals leave the community. This effect limits the potential for the education of marketable skills if people have to move to find a job in their new profession. If people move to follow employment opportunities the intergenerational chain of support and care within the family may fall apart and the elderly left behind will need social assistance. Recent experiments with micro-loans are promising. Either they can help households produce surplus and invest or to introduce new, non-agricultural local production. Nevertheless, the growing efficiency of farming creates excess labour and induces internal migration.

In Table 7 we collected some relevant data concerning the relationship of the informal economy and the social protection system. In the first row of the table we show the variation of non-regular employment across candidate countries. The term covers the self-employed, non-paid family workers and daily paid workers. The last two groups are particularly relevant in Turkey. Non-regular employment usually creates problems of underreporting or non-reporting of economic activities and consequently, coverage problems for social insurance programmes. Due to their large subsistence farming sector, Romania and Turkey have a much higher share of these workers employed under non-regular conditions than Bulgaria and Croatia. This is reflected in the institutional history of their pension systems.

The candidate countries have a limited tradition of occupational pension schemes. This is frequent in countries where legislation initiated much of the pension system rather than the other way around, such as in Switzerland, the United Kingdom or the Netherlands, where it was employers who set up pension schemes first and legislation only regulated the schemes already established later. In the former group of countries the typical way is forming a pension scheme first for civil servants then a separate scheme for blue-collar workers and finally, a third one for the self-employed and/or farmers. In some cases the self-employed urban population belongs to the scheme of blue-collar workers, in other cases they share a scheme with farmers. Usually, civil servant schemes offer more favourable conditions than blue-collar schemes. Farmers' schemes frequently face major difficulties in collecting revenues and depend on government transfers; these schemes often pay the lowest pensions. The general tendency is the integration of these schemes with the exception of some professions such as the armed forces. The speed of integration depends largely on developments in agriculture, most notably the speed of industrialisation, urbanisation and the extent of subsistence farming.

Among candidate countries Bulgaria has the lowest rate of non-regular employment in the labour market and this is the country that went through the integration process first, completing it by 1975 (Müller 2003). Croatia had three separate schemes, those of the employees, the self-employed and the farmers, until 1998. In Romania the funds of the employees were merged with the farmers' fund between 1998 and 2001. The social security administration still provides separate data, which reveal that benefits paid by the farmers' fund is significantly lower than the benefits in the employees' fund. The government struggled through the 1990s to feed the farmers' scheme. Before the merger, in 1997, only 2% of the revenues were raised from contributions of the farmers (Toma, 2004). Romania has a large self-employed population, mainly in agriculture, characterised by low coverage, extensive contribution avoidance, poor benefits and difficulties in access to other chapters of social security, such as health care. In Turkey nearly half of the employed work under non-regular conditions. The administration of the three social security funds, those of the civil servants, the blue-collars and the self-employed and farmers will be unified in 2007.

Table 7. Effects of the informal economy on the pension system

	Bulgaria	Croatia	Romania	Turkey
non-regular employment %	14	21	34	47
creation of universal system	1975	1999	1998-2001	unified administration from 2007
rate of benefit in richest and poorest fund	-	-	2,5	1,8
active contributors (%)	75	93	48	51
self-employed among active contributors (%)	7	10	1	na
covered wage bill	na	41	16	na

Note: Non-regular employment covers the self-employment, non-paid family workers and daily paid workers.
Sources: Balkandide country studies, GVG (2003) and ILO (2004).

The labour market parameters strongly correlate with the collection of contributions. The two candidate countries with low rates of non-regular employment, Bulgaria and Croatia have higher rates of active contribution, 75% and over 90%, respectively. In contrast the two countries with extensive subsistence farming and non-regular employment see their corresponding rate at around 50%. The data even reveal that urban self-employment, though makes the collection of contributions difficult and is easier to accommodate with contributions to the social protection system than rural self-employment and other forms of non-regular employment. Whereas in Bulgaria and Croatia the self-employed are about 50% underrepresented among the contributors (7 and 10%, respectively, of the self-employed among the active contributors against 14 and 21%, respectively of the self-employed among the employed), the self-employed in Romania do not in effect, contribute to the social protection system.

Bulgaria

In Bulgaria, the informal economy represents 38.3% of the GDP. There was a declining trend after 1996 in the relative proportion of the informal economy largely due to the introduction of the currency board in mid-1997, which marked a steady rise in the tax revenues to GDP. The high inflation period of 1990-1995 followed by a hyperinflation in 1996 and early 1997

boosted the nominal tax revenues at a much faster rate than social compensations, thus creating strong incentives for households and businesses to flee from the official economy. With macroeconomic stabilisation and the accompanying price and trade liberalisation, the informal economy has shrunk subsequently. The process, however, has only been partially succeesful as the high tax burden supported by administrative barriers remains the main incentive for the existence of the informal economy. After 2000 the share of informal economy in the GDP grew again slightly.

The most common violations are represented by concealment of revenues for the purpose of CIT and VAT evasion (including avoidance of VAT registration), VAT draining, illegal import and labour related tax and social security contribution evasion (the most prevalent). While citizens are better taxpayers, it is believed that through corruption, political links and ties with organised crime, large companies manage to maintain impunity. For small and medium-size companies creative accounting, revenue concealment and social contributions evasion are the most common ways of evading tax obligations. The main reasons for this situation, subordinate to the afore-mentioned tax burden level and administrative barriers, are the lack of market and tax culture, the lack of trust in the state and marked discontent with the quality of the public services.

A considerable size of the informal economy is quite evenly distributed across sectors. The proportion of those employed without a contract in trade, agriculture and construction is the most widespread form of shadow activity in the labour market. A majority of companies register only a small proportion of wages actually paid in order to avoid social security contributions. There is a wide discrepancy between actual salaries and those reported. The surveys performed among various businesses show that the firms hide about 34-35% of income allocated.

Croatia

In Croatia, according to different measurement methods, the informal economy declined in the second part of the 1990s by a different percentage range. The most optimistic measures (Household Budget Surveys) show a decrease of the informal economy from 37% of GDP in 1993 to 7% in 2000 while some other methods (e.g. monetary evaluation method) claim that the informal economy increased somewhat in the second half of the 1990s. Changes in the quality and scope of statistics during the past ten years make it difficult to assess the trends in informal economy activity with much certainty. The currency demand method puts the share of informal economy at around one-third of the GDP, growing slightly in recent past years.

The 1990-2000 period was marked by several specific factors, which considerably influenced economic activity. Issues such as political repression, inadequate legal system, weak institutions (e.g. tax and customs administration), administrative control and discretional decision-making in the economy, high tax burden, government arrears, sectoral and institutional restructuring or significant and frequent changes in the tax system are the main problems for developing economies like Croatia preventing economic agents from registering their activities. Moreover, the war had serious social consequences. In particular, it created a large number of displaced and disabled persons, who needed considerable time to settle and fit into the formal environment.

The Croatian transition intensified sectoral and institutional restructuring. The speed of the transition per sector, the development of a number of new, mainly small business units, the number of employees and the relative weakening of the importance of the big systems

resulted in the informal economy reducing in trade, stagnating in agriculture, but rising in industry. The transition also created significant changes in the tax system. The majority of new tax laws were passed and introduced during the early and mid-1990s when Croatia simultaneously had to go through the transition and play a part in the war. Tax authorities had to cope with the new taxes and the increased numbers of taxpayers, who took advantage of constant changes and lack of organised authorities.

The reforms in indirect domestic taxes involved a reduction in the general sales tax rate, abolition of tax on the sale of raw material and capital goods, the simplification of the collection of custom duties and the introduction of excises and value added tax. The reform of direct taxes started with the introduction of a new system for taxing income and profit from 1994 and the opportunity for local government units to introduce surtax for the financing of their own expenditure. A reduction in the burden of social security contributions and the abolition of some of the contributions resulted in the reduction of the costs of labour in the period under observation. The foundation of the Tax Administration and the Financial Police at the beginning of the 1990s certainly contributed to more stringent financial discipline among taxpayers and put the government's finances into some order.

As a part of the National Action Employment Programme, measures have been proposed for reducing shadow employment. This is especially oriented towards the widespread phenomenon of undeclared cash wages, where the social contribution system loses a huge amount of money through tax evasion and workers are worse off.

Romania

Romania, with its 37.4% share of the informal economy in the country's GDP has seen an increase in the informal economy at an average of 2–2.5% between 1995 and 2003. Although the poor and less educated people are the main participants in the informal economy, driven by the survival motive ('subsistence criterion'), richer people are also invited to 'encouraged' in the informal economy by legislative incoherence, a weak penalty system for fraudulent activities and the existence of accompanying effects of the informal economy such as bureaucracy or corruption ('enterprise criterion'). Further to these incentives, people perceive taxation as the main cause behind the prevalence of the underground economy.

