

Social Protection and Social Inclusion in Belarus

Executive summary

European Commission

Directorate–General for Employment, Social Affairs and Equal Opportunities
Unit E2

Manuscript completed on November 2009

This report was financed by and prepared for the use of the European Commission, Directorate General for Employment, Social Affairs and Equal Opportunities. It does not necessarily represent the Commission's official position.

http://Ec.europa.eu/employment_social/spsi

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General overview

After the collapse of the Soviet Union, the economy of Belarus has passed two distinct periods: the adaptation recession of 1992–1995 and the recovery growth of 1996–2008. In contrast to other countries, this growth has not been based on the market reforms, but heavily relied on the ‘special’ economic and political relations with Russia and rather favourable external environment. In particular, skilful political bargaining with Russia was allowing to obtain energy at the prices below their market levels and to secure preferential access to the vast and growing Russian market. Decent growth rates were also maintained by strong world market prices for raw materials (especially since 2003 on) exported by Belarus. As a result, the government was capable to maintain a relatively heavy tax burden and to redistribute about a half of Belarus’ GDP via the state budget. The state has mainly spent on social policies (pensions and various benefits) and enterprise subsidies (fallen under the category of ‘expenditures on national economy’). In general, decision-making system in the economy remains highly centralised.

The subsidisation of the ‘real economy’ has helped to maintain employment, including jobs at the inefficient, loss-making state-owned enterprises. This is due to full employment as one of the top social policy priorities of contemporary Belarus. Instead of reform of the social protection system, the government has focused on the functioning of enterprise sector. Most likely, this pattern was adopted because of the links to economic growth. According to the HBS-2008 data, employment rate for population aged 20–64 is 80.6%, which is significantly higher than in the EU-27 (70.5%) and comparable to such countries as Sweden (80.4%). The same is true for inactivity rate – for this age cohort, it is rather low (15.7%) – again, almost equal to Swedish one (15.3%) and lower than EU-27 inactivity rate (24.5%).

However, employees are subject to specific conditions of the Belarusian labour market. First, about 90% of the employees have fixed-term labour contracts (in contrast to infinite-time ones). This is in striking contrast to the EU provisions (inserted to the Maastricht Treaty of 1991), which consider fixed-term employment as ‘abnormal’ form of employment used for specific categories of workers. Second, wages are set according to a tight wage grid also required for the application by private sector companies. Such tight wage regulation does not exist in the EU countries. Some forms of wage ceilings were practiced in the early years of transition in some of transition economies (as Poland) to contain wage–price spirals. As a result, wages can be regulated administratively so the wage-based political business cycle is run regularly. In Belarus, there is direct relationship between acceleration of wage growth rates and important political events. Third, collective bargaining plays subordinate role in wage setting, thereby strengthening the dependence of employees upon the actions of employers and the state (whose roles often coincide in practice). At the same time, the degree of unionisation and collective bargaining coverage is rather high and even exceeds the levels of the EU countries. Yet, collective bargaining institutions remain supportive to the policies adopted by the government.

Unemployment in Belarus remains at a very low level, but this figure should be approached with care. It covers only the registered unemployed, i.e. all those kept on the books of the state employment service. In fact, registration does not automatically lead to obtaining unemployment benefits (only about half of the registered unemployed get benefits); moreover, size of the benefit is too small (about 1/5 of the administrative poverty line). This creates incentives to search for jobs, both formal and informal, including abroad. Otherwise, people stay unemployed without registration. Labour force surveys are not conducted on a regular basis (except the pilot one) so it appears that decision-makers adopt their policies without explicitly considering more realistic employment rates. In particular, household budget surveys reveal that in the last years the number of unemployed is 4–5 times higher than the number of registered unemployed. The share of temporary labour migrants is approximately the same, followed by self-employed. These three groups, taken together, constitute 10% of the economically active population.

One of the reasons for unemployment is skills mismatch. However, currently the employment indicator is relatively high: 73.3% of graduates acquire jobs on obtained specialty during the year they left educational establishments. It has to be stressed that the existing educational system is made accustomed to the current, rather rigid structure of the economy and the labour market. The vast majority is employed at the state-owned enterprises. Accordingly, economic reforms would demand the educational system to change.

