

**Multidimensional Social Exclusion
and the “Rural-Urban Divide” in
Eastern Europe and Central Asia**

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INTRODUCTION

This paper is analyzing *social exclusion* in the Eastern Europe and Central Asia region of transition countries, in particular focusing on the “rural-urban divide”. It is using a unique form of measuring social exclusion, namely through the Multidimensional Exclusion Index, or MEI (see UNDP, 2011), which broadly follows the methodology as developed by Alkire and Foster (2007), for their Multidimensional Poverty Index (MPI). The MEI measures exclusions from economic life; social services; and civic life and social networks. This complex multidimensional index of social exclusion gives equal weight to these dimensions, and is based on 8 sub-indicators in each dimension. The actually estimate a social exclusion headcount and MEI data is used from detailed (“social exclusion”) household surveys in 6 transition countries, namely Macedonia, Moldova, Kazakhstan, Serbia, Tajikistan, and Ukraine, which were undertaken by the United Nations Development Program (UNDP), Regional Centre Bratislava in late 2009.

This paper will focus on a specific underlying factor that influences social exclusion, namely the “rural-urban” divide. In this particular case we will take inhabitants of villages to represent the rural sphere, while those who live in small towns, regional centres and national capitals, are considered as urban dwellers. Whenever possible we will try and distinguish data of “cities” (regional centres and capitals), from “small towns”, as most of the development models in Central and Eastern Europe can be considered to have a “capital city bias”. Hence grouping them altogether could well misrepresent the real situation. The main argument of the paper is the following. Rural

¹ Max Spoor is Professor of Development Studies at the International Institute of Social Studies, The Hague (Erasmus University Rotterdam). This paper is largely based on the background papers, the data collected in the Social Exclusion Survey, November 2009, and the final texts that were prepared for UNDP (2011), Regional Human Development Report 2011, *Beyond Transition: Towards Inclusive Societies*, Bratislava: United Nations Development Programme, Regional Bureau for Europe and the CIS, of which he was the lead author. The extremely important contributions by Andrey Ivanov, Jaroslav Kling, Susanne Milcher, Mihail Peleah and Paul Stubbs to the RHDR 2011 report are gratefully acknowledged here. Mihail Peleah was responsible for most of the data analysis.

social exclusion is widespread in the region, it is (like rural poverty) largely worse than in urban areas in the countries for which the MEI has been measured. While rural-urban inequities were already present during the socialist era, the unbalanced, urban-biased, and “growth-pole” oriented development strategies have worsened them substantially. The often supposed trickle down effects of this “low quality” growth was minimal, and social exclusion is therefore still severe, in spite of nearly a decade of strong economic growth up to the global financial crisis of 2008-2009. If in the current recovery this unbalanced economic growth will be not critically reviewed and changed, the rural-urban divide, in this case quantified by through the lens of *social exclusion*, will not reduce.

The paper’s structure is as follows. In the second part the three dimensions of social exclusion are defined and discussed. In the third part social exclusion is further detailed in the context of the transition countries of Eastern Europe and Central Asia, focusing on the importance of the “rural-urban” divide, while looking at the three dimensions of social exclusion. In the fourth part we will analyze the drivers of social exclusion, distinguishing structures and institutions; values and behavioural patterns; and policies, and look within these drivers to the importance of spatial or location factors. In the fifth part the multidisciplinary index of exclusion will be presented more in detail, and specific observations –using the index and the social exclusion headcount- will be made for the countries where the surveys were held, distinguishing the location of the inhabitants (“village”, “small towns”, “regional centres” and “capital cities”). In the final part conclusions will be drawn on the “rural-urban divide” and social exclusion.

2. DEFINING SOCIAL EXCLUSION

This paper views social exclusion as a multi-dimensional phenomenon, with three dimensions: exclusion from economic life, exclusion from social services, and exclusion from civic life and social networks.²

1. *Exclusion from economic life* can be seen in inequities in assets, incomes and employment opportunities. Limited access to material resources is the outcome of exclusion in this dimension. Once it occurs, it is likely to contribute to further exclusion

² The sections 2, 3 and 5 are partly based on Spoor, Peleah and Ivanov (2011).

not just from economic life but from the other two dimensions as well. Economic exclusion marginalizes individuals in the distribution of economic resources. While in World Bank (2005) it was already shown that income poverty is much worse in rural areas in the ECA region, access to social services are often not taken into account. Only in the multidimensional poverty index this is partially done. As rural poverty is often much worse than its urban counterpart (Spoor, 2004), it can be shown that spatial exclusion (by living in often far-a-way villages) is worsening “exclusion from economic life”, in particular because of low employment opportunities.

2. *Exclusion from social services* is expressed by unequal access to a range of public services. Limited opportunities to enjoy the level of social services perceived as ‘normal’ in a particular society are the outcomes of exclusion in this dimension. In this dimension social services are measured in access to education, health care and medicine, social protection, basic infrastructure and transport, water and energy. Exclusion from social services refers not only to whether such services are available and at what level of quality, but also to accessibility and affordability by different population groups. On average the “access to social services gap” is often more pronounced in rural areas, also in cases where the rural-urban income gap is not so large. Furthermore, apart from the more limited access to social services in rural areas, the same is the case for villages in the highlands and mountains.

3. *Exclusion from civic life and social networks* is experienced via inequalities of political, cultural and civic opportunities and power at all levels, and unequal access to justice, liberty and institutions. Reduced participation in social and political life is the outcome of exclusion in this dimension. The key concept for inclusion in civic processes is *participation*. Exclusion from civic life and social networks occurs not only through formal institutions but also can occur due to lack of access to informal structures and opportunities. Community and family networks are possibly stronger in villages. However, other forms of participation in cultural, civic and political life are much less, amongst other caused by the inequality in public funding for these activities, but also because the constituency of political parties and civil society organizations is mostly more urban than rural.

The links between the *three dimensions* are various. Exclusion in all three dimensions is both an *outcome* (defining the status of the individual in individual dimension) and an element of the *process* leading to further exclusion in all three dimensions. To make the picture even more complex, exclusion in each dimension increases the risk of exclusion in the other two. For instance, limited incomes may reduce access to social services if some sort of payment is required. Limited employment opportunities, apart from affecting incomes, can impede participation in social networks. Limited education opportunities often determine lower employment opportunities. However, what is also important to understand, is that somebody with a low income, not necessarily is 'excluded' in one of the other two dimensions, and vice versa.