Romania is one of the Central and Eastern Europe countries where subsistence farming is a severe problem. Subsistence farming is a traditional source of income for Romanian households. It reflects rational responses to high levels of urban unemployment, low incomes and social security systems (Kostov and Lingard, 2002) and the lack of non-agricultural alternatives for employment in rural areas (Chaplin et al, 2004). Subsistence farming can play an important role in absorbing labour where alternative sources of employment are scarce. The larger the number of people losing their jobs the higher the number of households for which self-provisioning has become the main source of livelihood. During the transition period, subsistence farming as practised by the quasi-autocratic households represented a survival strategy for families affected by unemployment or by the restructuring of the economy. The large extent of subsistence farming in Romania is partly the effect of structural reforms in agriculture that have been taking place since 1990. Their concentration on the privatisation of land and downsizing of agricultural enterprises led to the emergence of numerous small farms, which were constrained by a lack of necessary assets (Lerman, 1999, OECD, 2000). At the same time input and output markets were not adequately restructured and therefore the use of the markets involved large transaction and transportation costs for the

producers. This led to an increase in consumption of own goods by the individual farmers and to their high subsistence character (Tesliuc, 2000).

Turkey

In Turkey, high labour taxes, in particular social security charges and stringent regulations constitute barriers to the setting up of a formal business and trap firms in the informal economy. Turkey's labour tax wedges are among the most substantial in the OECD, but given the large size of the informal sector, government revenues from this source are relatively small. It is estimated that if half of the social security charges were cut, additional revenues of about 2% GDP would be needed to cover these losses, thus the authorities might, therefore, consider funding part of the social security charges on labour through other taxes or efficiency gains. The burden is particularly heavy for the firms that employ large numbers of workers at minimum wages, such as those operating in regions of high underemployment. Some positive changes came about with the enforcement of the new Labour Code, which was adopted in 2003 and which has eased the burden of regulations on temporary and part-time employment.

One idea for improved tax collection in developing countries is a tax amnesty. However, as the example of Turkey shows, it is rather obvious that frequent tax amnesties hamper tax enforcement. Turkey has had 10 tax amnesties since 1963 and 5 social-security amnesties since 1983. Their provision included the right to base the payment of past taxes on historical values of Turkey's currency, the lira. In such a way, governments forewent significant revenues from such amnesties and, even worse, made ongoing enforcements more difficult, since companies waited for the next amnesty before declaring their evasive behaviour.

The other difficulty with executing tax payments is that developing countries such as Turkey have fewer staff to collect and enforce taxes than the developed countries. There are a mere 0.03 of tax employees per 1,000 of population in Turkey. Late payments of income tax are fined at 5% per month. Overall the tax evasion rate is as high as 225% (for every 1 unit of tax collected, 2.25 are evaded). Moreover, tax evaders in Turkey often do not feel consequences of tax avoidance, since the fine for VAT evasion is less than $20. Better cooperation with payment providers and credit companies to raise the quality of data available to tax enforcers is one of the ways to improve tax execution. Improvements in the conditions of financing of business investment by banks, notably via cuts in financial transaction taxes, would also make formalisation more attractive. On the other hand, empowering local governments to enforce the rules for registering new businesses, hence collect tax, is another way of improving tax payments. In Turkey, most businesses, even informal ones, register mainly because the municipal authorities are vigilant about collecting the fees.

In addition to these issues facing the Turkish economy, there is a discussion over the impact of Turkish subsistence farming upon its entry into the European Union. The questions arise from the very large numbers of people employed on the land in Turkey, (30% of the population), often engaged in very low value added forms of agriculture as compared with only 5% in the EU25. If Turkey were to join the EU today it would more than double the agricultural population, adding 7.2 million people to the current 6.9 million.

Agriculture in Turkey has a dual structure with commercial farms and export-oriented chains for individual products co-existing alongside subsistence or semi-subsistence farming. Agricultural areas are of a fragmented structure and agricultural holdings are generally in the form of family enterprises. The latest (2001) Agricultural Census indicates that there are approximately 3.1 million agricultural holdings, the number of which decreased by 25% over

the ten years between 1991 and 2001. The average size of the areas covered by agricultural holdings rose to 6 hectares compared to the average 5.4 hectares in the previous census. This average size of 6 hectares is well below the EU average of 16.5 hectares per enterprise. The size of the areas possessed by 66% of all agricultural holdings is less than 5 hectares. Only 6% of holdings are larger than 20 ha.

Employment in agriculture, combined with employment status, has a strong impact on the probability of someone being registered to one of the three social security funds. Approximately half of the employed are not registered. However, this figure is nearly 90% in agriculture and about one-third in non-agricultural employment. Daily waged workers and non-paid family workers in agriculture are hardly registered at all. By contrast, the registration rate among regular wage earners is comparable to levels of NMSs.

Table 8. Employment Status and Registration to Social Security

	Unregistered (%)
Total	**49**
Salary/Wage earner	23
Daily Waged	92
Employer	24
Self Employed	64
Non-paid family worker	95
Agriculture	**88**
Salary/Wage earner	52
Daily Waged	98
Employer	66
Self Employed	78
Non-paid family worker	98
Non-agriculture	**34**
Salary/Wage earner	23
Seasonal Worker	90
Employer	21
Self Employed	50
Non-paid family worker	80

Source: Balkandide – Turkey country study.

Despite certain similarities on the surface, such as the relative importance of subsistence agriculture and the lack of coverage by institutions of the social protection system, the Romanian and the Turkish cases differ. In Romania, subsistence farming saw its revival in the last decade after a shock hit the labour market and the government proved unable to build up the necessary social protection institutions, including the unemployment services that were missing in a centrally-planned economy of nearly full employment. Alternative social institutions such as extensive networks based on family or local community of origin are rare. In contrast, that part of the Turkish society that has weak links to the labour market and is not properly covered by the social protection system had time to build up its alternative institutional system such as the *hemsehri*.

The hemsehri[15] (hometown organisations) are associations and foundations regrouping people from the same place (district, village, town, county, region) as well as migrants from the 'Turkish World', mainly the Balkans and the Caucasus. The emergence of hemsehri is linked with the migratory influxes created by rural to urban migration, and since the 1960s, by immigration from the 'Turkish world' (Hersant and Toumarkin 2005). The hemsehri appeared in the 1940 and have grown incessantly since then, even more so since the 1990s. The increase in the number of hometown associations during the last decade proves that this phenomenon has nothing transient about it and that it constitutes far more than a means of integration into the urban environment. By 2004, there would be one association for every 829 inhabitants, most of these being associations for mosque building.

The hometown organisations can take two forms: an association (*dernek)* or a foundation (*vakıf* or property held on trust). The choice of form generally depends upon the resources of its founders. Whereas the committee of an association is elected and can be dismissed by its members, the executive body of a foundation can comprise one or more founding life-members, without the requirement of a general meeting. A foundation has greater advantages than an association as regards financial matters its general scope of action is more easily controlled by its founders than an association and it is more directly in touch with its members. As a consequence, there are far fewer foundations than associations. The funding of the associations mainly arises through donations. Only those recognised as being of public utility can receive state subsidies; the others negotiate financial support – often of a residual nature, with town councils.

The hemsehri is not only a meeting place strengthening pre-existing community solidarity, but it is also the point at which political and social networks fuse giving rise to a means of communication with the political-institutional system. The hemsehri networks are also organised in expatriate communities such as the Turkish communities in Germany (Cagolar 1995).

The hemsehri present themselves as the 'natural' and democratic expression of local and regional identities. Those involved in associations deny all links to local authorities or political parties by sheltering behind the label 'civil society', which implies independence from the state. However, these links are established because they are intrinsic to the functioning of the organisations and necessary to the fulfilment of their objectives. In this way, the relationship of hometown associations does in fact constitute their connection to public life.

It appears that the division of labour in any given association has a spatial relationship with the place where the association has its main offices and its branches. The first type is the village association or district branch of a more important organisation, whose members originate from a defined geographical area, and live in the vicinity of their association. The activities of the association are limited to social activities (picnics, cafés etc.) and to mutual aid/assistance. The hemsehri functions as an institution of social cohesion and an alternative to state social protection. It represents the network capital of its members; it is frequently associated with the ideology of an idealistic community network that never existed in the village of origin (Fliche 2005).

Main offices are relatively well structured and located near the administrative and economic centres. A presence in the town centre or close to the areas of economic activity results in

[15] Comments from and cooperation with Fikret Adaman, Janusz Oksiejczuk and Rózsa Vidák in writing this subsection are gratefully acknowledged.

contacts with the political and economic authorities. The second type (branch) is the regional association, which mobilises small businessmen, politicians, and people of high social standing. As for the smaller structures, most of the time they are relegated to the suburbs, and have no direct contact with the institutional and economic centres.

2.4 The state of ethnic and religious minorities

Ethnic and religious diversity is an asset to a society provided the chances of individuals to live a full life are not affected by their ethnic or religious background. However, if social disadvantages coincide with ethnic or religious tensions, disintegration may threaten the development of the society in question.

