Social Protection and Social Inclusion in Belarus

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Acronyms cited in text

BSSR	Belarus Soviet Socialist Republic	IMF	International Monetary Fund	USD	US Dollar
BYR	Belarusian Rouble (national currency)	IOM	International Organisation for Migration	USSR	Union of the Soviet Socialist Republic
CMEA	Council for Mutual Economic Assistance	IPM	Institute for Privatization and Management (Belarus)	VAT	Value added tax
EBRD	European Bank for Reconstruction and Development	LFS	Labour Force Survey	WHO	World Health Organization
FSU	Former Soviet Union	NBB	National Bank of the Republic of Belarus	aop	Period average
FTUB	Federation of Trade Unions of Belarus	NDC	Notionally defined contribution pension system	bn	Billion
GFS	Government Finance Statistics (IMF database)	PAYG	Pay-as-you-go pension system	eop	End of period
HBS	Household Budget Survey	SSF	Social security Fund	m	Million
IFAD	International Fund for Agricultural Development	UN	United Nations	thsd.	Thousand
ILO	International Labour Organisation	UNDP	United Nations Development Program	yoy	Year-on-year

1. General overview

1.1. Introduction

Recession faced by Belarus at the beginning of economic transition influenced household incomes significantly. Between 1988 and 1995[1] real household incomes dropped by 44%, while real per capita GDP decreased by 34%. As a result, poverty increased from 1 to 22%, which is comparable to non-FSU countries of the region but less than in other FSU countries[2] (Milanovic, 1997). Economic growth observed in Belarus since 1996 onwards is related rather to favourable external environment than appropriate economic policy design. Yet, the benefits of economic growth have been distributed evenly through a complicated system of social benefits provision and controls over wage setting, employment, and prices. Over the last several years, substantial poverty reduction could be largely attributed to economic growth, while social assistance programs played a minor role despite their pervasiveness and coverage. Economic and social policies in Belarus are developed by the government without (even informal) consultation (with, not to mention the approval of the parties directly affected and/or concerned. Nevertheless, some policy recommendations are accounted for, while public dissatisfaction could also be taken into consideration. The current challenge for the economy of Belarus is how to conduct transformation in order to meet changes in the external environment. In the course of transformation, social security reform has to be implemented to mitigate adverse social consequences of the economy's adjustment to world market energy prices.

In general, the Belarusian economy is used to be guided by a set of plans adopted by the President and the Council of Ministers of Belarus. Apart from nation-wide programs that establish certain targets of GDP and income growth for a period of five years (like 'The Program of Socio-Economic Development of the Republic of Belarus for a period of 2006–2011), there are sector-specific or branch programs (like 'A Complex Forecast of R&D Development in Belarus for a period of 2001–2020', 'A Program for Forestry Development for a period of 2007–2011). However, development planning was occurred in a rather favourable external environment, including the availability of foreign borrowing. The impact of the global economic crises has been such that the customary policy stance was amended in the direction of liberalization and relaxation of controls. At the same time, the government opted for wage freezing policy in the public sector and announced the possibility of downward revision of growth forecast. Overall, the impact of economic crisis is yet to be observed in the course of 2009, although, slower pace of economic growth and both market-led and government-induced moderation of incomes against the background of some rise in unemployment can most likely be observed in Belarus.

1.2. Macroeconomic state of affairs

General economic performance and structural changes since the beginning of transition

At the beginning of the 1990s, Belarus suffered from the transitional recession (1992–1995) and started to recover from 1996 onwards. A lagged return has been compensated by its speed. Initial conditions and external environment played a role (Chubrik, 2006). First, in the USSR, the economy of present-day Belarus was characterized by higher fixed capital investment (over 1971–1991 the real value of the basic assets increased by 4.1 times, while in the USSR on average this figure amounted to 3.4, see Easterly and Fischer, 1995). Belarus absorbed many production facilities oriented towards the USSR and the CMEA markets (while about 5.5% of exports went beyond the socialist camp). In 1990, the share of exports to GDP in the BSSR was 50%, above all other former Soviet Republics (de Melo et al., 1997).

Like in many other Central and East European countries, the transition recession in Belarus resulted in economic restructuring and deindustrialisation. According to the World Bank data, the share of industry in GDP declined from 47% in 1990 to 36% in 1994, but later increased to 42% in 2007. However, the initial reduction appears to be relatively low as compared to the New Member States (from 47 to 32% of GDP) and the Western Balkans (from 43 to 25%), but deeper than in other FSU countries – from 39 to 32% of GDP. For the same period, the share of agriculture de-

[1] Years of the last household budget survey (HBS) conducted in the Belarusian Soviet Socialist Republic and the first HBS conducted in independent Belarus.

[2] For the period, poverty rate increased by 14 percentage points in Poland, by 28 percentage points in Baltic states, and by almost 60 percentage points in Moldova, Russia, and Ukraine (on average).

clined from 24 through 15 to 9% of GDP, while the share of services increased from 29 through 49 to 48% of GDP (see Table 1.1). The share of agriculture remains relatively high as against the New Member States (4% of GDP in 2007), but it is lower than in Western Balkans (12%) and other FSU countries (15%).

The resumption of growth since 1996 and until 2002 could be explained by the availability of the customs union with Russia and the generally superior competitive position of Belarusian goods to the rest of the world. The recovery of Russia's economy after the 1998 crisis resulted in worsening of the competitiveness of Belarusian goods. As a result, economic performance deteriorated (manifested in poverty increase, wage arrears, enterprise losses, etc.). But in 2003, external demand drove economic growth in Belarus, leading to the acceleration of income growth and poverty reduction. Over 2003–2006, real wages increased by 1.7 times, while poverty (as measured by the national standards) dropped from 30.5% in 2002 to 11.1% in 2006. Although Belarusian authorities managed to reduce its acuteness by bargaining over the participation of Belarusian companies in the government procurement in the Russian Federation[3], the sector of investment goods is in a poor shape. In 2002, Belarusian investment goods occupied 1.5% of investment in Russia, while four year later it dropped to less then 1%. Situation has not been improved over 2007–2008.

In 2007, the economy faced a shock of gas price hike[4]. The Russian party insisted on increasing the gas price to the level of European average by 2011, although political bargains allowed some moderation of these plans. Yet, the gas price increase has led to a deterioration of the current account stance that requires adjustment, most notably in mounting of external debt by 10% of GDP within one year only. The deficit has been mitigated by growing oil and some commodity prices (Chubrik and Kruk, 2007).

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Most importantly, new terms of trade in gas and oil have changed the pattern of functioning of the Belarusian economy. Although the planned gas price increase was contained and the duties on exports of crude oil and oil products were negotiated to reach lower levels than originally suggested, the terms of trade will likely deteriorate in the future. Already in 2011 Belarus might face an 'average European' gas price, while the oil duty on crude oil imported from Russia would amount to 35.6% of the level applied in Russia. Growing energy prices mean that more foreign exchange is needed to pay to suppliers, while companies face higher costs. Given the constraints imposed by competitiveness on increasing output price, especially at external markets, Belarusian enterprises have to deal with the problem of cost reduction or at least cost structure optimization.

At the same time, a reduction of the dependency of the Belarusian economy on imported gas could be a solution, but this is a task to be accomplished over the medium to the long run. Measured in kilograms of oil equivalent per USD 1,000 of GDP calculated by PPP, this indicator is 0.46 in Belarus in comparison with, e.g. 0.17 in Germany. The existence of the gap is not a very bad thing *per se*. There is room to increase energy efficiency considerably. Moreover, investment in the energy sector can produce high returns. However, the major problem is that these benefits and returns are unlikely to materialise over the medium to the long run. 'The National program of Energy Efficiency for 2006–2010' adopted by the government of Belarus and the President's Directive No. 3 'On Economy and Thrift' demand to cut energy consumption by 7.75% annually between 2007 and 2010, and by 5.55% between 2007 and 2015, while by 4.3% between 2007 and 2020. In case these targets are reached, Belarus would come close to the level of Lithuania by the year 2015 and the level of Germany by the year 2020. There are reasons to believe that, under certain conditions, the task of energy efficiency increase can be accomplished within the suggested time frame. For

[3] See the materials of the roundtable of the Belarusian Institute for Strategic Studies (Lithuania) conducted on February 12, 2008, available at: http://belinstitute.eu/images/stories/documents/roundtable20081briefru.pdf.

[4] In 2006, gas price for Belarus amounted to 15% of gas price for Germany, in 2007 – to 33%.

[5] In 2006, gas price for Belarus amounted to 15% of gas price for Germany, in 2007 – to 33%.

instance, between 2001 and 2005, economic growth had occurred against the background of reduction of energy intensity by 5.1% on average per annum. [6]

In general, the impact of the 2007 shock (whose costs can be estimated at more than EUR 1.5 bn for the Belarusian economy) was mitigated by privatization of some meaningful assets such as 50% of the stock of the Belarusian gas transporting company 'Beltransgaz' and a major private telecom operator, 'Velcom' TM. In addition, foreign debt increased considerably, from 13% to one-third of GDP[7]. The debt was largely formed by Belarusian enterprises financing their imports and commercial banks borrowing abroad.

Nevertheless, changes in trade with energy initially resulted in a deceleration of GDP growth, although labour market dynamics were not affected in any substantial way, wage dynamics echoed the reduced pace of economic growth. In particular, over the first quarter of 2007, economy-wide average real monthly wage increased by 9.6% yoy only (in contrast to 13.5% over the last quarter of 2007), while in March 2007, wage growth rate was 13 percentage points less than in March 2006. Most notably, the price shock affected inflation indicators. In the fuel industry, prices initially went up by 45.8% in January 2007, although the increase of excise tax rates allowed stopping further price increases in this sector so that the net result has been an increase in producer price index in March by 11.6% yoy as against 22.6% in January 2007 (yoy). In general, the most notable outcome of 2007 was an acceleration of inflation so it exceeded the initially planned level.

The situation in trade with energy goods emphasized the importance of macroeconomic stability in Belarus and, at the same time, some inherent fragility. Uncertainties at the end of 2006 made population to worry about the exchange rate. The rumours of denomination and devaluation along with these uncertainties about gas and oil deals were behind a tiny 'bank run' occurred at the end of 2006 – early 2007. The gap between purchase and sale of foreign currency had been widening, reaching EUR 128.8 mln in December 2006 and EUR 298.3 mln in January 2007. The NBB strongly resisted pressures for devaluation by decline in the volume of reserves. [8] Protection of the value of the national currency and, hence, maintenance of macroeconomic stabilisation, are the top policy priorities.

1.3. Governance and fiscal policy

Structure of revenues and expenditures

In 2006[9], general government revenues to GDP amounted to 48.2%. The most important sources of revenue are VAT (9.3% of GDP), profit tax (4.2% of GDP), turnover taxes (4.1% of GDP), excises (3.6% of GDP) and personal income tax (3.1% of GDP). However, since 2007, taxes on international trade (particularly export duties on oil products) become to play the major role (6.5% of GDP in 2007). At the same time, social contributions amount another 11.7% of GDP of fiscal revenues (Table 1.3).

The share of general government expenditures in GDP is 46.7% (2006) dominated by expenditures on social protection and national economy (13.5 and 10.0% of GDP, respectively, see Table 3). Agricultural outlays (4.5%), which is significantly higher than in neighbouring countries[10] and comparable with the expenditures on health (4.7%) and education (6.7%).

Classification of public expenditures

It is hardly possible to construct consistent data series due to the changes in the classification of public revenues and expenditures ('budget classification') made in 1999 and 2007. In 2004, revenues of the Social Security Fund (a state-run pension fund of the mono-pillar pension system) were

[6] See http://belinstitute.eu/index.php?option=com_content&task=view&id=45&Itemid=18.

[7] In Belarus, there is a mix between two ways to cushion the impact of external shock. On the one hand, privatization is used, but to a limited extent so it can be labelled as 'stop-go privatization'. On the other hand, foreign exchange inflow is secured by rising foreign indebtedness. This mixture is discussed in the material of the Belarusian Institute for Strategic Studies (Lithuania), available at: http://belinstitute.eu/images/stories/documents/blitz20071112debtbe.pdf.

[8] Official data show that in January the volume of reserves declined by USD 53 mln. However, there are reasons to believe that the actual figure might be more substantial. In particular, since the mid-January, the official site of the NBB does provide online information about the volume of international reserves. Prior to that, the data used to be updated on the 1st, 8th, 15th, and 22nd day of each month. Now the NBB publishes information at the beginning of each month only.

[9] The most recent year when comparable (IMF) data is available.

[10] 2.7% of GDP in Latvia, 0.8% of GDP in Poland, 0.5% of GDP in Russia and 1% of GDP in Ukraine.

included into the consolidated budget. In 2005, the revenues of 'innovation funds' were accounted for in the budget. In 2007, the classification was revised. Comparable data could only be obtained from the GFS database of the IMF for a period of 2003–2006.

Reforms in the area of public finance

Public finance reforms are closely connected with the union between Russia and Belarus. In 2005, both countries agreed to switch to the VAT payment regime based on the country of destination. A substantial trade deficit with Russia resulted in the increase of the VAT revenues (by 1.6% of GDP in 2005). Another important change took place in 2006, when Belarus was forced to equalise old exports duties with the ones existing in Russia. This move however led to increase in general government revenues by 3.8% of GDP in 2007.

Revenue growth allowed downward revision of some tax rates. First, the rate of turnover tax (levied simultaneously with VAT) was cut from 3.9% (until 2004) to 1% in 2009, while it is planned to be abolished at all by 2010. There were also reductions in the VAT rate (from 20 to 18% to match the Russia's rate) and in the payroll taxes paid by employers (from 39% in total to 35% in 2007). One of the most important developments was flattening of personal income tax down to the rate of 12% since 2009 on. In addition, local turnover tax rates for domestic and import goods were unified at the level of 5%[11].

However, as the Belarusian economy is heavily influenced by the global economic turmoil, the government is facing the necessity to implement further – and this time very likely more serious – fiscal reform. The reduction of tax revenues caused by lower export duties, profit tax and VAT requires either to run the budget deficit and/or to cut expenditures. At the same time, the deficit is limited by the provisions of the IMF memorandum regarding stand-by loan, which sets the maximum level for a country at 1.8% of GDP, in case there is an option for additional external financing. Otherwise, Belarus is expected to run the balanced budget, the option that was actually approved by respective presidential decree. All these circumstances have forced the government to cut planned general government expenditures by 18.1% (BYR 13.9 trln, equivalent of EUR 3.7 bn). This cut is done mainly at the expense of the central government: expenditures that suffered reduction of BYR 11 trln (equivalent of EUR 3.0 bn), including BYR 4.3 (EUR 1.1 bn) cut of subsidies to oil refinery, BYR 1.3 trln (EUR 0.3 bn) cut for state programs and BYR 1.5 trln (EUR 0.4 bn) reduction of SSF expenditures. It is emphasised that social expenditures are not to be cut. At the same time, the Ministry of Finance proposed a tax reform suggesting to cut tax rate: turnover tax by 1%, local turnover tax by 5%, and the profit tax rate from 24 to 20% while increasing VAT to either 22% or 20% within this fiscal year.

1.4. Labour market situation

Evolution and structure of the labour market

Over the period 1991–2008, the cumulative reduction of employment amounted to 8.4% (according to the official data[12]). The recession of the early 1990s was behind the initial fall in employment. In later years, the share of students increased as a result of the 'baby-boom' of the early 1980s. In addition, there has been deindustrialisation process underway in the Belarusian economy, while some former industrial workers have not found new jobs in the private and/or services sector and moved abroad (mainly to Russia) to rely on casual jobs there.

Female employment fell by 6.9%, while the male dropped by 10.3%. As a result, the share of females in the total number of employed increased for the period by 0.9 percentage points to 52.7%.

Box 1.1. Data quality

Employment data are collected by the National Statistical Committee of Belarus (hereinafter Belstat) from enterprises. It collects the data from large and medium-sized companies[13] on a monthly

[11] In 2008 local turnover tax rate for imported goods was 15%.

[12] Data quality issues are discussed in Box 1.1.

[13] To be more precise, these data do not account for small non-state companies, employing less than 15 workers, house building and garage building cooperatives, horticulture partnerships, religious organisations, persons employed in private farms, individual entrepreneurs and their employees, and persons employed in private subsidiary plots (Belstat (2000).

basis. Employment data for other enterprises is collected on the annual basis (and is estimated monthly)[14]. As this data comes from enterprises, there is a tendency to underestimate informal employment, which is reflected in a growing size of economically inactive population. The gap between working-age (based on the official concept, i.e. people aged 16–59 (male) and 16–54 (female)) and economically-active population increased from 9.7% in 1991 to 26.1% in 2006.

The state-run Employment Service collects the unemployment data, but keeps the records of those who are officially recognized and then registered as an unemployed. Registration procedures demand time and energy, while the benefits are truly negligible (monthly allowance is around 5% of the average economy-wide monthly wage, or about 20% of survival minimum – administrative poverty line) and their provision is conditional upon, among other things, participation in the public works (for details see Haiduk et al., 2006).

By now, the only LFS (a pilot one) was conducted in Belarus in 2006 by the Ministry of Labour and Social Protection. The details are still not provided to the public.[15] The Minister of Labour and Social Protection openly confirmed that, according to their LFS, the unemployment rate might 'exceed the recorded figures by five or six times'. Another piece of information suggests that employment has been at least by 10% higher than according to the official employment data recorded by employment agencies.[16] However, personal communication with the Belstat representatives revealed that the methodology applied in the LFS contains some shortcomings and needs improvement. This is the reason why the result of this pilot LFS were not published and new surveys were not carried out. It has to be noted however that Belstat plans to start annual LFSs from 2010–2011 (after the 2009th National Census).

An alternative source of employment data is the Household Budget Survey (HBS) conducted on a quarterly basis since 1995. The questionnaire of the HBS contains a number of questions on the employment status of household members (these questions replicate the ILO methodology). The HBS data are similar to the one obtained in the course of the pilot LFS (Table 1.4), but contain a very limited set of indicators. HBS data are not published since 2006[17], but surveys are conducted unstoppably.

There are a number of occasional estimates, expert opinions, and the statements of public officials that can be used as sources of information. Some of them are provided below, particularly regarding the estimates of informality. But their occasional and partial character does not allow the arrival to the definite conclusions. Still, they would be quoted occasionally for illustrative purposes.