In general, the educational system of Belarus is comprised of the network of mostly public institutions such as schools, colleges, universities, etc. Education is compulsory and free for pre-school and elementary school and secondary school levels (except upper secondary school), while university education is free upon the performance at the entrance examinations and centralised tests. About one-third of population attends different types of classes at various levels. There is the universal enrolment in the primary school education, and full enrolment in nine-year basic education. The enrolment in secondary school of the age group between 15 and 18 years has been maintained around 80% for the last several years; that is close to the benchmark adopted by the Education Council of the European Commission. According to this body, 85% of 22-year-olds in the EU should have completed upper secondary education in 2010. Concerning financing, expenditures on education increased from 4.3% of GDP in 1990 to 6.6% of GDP in 2006.

The demographic situation has not been improved despite the rapid pace of economic growth over the last decade. Since 1994, the population continuously declines in Belarus. This is due to the natural loss offset by positive net migration to a very limited extent. However, its small influence can even be exaggerated, given the census data of 1989 and 1999. Second, fertility rate remains low, when benchmarked against the simple reproduction rate of 1.3 children per women of fertile age. The UN reports predict that by 2050 the population of Belarus would decline by approximately 30% of 2005 level. It would be accompanied by 'greying' of the population, as the share of old age citizens would increase (exceeding the share of population in the working age). As a result, the burden on the pension system, healthcare and long-term care facilities would become much heavier than now. Nevertheless, these challenges are not yet fully addressed by the government. In general, demographic problems are not very different from the ones the EU member states face, but the pre-emptive solutions are not adopted.

Regional development in Belarus is rather even, in case the central role of the capital city is not considered. Minsk remains the political, economic, and industrial centre of Belarus. It is a focus of internal migration of skilled workforce. In addition, deflux of workforce from the rural to the urban areas, and from smaller urban localities to larger ones is a notable phenomenon. It is primarily driven by career and pay opportunities available in large cities, including Minsk. The government has not yet adopted a fully-fledged concept of regional development, relying on a number of policies instead. One of them is a programme for 'the revival of the countryside' that includes, among other things, the construction of improved quality housing for workers of the rural areas. Also, there are such measures as job placement for tuition-waver graduates. This feature is probably unique for Belarus. Often, this compulsory placement directs graduates towards rural the localities, including distant and less-developed ones.

Belarus tended to benefit from the boom in the world economy, and particularly high energy prices. Export prices reached their zenith by the start of economic crisis, forcing the Belarusian economy to adjust downwards as prices started to fall. A high degree of openness of the Belarusian economy and poor diversification of exports (more than 2/3 of non-energy goods produced in Belarus are exported to Russia) is a problem, especially when Russia has experienced a significant contraction of its GDP and, hence, domestic demand. For Belarus, decline in external demand has resulted in shrinking exports. Another difficulty concerns the limited opportunity for obtaining of trade loans and financing import contracts. As a result, financing of the persistent and growing current account deficit has become an endemic problem to contemporary Belarus. These problems have direct distributional repercussions. External deficits have to be financed and/or the currency devalued. Devaluation, in its turn, can worsen the economic situation of the poor households.

At the very beginning of 2009, Belarusian authorities, having the above-mentioned constraints, have decided to devalue the national currency by 20.45%. It has been done after the consultations with the IMF that provided Belarus with a stand-by loan. However, this step has proved to be insufficient neither to restore price competitiveness (since major trading countries devalued their currencies more than Belarus), nor to lower domestic demand for imports. As a result, import has been falling at a significantly lower rate than exports, further increasing the current account deficit. At the same time, the sources of financing of this deficit appear to be rather limited at the moment. The government still relies on the external borrowing, but in case the policy of stable currency is continued, the current account deficit can reach an alarming figure of 13–15% of GDP in 2009 and 2010. Such deficits can hardly be financed by borrowing only, given the gloomy predictions of the

duration of the financial crisis. All this makes devaluation (which may be combined with demand-cutting policies) very much likely, if not unavoidable in the future. Additionally, the expected decline in employment and increase in the unemployment rate (that stem from the decline in the external and domestic demand) all create a serious challenge to the system of education and vocational training, as the existing demand for skills could be substantially changed.

