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Study on the Social Protection Systems in the 13 Applicant Countries

Synthesis Report

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1. INTRODUCTION

This study analyses the social protection systems in the 13 applicant countries from an economic perspective, focusing on the functioning of the systems and the underlying structures. It looks at the socio-demographic and economic challenges the systems are faced with and the reforms undertaken and planned. The results should enhance knowledge on social protection reform in Central and Eastern Europe, Malta, Turkey and Cyprus. The synthesis report is based on the 13 country studies. The country studies have been elaborated by national research institutes, the synthesis report by a team of social policy researchers from EU member states.

Substantial information on the social protection systems of the candidate countries regarding policy development, legislation and national statistics has been collected to date. However, comparative statistics are still rarely available. The second edition of the Eurostat yearbook on the candidate countries represents one attempt to make statistical indicators comparable. With regard to the economic developments an increased economic monitoring in the light of enlargement can be observed. With regard to social statistics, although efforts have been made to compile employment statistics and a pilot project has recently been launched to establish statistics on poverty and social exclusion, with the exception of periodic population censuses, there is still a lack of substantial social data which allows for a comprehensive comparative assessment between the candidate countries. In this report we will outline relevant data sources which are available at this time and sketch the economic and socio-demographic conditions countries are faced with.

1.1 Economic developments

The economic performance of all candidate countries over the past years has been heavily influenced by international economic developments. Candidate countries are not isolated islands - and although they are not members of the European Union, the increased economic exchange with EU member states and participation in a 'globalized' economy has tied them closely to the international markets. Thus, the recession in the years 2001/2002 has had a clear effect on the economic developments in the 13 Candidate Countries. Depending on the degree of international involvement and the add-on of national factors, the economic growth slowed down considerably in the end of 2001. However, strong domestic demand limited the slowdown and the European Commission expects - despite the unfavourable international developments - an average growth rate in the candidate countries of about four percent.

Table 1: GDP growth 1996, 1998, 2000-2001, forecast 2002-2003 (annual percentage change)

	1996	**1998**	**2000**	**2001**	**2002**	**2003**
BG	-10,1	3,5	5,8	4,3	4	5
CY	1,9	5,0	5,1	3,7	2,5	4
CR	4,3	-1,2	2,9	3,6	3,4	3,9
EE	4,0	5,0	6,7	5,4	4	5,3
HU	1,3	4,9	5,2	3,8	3,5	4,5
LV	3,3	3,9	6,8	7,6	5	6
LT	4,7	5,1	3,8	5,9	4	5
MT	4,0	3,4	5,2	-1	3,9	4
PL	6,0	4,8	4	1,1	1,4	3,2
RO	3,9	-4,8	1,8	5,3	4,2	4,9
SK	6,2	4,1	2,2	3,3	3,6	4,2
SI	3,5	3,8	4,6	3	3,1	4
TR	7,0	3,1	7,4	-7,4	2,5	3,7
CAN-13			4,9	-0,1	2,8	3,9
EU-15			3,3	1,7	1,5	2,9

Source: European Commission (2002b); 1996+1998: European Commission (2002a)

While during the first years of transition the level of economic output was mainly determined by the restructuring processes of the economic system, the economic crisis in Russia in 1998 represented a kind of external shock for many of these countries. The recent unfavourable economic development in Turkey was, however, mainly caused by national economic policy.

Inflation is an important factor when describing the environment of social protection schemes. The real value of cash benefits declined dramatically in times of high inflation during the first years of transition and required constant policy interventions in order to e.g. secure a minimum subsistence level of pensioners. On average inflation has been slowing down in the candidate countries in the last years. Turkey and Romania, however, are expected to retain inflation rates high in 2003. The average EU member state inflation rate in 2001 was at 2.5 and fluctuated limited around this value with the highest rate of 4,4% in Portugal and the lowest rate and 1.2 in the United Kingdom.

Table 2: Inflation rates, 1996-2001, forecasts for 2002/2003

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
BG	-	1044,7	18,7	2,6	10,3	7,5	7,5	5,0
CY	-	3,3	2,3	1,1	4,9	2,0	3,1	3,5
CZ		9,1	8,0	9,7	1,8	4,7	3,9	3,5
EE	19,8	9,3	8,8	3,1	3,9	5,9	4,1	4,4
HU	23,5	18,5	14,2	10,0	10,0	9,2	5,2	4,2
LV	-	8,1	4,3	2,1	2,4	2,5	3,0	3,0
LT	24,7	8,8	5,0	0,7	0,9	1,3	2,7	2,5
MT	2,5	3,1	2,4	2,1	2,4	2,9	2,6	2,7
PL	-	15,0	11,8	7,2	10,1	5,5	4,0	4,5
RO	38,8	154,8	59,1	45,8	45,7	34,5	26,0	18,1
SK	5,8	6,1	6,7	10,6	12,1	7,3	4,1	6,8
SI	9,9	8,3	7,9	6,1	8,9	8,4	7,5	6,7
TR	81,2	87,3	81,4	61,9	54,3	54,4	51,0	33,0

Source: European Commission (2002a) 1996-2000, HICP; European Commission (2002b) 2001 and 2002/2003.

Chapter 11 of the accession negotiations require that the Candidate Countries take part in Economic and Monetary Union (EMU) from the date of their accession. However, they will not adopt the Euro immediately - only after at least 2 years of participation in the Exchange Rate Mechanism will a decision on Euro introduction in the individual countries be taken. However, economic criteria such as national debt are monitored in the candidate countries already now. These indicators do also illustrate long-term stability of state finances and resources for social spending or fiscal constraints for social spending. The level of the government debt and the government balance during the last four years is described in the following table.

Table 3: National debt (2000) and annual percentage change 2000/2001

		Government debt in % of GDP 2000		**General Government Balance in % of GDP**	
		1998	1999	2000	2001
BG	76.9	1.3	0.2	-0.7	-
CY	63	-3.7	-4.0	-2.7	-
CZ	17.0	-4.5	-3.2	-3.3	-5.5
EE	5.3	-0.4	-4.1	-0.7	0.2
HU	58.2	-	5.4	3.4	4.3
LV	16	-0.7	-5.3	-2.7	-1.6
LT	23.6	-3.1	-5.6	-3.3	-
MT	60.6	-10.8	-7.8	-6.6	-
PL	40.9	-2.4	-2.1	-3.5	-
RO	22.8	-4.4	-2.1	-3.8	-
SK	32.4	-4.9	-5.7	-4.7	-
SI	25.8	-0.8	-1.3	-2.3	-
TR	56.4	-11.9	-18.7	-6.0	-28.7

Source: European Commission (2002c).