At the same time, the activity rate (official data) declined from 49.3% of population in 1991 to 46.7% in 2007. For this period, the official employment rate decreased from 90.3 to 75.2% of the working age population[18]. However, official definition of working age population includes men aged 16–59 and women aged 16–54, while according to the EUROSTAT methodology workforce includes both genders aged 15–64. Thus, taking into account lower employment rates among the retired (see Table 4.4, section 4) actual employment rate appears to be lower (74.3% in 1990, 65.3 in 1995, and 68% in 2007) than the existing official figure.

However, if the HBS data on economic activity is considered, the employment rate becomes significantly higher. In 2007, it was equal to 73.2% of population aged 17–64 (respondents are asked about their employment status starting from 17 years old), raised from 71.7% in 1995 (first round of HBS) – partially because of the higher economic activity of the retired people (also see section 3 of the report). It seems that improvement of labour market situation (more jobs available) comparing to 1995 (last year of adaptation recession in Belarus) combined with rather low living standards pushed people to work instead of to be inactive. Moreover, in 1995 it was much easier to obtain

[14] Detailed description of Belarusian labour statistics (and Belarusian statistics in general) can be found at Turnbull and Tochitskaya, 2007.

[15] In an informal discussion, representatives of the Belstat mentioned that the pilot labour force survey was conducted by the Ministry of Labour and Social Protection without consultations with Belstat, and the methodology of this study was unclear and inappropriate.

[16] See http://naviny.by/rubrics/economic/2006/11/17/ic_articles_113_148705/.

[17] Most probable reasons – unwillingness to publish higher unemployment figures and lobbing of LFS by the Department Labour Statistics of the Belstat.

[18] In case administrative leaves and involuntary part-time employment (observed between 1995 and 2002) are taken into account, the employment rate would be lower. There has been slight increase recorded of these forms of employment due to the impact of financial crisis.

unemployment status (after being registered officially), while the relative value of unemployment benefit exceeded its current level (according to the HBS data, in 1995, average reported unemployment benefit was equal to 8.2% of average reported wage, while in 2008 – only 3.8%).

Comparing to the EU neighbours, harmonised employment rate (i.e. calculated on the basis of the HBS data as a share of employed aged 17–64 in respective age cohort) is relatively high: in 2008, it was 6.7 percentage points higher than in Latvia (neighbouring country with the highest employment rate) and 8 percentage points higher than in the EU–15 (see Table 1.5). This in partially because of higher employment rate of the retired (in 2008, for age cohort 55–64, employment rate in Belarus is 52%, which is higher than in Poland (31.6%), EU (45.6%), EU–15 (47.4%), comparable to Lithuania (53.1%), but less than in Latvia (59.4%). Another important reason – lower unemployment.

Dynamics of the employment rate in Belarus seems to be correlated with political business cycle. In the years of important political events (1996, 2001, 2004, and 2006, for details see Haiduk et al., 2006) it either remained unchanged (like in 2001) or fell (like in other mentioned years). Lower incentives to work due to populist income policies of the government can be considered as a possible explanation.

Employment structure

There is a distinct pattern of employment change towards deindustrialization and a greater role for services in the economy. Specifically, between 1990 and 2007, the share of agriculture in total employment declined from 19.1 to 9.9%, while the share of industry fell from 30.9 to 26.4% (only data from enterprises is available). Correspondingly, the share of services increased, including, most notably, trade and catering (from 6.4 to 13.7%), housing and utilities (from 2.5 to 4.5%), healthcare (from 4.4 to 6.2%), and education (from 8.4 to 10.1%), and public administration (from 1.4 to 3.1%)[19].

The potential of the private sector as an employment generator is constrained. Official statistics provide a figure of 45% as a share of the *non-government* sector employment in total employment, but in practice it does not mean working for the private sector as such. Rather, it is a percentage of workers employed by incorporated companies (i.e. former state-owned enterprises legally transformed into joint-stock companies), where state bodies hold a sizeable share or exert control over economic activity. The number of small- and medium-sized enterprises remains the lowest in the region, given the size of the Belarusian economy (Chubrik et al., 2007; Volchok and Brixiova, 2002).

According to HBS data (distribution of employees[20] by socio-economic status), the vast majority of employees (83.6%) work for enterprises and organizations (public or private). The next two categories are much smaller, but still outweigh self-employed and own-account workers, namely those working for private entrepreneurs (unincorporated entities) – 6.8%, and at collective farms (now transformed into producers' cooperatives) – 6.4%. Self-employed of different types (self-employed *per se*, own account workers and contributing family workers) account for about 3% of employed. Finally, there is a tiny share (less than a half of a percent) of entrepreneurs (i.e. giving jobs themselves to the others).

As for the educational attainment of the employed, the majority has at least vocational school qualification, but the educational level alone does not preclude people from being unemployed. At the same time, general basis education can be a factor affecting employment status, but its impact is not very pronounced. In general, education affects chances for getting employment, but there are other more important factors behind unemployment (see below).

Unemployment

According to the Belstat's data, the decline in recorded employment has not corresponded to rise in *registered* unemployment. Instead, there is a link to higher inactivity.[21] However, the excessive labour force that has been gradually released from state-owned enterprises established in the So-

[19] All figures are based on the Classificatory of Sectors of the National Economy (derived originally from soviet 'All-Union Nomenclature of Sectors of the National Economy'). There is no other data available for Belarus at the moment.

[20] The HBS methodology defined employed person as the one who gives an affirmative reply to a question 'Do you work now?'

[21] This provides a partial evidence of 'labour hoarding' in Belarus.

viet past has mostly found new employment on the informal labour market. One of the clear indicators is a considerable difference between the working-age and employed population in Belarus, and, according to some estimates, more than half of this difference falls on the informally employed, including temporary labour emigrants. Low official unemployment rate (1.1% in 2007 and even less than 1% in 2008) is due to poor incentives for the unemployed to stay officially registered. The level of unemployment benefit is very small, while its provision is conditioned (the share of the unemployed receiving benefits is less than 50%) and also short (duration is six months on average). The HBS data discovers significantly higher unemployment rate (see Table 1.4 for details).

Females tend to be the dominant group among the *registered* unemployed, although their share in total unemployment fell from 81.4% in 1992 to about 66% in 2007. To some extent, this is because women are relatively less mobile than men who could opt for a temporary employment abroad (mainly in Russia).

People of under age of 35 constitute more than half of the unemployed (53% in 2006 as against 64.3% in 1995). At the same time, the share of people above 50 increased considerably, from 6% in 1995 to 15% in 2006. Workers with secondary general education constitute the majority of the unemployed. Over a period of 1995–2006, their share was 60.2% on average. Most likely, this is because these workers are discouraged by many reasons, including unavailability of jobs which reward their skills and education. In contrast, people with primary education (which are affected most by unemployment in the new EU member states) are probably to keen to accept any kind of employment.

According to the official data, the average period of being unemployed is six months. About 72% of workers lose their unemployed status within a period of six months. This is not because of finding a job. Very often, registration bodies could be strict in providing people with the unemployed status. From 2004 onwards, there has been tightening of the rules for those preferring being registered as unemployed.

Skills mismatch is a notable factor observed from the vacancy-to-unemployment ratio, growing from 0.8 in 1992 to 1.15 in 2007[22] (although it generally remains low). There is also a geographical mismatch. In 1991, more than 50% of the unemployed were concentrated in Minsk and the Minsk region, while these two localities offered 21% of vacancies. In 2007, these figures amounted to 21.5% and 51%, respectively (while almost 40% of vacancies are offered in Minsk only). The regions of Brest, Vitebsk and Gomel outbid the regions of Grodno, Mogilev, and Minsk in terms of the number of the unemployed.

In Belarus, provision of unemployment benefits is conditioned upon the participation in the paid public works. This conditioning is a pure 'workfare' policy, but some retraining is offered separately, upon the consent of the unemployed. Although it is not only unemployed, who are liable to take part in these works (since it is possible to have it on a voluntary basis), the majority of the participants are unemployed. Over January – July 2008 about 49,000 people took part in the paid public works, of which 30,970 were registered as unemployed (about 63%). This 'workfare' element distracts some unemployed from being officially registered since the jobs offered are really inferior. People with higher education can be sent to clean the streets or work at the collective farm. It is expected by the end of the year 54,000 unemployed would take part in the public works. It is the SSF that provides money to finance the paid public works (BYR 18.2 bn (equivalent of EUR 5.8 mln) in 2008)[23]. However, the SSF is not the sole financier of the public works since the burden is partially shared by employers and local authorities. In general, it is the regions with the worst unemployment situation public works attract relatively more unemployed. For instance, in Gomel and Vitebsk, the figures were 9,700 and 8,900, respectively as against 2,800 in Minsk (between January and July 2008). The public works also display seasonal feature, i.e. in some periods of the year agricultural sector offers them jobs.

The HBS data provide alternative estimates of unemployment. These are the more reliable ones grounded in the real-world observations. According to the HBS data, in 2007 the unemployment

[22] According to the data provided by Belstat.

[23] See http://www.newsby.org/news/2008/08/13/text12309.htm.

rate was 4.3%[24]. As in the case of officially registered unemployment, regional disparities of were quite substantial: it varied from 7 and 6.2% in Mogilev and Brest *oblasts*, respectively, to 3.1% in Minsk and 2.1% in Minsk *oblast*. At the same time, territorial disparities (Minsk is not considered) in unemployment were small, with the highest unemployment rate in large cities (4.8%) and – due to semi-subsistence – the lowest one in rural areas (4.5%) (see Table 1.5).

Unlike data on registered unemployed, the HBS data display higher unemployment among men (5.8% comparing 3% of female unemployment, Table 1.5). This can be explained by a lower female employment rates and higher intention to register as unemployed among women. People with lower educational attainment (general basic or general secondary education) are the vulnerable group in terms of unemployment risk: 6.1% of them are unemployed. People with specialized secondary education or after vocational training face unemployment rates close to average. Those who obtained higher education is less likely to be unemployed (see Table 1.5). As for the age, unemployment hits young people (about one-quarter of the unemployed are people under age 25), while the age distribution of more mature unemployed is more even. Yet, many observers denote that it is particularly problematic for women above age 40 to get rid off their unemployment status, especially if they are living in the rural or small urban areas.

Youth unemployment is typically related to the problem of 'first job', i.e. employers are reluctant to hire people with no experience whatsoever. According to the HBS data for 2007, 17.9% of people aged 17–19 was unemployed, while for the next age cohort (20–24) this figure amounted to 8.9%. Next, many available jobs are paid poorly[25], so people prefer to adopt a 'wait-and-see' attitude instead of taking any employment. About 60% of those referred to the Employment Service to seek assistance in job search are provided with a job in the end (while in 1998–1999 this figure added up to almost 80%, partly reflecting the urgency people were accepting jobs in the aftermath of the Russian crisis).

Skills obsolescence prevents people, especially women (for almost half of unemployed women that is the main reason of their unemployment), to find new jobs. The government is aware of this problem so labour hoarding is an important feature of some labour-intensive sectors of the economy, like the light industry. Investments are needed to retrain people and purchase equipment in this sector, where about 5% of the employed are concentrated.

Inactivity

Inactivity rate (measured as a share of working-age population, aged 17–64) in 2007 was, according to the HBS data, 19.5% (compared to 26.7% in 1995), or about 1.3 mln (1.7 mln in 1995).

One third of inactive people are old-aged (or pensioners, what is similar to situation of 1995), while another one-third are students (in contrast, in 1995 this figure was about 25%). Additional 12.8% are pensioners in their pre-retirement age (7% in 1995), and, finally, 11.1% are housewives (13.3% in 1995). Other categories of inactive population include those who consider themselves as being unemployed but who are not unemployed according to the ILO methodology. The data on the discouraged workers is not available.

Inactivity is much more common among women (in 2007, 22.8% of women in working age were inactive, comparing to 15.7% of men). This is because of the several reasons. First, women face a problem of finding a new job that requires a change in the skill profile. One of the examples is the light industry, which is characterised by sector-specific skills. Also, they are less mobile because of the family reasons. Accordingly, some women are locked-in in a situation where they are restricted by their mobility, while their locality does not offer them with decent jobs. Relocation to the countryside can be an option, but there are difficulties attached to it, including social ones. Concerning the level of education, the inactivity rate increases as the level of education decreases, varying from 8.9 among people with higher education (at working-age) to 12–14% among people with specialized secondary one and till 26.8% among people with general secondary education and 71.8%

[24] This figure is not based on the ILO methodology (HBS microfiles do not contain the necessary data). According to available methodology, the person is unemployed if he/she treats him- or herself as unemployed, and if he/she do not work for the following reasons: low wage, or the absence of occupational work, or the absence of interesting work. The estimates made are nevertheless very close to those made officially based on the ILO methodology (the HBS data) but unpublished.

[25] According to the HBS data, low wage is one of the main reasons for unemployment, especially among men, 45% of which mention this as a major obstacle for employment.

among people with secondary basic education and 91.1% for lower-educated people. Regional and territorial differences in inactivity are minor.

Wage policy

Wage setting in Belarus is institutionalized in the form of the 'wage grid', which is essentially a 'tariff system' of coefficients corresponding to 27 ranks of employees. The ratio between the highest and the lowest rank is about 7.8. Qualifications for each rank are approved by the Institute of Labour of the Ministry of Labour and Social Protection. The government sets the first-rate tariff, so changes in the first grade affect all other grade levels.

Before the end of 2004, minimum wage was far below subsistence minimum (official poverty line) and played only technical role (e.g. as a basis for penalties calculation). Starting from November 2004, it is set equal to the subsistence minimum. As a result, the share of those who get wages below the subsistence minimum dropped from 23% in 2002 to 9.8% in 2005[26].

Over a period of 1994–1998, enterprises were capable to exert some autonomy over wage-setting process by establishing their own tariff-rates, thus contributing to wage differentiation. The government prevented further differentiation by adopting a range of wage compression measures. Yet, enterprises are capable to pay bonuses and also to negotiate special coefficients to increase the amount of tariffs. Although the government plays an important role in wage determination, there is a space for collective agreements to set wage rates. Collective bargaining coverage (against the background of high unionization rate) in Belarus is rather high (above 90% of workforce), excluding the small private sector. There is a complex interaction between regional, local, and enterprise-based collective bargaining agreements, but it can be said that enterprise level is crucial. Enterprise autonomy in wage bargaining had gained a momentum in the mid–1990s resulting in growing wage inequality. As a result, the government has continuously been intervening into this process by attempting to keep wage disparities in check. Yet, enterprise-based unions could still bargain over higher wages (like in the period of 1994–1998), but the government regulations could cap these wage demands. At the same time, wage-setting system has been controlled for political purposes, i.e. running a political business cycle recurrently observed in Belarus.

Indeed, it can be said that a crucial factor influencing wage dynamics in Belarus and the periodical wages-productivity gaps[27] has been the political-business cycle, operating since 1996. Its impact is manifested in the upward dynamics of wages prior to the important political events such as elections and referenda (Haiduk et al., 2006). In order to pay increased wages on time in the conditions of 'labour hoarding', enterprises were seeking for the loans crowding out investment that otherwise could be spent for modernization purposes. Recently, it has been recognized by the government.[28]

As other countries of the region, like Russia and Ukraine, Belarus experienced wage delays and payment of wages in kind in the 1990s. However, they disappeared by the early 2000s, while in summer 2001, several large Belarusian plants, the Minks tractor plant, Minsk automobile plant, and Mogilev machine-building plant experienced wage delays. In industry, wage debts amounted to BYR 2.5 bn (equivalent of EUR 1.1 mln), so enterprises went to commercial banks to borrow and pay wages. In 2008, there are some dangers that wage delays might come back. However, it is not the large companies that are the important of the Belarusian economy that can be affected, but some smaller ones, located in the so-called mono-towns. Following the contraction of credit worldwide, Belarusian banks increased lending rates and toughened the conditions of loan provision so weaker, peripheral enterprises might be hit by wage delays or non-payments, and thus be forced to restructure.

Wage developments

There is a tendency for wage compression observed, when the lowest and the highest wages in the range are compared. At the same time, the wage distribution is increasingly rewarding higher skills (approximated by the educational level). Specifically, the wage gap between workers at the top and at the bottom of the education of the educational distribution is growing. The operation of

[26] See http://www.cis.minsk.by/sm.aspx?uid=6434.

[27] However, in the long run these figures are comparable: between 1990 and 2007, nominal wage increased 2606 times, while nominal labour productivity (measured as GDP per one employed) grew 2570 times. Real indicators are incomparable because of mismatch of deflators (for details see Chubrik,2007).

[28] See http://news.tut.by/economics/115069.html.

wage system leads to high and stable returns to education and work experience (Pastore and Verashchagina, 2004).

In the light of recent economic developments, the government has revised its wage plans. Initially, in the end of 2008, a number of legislative acts allowed wage increases for managers of state-owed enterprises (via higher bonuses) and changed some tariff procedures. In 2008, first-rate wage[29] had been increased initially but then cut in December 2008 by about 15%[30] following, most likely, the demands of the IMF on wage freezing (as one of the preconditions for obtaining an IMF loan). Also, some cuts of bonuses for public sector officials were introduced so their nominal wages increased by only 5%. The Ministry of Labour and Social Protection then adopted some correcting coefficients to level wage growth in the public sector in Belarus.

The global financial crisis will have repercussions for well-being of the Belarusian citizens since the level of wages is to be affected. A problem of current account deficit can either be resolved by devaluation dampening dollar[31] value of wages or by other means of boosting exports and trimming imports. Given the existence of periodic wage-productivity gaps in Belarus, there is clearly a pressure to improve external competitiveness by closing this gap or evening reversing it. The political courage for that step can be 'borrowed' externally since some of the transition economies are seriously affected by the crisis so the burden of responsibility could be shared with unmanageable external force. Devaluation conducted in Belarus in January 2009 has been helpful only partially since the problem of the current account deficit was not resolved. Rather, the volume of the deficit reached a record level as compared with the same period of the last year. One of the reasons why initial devaluation has not helped is that real depreciation of the currency in Russia exceeded the one in Belarus. As a result, domestic exporters need further devaluation[32] to remain competitive at the Russian market, which is the major destination for the Belarusian manufacturing exports. It is very likely that another round of devaluation could occur in Belarus, but its magnitude would depend on the availability of and access to foreign loans or other types of assistance to finance the current account deficit. There is another option to cope with the repercussions of the global economic crisis, that is, to reform wage system and labour market to make them more flexible. This reform should not proceed in the isolation from the changes in the social security system (see sections 2 and 3 below). If implemented, such reorganisation is not piecemeal or partial, but comprehensive so it is very likely that the government would wait until no other option is available.