The four candidate countries face various ethnic and religious minority issues. In Romania and Bulgaria, the Roma are among the largest and most disadvantaged minority groups. Bulgaria has another, though less grave issue, the Muslim minority and in particular the Turkish minority. In Croatia the Roma population is much smaller, but due to their situation and opportunities the Roma issue must be highlighted in Croatia, too. As regards minorities, less data are available on Turkey. However a number of sizeable and relevant minorities are living in Turkey; the most important minority issue being the social, political and legal status of the Kurds.

Social status, living conditions and political representation of the Roma

According to census data, which are based on self-declaration, the total number of the Roma in Central and Eastern- and South-Eastern-Europe (CEE and SEE) is less than 1.5 million. Underestimation of the size of disadvantaged minority groups, such as the Roma, by census is typical. According to expert estimations the number in question reaches or even exceeds 5 million (without Turkey) see Table 9. Since there is no current census data for minorities in Turkey, the latest such figures were collected in 1965 and were based on spoken languages.

Table 9. Number and proportion of the Roma population in Central-Eastern- and South-Eastern-Europe and Turkey by census and estimation (in thousands and %)

	Roma population by census (in thousands)[a)]	Estimation for Roma population (in thousands)[b)]	Proportion of Roma population based on estimation (%)[b)]	Distribution of the Roma population in the region by country (without Turkey)(%)[c)]
Romania	*535*	*1500–2000*	*7–9*	*38*
Bulgaria	*371*	*550–800*	*5–10*	*14*
Croatia	*9*	*40–100*	*1–2.5*	*2*
Turkey[h]	–	*50–3500*	*0.001–5*	–
Hungary	190	520–650	5–8	13
Serbia	108	450–500	6	10
Slovakia[g)]	90	480–520	8–10	10
Czech Republic	12	175–200	1.7–2	4
Albania[d)]	–	120–150	5	3
Kosovo	43	100–150	–	3
Macedonia[f)]	54	135	7	3
Bosnia-Herzegovina[e)]	9	50–60	1	1
Montenegro[g)]	3	20–28	4–5	1
Total (without Turkey)	*1434*	*4040–5293*	–	*100*

Sources:
[a] UNDP 2005, except for Bosnia-Herzegovina (Needs Assessment: Roma Education Fund 2005) and Slovakia (UNDP 2002). Census data date back to 1991 in Bosnia-Herzegovina and Kosovo, 2001 in Bulgaria, Czech Republic, Croatia, Hungary and Slovakia, 2002 in Macedonia, Romania and Serbia and 2003 in Montenegro.
[b] Needs Assessment: Roma Education Fund (2005); except Slovakia (UNDP 2002) and own calculation based on these sources; data applies to 2001–2003, except for Albania.
[c] Own calculation.
[d] ERRC (1997)
[e] ERRC (2004)
[f] Combined with IDPs.
[h] Karimova and Deverell (2001)

The largest Roma population in CEE and SEE can be found in Romania, where the most reliable expert estimations put their number between 1.5-2.0 million, the lower figure being the more likely (Barany 2002), which is 7-9% of the total population. Considered from another angle this means that 4 out of 10 CEE and SEE Roma (excluding Turkey) live in Romania. Besides Slovakia the highest rate of Roma population within CEE and SEE is in Bulgaria, where expert estimates put it close to 10%, implying that around 550–800 thousand Bulgarian citizens belong to this minority (Table 9) In Turkey, there are no census data available on the Roma population and the range of the estimations varies widely, between 50 thousands and 3.5 million. The most likely figure is 500 thousand estimated by the European Roma Rights Centre (Karimova and Deverell 2001). Due to unreliability we omitted the Turkish figures from the total in the table and indeed the analysis below.

A number of surveys and reports (UNDP 2002, UNDP 2005, Revenga et al 2002, Ringold et al 2005) show that in Romania, Bulgaria and Croatia the Roma fall far behind the respective national majorities in many aspects of everyday life. In spheres such as education, living conditions, housing, income, employment status, poverty, or access to services the Roma minorities fare significantly worse than country populations in general, or non-Roma neighbours living in close proximity to the Roma population.

Spatial segregation and language are among the most apparent indicators of the level of integration or separation of a minority group. Among the three countries examined here the highest share of segregated Roma households (i.e. the proportion of Roma households living in a settlement where at least 50% of the population is considered Roma) is in Croatia (46%), compared to lower rates in Bulgaria (19%) and Romania (16%). (UNDP, 2005) The minority language used in family is another indicator for integration and segregation. Although it is a relevant part of the identity and cultural heritage, it is also evident that the within-family language can heighten the problem of integration into the majority. In the three candidate countries, the majority of Roma predominantly use one of the Roma languages at home: slightly more than half of them in Bulgaria and Romania, and nearly three-quarters of them in Croatia (UNDP, 2005). According to the two segregation indicators above it is apparent that using a Roma language in the family is more frequent than spatial segregation (and it applies to almost all CEE and SEE countries).

In the three countries under examination the Roma population differs from the majority in the *main demographic trends* along several basic indicators such as birth rates (higher than average), timing of marriage (earlier than the average), family structure (larger families and households) and the age profile (lower rates of Roma among older age groups and higher rates among younger age groups) (UNDP, 2002 and UNDP, 2005).

Early marriages are typical for the Roma in the region. For instance in Bulgaria 4 out of 10 Roma marry before the age 16, 3 of them marry by age 17-18 and 2 between 19-22. As for the higher birth rates Roma households have on average 3-4 children in Romania, Hungary, the Czech Republic and Slovakia, but there are regions where this number can be even higher. For instance, in some poorer Slovakian settlements the average number of children is 8 in Roma households. According to the fertility rate the same characteristics can be observed: the total fertility rate is twice as high (2.6 birth per woman) among the Roma than in the majority (1.2 birth per woman) in Romania. Married Roma women have twice as many children (5) as non-Roma women (2.2) by the end of their reproductive lives in the Czech Republic. On the other hand, life expectancy is significantly lower among the Roma due to their high morbidity and infant mortality. The balance is reflected in the gap between the median age of the Roma and that of the total population: the median age of the Roma in five Eastern European countries (Bulgaria, the Czech Republic, Hungary, Romania and Slovakia) was 19 in 2001, while the corresponding figure was almost twice as high, 34 years, for the total population (UNDP, 2002).

There are various consequences of these fundamental demographic characteristics, such as a growing proportion of Roma people in the population and a substantial active-age population for the coming decades and general increases to the size of Roma population in these countries. However, unless the current levels of education of the Roma improves rapidly, much of this potential labour force will be unemployable or employed only as unskilled labour with low efficiency and low wages. Establishing families at a younger age reduces the chance, primarily for girls/women, of staying in the education system for longer.

The level of *education* of the Roma is low compared to the EU25-average in general, to the majority population of the candidate countries or to the majority population living in close proximity to Roma. About 75% of 15 year-olds and older Croatian Roma have 8 years elementary schooling as the highest level of education and the situation in the three other countries is worse than in Croatia. The corresponding figure is more than 80% in Romania and almost 90% in Bulgaria. The share of low-level educated Roma is 2–3 times higher than among the neighbouring majority. The same outcome can be observed in the labour market. Only 13–21% of Roma aged 15 and above are employed in the three countries, which is a rate 2–3 times lower than that of the majority population living in close proximity, itself lower (35–46%) than the national averages (UNDP, 2005). The lowest levels can be observed in Romania, where only one-third of the majority living close to the Roma and slightly more than one-tenth of the Roma are active earners among the population of 15 years and above.

As regards living conditions, about half of Roma people in Bulgaria and two-thirds of them in Romania live below the income based absolute poverty line of USD 4.30 at PPP per day per capita (UNDP 2005), while the rate of poor non-Roma living in the neighbourhoods of the Roma is much lower (6% in Bulgaria and 20% in Romania). Due to higher incomes in general the situation in Croatia is better. The share of poor (using the same absolute poverty line) is considerably lower both among the Roma and the non-Roma (11% and 2% respectively). The living conditions of the Roma are worse than those of the majority population living in their neighbourhoods by other indicators, too, such as access to essential drugs, secure housing, improved sanitation, improved water sources.

The low level of social integration is combined with low levels of political representation. Roma political parties or Roma MPs represent Roma issues very feebly on a national political level, although many well-educated Roma can be found on higher levels of the public administration. The Roma are represented principally by NGOs, which focus mainly on the

protection of human rights. Ironically, even such institutions that are dedicated to eliminating segregation on ethnic or religious grounds can work against the improvement of the situation of the Roma. In particular, the Bulgarian Constitution forbids the establishment of parties on an ethnic and religious basis (CEDIME-SE, 2000:8), which weakens the political representation of the Roma. Such a representation is further obstructed in Romania by, according to expert estimations, 20% of the Roma having no government ID cards. Despite this, many Roma people participate in elections in Romania but few vote for Roma parties. (NDI, 2003).