The above table illustrates that the level of government debt in most of the candidate countries is relatively low and the annual balance does not indicate either that there will be a major risk that this share will grow. However, the figures for Bulgaria and Turkey indicate that public finances still require major stabilisation. EU member states average in 2000 of the percentage of government debt in GDP amounted to 64.1 - with a range of 5.3 per cent in Luxembourg and 110.3 per cent in Belgium.

The situation on the labour market is closely linked to the issues of poverty and social exclusion as discussed in detail in Chapter 4. High unemployment rates characterise the labour markets in the candidate countries. Unemployment has been increasing over the past years and surpassed the EU level.[1] The average unemployment rate in 2001 was 11.8 and is expected to rise to 12.9 in 2002 (estimates European Commission, Directorate General for Economic and Financial Affairs).

[1] See European Commission 2002f.

Table 3a: Unemployment by gender (women), 1996-2001

Unemployment (women) in per cent of labour force						
	1996	**1997**	**1998**	**1999**	**2000**	**2001**
BG	-	-	-	-	15.8	18.9
CY	-	-	-	7.9	7.4	5.8
CZ	-	5.1	7.5	10.1	10.5	9.6
EE	-	9.7	8.6	10.2	11.6	13.1
HU	9.0	7.9	8.1	6.2	5.8	4.9
LV	-	-	13.6	13.3	13.4	11.5
LT	-	-	10.8	9.2	13.1	13.5
MT	3.4	3.3	3.0	3.1	5.4	-
PL	-	13.0	11.8	13.2	18.3	20.0
RO	-	5.9	5.5	5.5	6.4	6.0
SK	-	-	-	15.9	18.6	18.6
SI	6.6	7.0	7.5	7.5	7.1	6.0
TR	5.9	7.8	6.9	7.5	6.6	-
EU-15	11.8	11.7	11.1	10.2	9.3	8.7

Source: European Commission (2002a); European Commission (2002f) for 2001 and data on EU average.

Table 3b: Unemployment by gender (men), 1996-2001

Unemployment (men) in per cent of labour force						
	1996	**1997**	**1998**	**1999**	**2000**	**2001**
BG	-	-	-	-	16.6	20.8
CY	-	-	-	4.5	3.2	2.7
CZ	-	3.6	4.6	7.2	7.3	6.7
EE	-	11.5	10.5	13.0	14.7	11.8
HU	10.8	9.9	9.6	7.5	7.2	6.3
LV	-	-	15.4	14.1	15.0	14.6
LT	-	-	14.1	11.2	17.9	19.4
MT	5.6	6.3	6.6	6.9	7.0	-
PL	-	9.3	8.4	11.5	14.6	17.0
RO	-	5.2	5.8	6.9	7.5	7.0
SK	-	-	-	16.0	19.4	20.1
SI	7.1	6.4	7.3	7.2	6.8	5.4
TR	6.7	6.3	6.8	7.7	6.6	
EU-15	9.2	8.9	8.2	7.6	6.8	6.4

Source: European Commission (2002a); European Commission (2002f) for data 2001 and on EU average.

Unemployment rates differentiated by gender do not show a uniform picture. Whereas unemployment rates are considerably higher for women in Cyprus, the Czech Republic and Poland, this is not the case in the other candidate countries. Youth unemployment represents a serious problem in most of the candidate countries, being twice as high as the average unemployment rate. Long-term unemployment of 12 months or more is widespread and amounts to 50 per cent or more of all unemployed in Slovenia (62.7%), Malta (62.3%);Bulgaria (58.7%); Latvia (57.1%), the Slovak Republic (54.7%) and the Czech Republic (50.0%) (European Commission 2002:56ff.).

The average male unemployment rate in the EU member states in 2000 was 7 per cent (decreasing from 9.9 per cent in 1994). The female average amounted to 9.7 per cent (from 12.7 per cent in 1994). However, more recent developments in the last two years indicate that the average unemployment rates in the EU have increased to 7.4 in 2001 (with a male average of 6.4 and a female average of 8.6) and that the trend continues in 2002 (Eurostat).

The long-term unemployment rate which describes the persistence of unemployment in some Candidate countries represent a large proportion of the overall unemployed. Whereas the long term unemployment rates on average in the EU member states amount to 3.1 per cent (male) and 4.5 per cent (female), long-term unemployment rates in the Candidate Countries are 11.2 per cent in Slovakia, 10.2 per cent in Bulgaria and eight per cent or higher in Poland, Latvia and Lithuania.

High unemployment rates in Candidate Countries and the large share of long-term unemployed are addressed in the Joint Assessments of Employment Priorities (JAP) which are carried out by the individual countries and the European Union. These JAPS analyse labour market structures, training and re-training facilities and the institutional framework. Special attention is given to measures to combat long-term unemployment.

The development of employment rates over the past decade show a decline in female activity rates in most of the applicant countries with a growing gender gap in some of them. Over the first decade of transition the Baltic States, Bulgaria, Poland and Hungary have shown a significant decline in female activity rates with a growing gender gap for the Baltic States and Bulgaria. Despite a decrease in female activity rates in Hungary and Poland, the gender gap has narrowed (UNICEF 1999: 25ff.). The data of 2000 suggest that the gender gap is especially pronounced in Cyprus (with 16.4% difference between men and women), Hungary (13.3%), Poland (11.9%) and Slovakia (10.5%). In the Baltic countries, however, relatively moderate or even low differences can be observed ranging between 3.3% for Lithuania and 8% for Latvia. When compared to the EU average with a gender gap of 18.6%, the applicant countries still show relatively moderate gender gaps (Cf. European Commission (2002d) for data on 2000; Statistics in focus. European Commission (2001). Population and social conditions. Theme 3, 8/2001).

1.2 Demographic developments

Over the past decade as elsewhere in the Member States a shrinking of the total population in most of the Applicant countries has been observed with the exception of five applicant countries: Slovakia and Slovenia show moderate average annual growth rates of 0.3% and 0.4%. Malta exhibits an average annual growth rate of 0.8%, which has been slowing down over the past years whereas Cyprus and Turkey show more significant growth rates of 1.4% and 1.7%, respectively, over the same period. Among those countries with the most crucial average annual decrease in population figures are Bulgaria (-0.9%), Latvia (-1.0%) and Estonia (-1.2%). The projections for the year 2015 show a continuation of these trends with significant decreases in population figures for Bulgaria, Latvia, Estonia and Hungary on the one hand and an increase in population figures for Cyprus and Turkey on the other hand. Turkey exhibits the by far most rapid increase in population figures by approximately 1 Mio. per year.