Gender inequality: access to work and pay gaps

In many transition economies, female labour participation declined, while the gender pay gap has remained stable over the years. In Belarus, the female activity rate has been practically unchanged against the background of the increased gender pay gap. Higher skills of women (as measured by education) are not rewarded on a comparable scale to men ones (Pastore and Verashchagina, 2007). Average wages for female workers, despite their comparable educational attainment, are 82% of the average wages for male workers. One of the reasons behind this is a shift of female employment towards low-productivity sectors such as food, light industry, trade and catering, public health, social services, education and culture often financed from the state budget. Feminization of low-paid jobs partially results from the current labour legislation make female labour more expensive, so private (and state-owned) firms might be unwilling to employ women or offer them lower wages to reduce costs. This is because firms do not want to loose their investment in human capital and bear the costs of finding a new employee. The problem is also rooted in the traditional roles played by women in the family. Males are not perceived as sharing child care; all benefits are targeted to mothers.

[29] The first-rate wage is the basic wage of the wage grid, which lies at the heart of the wage-setting system in Belarus. This is the minimum rate used to calculate tariffs across different occupations and jobs in the economy (see a section on wage policy for more details).

[30] In November 2008 it had increased from BYR 73,000 to BYR 91,000 (from EUR 26.9 to 33.5), but approximately a month later it was cut down to BYR 77,000 (EUR 28.3). It was planned that the November increase could reduce the number of workers with wages below EUR 157.1 by 327,000 people, while increasing nominal wages of public-sector workers by 21.4% on average.

[31] USD-denominated average wage is one of the main policy targets for the government since 2000 (see Haiduk et al., 2006). Historically, the main reason for linking wages to US Dollar was the low confidence to the national currency informed by the memories of high inflation in the 1990th. However, recently the government started to set targets of wage growth rate – first real (end-2008), than nominal (2009), as it has become quite difficult to keep promises on foreign currency-denominated wage targets.

[32] This policy option was publicly advocated by the Deputy Prime Minister who claimed that a moderate devaluation is necessary for Belarus. See http://naviny.by/rubrics/finance/2009/02/23/ic_news_114_306856/.

Discrimination of vulnerable groups in the labour market

There is a lack of systematic data on discrimination, but some evidence could be collected from a survey of entrepreneurs' attitudes towards gender, nationality, and religion of their interpretation (Lynova, 2002). The study reveals that for more than 40% of entrepreneurs, gender of their employees somehow matter, while 55.3% of entrepreneurs prefer to employ male workers and 54.5% – female workers. It follows there is some observed degree of gender discrimination in the private sector, although the sectoral affiliation of the company and its size play a role. As for the nationality profile, there are certain biases. Ethnicity appears to be a substantial factor when hiring decision is made. In particular, 'Caucasians', Uzbekistani and Armenians are perceived with some bias. People of Slavic origin are *ceteris paribus* more preferable than these nationalities. Also, religious affiliation plays a notable role. Muslims are preferred by only 4% of private companies, while 90% wish to employ Christians. Despite their partial character, the results of the survey shed the light upon the discrimination of vulnerable groups in the labour market related to employment (Lynova, 2002).

Labour market policies

In Belarus, spending on labour market programmes amounted to 0.15% of GDP in 2006 and 0.12% of GDP in 2007, but for 2008 this figure is planned at around 0.09% of GDP. This is below the EU–15 level of about 2% and even Central and Eastern European countries 0.9% of GDP[33]. Belarus is characterized by a high degree of participation of registered unemployed in active labour market programs, training, and public works. Naturally, unemployment status is conditioned upon such participation. In 2002, around 8% of registered unemployed completed training courses, while 66% participated in public works (World Bank, 2004). In 2005, the later figure increased to 91.2%. Active labour market policies also include the provision of small subsidies for setups, although their size is improper to launch small-size enterprises or to start any meaningful business activity.

In general, active labour market policies are implemented in accordance with the provisions of the Government Program for Employment Promotion. This Program is funded by the consolidated budget and the SSF. The amount of funding is planned annually, and depends upon the size of the consolidated budget. The 2009–2010 program adopted at the end of October 2008 stipulates that over 2009, about 1.8% of new jobs (2,900 out of 161.500) should be created by using the budgetary allocations. At the same time, subsidies are to be provided to the unemployed to set up new companies, mainly in the services sector. However, it is planned that only 2.400 of the unemployed would be provided with such aid.

As for the retraining policies, the main focus is on the increase of the supply of employees with the skills demanded by the market. These are typically construction and other manual workers. About half of the retrained unemployed would be provided with the new skills following the request of particular enterprises and companies. This is to ensure that the skills provided are to be used in the economy. A particular attention is paid to the unemployed aged under 21 since they are more vulnerable at the labour market.

An important institutional development at the labour market has been the application of a system of 'contract employment' that is essentially about spreading fixed-term contracts across different branches and sectors. In 1999, President's Decree No.29 called for the use of fixed-term contracts to discipline workers. Some years later employers have started to shift their employees to fixed-term contracts while abolishing the already existed indefinite-time ones. Currently about 85–90% of the workforce employed in the real sector and 100% of public sector workers are employed through fixed-term contracts.[34] Formally, the introduction of the fixed-term contracts increases labour market flexibility (measured by the ease of hiring and firing), but in practice it has not resulted in the reduction of 'excess employment' in Belarus. This is due to the little progress in enterprise restructuring and privatization and market reforms in general (as measured by the EBRD transition indicators, see EBRD, 2007).

[33] This includes only active measures, excluding passive measures, training, and unemployment benefits. In case these measures and the active policies are accounted in total, the figure could rise up to about 2.5% of GDP.

[34] No official information about the share of fixed-term contract workers is available. These figures were provided by a representative of the Ministry of Labour and Social Protection at the ILO workshop held in Minsk in 2008 (information about the seminar is available at: http://www.praca-by.info/site/index.php3?v=news&l=rus&id=6658).

The spread of fixed-term contracts have resulted in a situation when workers seem to be firmly attached to the enterprise they work for. For them, it creates a problem of changing a job when employer refuses to cancel an agreement upon the demand of an employee. At the same time, employees are unsure about their employment status in the future (i.e. whether the contract is to be extended or not). The widespread use of fixed-term contracts in Belarus is contrary to the provisions of the Maastricht Treaty adopted due to the efforts of the European Trade Union Confederation.

Another important regulation adopted in Belarus is a 'forced placement' or 'compulsory allocation' of graduates to jobs designated by the government. In practice, it means that graduates who received higher education at the expense of the national budget (i.e. no fees were paid by them in the course of their studies) are obliged to work for two years at a place designated by the authorities. Rejecting a designated place of work results in a court case where the graduate is demanded to cover the costs of his or her education (which are claimed to be up to EUR 7,300 for the most expensive education in medicine, while for other qualifications the rates are smaller). What is striking is that the authorities' demands to cover the costs of education substantially exceed the costs borne out by the students if they were paying fees during their studies. No justification on the part of the claimants is provided at the court. Until December 2007, some categories of graduates were exempted from compulsory allocation, such as victims of Chernobyl catastrophe (mainly the inhabitants of the Gomel region of Belarus), disabled (group I and group II disability), orphans, pregnant women, post-graduate students continuing their education, and conscripts. It is estimated that on average it is only from 7 to 9% of graduates facing compulsory allocation are exempted due to these reasons[35].

Another possibility to avoid that is the violation of the Labour Law by employer given the non-availability of substituting job for a graduate. The violation has to be provided by the court or the State Labour Inspectorate. In some cases, reallocation to a new place of work is also possible upon the agreement of employer and employee. During 2007, 65 court cases were called against the graduates of 2006 that had not arrived to their designated place of work. In general, about 4% of the graduates had not arrived to their first compulsory job (these include those who are liable for exemption from that). At the same time, in 2007, about 12.5% of students of higher education who were paying fees asked for a compulsory allocation[36].

In general, employment (and unemployment) in Belarus are regulated within the framework of two-year programs. On October 30, 2008, the government adopted a new program to be implemented over 2009–2010[37]. The program stipulates that by the end of 2009, officially registered unemployment (see below) shall not exceed the threshold of 1.1–1.2% and 1.0–1.1% by the end of 2010. At the same time, it is expected that the number of employed would reach 4.65 mln and 4.775 mln by the end of 2009 and of 2010, respectively.

1.5. Informality

Role of the informal sector in the economy

The estimates of the informal economy in Belarus vary from 15% (an estimate provided by the Ministry of Taxes and Duties[38]) to almost 50% (Dreher and Schneider, 2006). Most typically, informal sector is comprised of unreported work in the services sector (construction, trade and catering, consultancy). Some experts claim that the unfavourable business environment in Belarus results in the escape to the shadow sector of the vast majority of businesses. It is easy to cross the line between formal and informal in Belarus (Chubrik, Pelipas, and Rakova, 2007).

Subsistence agriculture provides an important additional source of income for the poor (see Chapter 3.3). It is also an important coping strategy, and can, in fact, be considered as a 'second job' for low-paid households that possess gardens or plots. There are also family connections at work so that people from the urban settlements help their relatives living in the countryside to work at the

35 See http://generation.by/news2556.html.
36 See http://www.akavita.by/be/news/belarus/353797.html.
37 See http://news.tut.by/economics/120899.html.
38 See http://naviny.by/rubrics/economic/2007/10/10/ic_news_113_278371/.

land and then share the crops. As a result, their food expenditure can be reduced releasing some funds for consumption of non-food items.

However, the share of those who are employed only in semi-subsistence agriculture is very low – in 2008, only 0.1% of HBS's working age respondents claimed themselves as 'those who is self-employed in semi-subsistence agriculture'. Use of subsistence agriculture depends on the development of industry, as it is more often for 'agricultural' regions like Minsk, Grodno, and Brest *oblasts* (where about 70% of households use this coping strategy); furthermore, in rural localities almost 95% of households do so comparing to less than 30% in Minsk and less than 40% in other large cities. As a coping strategy, semi-subsistence farming is far more widespread, used by 61.6% of households (HBS data for 2008). It is especially important for elderly (in 2008, 83.6% of households with all members aged above the official pension age were engaged into subsistence farming). Lone parent's households use this coping strategy occasionally (41.4%), followed by 'complete' households with children (55.5%).

There are other age groups that benefit from the subsistence agriculture. Although Belarus is urbanised country, i.e. about 70% of the population is settled in the urban localities, relatives of the urban dwellers sometimes reside in the countryside. Additional work has to be done to construct, if possible, a consistent time series to account for 'unregistered business activity', including subsistence agriculture, but the IMF once provided an estimate of about one-third of the incomes earned by households in 2001 in Belarus[39] (IMF, 2002). Agricultural sector also offers some seasonal jobs (see section 2 of the report) that are connected with the cultivation of land in Belarus. These jobs are usually poorly paid and provided for the unemployed within the framework of the public works system. Some still opt for these jobs voluntarily since collective farms, or producer's cooperatives can provide such workers with the agricultural products they crop, such as potatoes, cabbages or carrots. Some poor households consider this as a way to cope with poverty. Overall, in the second and third quarters employment increases comparing to the seasonally adjusted time series by about 13,000 and 52,000, respectively, and drops by 34,000 in both fist and fourth quarters.

Another possible strategy is combining formal employment with additional (regular of not) job outside agriculture. According to HBS–2008, it was used by 3.6% of employed persons. However, HBS does not provide information about 'formality' of such jobs. Another measurement problem is unwillingness to report any informal income, while 'official' wage is reported by HBS respondents quite accurately.

When discussing informality, one has to mention a growing gap between the working-age population and the employed, widening overtime. In 1990, the difference between the working-age population and both employed and unemployed amounted to 539,000 people, but in 2007 this figure was 1,492,000 people. It is hard to detect the distribution between 'voluntarily' unemployed and employed abroad, but the government representatives provided varying estimates from about 210,000[40] (the Ministry of Labour and Social Protection) to 300,000 (the Ministry of Interior) and even up to 600,000 (the Minister of Economy)[41]. Some experts even claim that up to 1 mln of Belarusian work abroad – both in Russia and the EU[42].

One of the most profound impacts on the economy is that these 1.5 mln people do not contribute to the SSF. However, the situation in Belarus is not unique when compared to other European countries with similar population proportions. In Hungary, Belgium, and Sweden the gap is even higher.

As for wage levels, it is feasible to suggest that informal wages tend to be higher than the formal ones. A very conservative estimate has been made by the Chairman of the Federation of Trade Unions of Belarus who said that out-of-pocket wages amount to 5% of the total wage fund of the economy, while the vast majority of such wages are paid in the sector of small private companies[43]. The opinion poll revealed that the majority of Belarusians are in favour of higher out-of-pocket wages[44] (Baturchik and Chubrik, 2008). However, average after-tax wage calculated on the

[39] See IMF (2002) Staff Report for the 2001 Article IV Consultations, *IMF Country Report*, 02/223.

[40] See http://archive.svaboda.org/articlesprograms/nightliberty/2007/12/F590C1D5-6258-47AA-9B7E-C597FEC1CD6F.html.

[41] See http://www.belradio.fm/by/222/news/8021/.

[42] See http://kp.by/daily/24192/399209/.

[43] See http://kp.by/online/news/156768/.

[44] According to the IPM Research Centre's national survey (November 2007), 56.6% of respondents are ready to get such kind of wages. The main reason why people would like to obtain 'grey' wages is that they 'need money now, and will think about pensions

basis of HBS data) is lower by 18–20% than the officially published after-tax average wage[45]. Most likely, this is because people tend to underreport out-of-pocket wages to HBS field workers.

1.6. Educational system

The reform of the Belarusian system of education has started approximately in 1994. Schooling has been affected most, while some notable changes were introduced in the sector of higher education and post-graduate training and education. More recently, vocational training system has attracted the attention of the officials.

The educational system is managed by the Ministry of Education and regulated by the Law on Education (1991). The declared goal is to continuously improve the quality of education at all levels as specified in the several national development programmes. The Law stipulates that all citizens have access to free-of-charge secondary and vocational education as well as secondary professional and also higher education (in case the state provides scholarship for students; the provision is conditional upon the results of entrance examinations to the institution of higher education). At the same time, there are a growing number of students paying for themselves. About 55% of students today pay fees for their education at the institutions for higher education[46].

In general, Belarus continues to have a developed system of education and educational level of population is high. According to HBS–2008 data, the percentage of population aged 18–24 which have at most basic secondary education (ISCED level 2 or 3c short) and not in further education or training amounted to only 3.8% (male – 4.9%, female – 2.7%); 74.6% of population aged 20–24 attained at least upper secondary education (male – 72.3%, female – 76.9%). In general, 33% of population attends different types of classes at various levels.

Control over the quality of education is provided by the Ministry of Education on the basis of the system of National Educational Standards. For the purpose of the control over the quality of education all educational establishments, regardless of the pattern of ownership, every five years should go through accreditation procedure that check whether quality and contents of education and graduate training meet the requirements of established educational standards. Accreditation entitles the educational establishment to issue a standard certificate of education of corresponding level.

Pre-school education is provided by day-nurseries, day-nursery-kindergartens, kindergartens, pre-school centres for child development, and kindergarten-schools. Generally parents pay a symbolic fee, around 10 EUR per month, for day-nursery-kindergartens, kindergartens, and kindergarten-schools. At pre-school centres for child development the payment might be higher but not substantially. In addition to above mentioned pre-school educational establishments the open nursery school has been developed in Belarus. It implies the direct parents' participation in the process of education as tutor's assistants, heads of hobby groups, sections, studious.

General secondary educational institutions include primary school (four years), basic secondary school (5^{th}–9^{th} grades), upper secondary school (10^{th}–11^{th} grades), evening (shift-type) school (general education schools), gymnasium, lyceum, boarding school, sanatorium-type boarding school (general education establishments), secondary school-college of arts, gymnasium-college of arts, linguistic gymnasium-college, etc. The education at primary school starts at the age six. Primary and basic secondary educations are compulsory for every child. Upon graduation from basic and comprehensive secondary schools (9^{th} and 11^{th} grades accordingly) pupils take examinations and obtain a certificate.

It is difficult to assess the quality of secondary education in Belarus (e.g. education outcomes and how much and what students actually learn) as Belarus does not take part at international programmes for students assessments, such as PISA, PIRLS, TIMSS. Therefore education of teachers, class size, pupil-to-teacher ratio, and participation at the International Olympiads for school were used as a proxy. General secondary education teachers have higher (88.6%) or secondary

later' (Baturchik and Chubrik, 2008). However, people's intention does not necessary show the precise percentage of informal payments, but only indicates existence of payments as such.

[45] It is calculated on the basis of the data collected from large and medium enterprises (that employs about 3.7 mln persons).

[46] See http://www.mk.by/archiv/09.08.2008/rub1.php.

specialized (11.4%) education, and 97–99% of those who teach main specialties, i.e. Russian and Belarusian languages, physics, mathematics, chemistry, biology, information technology, geography obtained higher education. The average class sizes are 17.1 for primary school, and 18.5 for basic and upper secondary that is comparable to EU average. Urban class size is 22.2, while in rural areas it is two times lower due to decline in school-age population. The official data record an increase the pupil-to-teacher ratio. In 2007, this ratio was 12.7 on average (10.7 for urban and 18.8 for rural areas (see Table 1.6), which is close to the comparable EU figure). The higher ratio for rural areas reflects depopulation trends resulting in the reduction of average class size. OECD findings indicate that differences in pupil-to-teacher ratios ranging from 10 to 25 are associated with relatively small effects on learning outcomes, and it is only when ratios rise above 25 that a decline in performance is detected.[47]

Success at International Olympiads for school acknowledged the quality of Belarusian secondary education, e.g. in the 2006–2007 year 28 Belarusian school students won 3 gold, 11 silver and 14 bronze medals in 6 main subjects, including Mathematics, Physics, Chemistry, Biology.

However, anecdotal evidence suggests that there are disparities in the quality of education between urban and rural areas. In support of this it should be mentioned that the entrance examination scores of university applicants from rural arrears is lower than from urban. Overall repetition rate in basic education is 1.3%, in rural areas it is at 2.2%.