In the medium run, the most fundamental challenge the Belarusian economy faces is the implementation of market reforms. It is very likely that the current market-unfriendly policies would produce inferior outcomes to what could be achieved by market-friendly or market-augmenting reforms. One of the persistent macroeconomic problems, which might ignite change, is the need to finance current account deficit. So far, various measures have been employed, along with – more recently – accumulation of foreign debt. But the debts have to be paid back in the future in foreign currency. This requires increases of exports via improved external competitiveness of the Belarusian economy.

It seems that the necessity of structural reforms is admitted by the Belarusian authorities. First, in 2007, the government declared intention to enter into the list of top-30 countries with the best business-environment (according to World Bank's 'Doing Business' ranking). As a result, Belarus shifted from 110th place in 2007 to 82nd place in 2008 and 58th place in 2009 (however, several doing business indicators (like 'paying taxes') are far from 'ease' – according to this ranking, Belarus tax system is worst in the most difficult in terms of doing business). Second, since 2009, the government and the National Bank implement stand-by program supported by the IMF (and negotiates with the IMF on the second program). However, social reforms are not discussed widely, although some negotiations with the World Bank take place.

Social protection system

Social protection system of Belarus provides social insurance, social services, and relief or compassionate benefits. One of the major characteristics the system used to have until recently was the vast coverage of the population (about 65%) by various kinds of benefits. It is however not to claim that more than 6 m people were directly paid in cash or in kind, but to emphasise that there were opportunities and services offered by the system. At the same time, some of these possibilities were never used despite their availability. To illustrate, rural inhabitants were liable for public transport discounts and reduced costs of public utilities, such as centralised heating and hot water irrespective of the fact whether their locality has these facilities or not. In fact, only 7.8% of 6 m people were paid in cash on various grounds by the social security system (excluding pensioners). These cash beneficiaries are the poor, lone parents, large families, disabled, war veterans, retired servicemen of the army and the Ministry of Interior and their family members, and so on. In general, social insurance schemes target the needs of those recognised 'in need' by the law that does not include certain 'transition-specific' categories like homeless.

Organisationally, the system is centralised with employers as the principal contributors to it, paying 35% of total wage fund, while employees contribute with 1% of their wage (and self-employed have 1% of their income taxed deduced for that purpose). In case 'socially-insured accident' happens, the right for benefit provision is being realised. However, the provision of a large number of benefits is often conditioned upon the number of years and amount of money a person contributed to the social security system.

The resources are accumulated in the Social Security Fund (SSF) managed by the Ministry of Labour and Social Protection. The vast majority of the Fund's expenditures (about 80%) is due to pensions of various stripe (old-age, survivors, and disability), while 16.4% are spent for sickness, maternity benefits, and family allowances. The rest is spent for other purposes, including, for instance, the unemployed benefits, maternity benefits, and so on. Certain categories of citizens are provided with 'extra-protection', i.e. above the level stipulated for the vast majority and paid from the SSF. These privileged groups include, among others, government employees, certain medical workers, aviators, professional athletes and the injured in the Chernobyl catastrophe. In that case, resources originate from the state budget.

The second element of the social protection system is social service provision. This is offered by both permanent and non-permanent facilities, primarily state-run ones, while there is some limited role for NGOs to deliver similar services. In Belarus, there are 61 permanent long-term care facilities for old-age, disabled, and mental patients, where about 15,000 people staying. More importantly, there are non-permanent care facilities. They provide nurse, transport, humanitarian aid assistance, legal consultations and psychological counselling, trainings, testing and some community services. Non-permanent facilities began to emerge in 1998 to assist large families and children and in 1999 to help old-aged and disabled. In 2003, the functioning of these facilities have been reorganised to ensure that each administrative-territorial unit is acquired with a social service centre. Currently there are 156 centres operating employing about 17,500 social workers dealing in either way with about 1.6 m citizens.