Considering the overall population figures in the European Union and the Applicant Countries in 2001, 378.1 Mio. inhabitants in the European Union are opposed to a population of 171.3 Mio in the applicant countries with Turkey providing more than a third of the population in the applicant countries.

Table 4: Total population on 1 January 1997, 1990, 1997-2001; projections for 2015

Total population on 1 January (in mill.)								
	1980	**1990**	**1997**	**1998**	**1999**	**2000**	**2001**	**2015 (1)**
BG	8.846	8.767	8.341	8.283	8.230	8.191	8.149	6.8
CY (2)	0.608	-	0.741	0.746	0.752	0.755	0.759 (3)	0.9
CZ	10.316	10.362	10.309	10.299	10.289	10.278	10.267	10.0
EE	1.472	1.572	1.462	1.453	1.446	1.372	1.367 (3)	1.2
HU	10.709	10.374	10.174	10.135	10.091	10.043	10.005	9.3
LV	2.509	2.673	2.479	2.458	2.439	2.379	2.366 (3)	2.2
LT	3.404	3.708	3.707	3.704	3.701	3.699	3.693	3.5
MT	0.330	-	0.374	0.377	0.386	0.389	0.391	0.4
PL	35,413	38.038	38.639	38.660	38.667	38.653	38.644	38.0
RO	22,133	23.211	22.581	22.526	22.488	22.456	22.431	21.4
SK	4.963	5.288	5.379	5.388	5.393	5.399	5.403	5.4
SI	1.893	1.996	1.987	1.984	1.978	1.988	1.990	1.9
TR	44,016	-	61.992	62.923	63.864	64.815	65.784	79.0

Sources: European Commission (2002a); European Commission (2002d) for data on 1980; UNDP (2001) for projections for 2015; UNICEF (2001) for data of 1990.

(1) Projected figures for 2015. Data refer to medium variant projections of the United Nations.

(2) Total population including Turkish population.

(3) Projected figures for 2001.

The major factors for the above described mainly negative demographic developments can be seen in a changing reproductive behaviour over the past decade, mortality and emigration which has been especially pronounced in the early 1990s. These trends go hand-in-hand with an ageing society in most of the applicant countries have a significant impact on the social security systems of these countries, in particular the pension system and the health care system as discussed in Chapters 2 and 3.

In the applicant countries there has been a sharp decline of the rates of natural population increase, which has been especially pronounced for Bulgaria, Estonia, Hungary and Latvia. This decline has had its peak in the mid 90s in most of the Central and Eastern European countries and is slowly to recover. A constant decline in the rates in the natural population increase can also be observed for Malta and Cyprus. Their rates, however, still show a considerable excess of life births over deaths in the past years.

Table 5: Rate of natural population increase, 1980, 1990, 1997-2001.

Rate of natural population increase (per 1000)							
	1980	**1990**	**1997**	**1998**	**1999**	**2000**	**2001**
BG	3.5	-0.4	-7.0	-6.4	-4.8	-5.1	-5.5
CY (1)	11.1		7.1	6.3	5.2	5.2	4.3
CZ	1.8	0.1	-2.1	-1.8	-2.0 (2)	-1.8	-1.7
EE	2.7	1.8	-4.0	-4.9	-4.1 (2)	-3.9 (2)	-4.3
HU	0.3	-2.0	-3.8	-4.3	-4.8	-3.8	-3.4
LV	1.4	1.2	-6.0	-6.5	-5.5 (2)	-5.1 (2)	-5.6
LT	4.7	4.6	-0.9	-1.0	-1.0	-1.3	-2.6
MT	7.4		5.2	4.1	3.1	3.3	2.4
PL	9.6	4.2	0.9	0.5	0	0.3	0.1
RO	7.6	2.9	-2.1	-1.5	-1.4	-1.0	-1.8
SK	8.9	5.1	1.3	0.8	0.7	0.4	-0.2
SI	5.8	1.9	-0.4	-0.6	-0.7	-0.2	-0.4
TR	22.1		13.9	13.9	13.8	13.8	15.2
EU-15	2.5					1.0	1.1

Rate of natural population increase: birth rate minus death rate per calendar year per 1000 inhabitants. Excludes changes due to migration.

Sources: European Commission (2002a); UNICEF (2001) for data on 1990; European Commission (2002e) for data on 1980 and 2001 and EU average 1980, 2000, 2001.

(1) Data for 2000: Department of Statistics and Research

(2) Projected figures.

The negative development in total fertility rates over the past decade shows that the decrease in population figures in a large number of the applicant countries is to a significant extent attributable to a steady fall in the number of births. An increasing uncertainty about the economic development, decrease in real wages and a change of perspective in family policy can be seen as the main causes for these trends (Cf. Ellman 1997: 352 and Schmähl/Horstmann 2002: 32). The fertility rate in the applicant countries are considerably lower than the EU average of 1.47 with Italy exhibiting the lowest rate of 1.24 and Denmark the highest of 1.74.

The fertility rate does not sufficiently explain the above mentioned phenomena. This data has to be seen in relation to the development in life expectancy in the applicant countries.

Table 6: Total fertility rate, 1980,1990, 1996-2001.

Total fertility rate								
	1980	**1990**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
BG	2.05	1.7	1.24	1.09	1.11	1.23	1.25	1.20 p
CY	2.46	2.4	2.08	2.00	1.92	1.84	1.83	1.79
CZ	2.10	1.8	1.18	1.19	1.16	1.13	1.14	1.14 p
EE	2.02	1.9	1.30	1.24	1.21	1.24	1.39 (1)	1.34
HU	1.91	1.8	1.46	1.38	1.33	1.29	1.33	1.32
LV	1.90	1.9	1.16	1.11	1.09	1.15 (1)	1.24 (1)	1.24
LT	2.00	1.9	1.42	1.39	1.36	1.35 (1)	1.33	1.25
MT	1.99	2.0	2.10	1.95	1.82	1.81	1.80	1.51
PL	2.28	2.0	1.58	1.51	1.43	1.37	1.34	1.29
RO	2.45	1.9	1.30	1.32	1.32	1.30	1.30	1.20
SK	2.32	2.0	1.47	1.43	1.38	1.33	1.30	1.21
SI	2.11	1.5	1.28	1.25	1.23	1.21	1.25 (1)	1.22 p
TR	4.36	3.4	2.59	2.57	2.55	2.53	2.50	2.50
EU-15	1.82	1.57	-	-	-	-	1.53	1.47 p

Sources: European Commission (2002a); World Health Organisation (2001) for data on 1990; European Commission (2002d) for data on 1980 and data on EU average; European Commission (2002e) for data on 2001.