Since 2000 more attention has been paid to the management of the quality of education. Although the benchmarks were not introduced, some techniques and tools have been adopted on the basis of the experience of Russia. It concerns the introduction of tests as the core method of knowledge assessment and controls. One of the important developments is the introduction of unified tests for enrolment at an institution of higher education. A motif behind this development was the elimination of the 'subjectivity factor' in the process of knowledge controls. At the same time, between 1994 and 1997 there had been a growth of institutions of private education and new specialties and majors, especially in the field of social sciences and humanities. This process has been circumvented since 1997 along with a gradual increase of state regulation and controls over the institutions of higher education, including the 'squeezing-out' of private educational institutions.

In 1998, Belarus launched the reform of its secondary educational system, as a result a transition to compulsory ten-year basic secondary education and twelve-year general secondary education were made. In 2008, there is a return to eleven-year secondary education. The reform aimed at creation of qualitatively new secondary school, e.g. enhancement of foreign language instruction, and increase of computers' availability; however, many of the features of the Soviet centralized education system have been left intact. The reform encouraged the framing of new educational establishments at the general secondary level, known as lyceums and gymnasiums and appearance of non-state-owned schools of various kinds, schools at home. Gymnasiums provide general secondary education at a higher level, while lyceums are more vocationally-oriented and, as a rule, university-based educational establishments. Since September 2008, schools, gymnasiums and lyceums are running classes five days a week while Saturday is left for optional classes. Currently about 39% of the pupils are attending those classes[48], while the majority attends them on weekdays.

The immediate consequence of the reduction of the number of schooling years is the considerable increase in the number of school-leavers. The Ministry of Education estimates that the number of school-leavers would increase by 18,000 to reach 107,000 on contrast to 89,000 in 2008. Almost 63,000 of future school-leavers are now coping with a two-year program compressed in one year[49]. It is expected that about 50% of these school-leavers would opt for enrolment at an institution of higher education. Despite the planned increase of the number of places where no fees are paid, students might be enrolled on a fees-paid basis. Indeed, since 2006, the majority of first-year students are paying fees.[50]

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47 OECD (2001). *Knowledge and Skills for Life: First Results from the OECD Programme for International Student Assessment (PISA) 2000*. Paris: Organization for Economic Co-operation and Development.

48 See http://www.sb.by/print/post/73861/.

49 See http://www.belta.by/by/news/society?id=284193.

50 See http://generation.by/news1694.html.

Competition for enrolment at the institution of higher education would be very tough so the authorities count on the development of the vocational training institutions. It is believed to be a step necessary to fill the gaps in the labour market and tackle the existing skill mismatch as there is a strong demand for manual workers. For instance, in Minsk alone, there are 24,000 vacancies to be taken up by unemployed, while 20,000 of them are 'blue-collar' jobs. There is a lack of repairmen and tool-makers (about 2,000), fitters and electricians (about 1,500). The Minister of Education claimed that the basis of the Belarusian system of education should be the training of blue-collar workers[51].

Vocational training institutions were well-developed in the Soviet Union times, but since 1991 there have been some changes. Institutions providing vocational training refer to vocational schools, vocational lyceums, as well as vocational colleges. There students acquire professional and vocational skills in addition to general secondary education, Depending on whether vocational education complement the basic education (9 years) or general secondary education (11 years) the training lasts for three years or one year accordingly and leads to acquiring a particular profession. Secondary specialised education institutions is responsible for advanced specialist training and include technical (vocational) school, college (secondary specialised education establishments), as well as secondary school-college of arts, gymnasium-college of arts, linguistic gymnasium-college, vocational college, and higher college. They provide general secondary education that is strongly oriented towards vocational training and award qualifications of 'special secondary education'.

One of the major changes orchestrated recently in Belarus is the greater emphasis on vocational training in contrast to higher education. This is driven by the changes at the labour market, i.e. the growing demand for manual workers (typically trained at vocational training institutions). In 2009, vocational training institutions plan to increase enrolment by more than 50%. Over the period of 2006–2008, vocational training institutions enrolled 21,900 people, while another 20.300 graduated. At the same time, the economy needs at least 20.400 every year.[52] Among the sector, construction is hit most by the lack of qualified workers despite some increase in enrolment. Apart from offering more places at vocational training institutions, the government increases spending to finance them and also plans to increase wages for training officers by at least 20%. Since Minsk suffers most from the lack of blue-collar workers, vocational training institutions began to enrol students from other regions of Belarus on an increasing scale (in 2008, the share of non-Minsk students at vocational training institutions increased by two times to reach 36.6% as against 17% over the several years before).

Institutions providing higher education refer to higher education establishments, i.e. classic university, specialised university (academy), institute, and higher college. There are 55 higher educational establishments (HEI) in Belarus (state–43, private –12), which are under the jurisdiction of 13 ministers and state bodies. Institutions providing higher education refer to higher education establishments, i.e. classic university, specialised university (academy), institute, and higher college. The system of high education is regulated by the Law on Higher Education in the Republic of Belarus. According to this law Belarus officially introduced a two-stage system of high education. The first stage lasts from 4 to 5 years and results in obtaining a Bachelor's degree. However, the Bachelor's degree serves no purpose on the Belarusian labour market. Second stage lasts for one year leading to a Master's degree. However, Belarusian Master's degree programme is different from European one. It is primary designed for students who want to continue education for obtaining advanced academic degree. Nowadays Belarus has the status of country-observer in the Bologna process. In 1998 Belarus introduced state curriculum standards for all specializations. The curricula are approved by the Ministry of Education, which specifies the content and the structure of training specialists in great detail. In particular, the standards list disciplines that the student must study and the sequence, term, and number of contact hours for each subject. Aimed at keeping the quality and high standard of education this makes the curricula rather inflexible, e.g. national curricular overloaded by humanities and social courses (up to 35% of total instruction hours), while the shares of special disciplines and disciplines of specialization do not exceed 25% and 15% correspondingly. Belarusian system of higher education facing some other problems such as centralized organization and top-down style of management, absence of university autonomy, outdated means

[51] See http://gazetaby.com/index.php?sn_nid=17186&sn_cat=35.
[52] See http://gazetaby.com/index.php?sn_nid=17186&sn_cat=35.

of access to information and information technology, ineffective pedagogical methods, lack of ties with international academic community, and gap between education and research.

Without going to the discussion about the quality of higher education, one of the acute problems for students can be mentioned, i.e. the lack of housing facilities. The available facilities provided by the institutions of higher education are scarce (and also outdated), while the market for housing is tight. For instance, in 2008, about 30% of first-year students of the Belarus State Medical University were from Minsk. All fee-paying students (about 27%) of this University are required to find housing on their own, while the University does not have any housing office that can help non-Minskers to find a place to live. Similar situation is observed in other institutions of higher education. The Ministry of Education assesses that over the last twelve years the number of students coming to Minsk from other regions of Belarus increased by 56%. At the same time, it is only 22% of non-Minskers were provided with housing at dormitories run by the institutions of higher education. Some institutions are better off. For instance, in 2004, the Belarus State Agro-technical University enrolled 5,000 students, while in 2008 their number increased to more than 10,000.[53] Prior to 1991, 90% of students were provided with a place at the dormitory, while now it is less than 70%. It has to be stressed that this University has traditionally be oriented towards the enrolment of students from other regions of Belarus and the countryside to train cadres for agriculture and adjacent branches of economy. The President of Belarus promised to build a student campus to offer places for 8.740 students by 2011. In 2008, the construction has been started, and the first facility for 1.030 students will be available in 2009[54].

An important feature of the system of higher education is that students whose education is funded by the state budget (in contrast to students paying for their education) are obliged to work for two years after being placed on a job by their institution of higher education. The refusal to do so results in the court case that demands from a student to pay back the costs of his/her education to the institution of higher education. In 2007, for free of charge education the competition at the entrance exams was 298 persons per 100 places, of which in educational establishments of economics – 408, agriculture – 311, education – 308, public health – 315, communications – 366, construction – 314 persons.

Lifelong education consists in external studies. In addition, there are different upgrading courses, retraining and career development programmes for workers and professionals of different branches of economy. According to HBS in 2008, 7.6% of population aged 25–64 planed to continue education or training.

The relationship between education and the labour market has several dimensions such as demand for schooling, unemployment rate by education level, average earning by education, rates of return to different level on education and etc. However, in Belarus due to the lack of data it is impossible to assess such relationship. There is only one study of this kind for Belarus conducted by Pastore and Verashchagina (2004). They found that the wage returns to education increased between 1996 and 2001. According to the data of the Ministry of Education, in general, educational system, including vocational training, higher education, lifelong learning and retraining respond to labour market needs. The employment indicator is relatively high, e.g. 77.5% of graduates found jobs, and 73.3% got jobs on obtained specialty during the year they left educational establishments.

There is no gender disparity in education enrolment. The share of woman in total number of students of specialized secondary educational establishments was 51% in 2007 (60% in 1990), while at HEI it has the upward trend from 52% in 1990 to 58% in 2007.

Coverage of kindergartens, pre-schooling and schooling

In the yearly years of transition, the share of attendants of pre-school institutions declined, but since 1995 onwards it has begun to grow to reach 82.3% in 2006. There is a discrepancy between rural and urban areas. In the latter, the coverage was 92.5% in 2006, while in the former this figure amounted to only 53%. This is due to the lack of kindergartens and pre-school centres for child development.

[53] See http://generation.by/news2414.html.
[54] See http://generation.by/news2414.html.

The Ministry of Education reports that 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 maintaining around 80% for the last several years; that is close to the benchmark adopted by Education Council of the European Commission, according to which 85 % of 22-year-olds in the EU should have completed upper secondary education in 2010. Gross enrolment rate in secondary (ISCED 2 and 3) education was 96.1% in 2007, while gross enrolment rate in tertiary (ISCED 5 and 6) was 63.7%.

In the yearly years of transition, the share of attendants of pre-school institutions declined, but since 1995 onwards it has begun to grow to reach 81.2% in 2007. There is a discrepancy between rural and urban areas. In the latter, the coverage was 90.7% in 2007, while in the former this figure amounted to only 53.4%. This is due to the lack of kindergartens and pre-school centres for child development.

Provision of education in minority languages

Belarus is a bilingual country, and formally students have a right to choose the language of instruction. In practice, however, Russian language is promoted officially, while the Belarusian language descends into a kind of minority language. However, there are two general secondary educational institutions providing education in Polish and in Lithuanian (both comprise 547 pupils).

Expenditures on education

Over a period of 1990–2006, expenditures on education increased from 4.3% of GDP in 1990 to 6.6% of GDP in 2006, which is close to the indicators of some EU countries like France (5.8%) and Germany (4.6%)[55]. The education index added up to 0.950, which is close to the level of Switzerland, Poland, and Latvia) and exceeds the CIS countries like Russia (0.930) and Ukraine (0.930).

Private schools, universities

Although private educational establishments exist in Belarus, the public ones are dominant. This is partly due to the priority for public education specified in the Law. All private educational facilities are operating on the basis of state permit (that provides licenses for their activity). At the beginning of 2000s, the government has started to crowd out private institutions due to the need to secure organizational and ideological controls over the educational system. As for the data, by the beginning of 2006/2007 academic year, there were 10 private general secondary education institutions with 604 pupils (0.05% of total number of pupils). Nine of them were located in the urban areas (544 pupils, or 0.06% of total number of urban-areas students). As for institutions of higher education, there were 12 private educational establishments with 58 thousands students (14.6% of total number of students).

1.7. Migration and remittances

Size of migration

According to the Encyclopedia of the Nations, in 1991 (after the collapse of the Soviet Union) about 2 mln Belarusians live outside Belarus. Post-Soviet ethnic conflicts and other tensions had forced about 6,000 Belarusians to return from Azerbaijan and Kyrgyzstan over a period of 1989–1995 (3,000 from each of them). Further, between 1991 and 1995 (earlier figures are not available) about 16,000 Belarusians returned from Kazakhstan and another 10,000 from Tajikistan. In general, the Encyclopedia of Nations estimates that by 1999 about 160,000 Belarusians had returned to Belarus from other republics and autonomous regions of the former USSR. In addition, the Chernobyl catastrophe resulted in 131,200 internally displaced persons. In 2000, the net inflow of migrants to Belarus amounted to approximately 15,000 people (or 1.5 per 1,000 of population). Also, the number of asylum seekers and refugees is high. In 1999, there were about 13,000 of them[56].

Official data on migration shows that Belarus has a small positive net migration. However, unregistered emigration in the beginning of the 1990s and later resulted in the overestimation of the popu-

[55] The data are provided by UNESCO.

[56] See http://www.nationsencyclopedia.com/Europe/Belarus-MIGRATION.html.

lation by official statistics by about 160,000 between the 1989 and 1999 censuses[57] (Belstat, 2000). The same could be expected for the next decade (due to the absence of the border between Belarus and Russia).

The role of remittances

The International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations estimate[58] that in 2006 remittances to Belarus amounted to EUR 1.9 bn[59], or about 6.3% of 2006 GDP. The IFAD claims that in terms of remittances per capita, Belarus (EUR 191.9) occupied the second place after Moldova (EUR 240.5, or 31.4% of GDP) followed by Ukraine (EUR 143.4, or 8% of GDP) and Russia (EUR 77.3, or 1.4% of GDP). However, the figure for Belarus overbids any other available estimates made by the World Bank and the National Bank of Belarus. Specifically, the World Bank Development Indicators Database provides a figure of EUR 243.9 mln in 2007[60] (or about 0.7% of 2007 GDP), while in 2006 it was EUR 294.7 mln (or about 1% of 2006 GDP). The NBB estimates that 'migration-related' transfers[61] amounted to EUR 197.8 mln in 2006 and EUR 184.1 mln in 2007 (or 0.7 and 0.6% of GDP, respectively). Such a sizeable gap between the figures provided by the World Bank and the National Bank, on the one hand, and the IFAD experts, on the other hand are related, the IFAD report claims, to that 'remittances [to Belarus] are underestimated or exhibit discrepancies between flows and migration'. In turn, migration data are taken by IFAD from the International Organization for Migration. Information about the use of remittances is not available, but it can be suggested that, given the consumption patterns in Belarus, they are used to purchase consumer durables.

1.8. Demographic trends

Population developments

Since 1994, population is declining at an average rate of 0.4% per annum between 1994 and 2008. However, after 2009th census it may appear that this rate is higher because of unregistered emigration (see section 1.7). The rate of the natural increase of the population dropped from 4.9 in 1989 to 1.1 in 1992 and to –5.8 in 2002. Since 2002, death rate is slowly falling, while birth rate is gradually increasing (Table 1.10). However, in 2007, a natural decrease of 3 persons per 1,000 of population occurred. Positive migration rate (0.5 persons per 1,000 of population) was not enough to change the trend of population decrease. The main reason behind this trend is very low fertility rate. In 2007, it amounted to 1.37 children per woman of fertile age[62]. Despite a certain increase of this rate in the recent years, is far below 2.1-childern reproductive threshold.

Life expectancy at birth in Belarus is rather low for its level of development. According to the UNDP Human Development Index, the country belongs to the group of countries with high human development, while according to the life expectancy – to the group of countries with medium human development. Between 1990 and 2008 this indicator varied from 67.9 years (1999) to 71.1 years (1990). During the period of recession (and first four years of officially registered economic growth) life expectancy dropped by 3.2 years; however, between 1999 and 2008 it increased by 2.6 years. Performance of urban areas in 2008 was better than in 1990 (71.9 comparing to 71.8 years), while in rural areas life expectancy dropped by 3 years. Females 'outperformed' males: life expectancy of the first increased by 0.9 years, while males 'lost' 1.9 years. As a result, life expectancy gap between men and women increased from 9.3 years in 1990 to 11.8 years in 2008.

Main demographic characteristics

Between 1989 and 2007, the share of urban population increased by 7.1 percentage points. The main reason behind this is internal migration from rural to urban areas (despite fertility rate is still

[57] The big part of these 'unregistered emigrants' were the former Soviet military servicemen and their family members, resided in Belarus. With the breakup of the Soviet Union they had left Belarus simply because of the military reorganization.

[58] The estimates are based on the data taken from the International Organisation for Migration and analysed by using the IFAD methodology. The details can be found at: http://www.ifad.org/events/remittances/maps/methodology.pdf.

[59] See http://www.ifad.org/events/remittances/maps/europe.htm

[60] See http://ddp-ext.worldbank.org/ext/DDPQQ/report.do?method=showReport.

[61] Balance-of-payments methodology is applied.

[62] This increase is caused by the increase of the share of younger women born in the 1980th baby-boom (the second wave of the post-war baby-boom).

higher in rural areas – 1.71 comparing to 1.19 children per woman of fertile age). As of the 1st January of 2007, the share of urban population was 72.8%.

Population pyramid in Belarus is transforming from stationary (late 1980th – early 1990th) to regressive one. Despite the number of aged people (in pension age[63]) is quite stable (between 1989 and 2007, it increased only by 4.4%, the number of people in pre-pension age (40–54 for women and 40–59 for men) grew by 25.8%. Taking into account the current burden of the pension system on the workforce, aging is becoming an important challenge for Belarus' long term development (Chubrik, 2008).

According to the last census (1999), Belarusians are the majority nation with the share of 81.2% of population. Russians are the second largest nationality (11.4%); however, their share dropped by 1.9 percentage points comparing to the previous census. Poles (3.9%) and Ukrainians (2.4%) are coming next. The share of any other nationality does not exceed 0.3%, which makes ethnic composition of the population quite homogenous. Some indications about the Roma minority are provided in Chapter 2.4. National minorities are represented by about 90 NGOs and national communities.[64]

Projections of population growth

According to the UN population forecasts (UN, 2006), between 2005 and 2050 population of Belarus will decrease at any scenario. Baseline scenario (medium variant) assumes gradual increase of fertility rate to 1.58 in 2050, which is higher than now, but lower than 2.1. As a result, population at this scenario will decrease by 29%. Pessimistic (and quite unrealistic) low variant assumes even lower fertility and results in reduction of population by 41.3%. According to the high variant, fertility rate approaches 2.35 in 2050, allowing population pyramid to be balanced. This scenario forecasts the lowest population decrease (14.3%). According to any scenario, ageing becomes an urgent problem, as the number of employed persons will match the number of pensioners in 2040 (low variant), or 2045 (medium variant), or 2050 (high variant). Evidently, current PAYG pension system will not manage to overcome this challenge (Chubrik, 2008).

1.9. Territorial disparities

Rural-urban differences

Rural-urban income differences are caused mainly by wage distributions across sectors of the economy: wages in agriculture are smallest in the economy. As a result, monetary incomes in urban (industrialized) areas are 51% higher than in rural areas. In rural areas, in-kind income plays significant role, amounting 13% of the gross incomes (5% in urban areas), which somehow reduces disparities between these territories (Table 1.11). However, this is not enough to prevent emigration from rural to urban areas: between 1989 and 2007, the rural population decreased by 24.8%, while the urban one increased by 6.5%, despite the natural increase of the urban population for this period amounted to 2.3%.