The personnel problem in the social assistance sector is an important one. Only 12% of social services workers have higher education, although the majority (75%) of work tasks does not require higher education qualification. In some distant rural localities, there is a lack of people to work in the centres so locals are employed part-time to provide 'neighbourly assistance' to lone pensioners or disabled. Also, incomplete and/or problem families and families with disabled children are important category the centres service. In general, there is a tendency in Belarus for incomplete families to grow. Also, 'greying' of the population and some rise in the number of disabled are observed. All these imply the growing demand for the social services. Currently services are provided for free to poor lone disabled citizens, families with triplets and more children (until age of 2). For other categories of citizens there is a charge taken but conditioned upon the income situation, health and family status, etc. The charges are set up by local authorities, which are also capable to provide discounts. In general, the volume of these services in 2007 amounted to EUR 2.8 m.

NGOs deliver some similar social services for free, but they mainly act locally and their coverage is far from pervasive. Some NGOs are funded by the partners from abroad, while others are offsprings of the Church, like the sisterhoods of the Orthodox Church of Belarus. NGOs work in parallel with the state bodies and there is no effective division of labour between the two. However, NGOs try to organize themselves in the network to coordinate their activities to avoid duplication.

Another element of social security system is a set of measures to prevent poverty by delivering targeted social assistance (both in money and in kind) as established in 2001. This form of assistance is unconditioned upon the work record or contributions made to the social protection system, but only individual need. It can be provided on a monthly basis and, since 2004, as a lump-sum grant (ranging from 50 to 500% of the subsistence minimum). In 2001, the threshold for support to be provided was established at the level of 50% of the subsistence minimum, while later it was increased to 60% and then, since December 2007, to 100%. Currently the only criterion for targeted social support is the level of the disposable incomes, and not the vulnerability status like it used to be before. Over the period of 2002–2004, there were several revisions of the ways disposable income is calculated. What counts now is the family composition, availability of land plots, economic activity of citizens, property they possess, etc. This (together with poverty reduction) has led to the reduction of the number of unconditional assistance recipients by three times over a period of 2001–2007. The major group liable for this type of assistance remains incomplete and large families, followed by solitaries.

The problem with the social assistance provision is the nutrition-based approach which is used in the calculation of the poverty threshold. It is not consumption-based and therefore not accounting for the real expenditures of the poor. The need to revise the subsistence minimum was stressed by the independent trade union organisations (the ones which do not belong to the Federation of Trade Unions of Belarus), but they do not have an effective voice to be heard by the government.

Several important changes have to be mentioned in the social protection system. The first one was unleashed around 2001, when provision of healthcare (and education) has become somewhat commercialised. In addition, large and medium-sized state-owned enterprises have begun to be deprived some of their 'social security' functions they used to perform in the USSR running and offering such social facilities as polyclinics, kindergartens, spa, etc. A recent arrival of the financial crisis is very likely to facilitate this process as the profit and performance motives become dominant. The second one was the implementation of the so-called unified social standard in 2003–

2004 that includes the legally-designated minimum of social services to be supplied by the state, along with the reorganisation of the work of social service centres.

Last but not least, in December 2007, a partial change in the principles of the social assistance provision has been made. It concerned the shrinking of the number of categories of people liable for assistance and the actual trimming of the benefits. The official rhetoric emphasised the need to reduce the excessive number of beneficiaries given. The needs criteria were revised and some preferences were partially monetised. In general, the total volume of funds allocated to the provision of social benefits had been cut by approximately one-third (or about EUR 55.4 m). This is a relatively small figure as compared with other budget expenditure items. The step can therefore be seen as a signalling by the state to the citizens that they have to consider more self-responsibility and lesser degree of paternalism. However, this policy change provoked public discontent. For instance, the abolition of public transport discounts for pensioners and pupils caused public dissatisfaction so the government was forced to partially restore the benefits withdrawn earlier, such as public transportation fees discount to pensioners, war veterans, disabled, orphans, and children under age seven.