(1) Projected figures.

Low fertility rates have been accompanied by high life expectancies and / or significant increases in the life expectancy over the past decade in some of the Central Eastern European Countries. This applies especially to Slovenia whose life expectancy for women (79.1) and men (71.9) ranks

among the highest in the Applicant countries (together with Malta and Cyprus) and the Czech Republic which has, in addition, experienced a significant increase in life expectancy over the past years resulting in a life expectancy for women of 78.3 years and for men of 71.6 years. Likewise a recovery of the life expectancy after an initial drop has balanced a decrease in the fertility rate in Slovakia and Lithuania over the past decade. A significant rise in life expectancy has also be observed for Poland , Hungary and Turkey while the latter two countries still exhibit a comparatively low life expectancy which is especially pronounced for women in Turkey. Increasing life expectancy is to a large extent attributable to an improvement in health conditions and public health (see chapter 3 on health care). Although life expectancy in a number of the candidate countries is still lower than the EU average, the development in the candidate countries shows convergence with EU member states. At the same time, low fertility rates and an increasing life expectancy will challenge the financial sustainability of the pension and health care systems. The period of drawing pension benefits is expected to increase. It is still under discussion whether changing morbidity patterns of the elderly pose an additional financial burden on the health care system, but it is obvious that a health care system needs to be adapted to an ageing society in terms of services, access and infrastructure. A growing number of households with elderly persons will challenge policies of social inclusion and the elderly's participation in society. The demographic challenges for the social protection systems of the candidate countries and the policy responses in these countries are analysed in the following chapters.

Although Bulgaria, Latvia and Estonia show higher fertility rates than the other the Central Eastern European Applicant Countries, their rates of natural population increase are low. This could be explained by the fact that these countries did not experience a considerable increase in life expectancy. All three countries belong to the group of those applicant countries with the lowest life expectancies (including Turkey, Romania and Hungary). In the case of Bulgaria and Estonia this is aggravated by the fact that over the past decade there has been hardly any improvement in the life expectancy. Attention should also be drawn to the fact that both Latvia and Estonia show a significant difference in life expectancy of women (both: 76.0) and men (Latvia: 64.9, Estonia: 65.1) which is partly due to high rates of alcoholism and a significantly higher number of suicides among men in these two countries. The life expectancy for men at age 60 in these countries shows that mortality rates are considerable for men under 60 years of age.

Table 7a: Life expectancy at birth and at age 65 by gender (women), 1980, 1990, 1996-2000

Life expectancy at birth and at age 65 (women)								
	1980	**1990**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
BG								
At birth	74.0	75.0	74.3	-	-	75.3	-	75.3
Age 65	-	-	15.1	-	-	15.6	-	-
CY								
At birth	77.0	78.3	-	80.0	-	80.4	-	80.4
Age 65	-	-	-	18.4	-	18.9	-	
CZ								
At birth	73.9	75.5	77.3	77.5	78.1	78.1	78.3	78.5
Age 65	-	-	16.4	16.6	16.9	16.9	17.1	
EE								
At birth	74.1	75.0	75.5	76.0	75.5	76.1	76.0	76.0
Age 65	-	-	16.2	16.8	16.4	16.9	16.9	
HU								
At birth	72.7	73.9	74.7	75.1	75.2	75.1	75.6	75.7
Age 65	-	-	15.6	15.9	16.0	15.8	16.2	
LV								
At birth	74.2	74.6	75.6	75.9	75.5	76.2	76.0	75.6
Age 65	-	-	17.6	17.6	17.3	17.8	17.6	
LT								
At birth	75.4	76.4	76.0	76.8	76.9	77.4	77.9	77.7
Age 65	-	-	17.2	17.3	17.4	17.8	18.2	
MT								
At birth	72.7	78.9	79.8	80.1	80.1	79.3	80.2	79.3
Age 65	-	-	18.5	18.4	17.9	17.6	18.4	
PL								
At birth	75.4	75.6	77.0	77.3	77.5	78.0	78.4	78.4
Age 65			16.5	16.8	17.0	17.1	17.5	
RO								
At birth	71.8	73.1	73.0	73.0	73.3	73.7	74.2	74.8
Age 65	-	-	15.0	15.3	15.3	15.3	15.5	
SK								
At birth	74.3	75.8	76.8	76.7	76.7	77.0	77.2	77.2
Age 65	-	-	16.4	16.4	16.3	16.5	16.4	
SI								
At birth	75.2	78.0	78.3	78.6	78.7	78.8	79.1	79.7
Age 65	-	-	17.3	17.6	17.5	17.6	17.9	
TR								
At birth	60.4	69.0	70.6	70.8	71.0	71.3	71.5	71.0
Age 65	-	-	14.3	14.3	14.3	14.3	14.4	
EU-15								
At birth	77.2	-	-	-	-	80.9	-	81.4 p
Age 65								

Source: European Commission (2002a); European Commission (2002d) for life expectancy at birth, 1980 and EU average; World Health Organisation. Basic Indicators, for 1990; 1990: data of 1989-1990; European Commission (2002e) for data on 2001.

Table 7b: Life expectancy at birth and at age 65 by gender (men), 1980, 1990, 1996-2000