In order to combat internal migration, the government elaborated the Program of the Village Revival for 2005–2010. One of the main tasks of this program is to attract people to the rural areas providing them with a dwelling. However, migration from the rural areas to the cities continues (and it is not slowed down). As a result, the government plans to revise this program, as its financing has already exceeded the envisaged amount[65].

Regional disparities[66]

Economic structure of the regions is inherited from pre-war division of Western and Eastern Belarus[67] (UNDP, 2005a). Eastern regions and Minsk are more industrialized, and the heavy industry is dominant there. Grodno and Brest *oblasts* (West) specialized in agriculture and food processing industry. As a result, average *wages* in these two regions are one of the smallest in Belarus. How-

63 Belarus did not change the pension age since the soviet times: 55 years for women and 60 years for men.
64 See http://babylon.iatp.by/minorities/minorities.html.
65 See http://nn.by/index.php?c=ar&i=18560.
66 Belarus is divided into 6 regions – *oblasts*. Minsk city is treated as a separate region.
67 This division is smoother than in Ukraine; additionally, unlike in Ukraine, the capital is closer to the Eastern than the Western part.

ever, they have better developed small business (Shekhova, 2001), which is a source of additional monetary income.

From the regional perspective, Minsk city is the most 'wealthy' region – in 2007, average monetary income in Minsk was 47% higher than the non-Minsk average, average wage was 41% higher, and average consumer expenditures – 58% higher. The poverty level in Minsk was 2.1% of its population comparing to 8.9% of average poverty rate for the non-Minsk territories.

Other regions are quite even. The richest one is Minsk *oblast* as it is closest to the capital which increases its labour force mobility. However, the level of monetary income in this *oblast* is just 11% higher than in the 'poorest' Gomel *oblast*, while poverty in Minsk *oblast* is even higher than in Grodno *oblast* (Table 1.11). Quite even distribution of incomes between the regions is achieved thanks to the wage policy (see section 1.4).

1.10. Conclusions and key challenges

Key challenges

As for the most urgent challenges for Belarus, they are related to the repercussions of the global economic crisis[68] and the aggravation of the problems which were dealt with in the previously non-crisis environment. Most typically, these are the problems related to an unreformed situation of the Belarusian economy. Employment has been made one of the central goals of the government policy. A favourable environment has allowed enterprises to increase output and maintain employment. The banking sector, in its turn, has helped the companies to enjoy access to credit resources.

The arrival of the consequences of the economic crisis has made the competitiveness problem much sharper than before. Decline of external demand has contributed to stock-piling and subsequent reduction of the volume of available circulating assets. Decline of demand for industrial goods resulted in recession in respective industries and growing inventories. According to the official statistics, 4.8% of industrial output produced between January and May of 2009 has been directed into inventories, while in some industries (machine building and metal works, light industry, and ferrous metallurgy) more than 10% of output went to stock.

Indeed, a high degree of openness and poor diversification of exports of the Belarusian economy (more than 2/3 of non-energy goods produced in Belarus are exported to Russia) is a problem, while Russia experiences a significant contraction of its GDP and domestic demand. As a result, between January and May of 2009, merchandise exports dropped by 48% yoy (because of the decline in average exports prices (by almost 30% yoy) and volumes of exports (reduced by 25% yoy). Fall of export prices (especially for oil and potash fertilisers) resulted in lower profits of oil refineries and potash extracting company 'Belaruskali'. This led to lower budget revenues (between January and May of 2009, consolidated revenues dropped to 47.8% of GDP, com-paring to 56% a year ago). Also, supply of foreign currency at the domestic forex market has de-creased, creating pressures on the exchange rate. It implies that the pool of resources that government can draw on to maintain old employment patterns has become limited, while the costs of using them (in terms of inflation and devaluation) have increased.

However, domestic demand has not followed exports – in the first quarter, it increased by 7.3% yoy, almost completely because of investment growth. Investment increase (by 18.9% yoy between January and May of 2009) seems quite unusual for crisis times. However, a major source of their increase is bank loans – and banks dispose government funds (as it was in the end of 2008) and loans obtained from the National Bank (NBB). Consumption has also increased slightly (mostly because of after-devaluation boom in January 2009, and also because of the high inertia of this variable, see Chubrik and Kruk, 2007). As a result, import decrease has been caused only by contraction of export, which was not enough to balance Belarusian external trade. In the first five month of 2009, merchandise trade deficit amounted to EUR 2.4 bn, or 17.9% of GDP. First quarter's current account deficit amounted to EUR 1.4 bn (17.7% of GDP). Seasonally adjusted figures

[68] More detailed discussion of the first consequences of the global economic crisis for Belarusian economy can be found at Chubrik (2009) and Kruk and Chubrik (2009).

would be even higher – usually, in the beginning of the year Belarus has more balanced external trade. The major implication for widening of the current account deficit is increase.

Growing external imbalances forced the government to revise exchange rate policy. First, the NBB switch from peg to the US Dollar to peg to the currency basket (Euro, US Dollar, and Russian Rouble in equal weights) with ±5% currency band. Second, Belarusian rouble was devalued by 20.45% on January 2, 2009 (devaluation was required by the IMF). However, as this devaluation has not been supported with necessary restriction of domestic demand, current account deficit persists. Also, households responded to devaluation with expectations of further devaluation and higher demand on foreign currency. Dollarization of broad money increased from 33% (as of January 1, 2009) to 46.3 (as of June 1, 2009). As a result, the value of currency basket approached upper bound of currency band, and on June 22, 2009 the NBB announced widening of the exchange rate band to ±10% (which was highly supported by the IMF, see IMF, 2009b). In any case, the main reason for exchange rate instability – current account deficit – persists, which requires adequate policies from Belarusian authorities.

As a first short-term solution, Belarusian government has chosen external debt accumulation. Belarus was among the first countries that asked IMF for stand-by loan – 'to facilitate an orderly adjustment to external shocks faced, and to address pressing vulnerabilities' (IMF, 2009a). Recently the IMF approved increase of this loan by SDR 0.65 bn (the overall amount of the loan is SDR 2.27 bn)[69], because of 'a greater than expected impact from the global financial crisis' (IMF, 2009c) on Belarus. The Fund expects that Belarusian government will take further liberalization efforts and prepare the economy for privatization, as well as implement some structural changes 'which are essential to improve prospects for long-run growth and external stability' (IMF, 2009c).

Fundamentally, there is a choice between starting the reforms and postponing them by considering the current deterioration of economic situation as temporary. In the latter scenario, the authorities would simply use the funds, including the ones provided by the IMF, to maintain macroeconomic stability and allow enterprises to function, albeit with increasing number of administrative leaves and part-time working weeks. The reform scenario would include the increase in the open unemployment and simultaneous broadening of opportunities for employment in the private sector and enhancing the social protection of unemployed (by increasing, for instance, the size of unemployment benefit). These proposals have been considered by the decision-makers at the Ministry's level and even announced publicly. However, the final decision has to be made by the government.

If implemented, the reform scenario would necessarily lead to the increase in open unemployment. It can be expected that a fraction of the unemployed would remain in this status because it is unclear whether the private sector would absorb them given the crisis-shaped current economic situation. If conditions for registration of private economic activity are lessened, there are chances for self-employment to grow.

In other words, the respective 'social' choice for the government is between hidden and open unemployment. Hidden unemployment (current choice) allows to postpone reform of the employment promotion system (including support of unemployed), but requires subsidies to loss-making enterprises and (in a short-run) continuation of inefficient production. Open unemployment allows to cut production costs, but requires social assistance reform. Efficient privatization is possible solution: although it would require firing of excessive labour force, it would create new work places and generate revenues for social support.

At the moment, the choice is not clearly made, although there are signs of the movement towards the reform scenario. The reform plan announced at the end of 2008 already included several measures which can be treated as liberalization – of prices (partial), of wages (minor), and of doing business (quite progressive, but also partial). After recent agreements with the IMF and conversations with the World Bank it seems that Belarusian authorities are ready to launch large scale privatization. However, these policies do not include measures aimed at reduction of social consequences of the crisis.

Before the crisis, Belarus demonstrated impressive results of absolute poverty reduction. But this reduction originated from equally distributed fruits of economic growth, macroeconomic stability,

[69] Equal to EUR 2.5 bn as of June 29, 2009.

and high employment. All these determinants have faded out (like economic growth) or about to do so (like high employment and macroeconomic stability). Potential increase of poverty creates challenge for social policy, because (i) drastic fall of the government revenues and (ii) some of the vulnerable groups are poorly targeted (like unemployed and low-paid workers).

In the medium term, 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.

There are some challenges for the future of the Belarusian educational system. First, the gap between the quality of education in urban and rural areas may increase as population decrease (together with decrease of the children's share) lead to closing and consolidating of schools, which can negatively affect the provision of education. Second, the quality of teachers and teaching should be increased and teachers' shortage in rural area needs to be eliminated via creation of 'right' incentives for them. Third, the system of vocational training need to be better adapted to the labour market needs. Fourth, aging of population requires a new approach to the organization of the system of workforce training (live-long learning) in order to keep the skills of the people up-to-date and retained older in the labour market.

Ageing is a 'time bomb' for social policies. It could explode over the long-run if no change is implemented to the functioning of the pension system (see section 4 for details). Finally, there is a problem of underdevelopment of rural areas of Belarus, and the continuity of differences in the level of living, employment opportunities, and access to various services between the centre and the peripheral areas. Such regional imbalances have to be dealt with in the future; otherwise vicious circle of 'core-periphery' divide would remain unbroken.

Data quality

In general, data quality is proper. However, there is a problem of constructing continuous time-series to analyse fiscal policies and related performance. Due to the numerous and inconsistent revisions of the budget classification, the comparable data pool is limited.

Another difficulty concerns the unavailability of LFS studies. The only substitute is HBS data (available officially until 2006).There are hardships with the more or less precise estimation of migration data, resulting in controversial estimates of the volume of remittances (the NBB tends to underestimate this volume, while the IFAD probably produces exaggerated data).

1.11. References and tables

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Tables

Table 1.1: Selected macroeconomic indicators: 1990–2008

Indicator	Measure	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP	EUR bn	NA	8.0	9.1	9.4	6.2	5.0	9.5	13.7	15.3	15.6	18.6	24.4	29.3	32.9	41.2
Nominal GDP	EUR per capita	NA	789	897	926	612	501	953	1379	1546	1585	1892	2497	3014	3392	4251
Real GDP	growth rate, %	–3.0	–10.4	2.8	11.4	8.4	3.3	5.8	4.7	5.0	7.0	11.4	9.4	10.0	8.6	10.4
Industry	% of GDP	47	37	39	41	41	39	39	37	37	39	41	42	42	42	39
Agriculture	% of GDP	24	17	17	15	14	15	14	12	12	10	10	10	10	9	9
Services	% of GDP	29	46	44	43	46	46	47	51	51	51	49	48	48	48	53
Inflation (CPI)	% yoy	4.7	709.3	52.7	63.9	72.9	293.7	168.6	61.1	42.5	28.4	18.1	10.3	7.0	8.4	14.8
Memorandum items:																
Population	m, aop	10.2	10.2	10.2	10.1	10.1	10.0	1.0	10.0	9.9	9.9	9.8	9.8	9.7	9.7	9.7
Exchange rate*	BYR/EUR, aop	NA	15	21	39	166	593	949	1242	1693	2326	2689	2683	2696	2944	3153

* Before 2000 – thsd. BYR/EUR (on January 1, 2000 the Belarusian rouble was denominated 1:1000).
Source: EBRD, Belstat, World Bank (WDI database), IPM Research Centre.

Table 1.2: Revenues and outlays of the general government and the fiscal balance, % of GDP

	2003	2004	2005	2006
Revenues:	45.8	45.9	47.2	48.2
Taxes on income, profits, and capital gains, of which:	6.3	7.0	7.6	7.8
payable by individuals	2.8	2.8	2.9	3.1
payable by corporations and other enterprises	3.0	3.7	4.2	4.2
Taxes on goods and services, of which:	19.5	19.1	18.6	18.6
VAT	8.1	7.7	9.1	9.3
turnover and other general taxes on goods and services	5.7	5.8	5.3	4.1
excises	2.8	2.8	2.6	3.6
Taxes on international trade and transactions	2.6	2.2	2.6	2.6
Social contributions	10.6	10.8	11.3	11.7
Other revenues	6.7	6.8	7.1	7.5
Outlays:	46.7	45.5	47.2	46.7
General public services	4.9	4.3	4.9	3.6
Defence	1.1	1.0	1.1	1.3
Public order and safety	2.0	2.1	2.2	2.3
Economic affairs, of which:	8.9	9.1	9.4	10.0
agriculture, forestry, fishing and hunting	4.0	4.1	4.6	4.5
transport	2.6	2.8	3.1	3.1
Housing and community amenities	3.3	3.1	2.9	3.0
Health	4.9	4.7	4.8	4.7
Education	6.5	6.1	6.3	6.3
Social protection	13.3	13.1	13.4	13.5
Other outlays	1.9	2.1	2.1	2.2
Balance	–0.9	0.3	0.0	1.4

Source: GFS.

Table 1.3: Employment and unemployment: official (registration) vs. HBS data

	Economically active population, thsd.		Employment, thsd		Unemployment, thsd.		Unemployment rate, %	
	official, aop	HBS, eop	official, aop	HBS, eop	official, aop	HBS, eop	official, aop	HBS, eop
1994	4790	5005	4701	4731	89	273	1.8	5.5
1995	4524	5104	4409	4642	115	462	2.5	9.0
1996	4537	4979	4365	4547	172	432	3.7	8.7
1997	4528	5148	4370	4755	158	394	3.4	7.6
1998	4528	5172	4417	4801	111	372	2.4	7.2
1999	4542	5106	4442	4772	100	334	2.2	6.5
2000	4537	4959	4441	4623	96	336	2.1	6.8
2001	4520	4988	4418	4619	102	370	2.2	7.4
2002	4500	5162	4380	4751	120	411	2.6	8.0
2003	4480	5179	4339	4774	141	405	3.0	7.8
2004	4428	5130	4316	4797	112	333	2.5	6.5
2005	4426	5204	4349	4903	77	301	1.7	5.8
2006	4466	5324	4402	5104	64	220	1.4	4.1
2007	4525	5358	4476	5131	49	228	1.1	4.2
2008	4638	5416	4594	5253	44	162	0.9	3.0

Source: Belstat, HBS.

Table 1.4: Employment and unemployment rates* in 2007 (HBS data)

	Unemployment rate (% of economically active)	Employment rate (% of population in cohort)
Average:	**4.2**	**60.3**
Age:		
17–19	17.9	5.9
20–24	8.4	57.7
25–29	5.1	85.2
30–34	3.8	89.3
35–39	4.4	88.1
40–44	4.1	88.3
45–49	4.5	86.5
50–54	2.9	85.0
55–59	2.4	63.2
60–64	0.5	31.6
65+	0.0	6.2
Gender:	**Unemployment rate (% of economically active)**	**Employment rate (% of population aged 17+)**
Female	3.0	56.9
Male	5.8	64.5
Residence:	**Unemployment rate (% of economically active)**	**Employment rate (% of population aged 17+)**
Minsk	3.1	69.4
Large city	4.8	62.6
Small town	4.6	60.9
Rural area	4.5	54.4
Education:	**Unemployment rate (% of economically active)**	**Employment rate (% of population aged 17+)**
Higher education	2.2	79.9
Secondary specialized education	4.2	73.4
Vocational school	4.7	79.7
General secondary education	6.0	62.4
General basic education	6.7	18.1

* Respondents aged 17+ who did not answer the question 'Do you work now?' are not included to economically active population.
Source: Own calculations based on the HBS data.

Table 1.5: Harmonised* employment rates in Belarus, selected neighbours, and the EU

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1995–2008	1998–2008
EU (27 countries)	--	--	60.7	61.2	61.8	62.2	62.6	62.4	62.6	63.0	63.5	64.5	65.4	65.9	--	4.7
EU (15 countries)	60.1	60.3	60.7	61.4	62.5	63.4	64.1	64.2	64.5	64.9	65.4	66.2	66.9	67.3	7.2	5.9
Latvia	--	--	--	59.9	58.8	57.5	58.6	60.4	61.8	62.3	63.3	66.3	68.3	68.6	--	8.7
Lithuania	--	--	--	62.3	61.7	59.1	57.5	59.9	61.1	61.2	62.6	63.6	64.9	64.3	--	2.0
Poland	--	--	58.9	59.0	57.6	55.0	53.4	51.5	51.2	51.7	52.8	54.5	57.0	59.2	--	0.2
Belarus (HBS)	**71.7**	**71.0**	**69.9**	**71.8**	**74.1**	**73.8**	**73.9**	**73.8**	**74.8**	**72.1**	**71.6**	**69.8**	**73.2**	**75.3**	3.6	3.5
Belarus (official)*	**80.1**	**79.1**	**78.9**	**79.2**	**78.7**	**77.8**	**76.3**	**75.1**	**73.8**	**73.0**	**73.2**	**73.9**	**75.2**	**77.2**	–2.9	–1.9

* For the EU, Latvia, Lithuania, and Poland: 15–64 years; for Belarus (HBS) – 17–64 years, (official) – pre-retirement age (16–54 for women and 16–60 for men).
Source: EUROSTAT, except Belarus – own calculations based on the HBS data.