3. SOCIAL EXCLUSION IN THE ECA REGION

Social exclusion in the region of Eastern Europe and Central Asia (ECA) is a widespread phenomenon. However, the ECA region is very diverse. It encompasses countries that have acceded to the European Union, those in its neighbourhood, many of which wish to join, and countries far from Europe (such as Central Asia). The shared legacy of socialism allows grouping the transition countries of the region into the following sub-regions:

- SEE (Southeast Europe): Albania, Bosnia & Herzegovina, Croatia, Kosovo³, The Former Yugoslav Republic of Macedonia, Montenegro, and Serbia.⁴
- CEE (Central and Eastern Europe): The Baltic countries: Estonia, Latvia, Lithuania and the Central European countries, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia—all members of the EU.
- CIS (Commonwealth of Independent States) and Georgia:⁵
 - Western CIS: The Russian Federation, Belarus, Republic of Moldova and Ukraine
 - Caucasus: Azerbaijan, Armenia and Georgia.
 - Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan.

This sub-regional division takes into account those countries that joined the EU in 2004 and 2007 and those that are on its doorstep. The initial conditions, EU accession and the

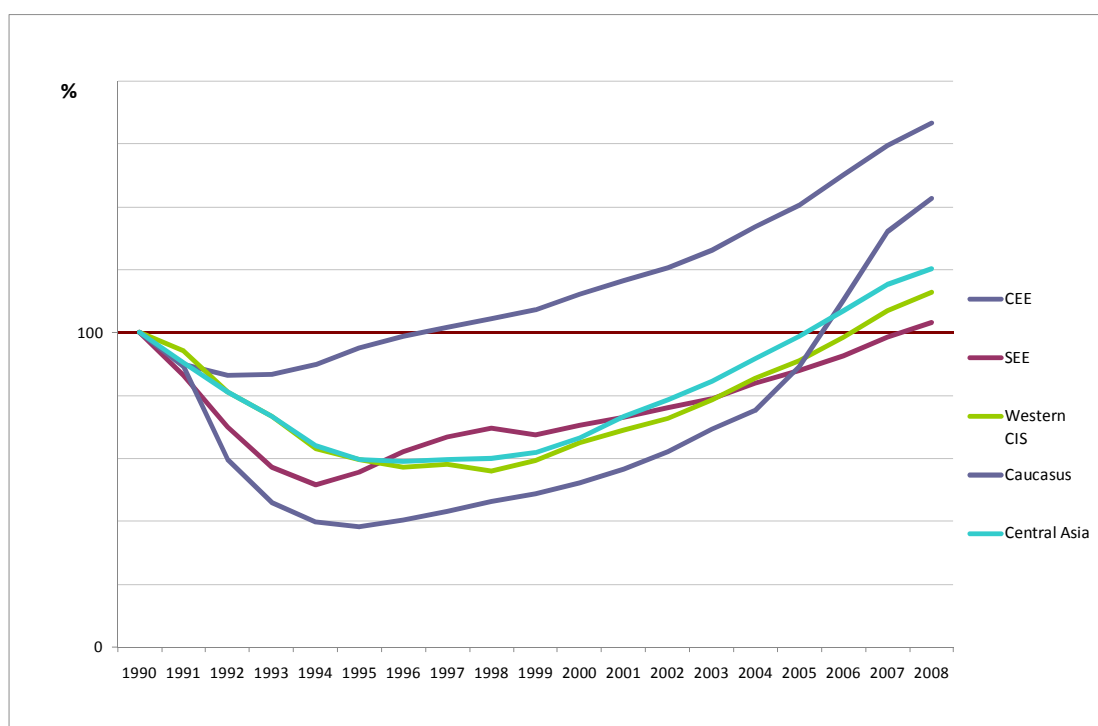
³ Kosovo is hereafter referred to in the context of the UN Security Council Resolution 1244 adopted in 1999.

⁴ All these countries except Albania emerged after the violent break-up of the Socialist Federal Republic of Yugoslavia.

⁵ Georgia withdrew from membership of the Commonwealth of Independent States after the conflict with Russia in 2008. Turkmenistan is an unofficial associate member. In this paper I will use the abbreviation CIS loosely, as a geographical grouping for all the former Soviet Republics excluding the Baltic states.

different transition strategies pursued have contributed to a much larger differentiation than had been apparent at the fall of the Berlin Wall (1989) or the dissolution of the USSR (1991). Hence, in comparing social exclusion and inequality, intra-regional comparisons need to be done with the utmost care, despite the region's common legacies. Figure 1 shows that, by the first half of the 1990s, the transition recession had caused a substantial drop in GDP, in some cases such as in the Caucasus and Central Asia, even with disastrous dimensions. Most countries resumed positive growth only in the second part of the decade, with there is another dip in the late 1990s, in part related to the Russian financial crisis. Since then all the sub-regions have actually shown constantly high growth figures, only interrupted by the deep economic crisis that hit the whole region in the period 2008-09. There is still insufficient data about how this economic crisis has influenced social exclusion (see Ivanov, 2009), but it clearly has affected incomes very negatively and most likely the level and quality of social services, as public funding shrunk substantially during the deep economic trough, in which, for example, Russia saw its GDP reduce by 8 percent in 2009.