At the moment, the problem of sustainability of social protection system has begun to resurface. It might be caused by the influence of the global economic crisis as the revenues of the SSF would decline via lower employment and wage against the greater demand for social protection driven by higher unemployment and increased poverty. In that case, reduction of expenditures would not be a solution since it automatically increases the number of recipients of unconditional social assistance. In turn, this would make revenue cut problematic. It appears that in case the impact of the global economic turmoil is prolonged, Fund's restructuring (or the budget expenditures as a whole) would be inevitable.

Poverty and social exclusion

The dynamics of incomes and inflation are the core factors behind the poverty situation in 1995–2008. Prior to 2000, economic growth had not been pro-poor. Rather, absolute poverty (measured as a percentage of persons with the income below the 'subsistence minimum') in 1999 reached its historical maximum of 46%. However, it had mainly happened due to a devaluation-inflation spiral that destroyed the purchasing power of wages and incomes of the poor. The macroeconomic stabilisation of 2000–2002 turned economic growth into pro-poor one, so over a period of 2000–2008, official poverty rate declined considerably to reach just 6.1%. As for relative poverty rate (calculated as the share of population with incomes less than 60% of the median income after the equalisation procedure), it remained stable over the whole period considered. Nevertheless, some recent increase has to be admitted due to growth of median income. Subjective poverty exceeds both absolute and relative ones since 2006 onwards.

According to UNDP's Human Development Index, Belarus is a country with high level of human development (68th place among 182 countries of the world). However, several specific indicators (like human poverty index, gender-related development index) Belarus is ranked even higher – 16th among 135 countries and 13th among 155 countries of the world, respectively.¹ In terms of income inequality, Belarus is relatively egalitarian country, with inequality indicators close to Sweden and Austria. Inequality remains low over the whole period considered. The main reasons for this are wage and pension setting policies delivering wage compression along with the existence of various benefits and implementation of redistributive policies.

Poverty is widespread among unemployed, rural population, pensioners, and children in large families, families with unemployed and single parents. These groups are most at the risk of poverty, but the results remain sensitive to the choice of poverty threshold. Absolute poverty rate is relatively low among pensioners, but relatively high for families with many children. Relative poverty measured by using the OECD modified equivalence scale (weights 1–0.5–0.3) and 60% of median income threshold shift the poverty risk to single pensioners and unemployed, away from families with many children. In their turn, gender differences are revealed when relative poverty rates among men and women are compared, mainly due to the differences in their lifespan that are translated

¹ See http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_BLR.html.

into longer pension period for women. At the same time, males are characterised by higher employment rate that is positively associated with smaller poverty rate. In terms of material deprivation, the poor are significantly deprived in terms of car ownership (especially in the urban areas) and personal computers. The difference in housing conditions between the poor and non-poor is drastic in the rural areas, but quite moderate in urban ones. Perhaps, this is an additional factor driving intra-country internal migration.

The menu of survival strategies includes subsistence farming, temporary labour migration and unregistered work. Temporary labour migration can be considered as the most efficient, but the most difficult poverty-reducing strategy. Subsistence farming is more immediate and easily available strategy, but it does not improve the poverty situation radically.

The effects of allowances and in-kind benefits upon poverty reduction vary. The share of allowances in total income was 2.1% in 2008, but they allowed to reduce the absolute poverty rate by 1.9 percentage points, while in-kind benefits (estimated at 0.9% of income) contributed by just 0.4 percentage points. However, such types of 'universal' assistance as low utilities prices, free education, free medicine, etc. are not considered here. Better targeting of in-kind benefits (in their broader concept) and increase of monetary assistance for some vulnerable groups (like children and unemployed) would contribute to further poverty reduction. Some vulnerable groups (again, unemployed) require higher allowances and investment to their human capital (in order to escape from poverty traps). But the main attention should be paid to creation of job and educational opportunities with high return on individuals' efforts. Additionally, job opportunities in the private sector can reduce the demand for the social protection delivered by the state. Accordingly, social policies would then be focused on the social inclusion of socially vulnerable groups without stretching the assistance to the greater number of citizens.