Table 1.6: Selected indicators of the educational system in Belarus, eop

	1990	1995	2000	2003	2004	2005	2006	2007
Institutions providing pre-school education	5350	4576	4423	4182	4146	4150	4135	4109
Children, thsd.	608.0	458.0	390.8	362.4	363.1	366.7	365.6	365.3
The share of children, attending pre-school institutions, %	67.7	60.1	70.8	79.7	80.6	82.1	82.3	81.2
in urban areas	74.3	69.7	80.5	91.2	91.5	92.5	92.5	90.7
in rural areas	50.9	34.7	46.1	49.2	50.5	52.4	53.0	53.4
Institutions providing general secondary education*	5429	5007	4772	4408	4298	4187	4063	3927
Pupils, thsd.	1507.7	1582.2	1547.6	1369.0	1303.4	1240.9	1179.3	1134.9
Pupil/teacher ratio	8.2	8.7	9.8	10.7	11.2	11.7	12.2	12.7
in urban areas	6.3	7.2	8.2	9.0	9.5	9.9	10.3	10.7
in rural areas	13.6	13.3	14.6	16.0	16.7	17.6	18.5	18.8
Institutions providing vocational training	255	252	248	242	231	230	228	225
Students, thsd.	141.1	130.1	137.7	125.4	118.6	114.6	114.4	105.1
Institutions providing secondary specialized education*	147	149	156	204[3)]	206	204	205	204
Students, thsd.	143.7	122.4	150.3	162.3	158.4	154.1	152.5	155.0
per 10,000 population	141	120	150	165	162	158	157	160
Secondary specialized education entrants, thsd.	46.6	39.3	54.0	54.5	51.3	50.9	48.8	15.8
Secondary specialized education graduates, thsd.	42.2	37.0	43.8	47.2	48.8	49.3	44.3	43.1
graduates per 10,000 population	41	36	44	48	50	50	45	44
Institutions providing higher education*	33	59	57	59	55	55	55	56
Students, thsd.	188.6	197.4	281.7	337.8	362.9	383.0	396.9	413.7
per 10,000 population	185	194	282	343	370	393	409	427
Higher education entrants, thsd.	37.5	49.1	68.4	82.0	89.1	90.5	86.6	95.4
Higher education graduates, thsd.	28.6	32.5	38.7	51.3	51.1	53.6	61.4	66.9
per 10,000 population	28	32	39	52	52	55	63	69

* Since 1995, includes private educational establishments.
Source: Belstat.

Table 1.7: The share of women in total number of students, %

	1990/91	1995/96	2000/01	2003/04	2004/05	2005/06	2006/07	2007/08
Secondary specialized educational establishments	60	56	56	54	53	52	51	51
Higher educational establishments	52	52	56	57	57	58	58	58

Source: National Statistical Committee.

Table 1.8: General secondary education teachers in day-time institutions by educational attainment and occupied position as of the beginning of 2007/08 academic year

	Number of teachers, thsd.	Of them having education, percentage		Share of males in total number of teachers, percentage
		higher	secondary specialized	
Total number of teachers (including principals and deputy principals), of which	119.6	88.9	10.7	15.5
principals of primary schools	0.2	86.8	13.2	4.6
principals of basic schools	0.7	99.6	0.4	39.2
principals of general secondary education institutions	2.8	99.9	0.1	46.3
teachers (excluding principals and deputy principals):				
of primary classes	22.9	79.9	20.0	0.7
of 1–11 (12) grades, teaching selected subjects	85.5	89.9	9.5	19.2

Source: National Statistical Committee.

Table 1.9: General secondary education teachers in day-time institutions by speciality and educational attainment as of the beginning of 2007/08 academic year

	Total number of teachers (excluding multiple job-holders), thsd.	Of them having education, percentage	
		higher	secondary specialized
Teachers by main specialties			
Russian language and literature	10.6	98.4	1.4
Belarusian language and literature	10.8	97.1	2.6
history and other social sciences	6.9	97.8	1.6
physics	4.8	99.0	0.4
mathematics	11.3	98.7	0.9
basic informatics and information technologies	3.1	97.7	1.5
chemistry	3.2	99.1	0.4
geography	3.6	98.3	1.6
biology	3.8	98.8	0.7
foreign languages	12.0	89.7	9.8
music and singing	5.5	57.1	42.3
world arts and culture	0.9	95.2	4.6
drawing and drafting	2.0	79.6	19.9
physical training	7.9	86.9	12.2

Source: National Statistical Committee.

Table 1.10: Selected demographic indicators, aop, per 1,000 of population

	Births rate	Deaths rate	Natural increase	Migration (net)	Marriages	Divorces	Fertility rate*
1990	14.0	10.8	3.2	–3.1	9.7	3.4	1.91
1991	13.0	11.2	1.7	–0.9	9.3	3.7	1.81
1992	12.5	11.4	1.1	2.4	7.8	3.9	1.76
1993	11.5	12.6	–1.1	2.0	8.0	4.4	1.62
1994	10.8	12.7	–1.9	–1.3	7.4	4.3	1.53
1995	9.9	13.1	–3.2	–0.1	7.6	4.1	1.41
1996	9.4	13.1	–3.7	0.2	6.3	4.2	1.34
1997	8.9	13.5	–4.7	–0.2	6.9	4.7	1.25
1998	9.2	13.6	–4.4	0.3	7.1	4.7	1.30
1999	9.3	14.2	–4.9	1.8	7.3	4.7	1.31
2000	9.4	13.5	–4.1	1.2	6.2	4.3	1.31
2001	9.2	14.1	–4.9	0.9	6.9	4.1	1.27
2002	8.9	14.8	–5.8	0.6	6.7	3.8	1.22
2003	9.0	14.5	–5.5	0.5	7.1	3.2	1.21
2004	9.1	14.3	–5.2	0.2	6.1	3.0	1.20
2005	9.3	14.5	–5.3	0.2	7.5	3.1	1.21
2006	9.9	14.2	–4.3	0.6	8.1	3.3	1.29
2007	10.7	13.7	–3.0	0.5	9.3	3.7	1.37

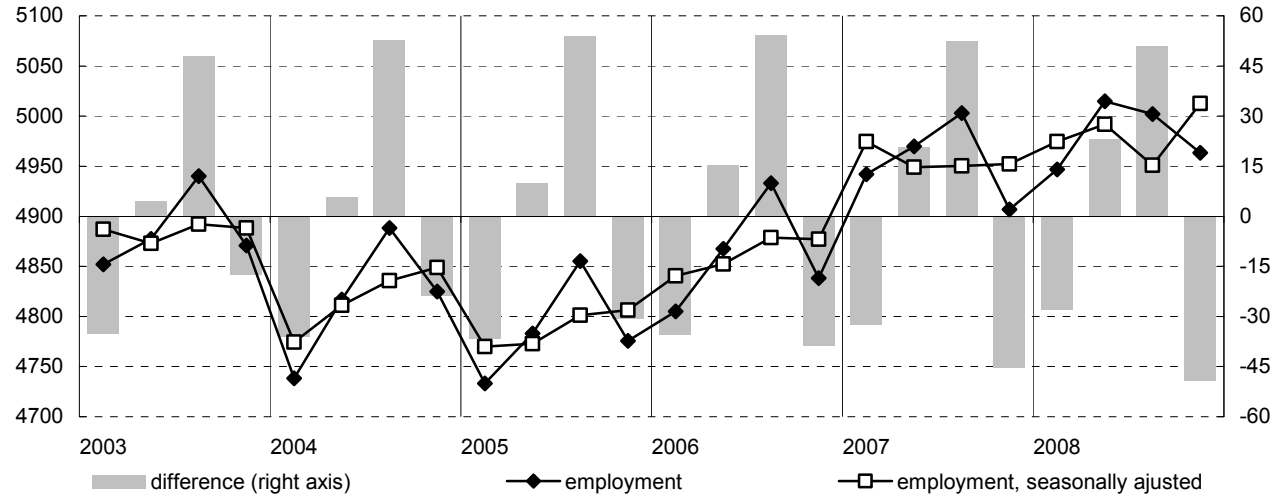
* per 1,000 women aged 15–49.
Source: Belstat.

Table 1.11: Regional income disparities in 2007

	Consumer expenditures	Average monetary income	Average gross income	The share of the in-kind income	Average wage*	Poverty rate
	EUR per month per household			% of gross income	EUR per month	% of population
Belarus	287	336	361	7.2	239	7.7
Rural areas	199	250	288	13.1	NA	12.4
Urban areas	331	378	398	5.0	NA	5.6
Cities	318	371	391	5.0	NA	NA
Towns	282	325	349	6.6	NA	NA
Minsk	412	455	472	3.7	310	2.1
Brest obl.	245	305	335	8.9	210	10.5
Vitebsk obl.	262	314	339	7.4	213	6.7
Gomel obl.	253	297	326	8.9	227	12.7
Grodno obl.	261	305	335	9.0	217	6.5
Minsk obl. (without Minsk)	282	330	356	7.4	230	6.8
Mogilev obl.	258	308	334	7.8	219	9.9

Source: HBS except * (Belstat). Exchange rate – NBB.

Figure 1.1: Employment (actual and seasonally adjusted), '000 of employed



Source: HBS, own estimates.

2. Social protection system

2.1. Historical development

Social protection system of Belarus provides social insurance, social services, and relief or compassionate benefits. The system has evolved in several stages. Until the late 1990s – early 2000s, there were some Soviet-type features. For instance, large and medium-sized state-owned industrial enterprises continued to keep on their books and to run some 'socially-important' facilities such as kindergartens, spa, polyclinics, sports clubs, etc. Since the vast majority of workers were employed at the state sector, they benefited from such indirect provision of social services. In their turn, enterprise-based trade unions covered from 70 to 90% of the charge for the use of these recreation facilities. Also, the children of employees were provided a right to spend vacations at the summer camps run by enterprises. The local authorities have also shared the burden of subsidisation of these facilities (Haiduk et al., 2004). However, since the mid–2000s, there have been a shift towards some commercialisation of healthcare (and also education) so enterprises have had a somewhat reduced social burden. It follows that given a sizeable share of state-owned enterprises (also subsidised by the government), it can be said that public goods provision and social benefits used to be delivered at the working places. However, there is a trend to curtail such practice.

Some important laws were adopted in 1995 (such as 'On the Foundations of State Social Insurance') to define the rules for the provision of pensions and benefits and in 1999 ('On the Living Budget' and 'On the Determination and Use of the Minimum Consumption Budget') to establish some basic consumption standards on the basis of 'nutrition' approach. Since 2001, the system of targeted social assistance (to provide relief or compassionate benefits) has been put in place in Belarus. Initially, the needs-based liability threshold was set at the level of 50% of subsistence minimum (in January 2001), but later (in October 2001) it was lifted to 60%. Finally, since December 2007 it is set at the level of 100% (the share of population with disposable income less than this threshold amounted to 6% at that time). On average, about 470,000 people, or 4.8% of the population had been provided with the targeted social assistance by the end of 2007.

However, benefits in either way were provided on a much broader scale so in the end about 65% of the population of Belarus benefited from the social security system. It does not however mean that more than 6 mln people were provided with money or benefits in kind. Rather, they benefited indirectly or were not using the assistance that could have potentially been used. To give an example, being located in the countryside meant that subsidies for public utilities (such as hot water or gas usage) were not used as well as discounts for public transports simply because these options are not available at certain rural localities.

Legislatively, the system of social protection is based on the laws adopted by the Belarusian parliament that are implemented by the Council of Ministers and the core state body responsible for social policies, that is, the Ministry of Labour and Social Protection. At the national level, there are the nation-wide programs developed and implemented to improve employability of the workforce, to tackle poverty, to target socially vulnerable groups, such as disabled or the members of large families, and so on. Then, specific Ministries and also regional and local governments adjust these programs to make them more concrete and responsive to the needs of the recipients.

It is important to mention that the list of vulnerable groups is set officially and has not been fundamentally revised over the last decade or so (despite the possible emergence of new socially-vulnerable groups). It includes pensioners, disabled, large families, war veterans, retired servicemen of the army and the Ministry of Interior, their family members, and so on. The Ministry of Labour and Social Protection is mainly responsible for the implementation of the social assistance programs to help these vulnerable groups of the population. Also, it manages the Social Security Fund (SSF) that accumulates the resources deployed for social protection purposes. At the regional and local levels, the respective departments of the regional executive committees are responsible for the management and implementation of these programs at their level of jurisdiction.

Until December 2007, when the system of social protection has been partially reformed, there were more than 50 categories of citizens liable for social benefits across which 100 types of benefits were provided. Overall, about 6 mln of people were liable to use benefits for transportation, of them about 2.8 mln were given a right to use discounted medicine. In addition, about 1 mln was provided reductions for the costs of public utilities. Also, 400,000 people were provided with free or dis-

counted dental prosthetics (particularly pensioners and disabled). Also, benefits were provided for the installation of phone lines and payment for telephone charges (200,000 people). In total, about 65% of the population was liable for social benefits thus exceeding the size of the working population. It was considered that the number of beneficiaries was too vast so some trimming of social protection expenditure had to be performed.

In case international comparisons are made, in 2006 (the most recent year on which the comparable data can be obtained from the IMF's Government Financial Statistics), Belarus spent on social programs about 12.9% of its GDP. It was below the levels of the Czech Republic (17.2%) and Poland (18.4%), and even Ukraine (19.4%), but above the levels of such countries as Russia (9.3%), Estonia (11.5%), and Lithuania (12.5%).

Social insurance schemes

Social insurance schemes are comprised of old-age, disability, and survivors and unemployment benefits. Social insurance system provides old-age, disability and survivors benefits from all employed persons resided in Belarus. The provision of these benefits is conditioned upon the contributions to the Social Security Fund. Employers contribute to the Fund with 35% of total wage fund, while insured persons (i.e. workers) pay 1% in addition. Self-employed tax-payers have 1% of their income tax deducted for that purpose.

Self-employed and undeclared workers are provided with the contributory benefits on a limited basis. As for pensions, they are entitled for a minimum pension, although self-employed can receive above that in case they were contributing to the pension fund at the same rate as officially employed (i.e. 35% of their gross nominal wage). Otherwise, it is only 1% of their income is deducted from the income tax outlays to contribute to the SSF. Workers who report wages lower than really paid (i.e. in case a fraction of wages is obtained in the 'envelopes') are entitled to the same amount of contributory benefits as everyone else. However, their pension would depend on the level of income officially reported. The rule is straightforward: the less the amount of declared income, the lower the level of pension. In general, the lower the level of contributions to the SSF, the lower the amount of benefits provided. Nevertheless, certain minimum amount of benefits is provided unconditionally, including, for instance, maternity benefits. The same situation is for the daily and seasonal workers.

The resources accumulated in the Social Security Fund are managed by the Ministry of Labour and Social Protection. In 2007, 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 protection of unemployed. Certain categories of citizens are provided with 'extra-protection', i.e. above the level stipulated for the majority. These privileged groups include, among others, government employees, certain medical workers, aviators, teachers, professional athletes and the injured in the Chernobyl catastrophe. In that case, resources come the state budget and not from the SSF.

There is a special sub-fund (within the SSF, called the Fund for Preventive Actions) that accumulates resources to pay benefits and compensations for employment injuries and deaths. There is a tendency for decrease of the number of occupational injuries and deaths in Belarus[70].

Pensions are the most substantial part of the Fund's expenditure. Pension age is currently set at the level of 60 years for men with 25 years of insurance coverage and 55 yeas for women with 20 years of insurance coverage. The minimum insurance coverage period for pension is five years. Early retirement option is secured for certain categories of workers. Again, many of these special categories such as government employees, military, etc. are paid with pensions above the average directly from the state budget. In contrast, citizens with no employment record are entitled to obtain the minimum old-age pension. The average level of pension is about 40% of the average economy-wide wage and exceeds the minimum wage just by about 35%. In turn, the minimum wage does cover all the basic needs, but only minimum nutrition consumption level so the average pension just cover the very basic needs so its beneficiaries had to rely on the assistance of their relatives or subsistence economy or seek benefits from social service bodies (see below).

[70] http://www.ohranatruda.net/index.php?option=com_content&task=view&id=408&Itemid=30.

Disabled are paid permanent disability benefits (or disability pensions) linked to the level of average wage. Disability benefits vary depending on a disability category (the definitions are set by the State Rehabilitation Commissions). In Belarus, disabilities are broadly divided among three groups. The Group I (total disability, constant attendance is required) disability pension is equal to 75% of average wage, the Group II (total disability) is equal to 65% of the average wage, and the Group III (partial disability) is equal to 40% of the wage base. The minimum disability pension is equal to 100% of the minimum old-age pension. These rates are set at a higher level (by approximately 1.5 times) for persons with disabilities that began in childhood and disabled children. Benefits are adjusted when the average wage increases (in nominal terms) by more than 10%. For survivors, a monthly pension is equal to 40% of the average wage (paid for each eligible survivor/dependant), and 50% for full orphans. Disabled are also provided with discounts for medication (specifically, group I and II disability are granted with 90% discount on the drugs used by them) and free-of-charge dental prosthetics. Until December 2007, group III disability people were given 50% discount on the medication used and free dental prosthetics, but these benefits have been abolished. The benefits for the group I and II disability are kept intact.

It has to be stressed that the benefits for disabled are standardised. It particularly concerns benefits in kind. For instance, disabled are provided with standard equipment (like wheelchairs) or not provided with it at all, irrespective of their condition, specific needs, etc. They can not purchase necessary equipment themselves (by using the funds potentially allocated for their purposes), included the imported one that could be of a better quality or better accustomed to their needs. The existing legislation does not allow 'monetisation' of these in-kind benefits. Accordingly, any non-standard purchase has to be carried out by them independently of the social protection system. Also, some of the benefits are not used by disabled (like bed patients) although stipulated by the existing legislation. This concerns the use public transportation for free or with a discount. In its turn, only a part of the public transport vehicles can be used by the disabled with wheelchairs (although some buses, particularly in large urban localities have necessary footboards or steps). Nevertheless, there is an increase in the number of facilities that disabled can use. For instance, new underground stations all contain fixed ramps for wheelchairs. Yet, the transport benefit could not be converted into moneyed resources and thus turns to be provided only on paper. This case is also illustrative of the practical use of benefits established by the legislation.

Of the insured categories, unemployed seem to be less protected. This is to judge by the size of the unemployment benefit. For instance, in May 2008, it amounted to about EUR 16, or just 24% of the survival wage, which is almost equal to the subsistence minimum. In fact, the benefit is set in relation to the so-called 'base value' (used to calculate various duties, fines, etc.) and not the minimum wage (while before the end of 2003 minimum wage was set on the basis of this base value). The major reason behind such scarce benefit is to force people to stay employed. Employment is stimulated indirectly, via the subsidisation of enterprises, the majority of which are still state-owned (see Chapter 1 for details). In addition, the rates of economic growth tend to be rather high. As a result, the government sees no rationale to reform the unemployment protection system.