Other minority issues in the candidate countries

An estimated 15–20% of the Turkish population belongs to some ethnic or religious minority. These minorities can be broken down into various sub-groups by further ethnic, religious, linguistic or other dimensions and there are also overlaps between the communities, thus part of Turkish society can be considered as a mosaic of different identities. The most relevant minority issue, nevertheless, is the political, legal and social status of *Kurds* due to their share in the entire population (mostly in less developed Eastern and South-Eastern regions), the lack of political stability and security and the low level of integration. There is no exact data on the number of Kurds, since the Turkish Constitution does not recognise the Kurdish community as a national, ethnic or linguistic minority. Official data or estimations on Kurds is not available and a wide range of estimations can be found on the number of Kurds, which occasionally seem to be contradictory or suggest the unlikely conclusion that almost all Turkish citizens who belong to a minority group are Kurdish. These estimations indicate the number or share of Kurds in Turkey is between 7–15 million or 13–20% of the Turkish population (Mutlu 1996, Karimova and Deverell 2001, Kaya and Baldwin 2004).

Since no reliable data are available on the number and social status of the Kurds we can only rely on indirect evidence. Expert estimate (Mutlu, 1996) suggest that the majority of the Kurds are located in the South-Eastern and Eastern regions of Turkey: 2 out of 3 Kurdish people in Turkey are living in these regions, which are among the poorest, least developed parts of the country with the highest share of agriculture but lowest share of commerce and banking in the local economy (National Account Statistics and Population Census, TURKSTAT).

The Muslim population of Bulgaria (usually called Bulgarian Muslims, Bulgaro-Mohammedans or Pomaks) constitutes a sizeable but heterogeneous group, including several ethnic or national minorities besides Pomaks such as Turks, Gypsies and Tatars. These mostly Sunni Muslim groups have been living in Bulgaria for centuries. During the cold war, in the 1960s and 1970s, Bulgarian Muslims were forced to take Bulgarian names. The largest group among them are the Turks with almost the same number as the Roma community: about 800 thousand people, which is roughly 10% of the population. A large part of the Turkish minority emigrated to Turkey during the second half of the 1980s as a response to their political, legal and social situation. Although their cultural rights were restored after political transition, the low standard of living motivates Bulgarian Turks, in particular the young, to continue to migrate to Turkey (Petkova, 2002, CEDIME-SE, 1999a, CEDIME-SE, 1999b).

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Statistical Annex to BALKANDIDE

following the 2004 Social Situation Report format

Annex 1.1 Key social indicators per geopolitical entity (latest year)
Annex 1.2 Key indicators per Candidate Country (latest 6 years)
Annex 1.3 Other statistical tables per Candidate Country

1 Economy
2 Population
3 Education and training
4 Labour market
5 Social protection
6 Income, poverty and social exclusion
7 Gender equality
8 Health and safety

Annex 1.4 Symbols, country codes

Annex 1.1: Key social indicators per geopolitical entity (latest year)

Nr.	Key indicator	Unit	Year	BG	CR	RO	TR	
3	Old age dependency ratio	%	2005	24.8	24.6	21.1	8.8	Turkey: 2000, Croatia: 2004
4	Crude net migration rate	per 1000 inhab.	2004	0.1	2.6	-0.5	:	
5t	Youth education attainment level - total	%	2005	76.8	93.9	75.2	43.9	
5f	Youth education attainment level - females	%	2005	76.3	94.4	76.4	50.9	
5m	Youth education attainment level - males	%	2005	77.3	93.5	74.1	38.0	
6t	Lifelong learning - total	%	2005	1.2	2.3	1.6	2.0	
6f	Lifelong learning - females	%	2005	1.3	2.3	1.7	2.6	
6m	Lifelong learning - males	%	2005	1.2	2.3	1.5	1.4	
7at	Employment rate - total	%	2005	56.0	55.0	58.4	43.4	
7af	Employment rate - females	%	2005	52.0	48.6	55.1	22.3	
7am	Employment rate - males	%	2005	59.9	61.2	69.5	64.8	
7bt	Employment rate of older workers - total	%	2005	35.4	32.6	37.4	31.0	
7bf	Employment rate of older workers - females	%	2005	24.8	23.8	31.8	17.1	
7bm	Employment rate of older workers - males	%	2005	47.7	43.0	45.8	45.4	
8at	Unemployment rate - total	%	2005	9.8	12.7	7.7	10.3	
8af	Unemployment rate - females	%	2005	9.5	13.0	7.5	10.3	
8am	Unemployment rate - males	%	2005	10.0	11.7	8.0	10.3	
8bt	Long-term unemployment rate - total	%	2005	6.0	7.4	4.4	4.0	Turkey: 2004
8bf	Long-term unemployment rate - females	%	2005	6.0	8.4	3.9	4.4	Turkey: 2004
8bm	Long-term unemployment rate - males	%	2005	6.0	6.5	4.7	3.8	Turkey: 2004
9	Expenditure on social protection as a percentage of GDP	%	2005	17.4	23.4	34.6	32.3	Croatia: 2004
10	Old age and survivors benefits as a percentage of total social benefits	%	2004	39.7	:	:	:	
11	Public expenditure in active LMP measures as a percentage of GDP	%	2005	0.60	0.11	0.12	:	Romania: 2004
12	Inequality of income distribution	Ratio	2005	3.7	4.5	4.8	9.9	Croatia, Romania: 2004, Turkey: 2003
13at	At-risk-of-poverty rate before social transfers - total	%	2004	18	31	22	31	Croatia, Romania, Turkey: 2003
13af	At-risk-of-poverty rate before social transfers - females	%	2004	20	33	23	32	Croatia, Romania, Turkey: 2003
13am	At-risk-of-poverty rate before social transfers - males	%	2004	15	29	22	29	Croatia, Romania, Turkey: 2003
13bt	At-risk-of-poverty rate after social transfers - total	%	2005	14	17	18	26	Croatia, Romania: 2004, Turkey: 2003
13bf	At-risk-of-poverty rate after social transfers - females	%	2005	15	18	18	26	Croatia, Romania: 2004, Turkey: 2003
13bm	At-risk-of-poverty rate after social transfers - males	%	2005	13	15	18	25	Croatia, Romania: 2004, Turkey: 2003
14at	People aged 18-59 living in jobless households - total	%	2005	13	12.5	10.4	:	
14af	People aged 18-59 living in jobless households - females	%	2005	13.5	13.6	11.3	:	
14am	People aged 18-59 living in jobless households - males	%	2005	12.6	11.5	9.4	:	
14b	Children aged 0-17 living in jobless households	%	2005	14.5	8.7	10.4	:	
15af	The percentage of women in the single/lower houses of the national/federal Parlia	%	2005	21.0	21.7	11.2	4.4	
16	Gender pay gap in unadjusted form	%	2004	18	11	14	12	Croatia: 2003, Turkey: 2002
17af	Life expectancy at birth - females	Years	2005	76.2	79.0	75.1	73.8	Croatia, Romania: 2004
17am	Life expectancy at birth - males	Years	2005	69.1	72.0	67.7	68.9	Croatia, Romania: 2004
17bf	Disability-free life expectancy at birth - females	Years	2002	67.1	69.3	65.2	62.8	
17bm	Disability-free life expectancy at birth - males	Years	2002	62.6	63.8	61.0	61.2	
18at	Serious accidents at work - total	Index points (1998 = 100)	2003	83	:	111	83	
18af	Serious accidents at work - females	Index points (1998 = 100)	2003	:	:	117	:	
18am	Serious accidents at work - males	Index points (1998 = 100)	2003	:	:	111	:	
18b	Fatal accidents at work	Index points (1998 = 100)	2003	83	:	111	64	

Annex 1.2: Key indicators per candidate country

Key indicator 1

	BG	CR	RO	TR
Real GDP growth rate (Growth rate of GDP at constant prices (base year 1995). Annual growth rates)				
2000	5.4	2.9	2.1	7.4
2001	4.1	4.4	5.7	-7.5
2002	4.9	5.6	5.1	7.9
2003	4.5	5.3	5.2	5.8
2004	5.7	3.8	8.3	8.9
2005	5.5	4.3	4.1	7.4

Key indicator 2

	BG	CR	RO	TR
Total population, 1st January (The number of inhabitants of the area on 1st January (or on 31st December of the previous year))				
2000	8,149	4,381	22,435	67,804
2001	7,891	4,440	22,408	68,365
2002	7,846	4,443	21,795	69,302
2003	7,801	4,442	21,734	70,231
2004	7,761	4,442	21,673	71,152
2005	7,718	4,444	21,658	72,065

Key indicator 3

	BG	CR	RO	TR
Old age dependency ratio (Population aged 65 and over as a percentage of the working age population (15-64) on 1st January)				
2000	23.8	18.2	19.3	8.8
2001	24.7	23.4	19.6	:
2002	24.9	23.7	20.4	:
2003	24.9	24.2	20.6	:
2004	24.9	24.6	20.9	:
2005	24.8	:	21.1	:

Key indicator 4

	BG	CR	RO	TR
Crude net migration rate				
2000	:	5.3	-0.2	:
2001	7.3	3.8	0.0	:
2002	-0.1	1.9	-0.1	:
2003	0.0	2.7	-0.3	:
2004	0.1	2.6	-0.5	:
2005	:	:	:	:

Key indicator 5

	BG	CR	RO	TR
Youth education attainment level (Percentage of the population aged 20 to 24 having completed at least upper secondary education)				
	Total			
2000	74.9	:	75.8	38.9
2001	78.2	:	77.3	40.5
2002	77.5	90.3	75.3	42.8
2003	75.6	90.7	73.8	44.9
2004	76.0	92.5	74.8	41.8
2005	76.8	93.9	75.2	43.9
	Females			
2000	77.1	:	77.0	46.7
2001	79.7	:	77.3	49.4
2002	80.2	91.7	77.3	52.6
2003	77.4	92.1	74.8	54.4
2004	77.2	93.7	75.8	49.6
2005	76.3	94.4	76.4	50.9
	Males			
2000	72.8	:	74.5	32.4
2001	76.6	:	77.2	32.8
2002	75.0	88.9	73.1	34.5
2003	73.9	89.5	72.8	37.0
2004	74.8	91.5	73.8	35.1
2005	77.3	93.5	74.1	38.0

Key indicator 6

	BG	CR	RO	TR
Life-long learning (adult participation in education and training) (Percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey))				
	Total			
2000	1.4	:	0.9	1.1
2001	1.3	:	1.1	1.0
2002	1.4	2.1	1.1	0.9
2003	1.3	2.1	1.3	1.2
2004	1.1	2.0	1.6	1.3
2005	1.2	2.3	1.6	2.0
	Females			
2000	1.4	:	0.8	1.3
2001	1.3	:	1.0	1.3
2002	1.6	2.2	1.0	1.2
2003	1.4	2.1	1.5	1.6
2004	1.1	2.3	1.6	1.6
2005	1.3	2.3	1.7	2.6
	Males			
2000	1.5	:	1.0	0.8
2001	1.3	:	1.1	0.7
2002	1.2	2.0	1.2	0.6
2003	1.1	2.1	1.1	0.7
2004	1.1	1.8	1.6	0.9
2005	1.2	2.3	1.5	1.4

Key indicator 7a

	BG	CR	RO	TR
Employment rate (Employed persons aged 15-64 as a percentage of the population of the same age group)				
	Total			
2000	50.3	:	63.2	46.7
2001	49.7	51.6	62.6	45.6
2002	50.8	53.1	58.0	44.4
2003	52.7	53.2	57.8	43.2
2004	54.0	54.5	57.9	43.7
2005	56.0	55.0	58.4	43.4
	Females			
2000	46.3	:	61.9	24.9
2001	46.7	44.7	61.1	25.1
2002	47.7	46.7	56.7	25.3
2003	49.2	46.9	55.3	23.9
2004	50.5	47.9	56.2	22.9
2005	52.0	48.6	55.1	22.3
	Males			
2000	54.6	:	75.4	68.9
2001	52.7	58.9	73.9	66.5
2002	54.0	59.8	70.7	63.9
2003	56.1	59.9	69.6	62.9
2004	57.7	61.3	70.2	64.7
2005	59.9	61.2	69.5	64.8

Key indicator 7b

	BG	CR	RO	TR
Employment rate of older workers (Employed persons aged 55-64 as a percentage of the population of the same age group)				
	Total			
2000	20.3	:	49.5	36.3
2001	24.2	:	48.2	35.8
2002	26.2	24.8	37.7	35.7
2003	31.0	28.4	38.1	33.5
2004	31.8	30.1	36.9	33.2
2005	35.4	32.6	37.4	31.0
	Females			
2000	10.3	:	43.9	20.8
2001	15.4	:	43.1	21.2
2002	17.8	16.9	33.2	23.3
2003	21.5	20.3	33.6	22.1
2004	23.5	21.0	31.9	20.0
2005	24.8	23.8	31.8	17.1
	Males			
2000	32.0	:	56.9	52.4
2001	33.8	:	55.3	51.0
2002	36.3	34.2	44.2	48.7
2003	41.2	38.1	44.6	45.4
2004	41.8	40.9	44.9	46.9
2005	47.7	43.0	45.8	45.4

Key indicator 8a

Unemployment rate (Unemployed persons as a percentage of the active population)

	BG	CR	RO	TR
Total				
2000	16.4	16.1	6.8	6.5
2001	19.5	15.8	6.6	8.4
2002	18.1	14.8	7.5	10.3
2003	13.7	14.3	6.8	10.5
2004	12.0	13.8	7.6	10.3
2005	9.8	12.7	7.7	10.3
Females				
2000	16.2	17.3	6.3	6.3
2001	18.6	18.1	6.2	7.5
2002	17.3	16.6	7.1	9.4
2003	13.2	15.8	6.3	10.1
2004	11.5	15.7	6.5	9.7
2005	9.5	13.0	7.5	10.3
Males				
2000	16.7	15.0	7.2	6.6
2001	20.2	14.2	6.9	8.7
2002	18.9	13.4	7.8	10.7
2003	14.1	13.1	7.2	10.7
2004	12.5	12.2	8.6	10.5
2005	10.0	11.7	8.0	10.3

Key indicator 8b

Long-term unemployment rate (Long-term unemployed persons (12 months and more) as a percentage of the active population)

	BG	CR	RO	TR
Total				
2000	9.3	9.1	3.6	1.3
2001	11.9	10.1	3.2	1.7
2002	11.7	8.6	4.5	2.9
2003	8.9	8.6	4.3	2.5
2004	7.1	7.4	4.7	4.0
2005	6.0	7.4	4.4	:
Females				
2000	9.1	9.4	3.4	1.8
2001	11.3	12.6	3.0	2.2
2002	11.2	9.9	4.3	3.3
2003	8.6	9.7	4.1	2.9
2004	7.0	9.1	3.8	4.4
2005	6.0	8.4	3.9	:
Males				
2000	9.5	9.0	3.8	1.2
2001	12.5	8.1	3.4	1.5
2002	12.2	7.5	4.6	2.8
2003	9.1	7.7	4.5	2.3
2004	7.2	6.0	5.5	3.8
2005	6.0	6.5	4.7	:

Key indicator 9

	BG	CR	RO	TR
Expenditure on social protection as a percentage of GDP				
2000	14.2	19.5	10.4	6.6
2001	13.6	19.0	11.0	7.8
2002	13.5	18.5	10.5	8.0
2003	13.4	17.7	10.4	9.1
2004		17.2	11.5	9.1
2005				9.7

Key indicator 10

	BG	CR	RO	TR
Old age and survivors benefits as percentage of total social benefits				
2000	42.0	:	:	:
2001	40.4	:	:	:
2002	39.4	:	:	:
2003	40.7	:	:	:
2004	39.7	:	:	:
2005	:	:	:	:

Key indicator 11

	BG	CR	RO	TR
Public expenditure on active LMP measures as a percentage of GDP (Categories 2-7 excl. 2.4)				
2000	0.20	:	0.03	:
2001	0.20	:	0.10	:
2002	0.20	0.04	0.10	:
2003	0.40	0.17	0.16	:
2004	0.60	0.15	0.12	:
2005	0.60	0.11	:	:

Key indicator 12

	BG	CR	RO	TR
Inequality of income distribution (income quintile share ratio) (The ratio of total income received by the 20% of the population with the highest income (top quintile) to that received by the 20% of the population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.)				
2000	3.7	:	4.5	:
2001	3.8	4.3	4.6	:
2002	3.8	4.5	4.7	10.8
2003	3.6	4.4	4.6	9.9
2004	4.0	4.5	4.8	:
2005	3.7	:	:	:

Key indicator 13a

	BG	CR	RO	TR

At-risk-of-poverty rate before social transfers (The percentage of persons with an equivalised disposable income, before social transfers, below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers). Retirement and survivor's pensions are counted as income before transfers and not as social transfers.).

	Total			
2000	18	:	21	:
2001	19	:	22	:
2002	17	:	23	31
2003	16	31	22	31
2004	18	:		:
2005		:		:
	Females			
2000	19	:	22	:
2001	20	:	23	:
2002	18	:	23	31
2003	18	33	23	32
2004	20	:	:	:
2005	:	:	:	:
	Males			
2000	16	:	21	:
2001	18	:	22	:
2002	15	:	23	30
2003	14	29	22	29
2004	15	:	:	:
2005	:	:	:	:

Key indicator 13b

	BG	CR	RO	TR

At-risk-of-poverty rate after social transfers (The percentage of persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income.)