Life expectancy at birth and at age 65 (men)								
	1980	**1990**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
BG								-
At birth	68.7	68.3	67.1	-	-	68.2	68.2	
Age 65	-	-	12.3	-	-	12.8	-	
CY								
At birth	72.3	73.9	-	75.0	-	75.3	-	-
Age 65	-	-	-	15.6	-	16.0	-	
CZ								
At birth	66.8	67.6	70.4	70.5	71.1	71.4	71.6	72.1
Age 65	-	-	13.1	13.2	13.4	13.6	13.7	
EE								-
At birth	64.1	64.8	64.5	64.7	64.4	65.4	65.1	
Age 65	-	-	12.2	12.6	12.3	12.6	12.6	
HU								-
At birth	65.5	65.2	66.1	66.4	66.1	66.3	67.1	
Age 65	-	-	12.1	12.2	12.2	12.1	12.5	
LV								
At birth	63.5	64.3	63.9	64.2	64.1	64.9	64.9	64.5
Age 65	-	-	11.9	11.4	11.3	11.3	11.9	
LT								-
At birth	65.5	66.6	65.0	65.9	66.5	67.1	67.6	
Age 65	-	-	13.0	13.3	13.4	13.7	14.1	
MT								-
At birth	68.5	73.8	74.9	74.9	74.4	75.1	74.3	
Age 65	-	-	14.7	14.6	14.5	15.1	15.0	
PL								
At birth	66.9	66.6	68.5	68.9	68.8	69.7	70.2	70.2
Age 65	-	-	12.9	13.1	13.4	13.3	13.6	
RO								
At birth	66.5	66.6	65.2	65.2	65.5	66.1	67.0	67.7
Age 65	-	-	12.5	12.8	12.7	12.8	13.0	
SK								-
At birth	66.8	66.8	68.9	68.9	68.6	69.0	69.1	
Age 65	-	-	12.9	12.9	12.8	12.9	12.9	
SI								-
At birth	67.4	70.0	70.8	71.0	71.1	71.4	71.9	
Age 65	-	-	13.6	13.8	13.8	13.8	14.1	
TR								
At birth	55.8	64.4	66.0	66.2	66.4	66.6	66.9	66.4
Age 65			12.7	12.7	12.7	12.7	12.7	
EU-15								-
At birth	70.5	-	-	-	-	74.6	75.3 p	
Age 65								

Source: European Commission (2002a); European Commission (2002d) for life expectancy at birth, 1980 and EU average; World Health Organisation. Basic Indicators, for 1990; 1990: data of 1989-1990; European Commission (2002e) for data on 2001.

Beside a change in the reproductive behaviour and different trends in the development of the life expectancy, in some countries migration has had a

noticeable impact on the demographic situation. Migration, featuring in almost all cases as predominantly emigration, has been accounted for a decline in population figures in all three Baltic countries, Bulgaria and, for the first years, also in Poland and Romania resulting in an emigration of up to 1,6% of the population in Lithuania and approx. 4% of the Bulgarian population. Migration has been strongest in the first half of the 1990s with mainly ethnic motifs, such as the return of the Russian, Polish, Ukrainian and Belarussian population from the Baltic States, the emigration of the Turkish from Bulgaria and migration between the Czech Republic and Slovakia. Since then emigration has slowed down significantly, but still remains a factor. Whereas net migration has been negative in the above cases except for the Czech Republic and Slovakia, where it has been neutral, in Slovenia and Hungary figures are positive.

Table 8: Net external migration, 1990, 1996-2001.

Net external migration in total (in 1.000)							
	1990	1996	1997	1998	1999	2000	2001
BG	-217.6	-64.5	-				-175.8 p
CY			-1.85	2.0	0.02	1.49	3.1
CZ	0.6	10.13	11.07	9.49	8.77	6.54	-8.6
EE	0.2	-5.6	-2.5	-1.1	-0.6		0.2
HU	22.60	10.09	10.46	14.04	16.43	12.55	14.0
LV	-0.5	-7.3	-4.8				-1.4
LT	-8.8	-0.9	0.1			- 0.31	-2.6
MT							2.3
PL	-15.80	-13.10	-11.80	-13.30	-14.00	-19.70	-16.70
RO	-96.9	-19.5	-13.3	- 6.25	- 2.12	- 1.69	-4.9
SK(4)	0.1	2.3	1.7				1.0
SI (5)	2.40	6.5	2.44	-2.11	2.34	2.62	4.7
TR (6)		256.0	-287.0	40.98			1144.0
EU-15							1160.3

Sources: UNICEF (2001) for net migration 1990; European Commission (2002e) for data on 2001; UNICEF (1999) for data on 1990-1997 for BG, LV, LT, RO, SK.

(1) CY: Tourism, Migration and Travel Statistics 2000.

(2) EE: Estonian Statistical Office.

(3) HU: Central Statistical Office.

(4) SK: Statistical Office of the Slovak Republic.

(5) SI: Statistical Yearbook 1996 and 2001.

(6) TR: Recent Demographic developments in Europe.

The demographic situation and development in the applicant countries show a common trend towards an ageing of the society. This can been seen from declining shares of the population under 15 years and a constant increase in the proportion of the population over 65 years over the past

decade as well as from the development of the old age dependency ratio. Although there has been an increase in the old age dependency ratio in all applicant countries, there are some differences in level and degree of increase of the old age dependency ratio. With a relatively large proportion of young people up to 15 years of age (30%) and people of working age (64%) and comparatively small proportion of people over 65 years of age (6%), Turkey is the only country with an old age dependency ratio below 0,1. Comparatively low old age dependency ratios and thus "young populations" can also be observed in Cyprus (0.173) and Malta (0.182) as well as in Slovakia (0.166) and Poland (0.178) where there are about two times as many people over 65 in comparison with people aged 15-65 years as in Turkey. The highest values on the other end of the scale and thus the comparatively "oldest" populations are found in the Baltic states (LV: 0.223; EE: 0.225; exception: LT: 0.201) , Bulgaria (0.239) and Hungary (0.214). The relative proportion of the elderly population in the candidate countries is a decisive factor when designing pension policy. Countries being faced with a larger share of the population above 60 and increase in pension expenditures have experienced higher pressure to reform their pension systems. Chapter 2 will discuss the options that have been chosen in the candidate countries to influence the fiscal developments in the old-age protection systems. It will further analyse the impact of the old-age dependency ratio and the so-called system dependency ratio (i.e. the number of beneficiaries in relation to the number of contributors).

Table 9: Proportion of the population by age groups, 1990, 1996-2000.