Figure 1: GDP per-capita trends (as percentage of 1990 values), 1990-2008

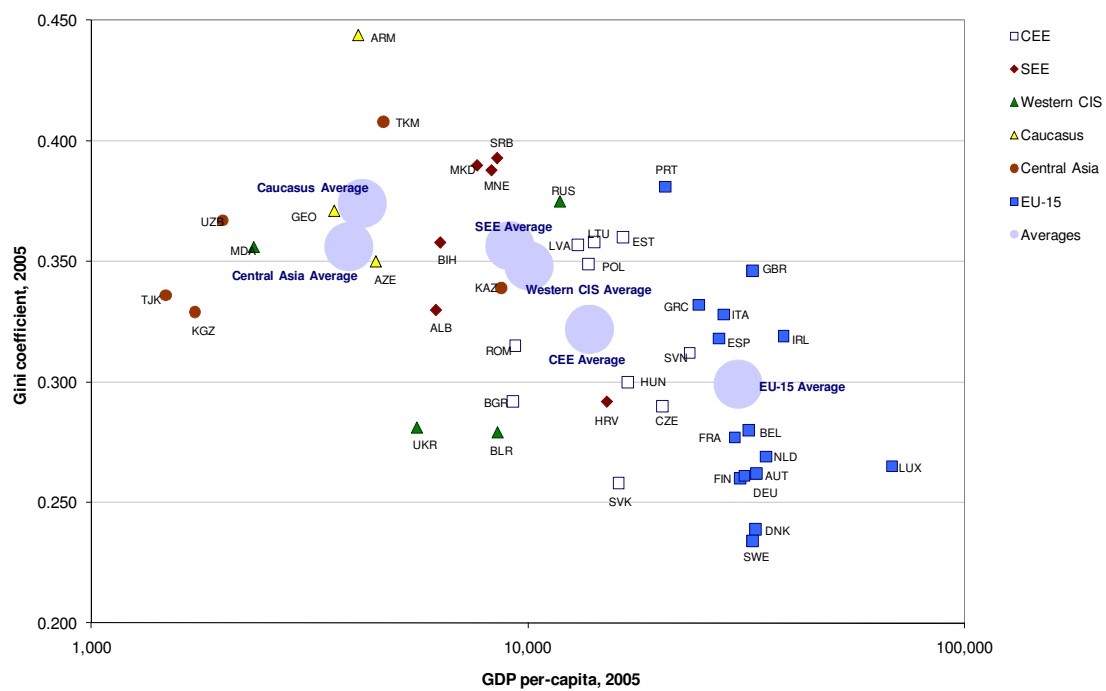


Note: GDP per capita is expressed here in purchasing power parity terms with constant US\$. The base year is 1990 (with a value of 100). The sub-regional averages have been weighted by population shares.

Source: World Bank (2010)

Countries also experienced a significant increase in income inequality within and across sub-regions followed by some levelling off since 2000. To some extent, poor data quality account for some of the inequalities observed, but the trend is consistent with different patterns of reform in countries and sub-regions. Country clusters have emerged in the income - income inequality space. As there are no updates income inequality data known for the region after the main World Bank (2005) study, Figure 2 is only providing data from well before the economic crisis, in the midst of the 2000s.

Figure 2: Income versus inequality, 2005



Note: GDP per capita is expressed here in purchasing power parity terms with constant US\$. The sub-regional averages have been weighted by shares.
Source: UNICEF (2010).

4. DRIVERS OF SOCIAL EXCLUSION

Social exclusion is the result of multiple and mutually reinforcing deprivations in some or all of the above defined dimensions. We have assumed here that each individual has a number of *individual characteristics* that can put him or her at risk of social exclusion. We define those characteristics as social exclusion risks. These can be related to gender, ethnicity, language, religion, age, sexual orientation, beliefs and disability, as well as

linked to particular status (income, health, employment, educational attainment, access to resources and opportunities, possession of assets), and the location of the individual.

Not all individual risks will necessarily materialize into actual social exclusion. Whether or not social exclusion manifests, depends on the interaction of risks with a set of *drivers* that can be structural, behavioural, or policy-related:

- The *first* group of drivers relates to how public and private *institutions and norms*, including legislation, contribute to exclusion through discriminatory practices or by failing to provide opportunities for inclusion or to protect the excluded. For example, the existence of anti-discriminatory legislation should decrease a disabled person's risk of social exclusion.
- The *second* group of drivers includes *values (and behavioral patterns)* which are shaped by discriminatory attitudes and cultural practices that regulate norms and behaviors in society and among groups, but also include forms of self-exclusion. For example, a bright child willing to study would be at higher risk of social exclusion if his or her peers don't value knowledge, or if they don't perceive it as being in line with the majority's culture. These drivers will also influence the structures and institutions and policies, for example through changes in political culture.
- The *third* group of drivers includes *policies*, which reflect and respond to both structures and values. For example, even if institutional structures to address Roma exclusion exist, social exclusion of Roma can be perpetuated unless explicit policies for inclusion of Roma are formulated and implemented. Within the policies we also include interlinked sets of policies (and initial conditions) that resulted in specific growth strategies and models, which will be discussed below.

The drivers determine the specific environment where the individual or group lives. Some of these characteristics are country-specific (like legal frameworks enforced by the state). Others, however, are specific to the region and immediate locality (including culture and level of tolerance). Spatial differences, such as the "rural-urban" divide can be of great influence. Ultimately, these drivers interact with individual risks stemming

from personal characteristics to produce different patterns and levels of exclusion. For example, every person with a disability faces some risk of social exclusion, but the extent to which this disability-related risk materializes into actual social exclusion depends on the drivers: the way a society perceives disability (cultural characteristic), the degree of accessibility in public space (physical parameters of the environment), and legal protection of rights.

Apart from drivers, individual risks are also influenced by the local context (the parameters of the local reality shaping individuals' everyday lives). Here is another place where spatial factors play a role, as villages are often at distance from centres of employment (in what often are the "growth poles"), social services and vibrant cultural and political life. The individual risks could be exacerbated for a member of a country's ethnic majority if she or he lives in an area dominated by an ethnic minority, particularly if that country has a history of ethnically based conflict. Likewise, a person who is highly sensitive to corruption and happens to live in a municipality with a mayor who takes bribes or with a corrupt municipal council could find his or her personal risk of exclusion heightened by this element of his local context.

Policies and Exclusionary Growth Models

While the link between policies and social exclusion is difficult to quantify, it exists. Models of economic growth, fiscal decentralization, social policies and approaches to regional imbalances contribute to the dynamics of social exclusion. Models of economic growth have been very different in ECA transition countries. Economic transition and the unbalanced, capital city-centred growth models pursued by quite some countries have created new exclusionary structures, combined with a legacy of centralized planning that left mono-company towns with no economic alternatives and excluded whole communities from economic as well as social and civic opportunities. We distinguish more broad-based growth *versus* spatially and sectorally unbalanced or 'growth pole'-based growth. Most of the CIS countries fall in the latter category, while in the EU-10 and SEE transition countries, a number of them fall in the former one.