	Total			
2000	14	:	17	:
2001	16	17	17	:
2002	14	18	18	25
2003	14	17	17	26
2004	15	17	18	:
2005	14	:	:	:
	Females			
2000	15	:	18	:
2001	17	19	17	:
2002	15	19	18	25
2003	16	18	18	26
2004	17	18	18	:
2005	15	:	:	:
	Males			
2000	13	:	17	:
2001	14	15	17	:
2002	12	18	18	25
2003	12	16	17	25
2004	13	15	18	:
2005	13	:	:	:

Key indicator 14a

	BG	CR	RO	TR
People aged 18-59 living in jobless households				
Share of persons/women/men aged 18-59 who are living in jobless households. Students aged 18-24 who live in households composed solely of students of the same age class are not counted neither in the numerator nor in the denominator.				
Total				
2000	15.5	:	8.4	:
2001	17.3	:	8.7	:
2002	16.6	14.0	11.3	:
2003	15.3	13.2	11.1	:
2004	13.7	11.2	11.1	:
2005	13.0	12.5	10.4	:
Females				
2000	16.3	:	9.3	:
2001	17.8	:	9.6	:
2002	17.0	15.8	12.5	:
2003	15.8	14.4	12.4	:
2004	14.2	12.0	11.7	:
2005	13.5	13.6	11.3	:
Males				
2000	14.6	:	7.4	:
2001	16.8	:	7.7	:
2002	16.1	12.2	10.1	:
2003	14.7	12.0	9.8	:
2004	13.2	10.3	10.4	:
2005	12.6	11.5	9.4	:

Key indicator 14b

	BG	CR	RO	TR
Children aged 0-17 living in jobless households				
Share of persons aged 0-17 who are living in jobless households				
2000	:	:	7.2	:
2001	19.0	:	6.8	:
2002	18.7	10.3	9.8	:
2003	16.6	10.4	11.2	:
2004	15.6	7.4	11.1	:
2005	14.5	8.7	10.4	:

Key indicator 15a

	BG	CR	RO	TR
The percentage of women in the single/lower houses of the national/federal Parliaments				
2000	10.8	20.5	7.3	4.2
2001	26.3	20.5	10.7	4.2
2002	26.3	20.5	10.7	4.4
2003	26.3	20.5	10.7	4.4
2004	21.0	17.8	11.2	4.4
2005	21.0	21.7	11.2	4.4

Key indicator 16

	BG	CR	RO	TR
Gender pay gap in unadjusted form (Difference between men's and women's average gross hourly earnings as a percentage of men's average gross hourly earnings. The population consists of all paid employees aged 16-64 that are 'at work 15+ hours per week')				
2000	:	:	17	:
2001	23	:	18	:
2002	21	:	17	12
2003	18	11	18	:
2004	18	:	14	:
2005	:	:	:	:

Key indicator 17a

	BG	CR	RO	TR
Life expectancy at birth (The mean number of years that a newborn child can expect to live if subjected throughout her/his life to the current mortality conditions (age specific probabilities of dying))				
Females				
1950	:	:	:	:
1960	:	:	:	:
1970	:	:	:	:
1970	:	:	:	:
1980	:	:	:	:
1990	:	:	:	:
2000	75.3	76.7	74.6	72.8
2001	75.3	78.2	74.9	73.0
2002	75.6	78.4	74.9	73.2
2003	75.6	78.2	75.3	73.4
2004	76.2	79.0	75.1	73.6
2005	76.2	:	:	73.8
Males				
1950	:	:	:	:
1960	:	:	:	:
1970	:	:	:	:
1970	:	:	:	:
1980	:	:	:	:
1990	:	:	:	:
2000	68.2	69.1	67.7	68.1
2001	68.2	71.0	67.6	68.2
2002	68.7	71.2	67.5	68.4
2003	68.7	71.2	67.8	68.6
2004	69.1	72.0	67.7	68.8
2005	69.1	:	:	68.9

Key indicator 17b

	BG	CR	RO	TR
Disability-free life expectancy at birth, 2002				
Females	67	69	65	63
Males	63	64	61	61

Key indicator 18a

	BG	CR	RO	TR
Accidents at work - serious accidents (Index of the number of serious accidents at work per 100 thousand persons in employment (1998=100))				
Total				
2000	100	:	106	85
2001	90	:	113	90
2002	84	:	104	84
2003	83	:	111	83
2004	:	:	:	:
2005	:	:	:	:
Females				
2000	:	:	101	:
2001	:	:	112	:
2002	:	:	96	:
2003	:	:	117	:
2004	:	:	:	:
2005	:	:	:	:
Males				
2000	:	:	109	:
2001	:	:	117	:
2002	:	:	108	:
2003	:	:	111	:
2004	:	:	:	:
2005	:	:	:	:

Key indicator 18b

	BG	CR	RO	TR
Accidents at work - fatal accidents (Index of the number of fatal accidents at work per 100 thousand persons in employment (1998=100))				
2000	100	:	103	68
2001	104	:	97	92
2002	85	:	95	75
2003	83	:	111	64
2004	:	:	:	:
2005	:	:	:	:

Annex 1.3.1: Economy

	BG	CR	RO	TR
Gross domestic product at current market prices				
2005, Bn Euro	21	31	79	291
GDP growth rates at constant prices (1995)				
Annual growth rate. 2003	4.5	5.3	5.2	5.8
Annual growth rate. 2004	5.7	3.8	8.3	8.9
Annual growth rate. 2005	5.5	4.3	4.1	7.4
GDP per head (Index EU-25=100, in PPS)				
2000	27	41	25	30
2005	33	47	33	29
GDP per head in Euro				
2005	2779	6972	3661	4056
Net national income per head (Index EU-15=100, in Euro)				
2005	:	:	:	:
Household consumption per head (Index EU-15=100, in Euro)				
2005	:	:	:	:
Household consumption includes the consumption expenditure of non-profit institutions serving households.				
Net saving per head (Index EU-15=100, in Euro)				
2005	:	:	:	:
Gross compensation per employee (Index EU-15=100, in Euro)				
2005	:	:	:	:
General government debt (% of GDP)				
2003	48.2	52.5	26.9	69.8
2004	40.7	53.5	24.2	63.2
2005	31.9	52.1	21.4	55.7
General government deficit (-) (% of GDP)				
2003	0.0	-6.3	-2.3	-8.1
2004	1.7	-4.9	-1.2	-7.1
2005	3.2	-4.5	-0.9	-2.0
Annual inflation rate compared to the same month of the previous year				
2003	2.3	:	15.3	25.3
2004	6.1	:	11.9	10.1
2005	5	:	10.1	8.1
12-month average annual inflation rate. 12-month average rate				
2005	5.0	3.3	9.1	8.1
Interest rates: 10-year government bond yields. monthly average				
2003	:	:	:	:
2004	:	:	:	:
2005	:	:	:	:
Interest rates: 10-year government bond yields. annual average				
2003	6.42	:	:	:
2004	5.25	:	:	:
2005	3.80	:	:	:

Annex 1.3.2: Population

	BG	CR	RO	TR
Total population (1000)				
1.1.1960	8,228	:	:	:
1.1.1980	8,877	:	:	:
1.1.2000	8,149	4,568	22,435	67,804
1.1.2004	7,761	4,442	21,673	71,152
1.1.2005	7,718	4,444	21,659	71,608
2010, baseline scenario	7,400	4,098	21,300	76,505
2015, baseline scenario	7,100	:	20,900	80,524
2020, baseline scenario	6,800	:	20,300	84,301
2050, baseline scenario	5,100	3,239	17,100	:
Population growth rates (per 1000 population), 2004				
Total increase	:	0.5	-2.4	:
Natural increase	-5.2	-2.1	-1.9	12.9
Net migration	:	2.6	-0.5	:

The increase in total population is made up of the natural increase (live births less deaths) and net migration. Net migration is estimated on the basis of the difference between population change and natural increase (corrected net migration).

Population structure (percentage of total), 2004				
Total	100	100	100	100
0-19	20.9	22.7	24.3	37.9
20-59	56.5	55.2	56.5	53.7
60-79	19.7	19.5	17.0	:
80 and over	2.9	2.6	2.2	:
Population aged 0-14				
2000 (1000s)	1,266	867	4,104	20,220
percentage change. 2000/2015	:	-19.2	:	:
Population aged 15-24				
2000 (1000s)	1,170	595	3,616	:
percentage change. 2000/2015	:	-18.8	:	:
Population aged 25-54				
2000 (1000s)	3,396	1,890	9,438	:
percentage change. 2000/2015	:	-3.1	:	:
Population aged 55-64				
2000 (1000s)	926	538	2,296	:
percentage change. 2000/2015	:	27.9	:	:
Population aged 65 and over				
2000 (1000s)	1,330	548	2,989	3,859
percentage change. 2000/2015	:	19.4	:	:
Population aged 80 and over				
2000 (1000s)	184	105	400	:
percentage change. 2000/2015	:	122.9	:	:
Population by main group of citizenship, in thousand, 2004				
Nationals	7,761.0	4,399.3	21,686.9	:
Non-nationals	2.0	27.7	25.6	:

Croatia: 2001

Population by main group of citizenship, in percentages, 2004				
Nationals	99.97	99.40	99.88	:
Non-nationals	0.03	0.60	0.12	:

Croatia: 2001

	BG	CR	RO	TR
Crude marriage rate (per 1 000 population)				
1960	8.8	8.9	10.7	:
1970	8.6	8.5	7.2	:
1980	7.9	7.2	8.2	8.2
1990	6.9	6.0	8.3	:
2000	4.4	4.9	6.1	:
2003	3.9	5.0	6.2	6.8
2004	4.0	5.1	6.6	:
2005		:		

The crude marriage rate is the ratio of the number of marriages to the mean population in a given year.