The economic crisis adversely impacts the poverty situation via two channels. The first is the deceleration of economic growth and the second one is devaluation and inflation. On the top of that, the current economic crisis endangers employment. Given shrinking external demand, Belarusian enterprises would be forced to cut either employment or wages in order to reduce their costs and to maintain competitiveness. Currently one can observe a return to the policy of administrative unpaid leaves like in the mid-1990s and other forms of adjustment, effectively signifying the existence of hidden (and growing) unemployment. The government has decided to maintain subsidisation. However, by taking into account the expected contraction of state revenues by about 10% of GDP, such policy could hardly be a sustainable option. As a result, unemployment growth seems to be unavoidable, being it open or hidden. The former is particularly worrisome, as the existing current level of social protection of unemployed is weak, but should be adapted to the changed situation.

Pensions

Belarus pension system is a successor of the Soviet one, as it has not undergone significant changes since the beginning of the 1990s. It is funded on the PAYG basis. A payroll tax is 35% (36% before 2008) of the total wage fund, including 29% of the wage fund for pension provisions. These contributions have been enough to finance 40% replacement rate, while the SSF has permanently generated surplus. However, the system is not sustainable towards demographic pressure (decrease of population and its ageing) and is expected to generate deficit starting from 2015 on. The reforms envisaged by Ministry of Labour and Social Security in this regard are to strengthen the incentives for postponed retirement by cutting possibilities to receive both pension and wages staying employed after retirement age. Other possibilities such as enhancing life-long learning to prevent outdated of the knowledge of elder people and creating flexier employment schemes for them are out of discussions. Besides, the Ministry of Labour and Social Security proclaimed necessity of retirement age increase, which was not supported by other officials (partly due to upcoming in 2010–2011 presidential elections). Obviously, such parametric reforms are not favoured by the population. Retirement age increase can be justified only for female, as their life expectancy at current retirement age – 55 years – is rather high (24 years). For men (at the age of 60) it is less than 14 years, while in the EU countries life expectancy at the age 65 is almost 17 years (2006th figure).

By any account, an increase of the retirement age alone would not solve the problem, but would jeopardize the adequacy of the pension system, taking into account short life expectancy. The solution can be an introduction of obligatory funded schemes, and development of voluntary ones, which are very rudimental nowadays. But it will be efficient in fighting ageing population problem only in case it is accompanied by other measures, which would create incentives for minimisation of the share of undeclared wages, postponing of retirement and reduce non-pension related expenditures of the SSF. Besides, the lack of trust to the long-term savings among population, and misfortune of pension funds within current global economic crisis should not be neglected. On the level of officials there are discussions on introduction of the notionally defined contribution schemes instead, effectiveness of which should be yet estimated.

While ageing is a distant challenge, the global financial crisis is a close threat. It forces the government to tighten fiscal discipline, thus leading to the fall of pensions in real terms. It is announced, that pensions will be 'indexed' (i.e. increased in nominal terms) only by 5% within 2009, which is significantly below expected annual inflation rate (in November 2009, old-age pensions were indexed by 9.9%, which is, however, cannot prevent them from falling in real terms). Besides, tight fiscal policies against the background of slower growth would lead to lower real and nominal wage growth rates, thereby leading to the reduction of contributions to SSF. The duration of the crisis would determine the seriousness of the challenge upon the Belarusian system. It shall not be left unaccounted that the crisis could ignite the reform of the pension system since it is one of the ways to increase long-term savings in the economy.

Healthcare

There have been virtually no reforms in the healthcare system of Belarus since the beginning of transition. The system remains largely state-owned and controlled by the government. Still, healthcare is extended to all citizens of Belarus irrespective of social status, and the degree of commercialisation of the healthcare system is very low (even as compared to education).