This is partly caused by different legacies, but also by different strategies of enterprise restructuring and privatization (Gurieiev and Ickes, 2002). More broad-based growth is generally associated with lower degrees of inequality (Cornia and Popov, 2001).

Growth models can also be distinguished according to openness, with more open systems (such as the Baltic States) at one end of the spectrum and semi-closed ones relying heavily on import substitution (such as Turkmenistan and Uzbekistan) at the other. Furthermore, countries also differ in the extent of their reliance on foreign direct investment, foreign borrowing, remittances from migrants, development aid, and the level of domestic savings—affecting the shares of investment and consumption. In transition economies, the following sectors stand out, as drivers of growth over the past two decades (see Spoor, Peleah and Ivanov, 2011):

- *Extractive industry and mining*: Azerbaijan, Kazakhstan, Russia and Turkmenistan.
- *Manufacturing industry (including SMEs)*: Some countries in Central Europe, such as Poland and the Czech Republic.
- *Agriculture with a main cash crop*: Tajikistan and Uzbekistan.
- *Service sector, construction and real estate boom*: Bulgaria, Armenia, Kazakhstan and Georgia.
- *Migrant remittances*: Armenia, Georgia, Kyrgyz Republic, and Moldova.
- *Official development assistance*: Armenia, Bosnia and Herzegovina, the Republic of Moldova, Kyrgyz Republic and Tajikistan
- *Informal economy*: Various ECA economies.

As shown by the data on the spatial distribution of poverty, growth models in particular in the CIS that relied heavily on exclusive ‘growth poles’, mostly with the capital cities in the lead, gave rise to growth that promoted social exclusion, rather than inclusion. Very often the countryside benefited very little from growth, even in those countries where there was a very important export cash crop sector (such as cotton in Central Asia, see Spoor, 2009). The quality and rate of growth have been relatively poor in the countries where this form of highly unbalanced growth took place. Cazes and Nesporova (2007) describe economic growth rates that are not at par with employment growth as ‘jobless growth’. The large employment losses stemming from the current crisis therefore raise the importance of seizing opportunities to make growth more sustainable and equitable (Ivanov, 2009).

5. DEVELOPING A MULTIDIMENSIONAL EXCLUSION INDEX (MEI)

The social exclusion measure introduced in here deepens the multi-dimensional angle of analysis, which has emerged in EU measures of poverty and social exclusion. The social exclusion measure proposed here employs as its starting point the Alkire and Foster (2007) methodology of multidimensional poverty applied to 104 countries in UNDP (2010). It takes into account the diversity of the ECA region, and seeks to contribute to the debate on developing measurements reflecting multiple deprivations in a transition context. A variety of initiatives on monitoring social exclusion have been carried out in the region, which also have contributed to this debate. The major novelty of the Alkire and Foster (2007) multidimensional poverty measurement is that it allows for a two-step process ('dual cutoff' method) for identifying the poor in a multidimensional setting.

The multidimensional social exclusion index developed for UNDP (2011) uses this methodology and employs 24 deprivation indicators. These reflect deprivations in people's capabilities to participate in labour markets, education and health systems, as well as civic and social networks. The index roots them firmly in the three dimensions of social exclusion —exclusion from economic life, from social services, and from civic life and social networks as discussed above. The dynamics of each dimension is captured by eight indicators per dimension.

The indicators for each dimension

The selection of appropriate indicators and thresholds is the first step in building a multidimensional social exclusion measure. Eight indicators were selected (Table 1) for each of the three dimensions of social exclusion. Each indicator addresses a specific form of uni-dimensional deprivation. Existing analyses and secondary data have suggested that economic exclusion is characterized by inequality in incomes and poverty, lack of employment opportunities leading to a high share of discouraged workers who are no longer looking for a job, and exclusion from financial services.

Under the *first* dimension, economic exclusion, the indicators reflect deprivation in current incomes and basic needs, access to employment, financial services and material assets, the lack of amenities that the household needs but cannot afford and of housing space. The *second* dimension, exclusion from social services, encompasses indicators

reflecting access to and affordability of education and health services as well as public services of utilities. The *third* dimension—exclusion from civic life and social networks—covers indicators reflecting deprivation in access to and affordability of political, cultural and social participation and support networks, as well as frequency of social and civic participation. These are based on the findings from the UNDP Social Exclusion Survey in 2009, showing that social and civic participation is rather low and social networks are rather weak and non-inclusive.⁶ These indicators are innovative because they reflect capability deprivations rather than item or necessity deprivations, which reflect material items that people need but cannot afford.

Table 1: List of indicators per dimensions of exclusion

Dimensions of exclusion	Indicators/Deprivations
A. Economic exclusion	Inequality: At-risk-of-poverty rate (60 percent of median equivalent expenditures in a country)
	Subjective basic needs: In the past 12 months the household has not been able to afford three meals a day, or pay bills regularly, or keep the home adequately warm, or buy new clothes and shoes
	Employment: Being unemployed or a discouraged worker
	Financial services: Lack of access to a bank account on one's own name
	Material deprivation_housing: The household cannot afford a bed for every member of the household
	Material deprivation_amenities: Household needs a washing machine, freezer or microwave but cannot afford one
	Material deprivation_ICT: Household needs a computer or internet but cannot afford one
	Overcrowding: Household with less than 6m ² per person
B. Exclusion from social services	Public utilities: Household with no running water or sewerage system
	Public utilities: Household heats with wood or with no heating device
	Education: Low educational achievements (basic schooling) and early school leavers
	Education: Household could not afford to buy school materials for every child in the past 12 months
	Education: Household with young children not in school or pre-school
	Health care: Household could not afford medication or dental checks for every child in the past 12 months
	Health care: Medical needs not being met by the health care system
	Social infrastructure: Lack of opportunities to attend events due to distance (lack of transportation)
C. Exclusion from participation in civic and social life and networks	Social capital: Rare or infrequent social contact with family or relatives
	Social capital: Rare social contact with friends
	Social capital: Lack of support networks that could help in the event of emergency
	Social participation: In the past 12 months the household has not been able to afford inviting friends or family for a meal or drink at least once a month
	Social participation: The household has not been able to afford to buy books, cinema or theatre tickets in the past 12 months
	Civic participation: Inability to vote due to lack of eligibility or distance to polling station
	Civic participation: No participation/membership in associations, teams or clubs
	Civic participation: No participation in political/civic activities

Source: UNDP (2011: 96-97)

⁶ The sample size for each country was 2,700. However, for the calculations on the social exclusion headcount, and the MEI, only those respondents were use which had complete information on the 3 dimensions of social exclusions. Robustness checks were done and found to be satisfactory (UNDP, 2011).