Proportion of the population by age groups							
	1980	**1990**	**1996**	**1997**	**1998**	**1999**	**2000**
BG							
< 15		-	17.5	17.0	16.5	16.1	15.9
> 60		19.1	-	-	-	-	21.7
>65		12.9	15.3	15.5	15.7	16.0	16.2
CY							
< 15		-	24.9	24.6	24.2	23.8	23.2
> 60		14.8	-	-	-	-	15.7
> 65		-	11.1	11.1	11.2	11.2	11.3
CZ							
< 15		-	18.1	17.6	17.2	16.8	16.6
> 60		17.7	-	-	-	-	18.4
> 65		-	13.4	13.6	13.7	13.8	13.8
EE							
< 15		-	20.0	19.5	18.9	18.3	18.3
> 60 (1)		17.2	18.8	19.1	19.9	20.1	20.3
> 65		-	13.6	14.0	14.2	14.4	15.0
HU							
< 15		-	17.8	17.6	17.4	17.2	17.1
> 60		19.0	-	-	-	-	19.7
> 65		13.5	14.2	14.4	14.5	14.6	14.6
LV							
< 15		-	20.1	19.6	18.9	18.2	17.8
> 60		17.7	-	-	-	-	20.9
> 65		12.0	13.8	14.1	14.4	14.6	15.0

LT							
< 15		-	21.4	21.0	20.6	20.1	19.8
> 60		16.1	-	-	-	-	18.6
> 65		-	12.3	12.6	12.9	13.2	13.4
MT							
< 15		-	22.1	21.7	20.8	20.4	20.0
> 60		14.7	15.9	16.3	16.7	16.8	17.0
> 65		-	11.4	11.6	11.9	12.1	12.3
PL							
< 15		-	22.2	21.5	20.7	19.9	19.2
> 60		14.9	-	-	-	-	16.6
> 65		-	11.3	11.6	11.8	12.0	12.2
RO							
< 15		-	19.9	19.4	19.1	18.7	18.5
> 60		15.7	-	-	-	-	18.8
> 65		-	12.3	12.6	12.8	13.1	13.2
SK							
< 15		-	22.0	21.4	20.7	20.1	19.8
> 60 (2)		14.8	15.2	15.2	15.3	15.4	15.5
> 65		-	11.0	11.2	11.3	11.4	11.4
SI							
< 15		-	17.8	17.2	16.8	16.4	16.1
> 60		17.1	-	-	-	-	19.2
> 65			12.7	13.0	13.4	13.7	13.9
TR							
< 15		-	31.9	31.3	30.7	30.2	29.7
> 60		7.1	-	-	-	-	8.4
> 65		-	5.2	5.3	5.5	5.5	5.6
EU –15							
< 15							
> 60							
> 65							

Source: European Commission (2002a); WHO, The World Health Report 2001 for data on proportion of the population >60 for 1990 and 2000; WHO Regional Office for Europe European health for all database for data on proportion of population > 65 for 1990.

(1) Estonian Statistical Office

(2) Slovak Statistical Office

Table 10: Old age and elderly dependency ratio, 1990, 1996, 2000.

Old age dependency ratio					
	1980	**1990**	**1996**	**2000**	
BG			0.228	0.239	
CY			0.173	0.173	
CZ			0.196	0.198	
EE			0.205	0.225	
HU			0.209	0.214	
LV			0.209	0.223	
LT			0.186	0.201	
MT			0.171	0.182	
PL			0.170	0.178	
RO			0.181	0.193	
SK			0.164	0.166	
SI			0.183	0.199	
TR			0.083	0.087	
EU-15				24 % (!)	

Proportion of the population aged >65 to proportion of the population aged 15-65 years.

Ethnicity is among the main factors in social exclusion and poverty as further illustrated in Chapter 4. In a number of the applicant countries ethnic minority groups constitute a significant part of the population. Most notably the Roma population in Bulgaria, Romania, Slovakia and Hungary which in some of these countries amounts to up to almost 10 % of the total population has to be considered when looking at issues of poverty and social exclusion in the following analysis. As an ethnically especially heterogenous country Bulgaria shows significant rates of Roma and Turkish population with risks of poverty among both groups. Recent figures show, however, that in particular the Russian minority, but also the Polish, Ukrainian and Belarussian minorities represent a large portion of the society in these countries which to some extent also suffer from discrimination, especially with regard to employment. Over the past decade in particular the Baltic countries have experienced a decrease in national minorities groups due to emigration as discussed above.

Table 11: Minorities by largest groups

Minorities in estimated total figures (Roma) in 1000s and as percentage of national population							
	Roma Population (1)	Roma as % (1)	Russian (%)	Polish (%)	Ukrainian (%)	Belarussian (%)	Turkish (5)
BG	750	8.9					8.5
CY							
CZ	275	2.7					
EE (2)			28.0		3.0	1.0	
HU	575	5.6					
LV (3)			29.1	2.5	2.6	4.0	
LT (4)			8.1	6.9			
PL	45	0.1			0.8	0.8	
RO	2,150	9.4					
SK	480	9.4					
SI	10	0.4					
TR	400	0.7					

(1) Estimations for Roma population: 1991-1994.

(2) Estonian Statistical Offices. Figures for 2000.

(3) Data of 21 July 2002.

(4) Country report.

(5) Source Report Evans.

Sources: Ringold (2000).

1.3 Social indicators

This section will give an introductory outline of some aggregate indicators in the candidate countries which are relevant for the following chapters on pensions, health care and poverty and social exclusion. The level and structure of social expenditures as a percentage of GDP indicates what part of the economic resources of a country is spent on social protection and health. The average share of GDP in the Central and Eastern European Countries at the beginning of the 1990 was around 26 per cent of GDP for the Czech Republic, Slovak Republic, Poland, Hungary and Slovenia and lower in the Baltic States, Romania and Bulgaria. In the subsequent years, overall expenditures in relation to GDP have increased, but this mainly against the background of shrinking GDP in transition (Hagemeijer 1999). Average share for CEE countries in 1997-98 accounted for 4.9 per cent of GDP for health and 13.3 per cent of GDP for social protection (Klugman et al. 2002). While different definitions of public social expenditures and the areas covered pose difficulties on cross-country comparisons and comparisons over the years, the general trend in the beginning of the 1990 was an increase in the percentage of social expenditures in GDP for the first

3 to 4 years of transition. Such a growing share of public social expenditures in a declining GDP in the first years of transition indicates that social spending was characterised by a certain 'resistance' compared to other items of the national budgets (Golinowska 1997). ILO research suggests a strong inverse relationship between transition countries expenditures on social protection benefits and the percentage of the population that falls between the poverty line (Hagemejer 1999)

Table 12: Social expenditures as percentage of GDP (Important note: this table is still a 'working' table -. Definition of social expenditures varies across countries)

	1996	**1998**	**2000**
BG (1)	12,1	14,9	17,9
CY (2)	11,9	12,8	-
CZ (3)	17,40	18,10	19,50
EE (4)	/	14,74	15,20
HU (5)	24,80	24,20	23,20
LV (6)	17,50	17,60	17,80
LT (7)	14,20	15,80	15,80
MT (8)	19,3	19,6	19,8
PL (9)	25,50	23,90	24,00
SR (10)	23,28	21,88	21,70
SL (11)	25,50	26,10	
RO (12)	10,60	13,80	13,90
TR (13)		10,41	11,59

1) Country report – health care, pensions, social benefits, other social expenditures, source fiscal budget figures

2) Country report – education, public and private health care, pensions

3) Country report – pensions including private social expenditure on pension funds, sickness cash benefits, social support and social care, health care, employment policy: source of data on the total social expenditure is the Ministry of Labour and Social Security and for the GDP Ministry of Finance (Predikce vývoje základních makroekonomických indikátorů = Forecast of development of macroeconomic indicators)

4) State pensions, health insurance, family benefits, social assistance and social services

5) Country report: Health Care, Pensions, Education, Other (p.10)

6) Social Insurance, social assistance, health care, employment

7) Country report, consolidated social expenditures, source department of statistics

8) Country report: social security benefits, social welfare, health care.