Total fertility rate				
1960	2.31	2.21	2.33	:
1970	2.18	1.83	2.89	:
1980	2.10	1.92	:	4.36
1990	1.81	1.69	1.83	:
2000	1.30	1.40	1.31	2.27
2003	1.23	1.33	1.27	2.20
2004	1.29	1.35	1.29	2.20
2005	1.31	:	:	:

The total fertility rate is the average number of children that would be born alive to a woman during her lifetime if current fertility rates were to continue.

Percentage of live births outside marriage				
1960	8.0	:	:	:
1970	8.5	5.4	:	:
1980	10.9	5.1	:	:
1990	12.4	7.0	:	:
2000	38.4	9.0	25.5	:
2003	46.1	10.1	28.2	:
2004	48.7	10.4	29.4	:
2005	:	:	:	

Crude divorce rate (per 1 000 population)				
1960	1.5	1.2	2.0	:
1970	1.2	1.2	0.4	:
1980	1.5	1.2	1.5	:
1990	1.3	1.2	1.4	:
2000	1.3	1.0	1.4	:
2003	1.5	1.1	1.5	0.7
2004	1.9	1.1	1.6	:
2005	:	:	:	:

The crude divorce rate is the ratio of the number of divorces to the mean population in a given year.

Proportion of marriages dissolved by divorce, by marriage cohort (%), 2005				
1950	:	:	:	:
1960	:	:	:	:
1970	:	:	:	:
1980	:	:	:	:
1984	:	:	:	:

Mean marriage duration at divorce by marriage cohort, years, 2005				
1950	:	:	:	:
1960	:	:	:	:
1970	:	:	:	:
1980	:	:	:	:
1984	:	:	:	:

Annex 1.3.3: Education and training

	BG	CR	RO	TR
Training enterprises as a percentage of all enterprises by size class, 1999				
10-49 employees	24	:	8	:
50-249 employees	34	:	13	:
250 or more employees	62	:	38	:
All size classes	28	:	11	:
Percentage of employees of all enterprises participating in CVT courses by gender, 1999				
Total	13	:	8	:
Males	16	:	8	:
Females	9	:	7	:
Hours in CVT courses per participant by economic activity (*), 1999				
NACE D	19	:	33	:
NACE G	35	:	31	:
NACE J	20	:	27	:
NACE K	50	:	57	:
NACE O	72	:	45	:
Other	46	:	56	:
Total	35	:	42	:

(*) NACE D: Manufacturing, NACE G: Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods, NACE J: Financial intermediation, NACE K: Real estate, renting and business activities, NACE O: Other community, social and personal service activities, Other (C, E, F, H, I) Mining and quarrying; Electricity, gas, water; Construction; Hotels and restaurants; Transport, communication.

Percentage of employees in small and large enterprises with and without 'a joint agreement' participating in CVT courses, 1999				
small - with	25	:	14	:
small - without	4	:	1	:
large - with	31	:	18	:
large - without	12	:	6	:

Annex 1.3.4: Labour market

	BG	CR	RO	TR
Total employment (thousands)				
Total 2003	3166	1536	9155	21150
Total 2004	3264	1563	9103	21700
Total 2005	:	:	:	:
Females 2003	1490	686	4166	5972
Females 2004	1533	696	4178	5743
Females 2005	:	:	:	:
Males 2003	1676	851	4989	15178
Males 2004	1731	866	4926	15957
Males 2005	:	:	:	:
Self-employed in % of total employment				
Total 2003	8.5	24.2	46.2	15.6
Total 2004	8.6	23.4	42.0	16.3
Total 2005	8.7	:	:	16.4
Females 2003	6.1	23.0	47.0	:
Females 2004	5.9	22.5	41.5	:
Females 2005	6.3	:	:	:
Males 2003	11.0	25.2	45.5	:
Males 2004	11.1	24.2	42.4	:
Males 2005	10.5	:	:	:
Part-time workers in % of total employment				
Total 2003	2.3	8.5	11.5	6.3
Total 2004	2.4	8.5	10.6	6.9
Total 2005	2.1	10.1	10.2	5.9
Females 2003	2.6	11.2	12.2	12.8
Females 2004	2.7	11.2	11.2	15.3
Females 2005	2.5	13.4	10.5	13.5
Males 2003	1.9	6.3	10.9	3.7
Males 2004	2.1	6.3	10.2	3.9
Males 2005	1.7	7.3	10.0	3.3
Temporary contract workers in % of total employment				
Total 2003	6.5	11.3	2.0	:
Total 2004	7.4	12.2	2.5	:
Total 2005	6.4	12.4	2.4	:
Females 2003	6.0	10.7	1.7	:
Females 2004	7.0	12.4	2.0	:
Females 2005	6.2	12.3	1.9	:
Males 2003	7.0	11.8	2.2	:
Males 2004	7.7	12.1	2.9	:
Males 2005	6.7	12.4	2.8	:
Services in % of total employment				
Total 2003	57.1	53.4	34.5	47.9
Total 2004	57.2	53.7	37.2	47.7
Total 2005	56.8	:	:	:
Females 2003	63.6	63.4	37.8	:
Females 2004	64.6	63.9	41.6	:
Females 2005	65.1	:	:	:
Males 2003	51.1	45.2	31.8	:
Males 2004	50.4	45.5	33.5	:
Males 2005	49.8	:	:	:

	BG	CR	RO	TR
Industry in % of total employment				
Total 2003	32.8	29.8	29.8	18.2
Total 2004	33.1	29.9	31.2	18.3
Total 2005	34.3	:	:	:
Females 2003	29.1	18.9	24.9	:
Females 2004	28.6	18.6	26.1	:
Females 2005	28.3	:	:	:
Males 2003	36.9	38.5	33.9	:
Males 2004	37.7	38.9	35.5	:
Males 2005	39.6	:	:	:
Agriculture in % of total employment				
Total 2003	10.1	16.9	35.7	33.9
Total 2004	9.7	16.5	31.6	34.0
Total 2005	8.9	:	:	:
Females 2003	7.3	17.7	37.3	:
Females 2004	6.7	17.5	32.3	:
Females 2005	6.5	:	:	:
Males 2003	12.1	16.2	34.4	:
Males 2004	6.7	15.6	31.0	:
Males 2005	10.6	:	:	:
Total unemployment (thousands)				
Total 2003	449.2	329.8	686.5	2,496.3
Total 2004	400.0	309.9	767.3	2,479.3
Total 2005	334.1	308.7	780.5	:
Females 2003	203.3	189.7	290.4	674.3
Females 2004	178.0	180.8	298.4	615.0
Females 2005	151.6	180.8	341.6	:
Males 2003	245.8	140.1	396.0	1,822.0
Males 2004	222.0	129.1	468.9	1,864.3
Males 2005	182.6	127.9	438.9	:
Youth unemployment rate (15 to 24 years)				
Total 2003	27.7	35.9	18.5	20.5
Total 2004	27.0	33.4	21.0	19.7
Total 2005	22.8	32.6	21.8	19.3
Females 2003	24.6	38.2	18.7	18.9
Females 2004	26.0	38.3	18.9	18.8
Females 2005	21.2	35.6	20.8	19.3
Males 2003	30.3	34.1	18.3	21.4
Males 2004	27.8	29.7	22.4	20.1
Males 2005	24.0	30.4	22.5	19.3
Very long-term unemployment (24 months or more) in % active population				
Total 2003	6.8	6.5	2.7	1.1
Total 2004	5.2	5.7	3.1	2.1
Total 2005	4.3	5.5	2.7	:
Females 2003	6.6	7.4	2.6	1.4
Females 2004	5.2	6.9	2.4	2.3
Females 2005	4.3	6.3	2.3	:
Males 2003	6.9	5.7	2.7	1.0
Males 2004	5.2	4.7	3.7	2.0
Males 2005	4.3	4.9	3.1	:

Annex 1.3.5: Social protection

	BG	CR	RO	TR
Expenditure on social protection in PPS per head of population, 200				
Total	:	:	:	:
Expenditure on social protection per head of population at constant prices (Index 2000=100				
2000	100	:	:	:
2001	106	:	:	:
2002	113	:	:	:
2003	125	:	:	:
2004	138	:	:	:
2005	148	:	:	:
Social benefits by group of functions (as a percentage of total social benefits				
Old age and survivors benefits				
1995	:	:	:	:
2005	53.0	:	:	:
Sickness, health care				
1995	:	:	:	:
2005	34.0	:	:	:
Disability				
1995	:	:	:	:
2005	:	:	:	:
Unemployment				
1995	:	:	:	:
2005	4.4	:	:	:
Family and children				
1995	:	:	:	:
2005	8.6	:	:	:
Housing and social exclusion n.e.c.				
1995	:	:	:	:
2005	:	:	:	:

	BG	CR	RO	TR
Social benefits by group of functions per head of population at constant prices (Index 2000=100				
Total benefits				
2001	113	:	:	:
2003	138	:	:	:
2005	172	:	:	:
Old age and survivors benefits				
2001	109	:	:	:
2003	123	:	:	:
2005	154	:	:	:
Sickness, health care				
2001	111	:	:	:
2003	160	:	:	:
2005	198	:	:	:
Disability				
2001	:	:	:	:
2003	:	:	:	:
2005	:	:	:	:
Unemployment				
2001	112	:	:	:
2003	132	:	:	:
2005	156	:	:	:
Family and children				
2001	156	:	:	:
2003	179	:	:	:
2005	223	:	:	:
Housing and social exclusion n.e.c.				
2001	:	:	:	:
2003	:	:	:	:
2005	:	:	:	:
Receipts of social protection by type (as a percentage of total receipts				
General government contributions				
1995	:	:	:	:
2005	7.8	:	:	:
Employers' social contributions				
1995	:	:	:	:
2005	44.4	:	:	:
Social contributions paid by protected persons				
1995	:	:	:	:
2005	21.6	:	:	:
Other receipts				
1995	:	:	:	:
2005	26.2	:	:	:

Annex 1.3.6: Income, poverty and social exclusion

	BG	CR	RO	TR
At-risk-of-poverty rate (cut-off threshold: 60% of median equivalised income after social transfers), by age, 2005				
Total population	14	18	18	26
..Children 0-15	18	20	25	34
..16-24	16	15	21	26
..25-49	13	13	16	21
..50-64	10	16	13	17
..65+	18	26	17	21
Romania: 2004, Turkey: 2003				
At-risk-of-poverty rate (cut-off threshold: 60% of median equivalised income after social transfers), by most frequent activity, 2004				
Total population, 16+	14	18	16	22
..At work	7	9	14	23
....Employed	7	6	3	19
....Self-employed	6	20	24	27
..Unemployed	34	34	30	31
..Retired	15	23	15	7
..Other inactive	17	21	20	22
Croatia, Turkey: 2003				
At-risk-of-poverty rate (cut-off threshold: 60% of median equivalised income after social transfers), by household type, 2004				
Total population	15	17	17	26
1 person hh - Total	34	41	25	15
1 person hh - M	17	35	18	14
1 person hh - F	39	43	28	15
1 person hh <30 yrs	25	:	:	:
1 person hh 30-64	38	25	:	:
1 person hh 65+	39	49	31	22
2 adults no children (at least one 65+)	6	27	13	13
2 adults no children (both <65)	7	12	10	8
Other hh no children	10	10	13	12
Single parent (at least 1 child)	33	34	23	40
2 adults 1 dep.child	12	15	10	10
2 adults 2 dep.children	13	15	14	16
2 adults 3+ dep.children	64	21	38	42
Other hh with dep.children	19	13	22	31
Croatia, Turkey: 2003				

	BG	CR	RO	TR
At-risk-of-poverty rate (cut-off threshold: 60% of median equivalised income after social transfers), by accommodation tenure status, 2004				
Total population	14	18	:	26
..Owner or rent-free	14	18	17	27
..Tenant	26	22	24	19
Croatia, Turkey: 2003				
At-risk-of-poverty cut-off threshold (60% of median equivalised income after social transfers), illustrative values in PPS, 2004				
Single person household	2,033	4,131	1,116	1,813
Two-adult, two-children household	4,269	8,675	2,344	3,807
Croatia: 2003, Turkey: 2001				
At-risk-of-poverty cut-off threshold (60% of median equivalised income after social transfers), illustrative values in Euro, 2004				
Single person household	874	2,441	463	1,021
Two-adult, two-children household	1,835	5,126	972	2,144
Croatia, Turkey: 2003				
At-risk-of-poverty gap expressed relative to cut-off threshold (60% of median equivalised income after social transfers), 2004				
Total population	19	21	23	31
Croatia, Turkey: 2003				
Annual disposable equivalised household income, in PPS, 2002				
Median	3,266	:	1,960	3,022
Mean	3,596	:	:	:
Romania, Turkey: 2001				
Share of national equivalised household income by quintile, 2005				
Total population	100	100	:	:
..bottom quintile	8	8	:	:
..2nd quintile	13	13	:	:
..3rd quintile	17	17	:	:
..4th quintile	22	23	:	:
..top quintile	40	38	:	:
Croatia: 2002				

Annex 1.3.7: Gender equality

	BG	CR	RO	TR
Women in regional parliaments, 2005				
Number of regions	:	21	:	:
Number of members	:	923	:	:
Number of female members	:	156	:	:
Percentage of female members	:	16.9	:	:
Women in regional governments (including junior ministers), 2005				
Number of regions	9	:	:	:
Number of members	51	:	:	:
Number of female members	11	:	:	:
Percentage of female members	21.6	:	:	:
Women in local councils, 2005				
Number of seats	:	7533	:	:
Number of seats occupied by women	:	853	:	:
Percentage of seats occ. by women	:	11.3	:	:

Local data are incomplete. Due to the huge differences in local level political decision-making data provided are not always comparable.

Annex 1.3.8: Health and safety

	BG	CR	RO	TR
Percentage of persons aged 16 and over stating that they are hampered in daily activities by any physical or mental health problem, illness, disability or sex, 2006				
Total	:	27	:	:
Males	:	24	:	:
Females	:	30	:	:
Percentage of persons aged 65 and over stating that they are hampered in daily activities by any physical or mental health problem, illness, disability or sex, 2006				
Total	:	53	:	:
Males	:	:	:	:
Females	:	:	:	:
Percentage of persons aged 16 and over with an above-mentioned problem/illness and who are hampered in their daily activities, 2006				
Yes, severely	:	:	:	:
Yes, to some extent	:	:	:	:
No	:	72	:	:
Percentage of persons aged 65 and over with an above-mentioned problem/illness and who are hampered in their daily activities, 2006				
Yes, severely	:	:	:	:
Yes, to some extent	:	:	:	:
No	:	46	:	:
Percentage of the population aged 16 and over who feel that their health is bad or very bad, by level of education, 2006				
Pre-primary, primary and lower secondary education	:	:	:	:
Upper secondary education	:	:	:	:
Total tertiary education	:	17	:	:
Percentage of the population aged 16 and over who feel that their health is bad or very bad, by sex, 2006				
Total	:	36	:	:
Males	:	32	:	:
Females	:	40	:	:
Percentage of the population aged 65 and over who feel that their health is bad or very bad, by sex, 2006				
Total	:	72	:	17
Males	:	:	:	:
Females	:	:	:	:
Turkey: 2004				
Work accidents per 100 000 employed persons by selected type of activity, 2004, Index (2000 = 100)				
Total	56	:	:	:
Construction	66	:	:	:
Agriculture, hunting and forestry	63	:	:	:
Transport, storage and communication	70	:	:	:
Manufacturing	62	:	:	:
Hotels and restaurants	44	:	:	:
Wholesale and retail trade; repairs	75	:	:	:

	BG	CR	RO	TR
Work accidents per 100 000 employed persons by selected type of activity, 2004				
Total	:	:	:	:
Construction	:	:	:	:
Agriculture, hunting and forestry	:	:	:	:
Transport, storage and communication	:	:	:	:
Manufacturing	:	:	:	:
Hotels and restaurants	:	:	:	:
Wholesale and retail trade; repairs	:	:	:	:
Work accidents per 100 000 employed persons by sex, 2005, Index (1998=100)				
Males	:	:	:	:
Females	:	:	:	:
Work accidents per 100 000 employed persons by sex, 2005				
Males	:	:	:	:
Females	:	:	:	:
Number of persons killed in road accidents				
2005	957	753	2,499	5,510
Croatia: 2003, Romania, Turkey: 2000				
Number of persons killed in road accidents per million inhabitants				
2005	124	170	111	81
Croatia: 2003, Romania, Turkey: 2000				

Annex 1.4: Symbols, country codes

Symbols

Symbols used in the tables

:	"not available"

Other symbols

%	percent

Country codes

BG	Bulgaria
CR	Croatia
RO	Romania
TR	Turkey

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IER	Institute for Economic Research, Bratislava, Slovakia
IER	Institute for Economic Research, Ljubljana, Slovenia
IHS	Institute for Advanced Studies, Vienna, Austria
ISAE	Istituto di Studi e Analisi Economica, Rome, Italy
NIER	National Institute of Economic Research, Stockholm, Sweden
NIESR	National Institute of Economic and Social Research, London, UK
NOBE	Niezalezny Osrodek Bana Ekonomicznych, Lodz, Poland
PRAXIS	Center for Policy Studies, Tallinn, Estonia
RCEP	Romanian Centre for Economic Policies, Bucharest, Romania
SSB	Research Department, Statistics Norway, Oslo, Norway
SFI	Danish National Institute of Social Research, Copenhagen, Denmark
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