Each of the three dimensions of social exclusion has equal weight as does each indicator. The ‘Social Exclusion Survey’ provides the data for these indicators and the proposed measure. The results presented below are restricted to the six countries surveyed, and measure social exclusion only at one point in time (November 2009). However, there were a limited number of questions asking about a comparison of current and earlier (pre-transition) times, adding a limited dynamic element to the survey results. Moreover, the measure cannot be disaggregated by population groups in each country, such as ethnic minorities, IDPs, and persons with disabilities, of which the survey did not obtain a representative sample.⁷ On the other hand, the countries covered by the survey represent the major challenges the region is facing. This is why it is acceptable (with certain caution and the acknowledgement of caveats) to analyze the data set in its entirety as representative of some issues specific to the region.

The selection of thresholds

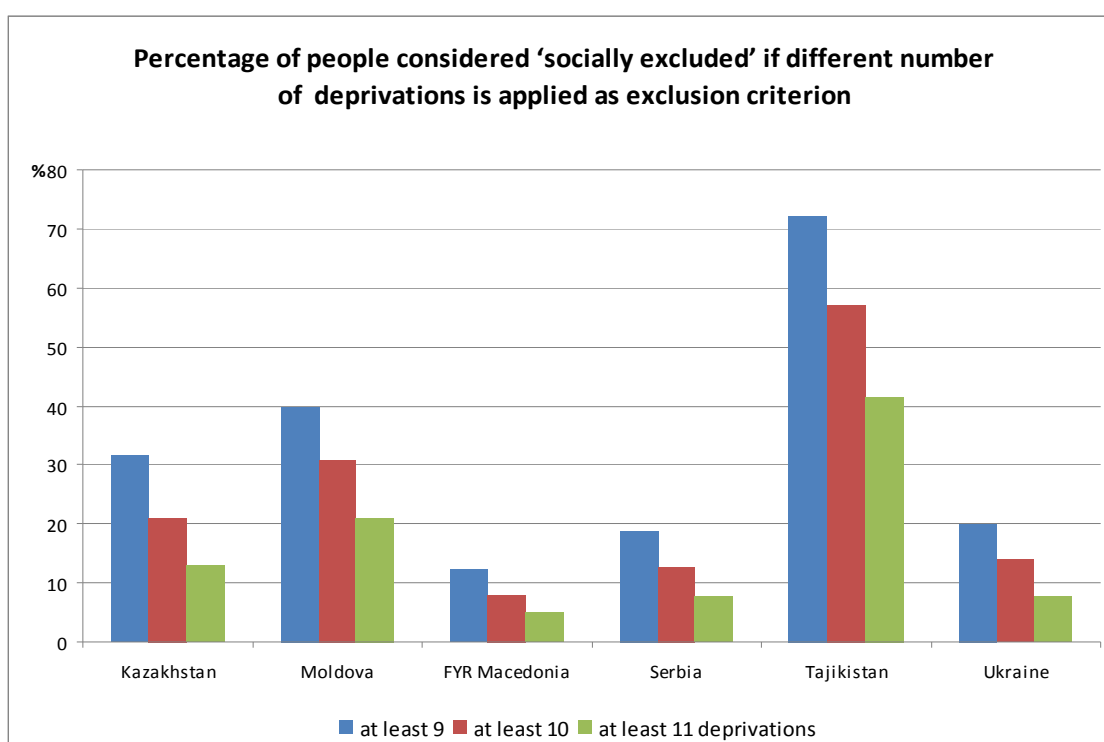
The *social exclusion headcount* in Figure 3 refers to the share of individuals in the population living in households that experience an absolute number of overlapping deprivations higher than a certain threshold. The choice of the threshold determines the headcount—the lower the threshold, the higher the number of people who would meet the criterion of being considered ‘socially excluded’ (and vice versa). With an increasing number of required deprivations, the share of persons identified as socially excluded declines, but at a decreasing rate. All three thresholds, however, produce a similar relative distribution of countries. The ranking of countries by the magnitude of deprivation is robust to the cut-off (does not change) as threshold is varied between 9 and 11. At every cut-off value, Tajikistan faces a larger share of socially excluded people than the other countries.

An individual is determined here to be socially excluded if he or she is deprived in at least *nine* indicators. There are two reasons behind this choice of the threshold. One is the recommendation by the authors of the original methodology of the multidimensional

⁷ When reviewing the results, one should bear in mind caveats which mainly flow from the considerable data constraints (see UNDP, 2011: Annex 2). First, the indicators include both output (e.g. at risk of poverty) and input (e.g. unemployment) indicators. Second, problems of missing data in some cases required careful judgment. For the multidimensional exclusion calculations, the sample had to be restricted to observations where all indicators were available, which makes it slightly less reliable than for exclusion by individual variable. Finally, since the data required using the household as the unit of analysis, intra-household inequalities could not be reflected.

poverty index (used as a basis for the current index) to apply a conservative threshold that does not inflate the multiple deprivation headcount. The other is to avoid considering a person facing deprivations in only one dimension (and not facing a single deprivation in any of the other two) as ‘socially excluded’. Given that there are 8 indicators in each dimension, the threshold of 9 deprivations satisfies both requirements. In addition, Alkire and Foster (2007) suggest selecting the *minimum* acceptable deprivation count required to be considered socially excluded. This also argues for a threshold of 9 indicators.

Figure 3: Different thresholds but similar outcome



Source: Social Exclusion Survey (2009), UNDP, Bratislava.