9) Consolidated according to IMF approach, social insurance and health care

10) Health Care, Education, Social security and welfare. World Bank estimates, much lower level in SOCX!

11) Unemployment, family benefits, social assistance, pensions, sickness benefits, educational grants no health insurance

12) source: country report – state social insurance budget

13) OECD SOCX database, excluding education, administrative costs

Level of social expenditures is around 23 to 25 per cent in Poland, Hungary the Czech and Slovak Republic. The share amount to 14 to 17 per cent in the Baltic States and Romania and Bulgaria. The level of social spending in GDP in Turkey is at the lowest level when comparing all candidate countries. Social protection expenditures in EU member states in 1998 amounted on average to 27,7%, an average which covers countries with low shares such as Ireland (16,1 %) and shares of about 30 per cent (such as Germany, France and Denmark (statistical pocket -yearbook of the German Federal Ministry of Labour and Social Affairs (2001) - data from Eurostat).

Breakdown of social expenditures for pension and health in relation to GDP illustrates the financially two most important items in social expenditures. Direct spending on social assistance and unemployment still represents a minor share of the social budget, with average figures of around

Table 13: Pension expenditures as percentage of GDP

	1990	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
BG (1)		8,00	6,90	6,20	8,0	8,2	9,5
CY (2)		1,5	1,6	1,7	1,8	1,9	-
CZ (3)	-	7,9	8,1	8,8	8,9	9,3	9,4
EE (4)		7,11	7,62	7,26	7,11	8,46	7,61
HU (5)	10,90	10,4	9,8	9,4	10	9,8	9,1
LV (6)			11,30	11,90	11,40	12,30	11,40
LT (7)	-	6,2	6,1	6,4	7,0	7,6	7,3
MT (8)		5,30	5,40	5,40	5,40	5,50	5,50
PL (9)		15,6	-	-	14,1	14,1	13,5
SR (10)	6,70	8,30	8,20	8,00	8,20	8,10	7,90
SL (11)	13,8	14,70	14,50	14,40	14,30	14,40	14,50
RO (12)			5,20	4,90	6,50	6,70	6,40
TR (13)	2,31	3,01	3,49	4,28	4,40	6,7	5,9

1) country report, the same in EBRD/NSSI, cf. Müller, pension expenditures

2) public expenditures on pensions and gratuities, source: department of statistics

3) pension insurance, source country report

4) State pensions, source country report

5) 1990=1992, source country report, pension benefits incl. survivors, early retirement

6) Social insurance, private expenditures not inlcuded;

7) expenditures on state social insurance pensions, source, country report, state department of statistics

8) retirement pensions (contributory and non-contributory, disability (0,2%)

9) pension expenditures ZUS und KRUS, source country report, chapter 3

10) 1990=1989!, only pension expenditures

11) (1990=1992) country report, p. 53: expenditures of the Institute for pension and disability insurance
12) Eurostat (GDP) and pension expenditures of social insurance (country report Table 1.1.1.3)
13) 1990-1998: OECD social expenditure database, old age and disability cash benefits, 1999/2000 country report

Low overall social expenditure level in Turkey is also reflected in the lowest share of pension expenditures in GDP. The share of pension in Malta, providing only basic pension benefits in the state system based on a 'Beveridge' system fluctuates around 5.5 per cent of GDP. Higher shares in GDP could be observed for Rumania, Bulgaria, the Czech and Slovak Republic, Hungary, Lithuania and Estonia. These countries share of pension expenditures in GDP is between 6.4 (Romania) and 11.4 (Latvia) in 2000. Slovenia and Poland spent the largest share on pensions, with 14,4 per cent of GDP and 16.6 per cent, respectively. However, both countries have implemented fundamental financial reforms in their old-age security system and the share for pension expenditures is decreasing over the last years, whereas some of the countries with lower shares are faced with increasing figures over the last years (e.g. the Czech Republic and Bulgaria).
Most of the EU member states spent between 8 and 14 per cent of GDP on pension, while countries such as Ireland and UK are characterized by a low share (3 and 5.3 per cent, respectively) – data for 1998, based on the Progress report on impact on aeging population 2000, Economic Policy Commitee).

The Statistical yearbook on candidate and south-east European countries 2002 reports the cumulated average monthly pension payments (old-age, disability, survivors) as percentage of GDP in the candidate countries. While the actual level of these figures differs form the table above, the general structure is quite similar, with Poland and Slovenia spending the largest part on pensions and Cyprus, Malta and Romania being those countries which spent comparatively little.

Spending on health care has in relation to GDP has been relatively stable over the last five years in most of the Candidate Countries. However, the level of spending varies considerably between Candidate Countries.

Table 14: Health expenditure as percentage of GDP

	1996	**1997**	**1998**	**1999**	**2000**	**2001**
BG (1)	2,9	3,6	3,6	3,9	3,7	4,0
CY (2)	5,7	5,9	5,6	5,8		
CZ (3)	6,53	6,49	6,49	6,54	6,62	
EE (4)	6,1	5,5	5,9	6,6	6,1	
HU (5)	7,2	6,9	6,8	6,7	6,8	
LV (6)	4,2	3,7	3,7	3,8	3,5	
LT (7)	6,2	6,6	7,1	7	6,6	
MT (8)	6,6	6,9	7,1	7,4	7,6	7,9

PL (9)	4,8	4,5	4,3	4,3	4,2	
SR (10)	8,23	7,72	7,04	6,99	7,1	
SL (11)	6,6	6,6	6,6	6,6	6,6	6,9
RO (12)	2,73	2,72	3	3,6	3,7	
TR (13)	3,85	3,22	2,65	2,81	2,26	

1) country report, fiscal budget figures
2) public and private, no capital expenditure
3) Czech Statistical yearbook, public, see country report
4) Health care expenditures
5) country report, CSO, health care expenditures, public and private
6) Health Care
7) country report, p. 6, public and private
8) country report, public and private
9) consolidated according to IMF approach
10) World Bank estimates, national data slightly slower
11) Health care expenditures, ZZZS
12) Eurostat (GDP), country report (health care ex.)
13) public and private, source: Ministry of Health, OECD data is higher!