Unemployment insurance programme used to be managed by the State Employment Service of the Ministry of Labour and Social Protection and its local offices. Unemployment insurance scheme is funded by employers (1% of payroll tax is deducted for that purpose, except agriculture where the rate is 0.5%). Indeed, the ratio of average unemployment benefit to average wage tends to be rather low. In 2001 this ratio amounted to 6% of average wage, being equal to just EUR 3.4 per month. In 2004, it peaked to EUR 10.3 per month (about 10% of average wage), but as soon as wages began to grow, the ratio decreased to only 6.5% (or EUR 14.5) by the end of 2007. In 2008, it remained low. In the words of the Deputy Minister for Labour and Social Protection, unemployment benefit has 'a minimum value to let an individual to understand that the state is supportive, but at the same time stimulating him/her to find a job'. At the same time, he mentioned in April 2009 that given the current economic situation heavily informed by the global economic crisis, there is a need to switch to a 'differentiated approach', especially towards the 'recently released workforce'. The proposal prepared by the Ministry includes linking the size of unemployment benefit to the level of the minimum wage[71]. However, these proposals are not materialised.

[71] http://www.belta.by/ru/actual/interview?id=363243.

Medical services are provided directly by government heath providers, such as government clinics, hospitals, maternity homes, and other facilities. Services include general and specialist care, hospitalization, prostheses, medication, and so on. The provision is administered by the Ministry of Health and local health departments subject to it (see below).

Prior to December 2007, social protection system offered the provision of free or discounted medication (or drugs) to a number of designated categories and some services for free (like dental prosthetics). The original list included children under age of three (free medication), donors (50% discounts on drugs), people suffered from the Chernobyl disaster (free medication, free dental prosthetics, free-of-charge spa treatment), war veterans and the so-called 'labour veterans'[72] (provision of free medication for those older than 70 years of age, and free-of-charge dental prosthetics). After the changes made to the legislation, some of these categories were deprived of free medication provision, namely children, people suffered from the Chernobyl disaster, labour veterans and some others. Also, doctors are instructed to prescribe domestically-produced drugs and not the imported ones, which often cost much more than their Belarusian analogues.

2.2. Financing of social protection and social inclusion

Sources of finance and patterns of expenditure

Funds are coming from contributions of employers and, to a much lesser extent, employees, and self-employed (adding up to 98% of the SSF revenues). The contributions are accumulated in the Social Security Fund managed by the Ministry of Labour and Social protection[73]. Pensions (including old-age pensions, survivors, and disability) occupy about 80% of the SSF expenditures. Next, 16.4% spend for sickness and maternity benefits, and family allowances. The rest of the funds is spent for other programmes.

In 2008, the targeted social assistance was provided to more than 103,000 households. Of them, 16,200 were large families and 37,400 were incomplete families, plus 1,600 families with disabled children under age 18. As for single old-aged and disabled (group I and II disability), 10,100 and 2,600 were provided with the assistance, respectively. Average monthly benefit amounted to BYR 57,400 (EUR 19), while one-time benefit was equal (on average) to BYR 125,400 (or EUR 41).[74]

Financing, fiscal administration and fiscal decentralisation

As it can be seen, a large chunk of social protection expenditures is carried out by the state. It is the Ministry of Labour and Social Protection that manages the Social Security Fund and its subfunds dealing with specific directions in the field of social protection. However, regional and local authorities are responsible for the concrete implementation of social protection programs. In general, both at the national and local level, the authorities are guided by the provision of the nationwide programs. To mention the most important of them: the program for improvement of the social assistance to single old-aged citizens (until 2010), the national program for social support for old-aged, war veterans, and war victims (for a period of 2006–2010); the state program for the prevention of disability and the rehabilitation of disabled for a period of 2006–2010, and the state program for a barrier-free environment for disabled (for a period of 2007–2010).

For instance, social service centres are created by local authorities and funded by local budgets. The latter are also a source of material assistance provision for socially vulnerable groups. It appears that local authorities have some discretion over the provision of social assistance and delivery of social protection. This discretion is limited since central government heavily controls the delivery and financing of local development projects in general. On average, about 9% of local budget revenues are retained by local government. Revenue-sharing practice is discretionary, and local tax base expansion or tax rates increase is not a guarantee to increased level of retained revenues at the local level. According to Belarusian experts in the field, the lack of transparent and well-defined intergovernmental relations is a key to why local governments are not enthusiastic about

[72] This is a category of people who worked long time spans, performed specific tasks, displayed sustained impressive performance, etc.

[73] http://www.ssf.gov.by/priside/about/functions/.

[74] http://kp.by/online/news/189088/?geo=3.

running local development projects.[75] In 2004, 'average' representative locality spent about 40% of its budget for social affairs[76]

Overall, the system is highly centralised as regional authorities collect the demands of localities within their jurisdiction what concerns social spending (in turn, these demands reflect various social minima adopted in Belarus) and then redistribute across the localities. Probably the very similar process occurs at the national level as the Minsk-based central authorities examine the regional (oblast's) needs and redistribute across them. In this situation, local authorities conduct monitoring of the local needs situation, while the needs are financially met by higher-level authority. In case there is an urgent need it is very likely that the demand for more funds can be satisfied at the expense of regional and national budget, and not the local one. This interaction is quite possible given that intergovernmental relations are revised annually, thus leaving the space for more discretion and quicker reaction to the real-world situation. In order to make the situation more predictable, the authorities have introduced the so-called 'unified social standard', i.e. the minimum package of social protection and service guaranteed by the state (see below).

Apart from the government level, additional assistance could be provided within the framework of collective bargaining agreements at the regional and enterprise levels, of which the latter one is probably more important than the former. The benefits are provided by enterprises to their employees for various reasons as specified in the collective agreement. These include additional payments to wages as a reward for long enterprise career, one-time assistance to workers with large and incomplete families, single mothers, and so on. These payments are made by enterprises alone, and no assistance is provided by the authorities. However, regional authorities are capable to provide additional funds for vulnerable groups depending in the availability of revenues.

The system is sustainable also due to the overall budget situation and high tax burden on the economy. However, the sustainability of the system could be undermined in the future in such areas as pension reform. The system is centralized, so the revenues are collected by the central budget and allocated according to the regional needs. The budgets of regional and Minsk city are budgeted locally and approved by the Head of the SSF. In turn, the Council of Ministers approves the SSF budget.

2.3. Types of benefits and services

Family allowances and social benefits and services

There is a birth grant, which is not means-tested, equal to 200% of the subsistence level (a lump-sum payment). The benefit is also granted to care for a sick child younger than age 14 for a period of up o 14 days. Employed women received 400% of average monthly wage (paid at the place of employment, while the sum is deduced from the payments of a firm to the SSF).

Family allowances equal to 80% of the subsistence level are provided for all children younger than age three. Moreover, local authorities sometimes provide additional benefits over a year around 25% of the subsistence level (like in the case of the Minsk City Executive Council). Children aged three to 16 receive the full benefit rates in case family's monthly per capita income does not exceed 60% of the subsistence level. Families caring for a disabled child aged three to 18 receive full benefits that are not subject to a means test. Additional monthly allowances are means-tested and paid to families with children up to age 18 up who are born out of wedlock. In terms of finance, central government budget funds allowances for children aged three or older, while means-tested allowances are covered by local budget allocations. Additional allocations are provided for families with disabled children, with children diagnosed with HIV/AIDS. Social assistance is also stipulated to pregnant women. These include benefits for pregnant women registered at a respective medical facility in the course of first 12 weeks of their pregnancy.

There are also benefits for HIV and AIDS-inflected people, for extramarital children, and disabled children until the age of 18. Apart from the child benefits, there are disability benefits, unemployment benefits, and 'burial benefits' (i.e. one-time payments to cover a fraction of burial costs) (see below).

[75] See presentation materials available at: http://www.oecd.org/dataoecd/56/12/35125426.pdf.

[76] This figure includes also subsidies to local enterprises. At the same time, spending for healthcare and education amounted to more than 50%. See http://www.oecd.org/dataoecd/56/12/35125426.pdf.

Additional social protection programs

In 1995, a special department for social protection of the former military personnel and all those who served abroad during the military conflicts in the USSR (like veterans of the war in Afghanistan) was established in the Ministry of Labour and Social Protection. Currently there are about 140,000 retired military servicemen, of whom about 30,000 served abroad. Also, there are about 20,000 families that have one of the family members dead or lost in action. The forms of assistance is the provision of sanatorium and spa facilities at the discounted prices and also medical facilities (for veterans and disabled who acquired their disability in the course of their military service), plus granting of special vehicles in case of disability (like cars).

Benefits in kind

There is a range of benefits in kind, including food coupons (for disabled and pensioners), allocation of foreign aid provided by foreign and international organizations (by the Executive authorities) for those whose monthly income per capita is below 60% of the subsistence income level). There is a special Department for Humanitarian Assistance dealing with the redistribution of the aid provided by foreign organizations. [77] Also, disabled are liable for free use of wheelchairs (no rent charges), walking sticks, etc. In addition, the disabled persons could be provided (depending on the need) free-of-charge 'social service' to address daily needs (such as shopping, purchase of medicine, kitchen work, etc). Travel tickets can also be provided for free or with a discount for certain social groups in need. The Ministry of Labour and Social Protection runs offices for social service provision where social workers are employed to assist single old-aged and disabled people at their homes.

Social service provision

Social service provision is delivered by the state-run permanent and non-permanent facilities. There are 61 permanent facilities, typically serving the needs of lone old-aged, disabled (23 facilities) and for mental patients (38 so-called 'psycho-neurological facilities, where about 1,500 people are living). In addition, there are 7 small-scale homes for old-aged and disabled located in the countryside. For disabled children (under age 18), there are nine facilities available where 1,700 people are placed. Of these nine facilities, two homes are for the physically disabled children, and seven are for mentally disabled. [78]

The number of non-permanent facilities has increased over years. Originally, these facilities were created in 1986 to serve the needs of old-aged and disabled, living alone or separately from their relatives. Ten years ago the functioning of the centres have been revitalised, this time to assist families and children, while in 1999 centres for old-aged and disabled started to operate. The Ministry of Labour and Social Protection implemented the reorganisation of the centres' functioning in 2003 towards meeting the conditions stipulated in the so-called 'unified social standard' The latter is a number of certain basic level of social protection and assistance to be delivered for the population. As for social service, the standard establishes one social service centre per each administrative-territorial unit (rayon). Currently each unit has its own social service centre so there are 156 in total operating in Belarus. In order to address the needs of small localities, both urban and (especially) rural, there are 219 affiliates of rayon-serving centres are opened, of which 192 are located the in rural areas (while 158 of them are operating in the so-called 'agro-towns'). [79]

The idea of social service centres is to cover the maximum possible number of urban and rural inhabitants such as disabled and old-aged living alone or separately from their relatives. It is estimated that about 100% of the urban localities and about 55% of rural ones are covered with the services provided by these centres. In distant rural localities, in case no centres or their affiliates are available, 'neighbourly assistance' is offered. It means that locals work part-time as social workers to help their lone neighbours.

The list of services delivered by the facilities described above include nursing and care, transport, legal consultations and assistance, training and retraining, psychological counselling and socialising activities.

[77] http://dha.by/index.php/humanitar_activity.html.
[78] http://news.tut.by/society/58246.html.
[79] The data for the social service provision are taken from Shevchenko and Avseenko (2008).

According to some estimates[80], these social service centres offer assistance to about 1.6 mln citizens and more than 300,000 families. One of the most sizeable categories of citizens being served is old-aged and disabled (I and II disability groups) living alone or separately from their relatives. The next large group being served is incomplete families, followed by large families, problem families, and families with disabled children (under age 18). Frequently, families combine such features as incompleteness, problem status and presence of disabled children. Regionally, Minsk region is the leading area in terms of the number of people served annually, while Mink occupies the last position. This is because of the least recorded number of old-aged living alone or separately from their relatives. At the same time, Minsk has the largest share of disabled (groups I and II) and bed patients assisted by the local centres.

The services described above used to be provided for free, but since 2002 some of them are offered on the paid basis. In 2001, the regulation No. 858 adopted by the Council of Ministers stipulated that free-of-charge service is available only for poor lone disabled citizens and families with triplets or more children (under age of two). For other categories, service is not free, but some small amount of money is charged. However, the rates applied vary from region to region since local authorities are capable of providing subsidies and discounts depending on the type of disability and other circumstances, including the level of income. In 2007, about 93% of social service customers paid for its use, while in 2003 this figure was just 54%. Indeed, the introduction of charges for social service provision has resulted in the decline in the number of its recipients (although the number of those in need has not decreased). Over a period of 2001–2007 it dropped by 20%. The volume of service provided amounted to BYR 8.4 bn in 2007 (or about EUR 2.8 m). The fees charged do not allow collection of the funds required for the centres to operate. Since centres are not intended to be profit-making bodies, they are largely funded by the state.

The centres employ about 17,500 social workers (in 2007). On average, each centre employs 112 workers, but this figure varies depending on the population in a given region. Centres located in the small urban and rural localities tend to employ more specialists than the facilities in medium and large urban localities. In fact, it is the population in the region which is a factor to decide about the number of employees, and not the actual number of citizens in need. As a result, the workload per social worker tends to vary considerably across the country, although on average singe worker deals with four clients.

There are personnel problems that have to be mentioned. One of them is educational profile. Only 12% of employees have higher education, although 75% of social workers perform the tasks requiring no higher education for their completion. Another problem is the lack of workers in the centres located in small urban localities and countryside.

The role of NGOs

It has to be mentioned that NGOs perform some of the functions social service centres are designed to carry out. However, it is hard to estimate the contribution made by NGOs since their size is small and they act locally (and not on the national level). Most of the NGOs are supported from abroad, by their counterparts from abroad or by the Church. In fact, the Orthodox Church in Belarus has created a network of sisterhoods (61 of them are currently operating), dealing with old-aged, disabled, etc. However, the NGOs and the state bodies do not share their responsibilities but work in parallel.

One of the NGOs' activists'[81] said that the state bodies tend to dominate and the partnership between them and NGOs assisting disabled are very rudimentary despite the welcome declarations. So far, NGOs and state bodies do actions 'in parallel', not jointly. The efficient division of labour is yet to be planned, not to speak of actual implementation. However, the Ministry of Labour and Social Protection is aware of the benefits such division of labour offers so there are plans being developed to make it a reality in the future. At the same time, NGOs, the Church and other non-governmental bodies have become more cooperative among themselves. It is projected that until the end of 2009, the Ministry would propose some mechanism how to establish co-operation between the state and non-state bodies.

[80] Shevchenko and Avseenko (2008).

[81] http://www.ngo.by/news/da120c9dee2b.html.

2.4. Social protection and support for the most disadvantaged groups

Persons with disabilities

Disabled are the most sizeable socially-vulnerable group (about 507,810, as of August 2009[82]). About 6% of them are children, so up to 30,000 families have a physically or mentally disabled child (or more). In the words of one of the experts, there is a substantial equal opportunities problem disabled face in Belarus[83]. Despite slight increase in the number of public places (including, for instance, newly opened National Library) where disabled can have an access to, it is generally difficult for them to move around cities and towns, not to speak of travelling. Only the National Airport offers proper facilities that can be used. In the vast majority of cases disabled are not capable to find a job that suits their qualification and previous experience. Also, education institutions do not offer special training or retraining for the disabled. The disability criteria remain to be primarily based on the physical ability.

Disabled persons are provided with social benefits, such as permanent disability benefits and social pensions. Also, they are liable to benefits in kind. The government also provided companies employing disabled persons with tax preferences, although the amount of subsidies has been trimmed over the last several years. There is a special program installed to compensate employers a purchase of specialised equipment used to create jobs for disabled workers. However, it is only state-owned enterprises provided with such benefits, while no self-employment opportunities are planned. In general, employment level among disabled remains at a low level. In 2007, it amounted to about 18%[84], while unemployment rate was around 80%[85]

In addition, the government runs a special Social Service Department to help disabled in meeting their daily needs. Disabled people are also provided (either free-of-charge or at a discounted price) with prosthetic and orthopaedic devices and technical means of rehabilitation (see above). This equipment tends to be standardised and no choice is available for the disabled.

There is a range of small-scale NGOs operating across Belarus to deal with the problems of disabled. The assistance these organisations can offer range from rehabilitation and training for jobs to the support in purchasing of the necessary equipment. Also, they often provide space for disabled to socialise, to make some creative work, etc. These NGOs are diverse and funded from various sources, depending on the NGOs. It can be suggested that in the majority of cases resources come from foreign donors and partners, but also domestic religious groups and Churches along with local authorities can provide their contributions. Some organisations provide benefits in kind like transports, consultations, seminars, etc. It is hard to assess the total volume of resources and accumulated and spent since this information is not publicly available.

Roma population, other minorities

Roma are concentrated in all regions of Belarus, except its Western part. The official 1999 census data report that there are 17,000 Roma in Belarus, but the unofficial estimates made by Belarusian Roma organisation 'Ekhipen' claim that there might be between 50,000 and 70,000 Roma in Belarus[86] (more precise data are hard to get due to the continuous migration of the Roma population).[87] In similar fashion, a representative of the Czech-based 'Dzeno Association' mentions the similar figure of 65,000.[88]

Most typical problems of Roma are poverty, illiteracy, and unemployment. Unofficial estimates claim that about 95% of Roma are unemployed. Some Roma do not reveal their nationality to avoid discrimination problems. More or less precise data are not available, but some anecdotal evidence suggests the existence of labour market discrimination. However, it is the educational level of Roma (85% of them do not have secondary education, while the vast majority have only primary education) that prevents them to find jobs[89]. Due to the non-registration of births by the Roma fami-

82 http://mintrud.gov.by/ru/gsp/chislinv.
83 See 'Social Work', No. 1, 2007.
84 http://www.belarustoday.info/?pid=54517.
85 http://www.afn.by/news/i/93251.
86 http://www.belarus-misc.org/gene-rom.htm.
87 http://roma.iatp.by/third.htm.
88 http://www.dzeno.cz/?c_id=9130.
89 http://roma.iatp.by/third.htm.

lies, children are not provided with child allowances and also incapable to access medical care. There are other vulnerable groups, but their situation has to be studied in greater detail since there are no data or reports on that available.

2.5. Influence of international organisations/donors

The influence appears to be limited due to the reluctance of the authorities to accept foreign aid. Over the last several years, the adoption of aid-constraining legislation, including the imposition of taxation on foreign aid, complication of bureaucratic aid approval procedures have resulted in the decline of the volume of foreign aid. At the same time, there are a number of UNDP projects being implemented in the country, including on poverty prevention, assistance to Chernobyl regions, HIV/AIDS prevention and suppression, and some others. These projects are approved by the government.