With this threshold, the share of people considered ‘socially excluded’ ranges from 12 percent in Macedonia to 72 percent in Tajikistan, while with a cut-off threshold of at least 11 deprivations the share of people ranges from 5 percent in Macedonia to 42 percent in Tajikistan.

Level and depth of social exclusion in the ECA region

The results of the Social Exclusion Survey shed light on the breadth and depth of social exclusion in the region. Table 2 captures social exclusion in terms of the share of people who are socially excluded (the ‘headcount’), and the *intensity* of their social exclusion (the average number of deprivations socially excluded households experience). It also presents a composite indicator—the ‘multidimensional social exclusion index’ (MEI)—that reflects the share of socially excluded people, together with the intensity of their social exclusion.⁸

The data show that more than one third of the population of the region is socially excluded, with a wide range of variation across countries. Social exclusion in Tajikistan is most widespread, with 72 percent of the population found to experience 9 simultaneous deprivations in more than one dimension.⁹ While across the six countries the share of people considered to be socially excluded varies significantly, the *intensity* of their social exclusion (how many deprivations socially excluded people experience on average) is quite similar. It ranges from 43 percent of deprivations in Ukraine (where the excluded people face on average 10.4 deprivations out of 24) to 46 percent in Tajikistan (where the excluded people face on average 11.1 deprivations out of 24).

This suggests that despite the wide range of population size, GDPs and levels of human development, the people found to be socially excluded experience a similar average number of deprivations regardless of whether they live in Southeast Europe or Central Asia. Being socially excluded in The Former Yugoslav Republic of Macedonia or Kazakhstan means facing generally the same number of deprivations. There are also indications that people adopt similar coping strategies and behavioural patterns.

⁸ More details on the multidimensional exclusion index are provided in UNDP (2011: Annex 2).

⁹ It is important to note that not necessarily “social exclusion” points towards a minority of the population. In the case of Tajikistan, our social exclusion headcount gives 72 percent, which means that a majority of the population is socially excluded (at suffering from at least 9 deprivations). Tajikistan will also be in the category of having a majority of the population under the internationally agreed poverty line of 2.50 USD PPP/day, and scored very low on the MPI as well.

Table 2: Social exclusion in 6 ECA countries (2009)

	Kazakhstan	Moldova	FYR Macedonia	Serbia	Tajikistan	Ukraine
<i>Magnitude of social exclusion</i>						
Social exclusion headcount (%)	32	40	12	19	72	20
Intensity: Average number of deprivations among the socially excluded	10.5	11	10.8	10.8	11.1	10.4
Intensity: Average share of deprivations among the socially excluded (%)	44	46	45	45	46	43
Multidimensional Exclusion Index (MEI) in %	14	18	5	8	33	9
<i>Contribution of dimensions to MEI in %</i>						
A. Economic exclusion	34	32	30	31	39	28
B. Exclusion from social services	34	39	38	38	34	36
C. Exclusion from participation in civic life and social networks	32	30	32	31	27	36

Source: UNDP (2011) and additional calculations by M. Peleah of UNDP.

Table 2 also provides information on the contribution of each exclusion dimension to the overall social exclusion index. The data clearly indicate that social exclusion is not determined only by economic deprivation. In five out of six countries (the exception being Tajikistan) lack of access to social services (rather than economic exclusion) contributes the most to social exclusion, although all three dimensions are on average rather equally distributed. The results also show that civic and social exclusion in the region is as important in explaining social exclusion outcomes as the other two dimensions. This reinforces the message that in order to tackle social exclusion, all three dimensions —exclusion from economic life, from social services, and from civic life and networks— must be addressed equally, rather than focusing on poverty reduction or economic inclusion only.

If we focus on the locations where people live and therefore on the influence of spatial inequalities, we have differentiated in the Social Exclusion Surveys in the 6 countries, between: (a) Villages; (b) (Small) Towns; (c) Regional Urban Centres; and (d) Capitals. As has been argued in UNDP (2011), the growth models of the transition countries, albeit stimulated by different drivers, have nearly all been sectorally unbalanced or growth pole oriented.

Very often urban centres had been depending on one or two main industries for its employment, and when the transition started, these disappearing, not being able to compete in open markets. Equally so, agriculture became the stepchild of the new development models and transition strategies, except for those countries where the cotton sector had become a main foreign exchange earner. However, in these cases agriculture became the ‘milking cow’ for other sectors to develop. When a differentiation is made between these for categories of location, focusing primarily on the village dwellers, it can be noted that the social headcount is substantially higher than the national average, at least in a number of countries.

Table 3: Social Exclusion Differentiated by Location (2009)

Villages	Kazakhstan	Moldova	FYR Macedonia	Serbia	Tajikistan	Ukraine
Social exclusion headcount (%)	41	53	9	26	80	31
Multidimensional Exclusion Index (MEI) in %	18	25	4	12	37	13
Small Towns						
Social exclusion headcount (%)	26	19	10	12	55	20
Multidimensional Exclusion Index (MEI) in %	11	9	4	6	25	9
Regional Centres/Capital						
Social exclusion headcount (%)	18	13	13	11	49	14
Multidimensional Exclusion Index (MEI) in %	6	5	7	4	19	3
National Average						
Social exclusion headcount (%)	32	40	12	19	72	20
Multidimensional Exclusion Index (MEI) in %	14	18	5	8	33	9