Primary/ambulatory healthcare services to population are delivered through 2,027 polyclinic and outpatient organisations. The policlinics in urban arrears are responsible for 10,000 – 100,000 resident population. District paediatrician deals with 800–1000 children, while district therapist is in charge of 1,800 of adult population. In rural areas primary care is delivered mainly through outpatient clinics and attached to them feldsher-midwife points. Inpatient medical services and emergency service are provided through 702 hospital organizations. The number of hospital beds per 10,000 of population has the downward trend and amounted to 112.4 in 2007, exceeding such indicator in some EU countries. In Belarus, the physicians' density (per 10,000 of population) has been steadily increasing and reached 48.5 in 2007. This is in line with density of the number of practicing doctors in EU countries or even higher than in some of them. The ratio of nurses to physicians in Belarus is comparable with EU countries as well. A national survey conducted in 2005 reveals that overall patients were satisfied with the accessibility of primary care services and their primary care doctors and nurses. The main inequalities in provision of healthcare services exist between urban and rural populations, as in rural arrears PHC facilities and hospitals are understaffed and badly equipped.

Health status of the population has been deteriorating, as crude mortality rate has increased from 13 in 1990 to 13.7 in 2007 and exceeded EU countries level. There are no substantial differences across the regions of Belarus. However, the discrepancy between urban and rural areas is significant (10.4 and 22.6 correspondingly). To some extent the pattern of the mortality can be explained by alcohol consumption. The life expectancy in Belarus has been stabilised in recent years, partly reflecting the improvement of living conditions and healthcare service. A person who was born in Belarus in 2007 can expect to live 70.3 years on average. However, there is a sharp difference between the life expectancies of males and females, and of rural and urban population. Morbidity rate has been deteriorating as well. Since 2002 the rate has been growing in general and across nearly all disease groups. The level of immunization is very high, for tuberculosis, diphtheria, whooping cough, poliomyelitis it reached 99–94%, for measles and mumps the vaccination of children aged one year decreased from 99% in 1990 to 84.4% in 2007 as population has been less willing to cooperate with immunisation programmes.

Despite the fact that the system of healthcare faces several challenges with growing pressure on primary and social care by aging population and increasing number of elderly people (24.3% in 2008), the government has no plans to shift towards insurance-based healthcare system. Nevertheless, some policy measures have been implemented. In 2000 the way of healthcare system financing was changed from input-based mechanisms to per capita budgeting according to the agreed norms. In such a way the Ministry of Health has planned to increase the efficiency of the system, to cut unused capacities, to prioritise PHC, as a more economic form of healthcare services, over hospital care, and to address human resource problems. However, despite these measures and the last years of substantial economic growth, healthcare is still experiencing the shortage of resources. Apparently, it will not be able to cope with this problem in the nearest future without finding complementary sources of financing or further changing/re-designing the finance system.

Concluding remarks

The socio-economic situation in Belarus is not dramatic, while its social security, healthcare and education systems are comparable to the ones existing in other transition and even mature industrial economies. However, the Soviet heritage is still available. One of the distinct characteristics of the Belarusian socio-economic system is it is 'employment-centred'. The availability of employment is crucial for the vast majority of workers. However, openness of the economy requires employment to be efficient. Therefore, the challenges the Belarusian economy and its sectors would face in the future is modernisation, what has become particularly visible in the course of the influence of the global economic crisis. However, modernisation can successfully carried out when some prerequisite conditions are met.

First and foremost, it concerns the ability of the Belarusian economy to continuously deliver macroeconomic stability (essentially based on exchange-rate stability) and sustainable economic growth. These two factors are crucial to keep poverty rates low and control employment situation. Also, the existence of 'employment outlets' in the neighbouring countries for those unable to find jobs in the country are important. Available survival strategies are not sufficient to cover the needs of the unemployed and can be considered supplementary at best.

Second, the duration and strength of the crisis impact would determine the degree of possible rise of unemployment. In case the government would let open unemployment to grow, social protection system has to be adjusted to meet the needs of the 'new unemployed'.

Third, there are long-term challenges. These concern the problems caused by progressive ageing of the population resulting in higher demand for healthcare and pension. These challenges are to be addressed by the government – so far, no meaningful policy changes are implemented in this direction.