Turkey, Romania and Latvia represent the group with the lowest shares on health care spending. Higher shares could be identified in Slovenia, the Czech and Slovak Republic and Malta. However, candidate countries share is below EU member states average, whose spending on health care in relation to GDP in 1998 was 8,62 per cent (WHO Health for all database).

Transition countries experienced initial increase in the period from 1990 to 1995. This increase has been explained by the introduction of a social health insurance in most of the countries and the increase of private financing (Busse 2002).

After having outlined the level of spending on social security, the following table gives some comparative information on the sources of funding, i.e. the contribution/tax rates for social security. Social security contributions are not earmarked to social insurance expenditures in all countries, but in most of them. The level of the social insurance contribution rate also indicates to what extent the factor costs are determined by social expenditures.

Table 15: Social Insurance Contribution Rates 2002 (in percent of gross wage – table to be checked with revised country reports)

	Pension	**Health**	**Unem-ployment**	**Other (maternity, sickness, occupational diseases)**	**TOTAL**
				total (employer +employee+state)	
BG (1)	29 (21.75+7.25)	6(4,5+1,5)	-	3,7	38.7
CY (2)	16.6 (6.3+6.3+4)	taxation	-	-	16.6
CZ (3)	26 (19,5+6,5)	13.5 (9+4,5)	3.6 (3.2+0.4)	4.4	47.5
EE (4)	20	13	1,5 (1+0,5)		34,5
HU (5)	26 (18+8)	14(11+3)	4,5(3+1,5)	poll contrib.	44.5
LV (6)	27.1 old age 3.76 disability	taxation	1.9	2.33	35.09
LT (7)	25 (22.5+2.5)	3.0	1.5	5.5	34
MT (8)	20 (10+10)				20
PL (9)	32.52 (16.26+16.2 6)	7.5	2.45	6.52	48.99
SR (10)	28	14	3.75	4.8	50.55
SL (11)	24.35 (8.85+15.5)	12.92 (6.56+6.36)	0.2 (0.06+0.14)	0.73	38.2
RO (12)	? various levels	7	6(5+1)		?
TR (13)	?	?			

1) additional contribution of 12 or 7 per cent for occupational compulsory insurance
2) (country report 2002): a) redundancy, unemployment benefits financed by social insurance.
3) (country report)
4) social tax, assessment base is the tax base (country report, beginning of 2002. Additional financing of the state for national pensions, pension supplements, medical assistance for uninsured persons, preventive health and others). Contributions to funded pension scheme as of 1. July 2002: plus 2 per cent of the wage.
7) (country report, 2002)
11) (country report, 2002)

Poverty and social exclusion is a crucial social policy concern in the Accession process. Chapter 4 of this report will tackle in-depth the status and development of poverty and social exclusion in the Candidate Countries. The European Commission has invited the Candidate Countries

to elaborate Joint Inclusion Memoranda in co-operation with DG Employment and Social Affairs in order to identify key problems and policy measures to combat poverty and social exclusion, and the Statistics Office of the European Communities has launched a pilot exercise to establish a first set of comparable indicators for the Candidate Countries. Official poverty lines are not yet defined in many of the candidate countries (however a certain minimum living threshold is indirectly defined through eligibility criteria for certain benefits) and neither are separate social protection schemes to secure minimum income for the poor operational in most of the countries. If they do exist, they function on a low level. The following table gives an overview of national poverty lines, absolute lines applied by the United Nations (and, for reference, GDP per capita in real terms) which are further discussed in Chapter 4.

Table 16: Poverty rates (national definitions and absolute poverty line)

	year	**a) national poverty line**	**b) below 2$ day**	**GDP per head in PPS (14)**
BG (1)	1997	52,9	21,9	6300
CY (2)	1996/97	14,2		19500
CZ (3)	1996		<2	13200
LAT (4)	2000/1998	16,8	8,3	6700
LIT (5)	2001/1996	16,4	7,8	7500
EE (6)	1995/1998	8,9	5,2	8600
HU (7)	1999/1997	26	7,3	11500
MT (8)				12600
PL (9)	2000/1998	13,6	<2	8900
SR (10)	1996/92	10,1	1,7	10800
SL (11)	1997-99/1998	8	<2	15600
RO (12)	2000/94	30,6	27,5	5200
TR (13)	1994/1994	7,3	18	5900

1) a) country report: subsistence level by MoL, b) Data from WDR 2001
2) country report. National poverty line is 60% median income
3) UNDP
4) At risk of poverty after social transfers
5) relative poverty line, see p. 14 country report
6) UNDP data, according to country report no official poverty line
7) CSO calculation based on the HBS Hungary for a), see p. 42 country report, data for absolute poverty rate is out of WDR 2001
8) no data in country report
9) national poverty line: GUS, 19980UNDP development report
10) WDR 2001, country report higher values (1996<4,3$)
11) 1997-99: country report, p. 65, 50% median income
12) rate of poverty, country report p. 22, definition/source unlcear
13) households, locoal cost of minimum food basket, World Bank: Turkey: Economic Reforms, Living Standards and Social Welfare Study (2000)
14) European Commission (2002a:69)

As Table 16 shows, national poverty lines (in many cases set ‚indirectly' by the income threshold which defines eligibility for social assistance payments) differ considerably across countries. The structure of the share in population which falls below national poverty lines is somehow reflected in the share of population below the absolute poverty line of $ 2.

1.4 Conclusions

Many of the candidate countries, especially the Central- and Eastern European Countries have been faced with considerable distortions during the last years in their economic and demographic development. The overall picture is that they are on their way to catch up with the EU member states, in terms of economic performance but also in terms of demographic ageing and lower fertility rates. This, in essence, means that in the future Candidate Countries will have to deal with similar challenges as the EU member states. The major challenge for the social protection schemes, however, seems to be the unfavourable developments on the labour markets. High unemployment does not only represent a fiscal burden for the social protection schemes in terms of a low contribution/tax base, but it is also one of the main underlying reasons for risks of poverty and social exclusion. The following chapters will analyse what answers have been found in the Candidate Countries to cope with these challenges and identify critical issues for future reform.

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