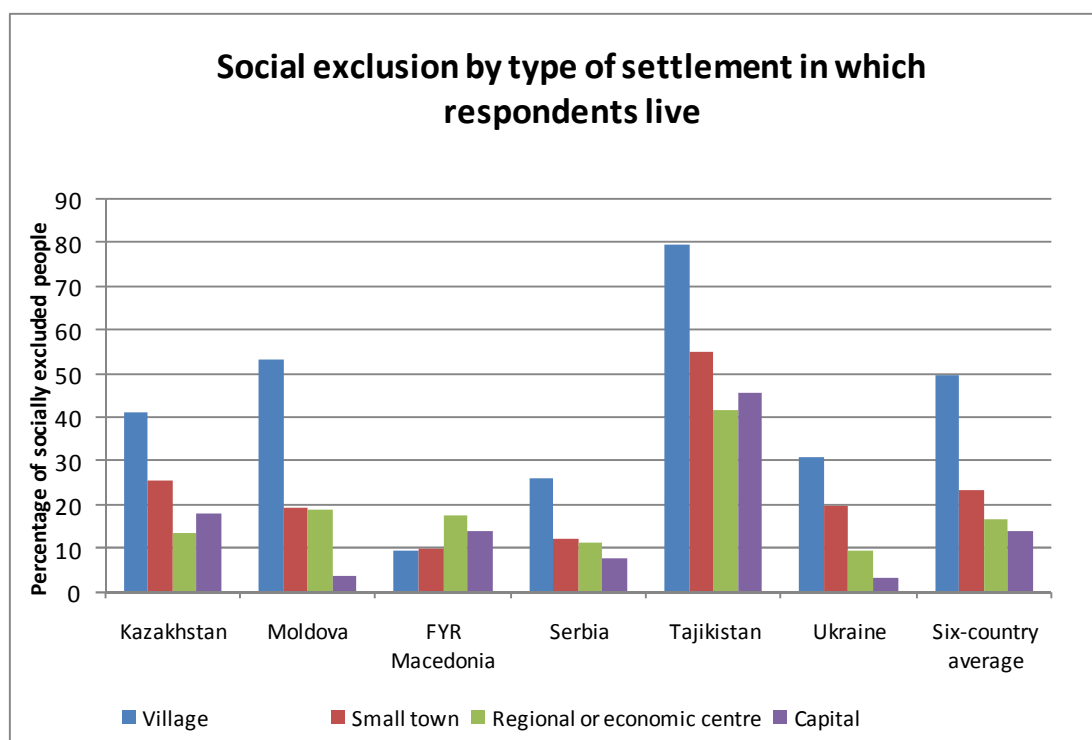
Source: UNDP (2011), and additional calculations by M. Peleah

In Table 3 it can be seen that for the least developed and in particular rural countries of our sample, namely Moldova and Tajikistan, the differences are most pronounced. In Moldova the Social Exclusion Headcount and MEI are respectively 40 and 18 percent as national average, while for rural areas (“villages”) these data are 53 and 25 percent. Hence the MEI is around 50 percent higher in rural areas than for the nation as a whole. Compared with the average data for regional centres and the capital (“cities”), the differences are even larger, namely 18 and 6 percent respectively. Although this is beyond the scope of this paper, these inequities are of course a main factor in explaining the huge rural-urban (and rural-foreign) migration in Moldova.

Tajikistan, which is the poorest nation of our 6-country sample, shows even worse patterns of social exclusion and similar inequities along the “rural-urban” divide. While

the national social exclusion headcount (at least 9 deprivations) was measured to be 72 percent, with a MEI of 33 percent, these were respectively 80 percent and 37 percent for rural areas. The fact that these differences are not large is explained by the largely rural population of the country (more than 70 percent). However, the rural-urban divide is large as well, as the social exclusion headcount and MEI are 49 and 19 percent for “cities”.

Figure 4: Social Exclusion Differentiated by Location (2009)



Source: Data provided by M. Peleah, UNDP, Bratislava.

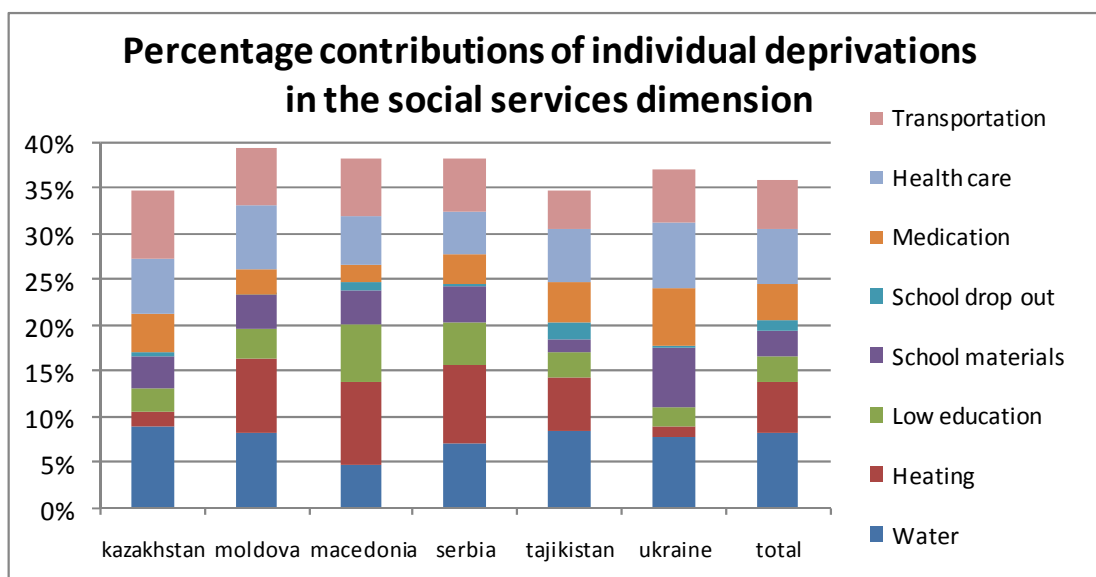
For Kazakhstan, one of the fastest growing republics in the CIS, there are still substantial differences, which seem to indicate that the social exclusion reducing elasticity of growth is relatively low. While the national average of our two key indicators is measured at 32 and 14 percent, for rural areas these numbers are respectively 41 and 18 percent, and for “cities” 18 and 6 percent (see Table 3). Similarly, albeit slightly smaller gaps can be observed for Ukraine and Serbia. Only for a smaller, more developed and more urbanized country, such as the FYR of Macedonia, the picture is different, and the social exclusion headcount and MEI are all within the

same range, taking into account the margin of error in the survey data. An overview of the differences between the countries and the locations can be seen in Figure 4.

If one looks more in depth to the contribution of the 24 indicators for dwellers in the various locations, there are quite some specific differences to be noted. In order to focus, we took only the 8 indicators for the “exclusion from social services”, as these are slightly more important than the other two dimensions. These indicators were (Table 1):

- Public utilities: Household with no running water or sewerage system
- Public utilities: Household heats with wood or with no heating services
- Education: Low educational achievements (basic schooling) and early school leavers
- Education: Household could not afford to buy school materials for every child in the past 12 months
- Education: Household with young children not in school or pre-school
- Health care: Household could not afford medication or dental checks for every child in the past 12 months
- Health care: Medical needs not being met by health care system
- Social infrastructure: Lack of opportunities to attend due to distance (lack of transportation)

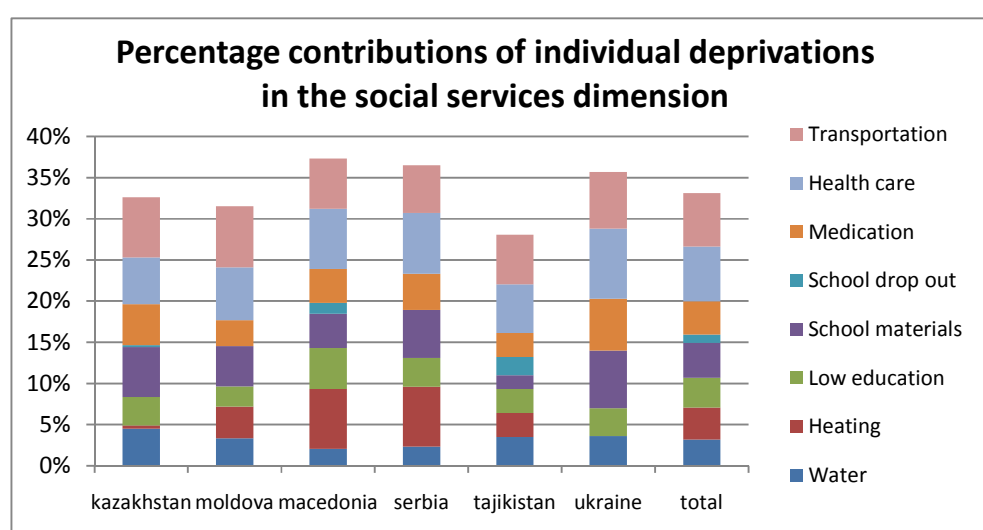
Figure 5: Individual deprivations in villages (social services dimension)



Source: Calculations made by M. Peleah, UNDP Bratislava.

In Figure 5 this is made visible (for the 6 countries) for rural areas (“villages”), while in Figure 6 the same indicators are provided for urban areas (“cities”). Running water is clearly a large problem in the villages in Kazakhstan, Moldova, Serbia, Tajikistan and Ukraine, while heating is particularly a problem in Moldova, FYR of Macedonia and Serbia. Access to medication is a substantial deprivation in Moldova and Ukraine. Health care, although expected to be a large share of deprivations in rural areas, is more important in cities in some countries, such as the FYR of Macedonia, Serbia and Ukraine.

Figure 6: Individual deprivations in cities (social services dimension)



Source: Calculations made by M. Peleah, UNDP Bratislava.

6. CONCLUSIONS

While mainstream poverty measurement already indicates large spatial difference in headcount poverty rates in the ECA region (World Bank, 2005), this is also the case when a multidimensional poverty index is used, as developed by Alkire and Foster (2007), and as published recently in UNDP (2010). In spite of high economic growth during the post 1998- (“Russian financial crisis”) period in most of the region until 2007, and a substantial reduction of poverty rates, there are still many pockets of poverty, in particular in villages and small towns and settlements that have been previously dominated by one or two employers, which closed down during the early stages of transition. This paper, in line with what has been developed for UNDP (2011),

focuses on the broader aspect of social exclusion, which includes three dimensions: (a) exclusion from economic life; (b) exclusion from social services; and (c) exclusion from civic life and social networks. Each of the dimensions is measured by 8 indicators, adding up to a total of 24. From these two main composite indicators were constructed, namely the social exclusion headcount (share of the population which suffers from at least 9 deprivations) and the MEI, which is the headcount multiplied with the Average share of deprivations amongst the socially excluded. These were quantified for a sample of 6 countries in the region: Kazakhstan, Moldova, FYR of Macedonia, Serbia, Tajikistan and Ukraine. The *first* outcome is that the differences in headcount and MEI are enormous between the countries, a finding which is coherent with the widespread variance of economic development in the region.¹⁰ The *second* outcome (see UNDP, 2011; Spoor, Peleah and Ivanov, 2011) is that it is not only the economic dimension that is important. In fact, in most cases there is a slight higher contribution of the “exclusion from social services” dimension, compared with the other two dimensions. The *third* outcome is that rural areas, with villages, but also small towns, are much more socially excluded than the cities (regional centres and capitals), and therefore spatial exclusion is an important underlying factor to explain these differences.

Increased migratory movements from rural areas into cities (or even abroad) are a response to low employment opportunities, low quality social services and isolation in terms of cultural and civic participation, and therefore the social exclusion headcount and the MEI do capture the seriousness of the problem of social exclusion in the ECA region. In the recovery of economic growth, which in much of the region has already taken place in 2010, new growth models need to be put in place, more diversified, less capital-city biased, and more broad-based in economic activities and employment. If growth means “jobless” growth, such as was the case in much of the past two decades, social exclusion will remain a widespread problem, in particular in rural areas and small towns. Therefore, as is suggested in UNDP (2011), there should be more attention for public investment in productive and social infrastructure, which is very necessary in the countryside of much of the ECA countries. Whether one travels to a far-away village in

¹⁰ In the recent two decades of transition the ratio of GDP between the wealthiest (Slovenia) and poorest ECA country (Tajikistan) varied between 15:1 and 20:1.

Romania, which is part of the European Union, or to the mountain areas of Tajkistan, one cannot escape the feeling that these villages are totally cut-off from economic development, with crumbling productive and social infrastructure, elderly population, and without much of a future other than become a dying village. To develop and in some cases recover a (economically, social and culturally) viable countryside urgent measures need to be taken, otherwise this social exclusion will further deepen, with as consequence increased migratory movement beyond the absorption capacity of cities, in combination with many villages that will have no future at all.

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