The World Bank has also been active in the provision of the beneficial assistance. In 2001, the government and the Bank agreed on the loan (EUR 18.8 m) to modernise the socially-important infrastructure by making it more energy-saving and efficient. According to the estimates made by experts, this project implementation would allow to save about EUR 2.7 mln on energy consumption of such facilities as kindergartens, hospitals, schools, etc. Also, the World Bank provided the so-called 'Chernobyl loan' to assist the maintenance of schools and hospitals and to supply with about 3,000 private houses located in the Chernobyl disaster-affected areas. In 2007, additional funds were allocated by the bank to support modernisation (about EUR 11 m) and to improve the functional and sanitary-hygienic conditions in various socially-important facilities. In 2007, the new cooperation strategy between the World Bank and the Belarusian government was adopted for a period of 2008–2011. It stipulates the provision of about EUR 70 mln during this period to support energy sector development and to enhance competitiveness of the Belarusian economy.

2.6. Drivers of reform and system sustainability

At the end of 2007, provision of social benefits has been reformed in Belarus. The funds allocated to the provision of social benefits had been cut by approximately one-third. Specifically, the reduction amounted to BYR 168.8 bn (or about EUR 55.4 m). Also, the preferences were partially monetized by increasing the liability threshold for its provision. In particular, the threshold was increased from 60 to 100% of the subsistence budget. Also, about 160,000 people were granted as right to obtain partial coverage of public utilities. Partial coverage means the provision of discounts for the use of public utilities for the household who are spending more than 20% of their income to cover the costs of public utilities in case a household is resided at urban-type locality and 15% in case a household is resident at rural-type locality.[90] At the same time, the benefits have been preserved for certain categories of the population, including the Heroes of Belarus and the Holders of the certain orders, war veterans and those who became disabled in the course of war, parents of those servicemen who died in the course of being on their duty, disabled people of the first and second disability groups, people possessing certain chronic diseases (requiring out-patient treatment), minors living in the radioactively-polluted territories, and people with radiation disease.

Prior to the reform, about 65% of the population was the recipients of social benefits of various kind. There were numerous criteria for provision of social assistance (about 50 different criteria), while about 100 of benefits and preferences were provided. [91] Some benefits were also enjoyed by the family members of the assistance recipients (line the discounted prices for public utilities, phone charges, and the use of sanatorium and spa treatment). The policy change has largely been driven by this excessive coverage of the population by various benefits and the need to redefine the reasons for the provision of social assistance. Also, growing incomes of the population have been among the causes of reform (that resulted in the considerable reduction of poverty levels, see Chapter 1 for details). Indeed, in the mid–1990s, the authorities have deliberately not reformed the system of social protection having relatively high poverty rates.

Among the measures implemented were the cancellation of discounts (most often, 50%-discounts) for public utilities, phone installation and use, medicine, and public transports for pensioners, veterans, and other socially-sensitive groups. One of the publicly-denoted steps was the abolition of discounts on the use of public transports. This has been the most serious measure, particularly sensi-

[90] http://news.tut.by/124451.html.
[91] http://news.tut.by/124451.html.

tive to pupils, students, and pensioners. The next group is the children under the age of three who were deprived of the possibility to obtain medicine for free. Last but not least, a substantial impact was observed in the group of people suffered from the Chernobyl catastrophe.[92] Due to the public dissatisfaction with such policy measures, the government has partially returned the benefits withdrawn, such as public transportation fees discount (at 50% of the full value) to pensioner, war veterans, disabled, orphans, and children under age seven.

Apart from the above-mentioned change in the provision of transport and public utility benefits and discounts, the following measures have been implemented: (i) the conditions and provision of sanatorium and spa treatment, (ii) withdrawal of free medicine provision and free transportation to the place of vacation for servicemen (of the military forces and the Ministry of Interior, including, in certain situations, their family members); (iii) abolition of the benefits for the former prisoners of the Nazi concentration camps; (iv) reduction of the benefits for certain categories of citizens suffered from the Chernobyl catastrophe, and some others. One of the important changes has been the so-called setting or fixing the provision of benefits (in accordance with certain thresholds defined on the basis of the actual consumption levels of, among others, public utility services and medicine). It means that social benefits provided should correspond to the consumption norms as defined by the legislation in order to avoid 'excessive' provision. As a result, discounts for coverage of public utilities for certain categories of recipients have been revised. At the same time, new legislation has not affected pensions of the disabled citizens and mark-ups paid to the pensions of certain categories of pensioners (such as Chernobyl disaster fighters, former prisoners of the Nazi concentration camps, and so on). In other words, pensions and mark-ups are not revised.

One of the substantial changes introduced by the legislation of December 17, 2007 has been the upward shift of the 'needs criteria' (as it is stipulated in the legislation) from 60% to 100% of the subsistence minimum. Previously, 60%-threshold was utilized as a benchmark to provide social assistance, but since the end of 2007 onwards it has been lifted to 100%.

The results of the policy change are yet to be assessed. Moreover, it has not yet complete as one observes new proposals in the direction of social policy reform (like increase of the unemployment benefits, see Chapter 1 for details). In 2008, as many as 320,000 people asked for social assistance, of which 86.5% assistance was granted. In general, about 3% of the population has been covered by social benefits. This has partially contributed to the reduction of poverty from 7.7% in 2007 to 6.1% in 2008. The average volume of monthly social assistance benefit has increased twice to reach BYR 57,400 per family member (or EUR 18.9), while the volume of one-time social benefit increased from BYR 82,800 (EUR 28) to BYR 124,500 (about EUR 41) per capita.[93] Accordingly, in 2008, the amount of funds allocated for the provision of social benefits in the central budget has been increased by more than five times, since BYR 6.4 bn in 2007 to BYR 34.8 bn in 2008 (or from EUR 2.1 mln to EUR 11.4 m).

A fully-fledged longitudinal analysis of transfers and benefits has not yet been completed so it is difficult to make conclusive judgements about the effect of various redistribution policies and social assistance programs. Nevertheless, the World Bank (2004) analysis of poverty made a survey to show that from 63% to 73% of the poor population benefit from the poverty alleviation programs (World Bank, 2004). For pension-age people, pensions are the most important source of poverty prevention. Social protection transfers strongly benefit the poor. Also, 59% of the pre-transfer consumption of the poor falls on social protection benefits (World Bank, 2004). However, this analysis has been performed prior to the introduction of targeted social assistance programs.

2.7. Future trends

The government plans to rearrange the provision of social benefits due to the pervasiveness. The HBS data show that in 2007 about 64% of households are provided with benefits and assistance. However, the new law 'On Social Benefits' is not yet adopted, while the policy change has been guided by the President's Edict No. 638. Currently there are amendments planned to this legislation, including the simplification of the procedure for the provision of social assistance and, more importantly, further increase of the liability threshold for receiving a one-time social benefit up to

[92] http://news.tut.by/99895.html.
[93] http://news.tut.by/society/134543.html.

150% of the subsistence minimum (while now it is set at the level of 120% of the subsistence minimum).

2.8. Conclusions and key challenges

In general, social protection system in Belarus is distributive and paternalist one. By utilizing it, the government solves some important social problems and avoids poverty and deprivation among certain socially vulnerable groups. Almost no coordination occurs between state-run services and the NGOs. In essence, vulnerable groups are targeted by the system as soon as they are recognized by the existing legislation. The recognition nevertheless is not pervasive so some vulnerable groups are left out. This is because in the Soviet Union times certain vulnerable groups (like homeless) were not supposed to exist as such (since everyone was supposed to have a registration at a certain place of residence or '*propiska'*). Also, the list of groups is influenced by political considerations since bureaucrats, employees of the Ministry of Inferior and former servicemen and their family members are included. At the same time, a way of dealing with disability (in the sense of classification of the disability groups, their inclusion in the list of socially vulnerable groups, etc.) is well-organized, but service and environment for the disabled as well as the amount of social assistance along with inclusion policies need to be drastically improved. An important step should be the update of the list of vulnerable groups by including, for instance, homeless. For some categories statistical data are not available. Also, inter-ministerial coordination is required to deal with social vulnerability issue in a comprehensive way.

The issue of the access to benefits remains acute. In fact, the volume of and access to the benefits available vary in practice depending on the habitation and even the physical conditions of recipients. For instance, rural population often does not use public utility benefits because centralized water supply and heating is not available. Transport service is also used less frequently than in the urban localities. As a result, it can be estimated that the volume of benefits consumed by urban dwellers exceed the one consumed by the people living in the rural areas by 1.7 on average.

Another issue concerns the access to information about the social assistance available. People seems to be most closely aware of the pensions and family assistance, while such rights as a choice of a doctor and medical facility, free legal assistance, and the right to appeal to the court in the case of improper provision of services are not considered. Legislation remains complicated. The introduction of the 'single point of entry' principle has changed the mode of interaction with the customers of the social service, but has not amended the guiding principles.

Last but not least, many social assistance benefits are related to the subsistence minimum, which is based on the 'nutrition approach' and does not account for the consumption realities. In general, social standards defined by the subsistence minimum and the minimum consumption budget (calculated for a family of four) merely replicate some basis needs of the population, which have changed over time.

Global financial crisis has had sensible consequences for Belarus. In the field of social protection and social security, it has accentuated the need for further change. The key challenge the government faces now in this area is whether to start further reforms or to postpone them by opting for partial change mentioned above. The choice is dependent on the type of adjustment policy, and its decisiveness and the depth of structural reforms to be chosen in response to worsening external conditions, such as sluggish demand for Belarusian exports, lower exports prices, and mounting current account deficit. As it has been argued above, there is a choice between open and hidden unemployment in Belarus. The choice is conditioned upon the expectations concerning the length of the crisis and the available channels to cope with external deficit and to supply the economy with loans in order to maintain GDP growth.

This choice is affected by both economic and political considerations. Economically, there is a dilemma whether to spend on supporting state-owned enterprises by keeping them afloat via the provision of subsidized, but credit that becomes dearer in the conditions of global economic crisis or to spend on social assistance to all those who lost their jobs because enterprises are in trouble. For some companies, loss of human capital is clearly not an option. Most likely, it is in the petrochemical sector, where industry-specific or even enterprise-specific skills have to be preserved in

the times of recession in order to secure their adequate supply in the times of growth. For manufacturing companies, reduction of the excessive labour force can be an economically-sound step, but then the question of social assistance to the unemployed immediately arises. This would require the redefinition of social standards and reform of social policies. What kind of policy would be chosen and which instruments would be used are still questions under consideration. The most recent news (at the times of preparing of this report) is that the government is subscribed not to turning hidden unemployment into an open one.[94] However, this is not the conclusive decision. Instead, its revision can realistically be expected in the future under the changing external and internal circumstances.

2.9. References and tables

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Tables

Table 2.1: Planned revenues and expenditures of the Social Security Fund, % of GDP*

	2006	2007	2008**
Revenues:	10.3	11.4	9.5
Contributions of employers, employees, and self-employed (entrepreneurs, etc.)	10.2	11.1	9.3
Other revenues	0.1	0.3	0.2
Expenditures:	10.3	11.4	9.5
Pensions	8.5	9.1	7.7
Social security payments	1.4	1.6	1.6
Other expenditures	0.5	0.7	0.2

* Planned revenues and expenditures of the SSF are divided to the actual GDP.
** GDP forecast for 2008 – IPM Research Centre.
Source: Council of Ministers.

[94] As a representative of the Federation of Trade Unions of Belarus maintains, see http://kp.by/daily/24278/473647/ for details.

Table 2.2: Revenues and expenditures of Social Security Fund, 2008

Item:	% of GDP
Revenues	**13.3**
Finance balance as of beginning of year	14.3
insurance premiums	83.5
insurance premiums, contributed by private entrepreneurs	0.4
Contributions of employers on compensating earlier retirement pensions for those worked in hazard conditions	0.5
Income from capitalization of the SSF sources	1.2
Resources of republican budget	0.0
Other	0.1
Total	100.0
Revenues not including finance balance as of begging of year	**11.4**
Expenditures	**10.1**
On payment of	
pensions, incl.	79.3
earlier retirement pensions	0.1
pensions for compulsory military service	1.2
pensions for those moved abroad	0.1
funeral grants	0.8
child-care allowance until child is aged 3 years	4.3
for children over 3 years old	1.3
sickness benefits	6.7
maternity benefits	1.6
birth grant	1.1
On servicing pension and benefit payments	1.0
Social assistance for pensioners	0.0
Assignments on health care arrangements	0.8
Financing special sport and education institutions	0.3
On maintenance of SSF bodies	0.6
Financing unemployment arrangements	0.8
International activity	0.0
Other	0.0
Total	100.0
Surplus	**1.3**
Finance balance as of end of year	**3.2**

Source: Ministry of Labour and Social Protection.

3. Poverty and social exclusion

3.1. Introduction and objectives

Over the last years, the government has managed to reduce substantially the absolute poverty rate (see box 3.1). According to the HBS data, the share of the population with incomes below the subsistence level (set at the official poverty line) decreased from 46.7% in 1999 to 7.7% in 2007. Economic growth and macroeconomic stabilization (particularly exchange rate stability) played the decisive roles (Chubrik and Haiduk, 2007). Moreover, growth of real wages (that has been lower than real income growth) contributed to poverty reduction. Also, wage policies along with social policies have been utilized for redistributive purposes to reduce income inequality among different income groups. However, it is hard to estimate the role of policies aimed at tackling social exclusion. Their scale and magnitude is yet to be assessed.

In addition, social policies have to be mentioned. Income growth used to be matched with the availability of social benefits. According to some estimates, about 65% of the population had been provided with benefits of various kinds (see section 2 of the report). For the government, the key objective has been to avoid absolute poverty among the socially vulnerable groups, such as incomplete families, disabled people and single old-aged citizens. At the same time, social assistance is directed to the 'officially designated' vulnerable groups of the population, as some of the categories of socially excluded (homeless, Roma, etc.) are not explicitly considered. In order to obtain a comprehensive picture of the poverty situation and trends in Belarus, a detailed description of the existing standards and trends have to be made. They have to be compared with the ones adopted by the EU since there is a divergence in poverty thresholds and, more substantially, approaches to defining of and tackling with poverty. In this report, the reference is often made to the year 2007 to illustrate the recent dynamics and to derive trends.

3.2. Historical perspective

Trends in poverty and social inclusion since the beginning of transition

At the beginning of transition, poverty increased sharply due to the post-Soviet initial output contraction combined with reduction of real incomes, and high inflation[95]. Poverty (as measured by using the national budget standard approach, see box 3.1) increased from 1% of the population in 1987–1988 to 22% in 1993–1995[96] (Milanovic, 1997). Over 1995–1998, the administrative ('absolute') poverty rate remained relatively stable (35.5%±3 percentage points), thereby reflecting a more or less stable macroeconomic situation. However, after the 1998 Russian financial crisis, the poverty jumped to 40% due to a sharp decline of real household incomes and high inflation. However, in 2001 a notable poverty reduction had already been recorded (by 13 percentage points) and later in 2004 (by 9.3 percentage points). The 2001 decrease had to be attributed to macroeconomic stabilization, while the 2004 one had been driven by the acceleration of economic growth. Over a period of 1999–2007, poverty dropped by 39 percentage points to reach 7.7% of the population.

Box 3.1. Methodological notes

The information provided in this section is mainly based on the Household Budget Survey data. The HBS sample is constructed based on the data collected from the local state-owned public utility companies (that keep detailed records of the inhabitants consuming public utilities). As a result, the sample tends to exclude (as in other countries) homeless, people from orphanages, and so on.

Specifically, the following definitions and terms are used in the text:

1) **Disposable resources** are *monetary funds available to households, including the value of home-grown and consumed food minus the costs of its production, plus the value of subsidies and benefits in kind obtained by a household. The value of home-grown food is assessed by*

[95] A well-known argument is that Inflation is most harmful for the poor (Easterly and Fischer, 2001). This thesis has been empirically verified also for Belarus (see Haiduk and Chubrik, 2007).

[96] For most countries, income concept in 1993–1995 is disposable income (gross income minus direct personal taxes); in 1987–88, it was gross income. Personal income taxes are small, and so is a difference between disposable and gross income (Milanovic, 1997).

using average purchase prices of foodstuffs (Belstat and UNDP, 2005). As households often tend to underreport their monetary incomes, monetary expenditures are used instead. Thus, disposable resources are calculated as total household expenditures plus income in kind (measured as a sum of the value of home-grown consumed food minus costs of their production plus benefits in kind received).

2) **Official administrative poverty line** (or national poverty line, or subsistence minimum[97]) is the monetary equivalent of the cost of 2,700 calories per adult per day (equivalent to 2,400 calories per person[98] per day). **Absolute poverty** is the share of populations with disposable resources below this official poverty line.

3) **Relative poverty** is the share of population with disposable resources below 60% of the median disposable resources.

4) **Equivalence scale** is the OECD modified scale with the following weights for household members: 1 for household's head, 0.5 for all other adults, and 0.3 for children (1–0.5–0.3)[99],

In contrast, during the whole period considered (except in the year 1995), relative poverty (as calculated by using equivalence scale 1–0.5–0.3) varied around 11.3%±1.3 percentage point. This reflects a rather stable distribution of incomes of the poor and also relatively low level of incomes of the majority of population. In 2005, the relative poverty rate reached an absolute poverty rate, but then exceeded in 2006 and 2007. It occurred because of the shift of the poverty line when calculated as 60% of the median income to the level of the official poverty line. In 2007, the gap between the absolute and the relative poverty rates amounted to 4.2 percentage points due to a further increase of the relative poverty line in comparison with the absolute one. Pensioners constitute almost half of those who are not absolutely, but relatively poor. Additional 25% are low paid workers, while children's share is less than 10%. Another phenomenon (which is relatively rare, less than 0.5% of the sample) is those who are absolutely poor but not relatively poor – represented only by relatively large families (4+ members) with children. The share of such households depends on the weights of family members in equivalence scale.

In 2007, dispersion of people around the poverty line was as follows: people possessing incomes below 40% of median disposable resources amounted to 2.2% of population, those who spent less than 50% of the median disposable resources amounted to 5.7%, and the share of 70% of median (and less) was 20.7%.

Overview of research done on poverty and social inclusion in the country

A few studies of poverty and economic status of the households were made (e.g., see Liberati, (2001); Walewski, Chubrik (2001); Chubrik and Haiduk, 2007). A study by Liberati (2001) is a simulation of the introduction of monetary transfers that identifies vulnerable groups as targets for redistribution. Re-targeting to workers with children and pensioners is likely to produce strong poverty-reducing effect, although the presence of children does not suggest poverty depth. Studies by Walewski and Chubrik (2001) and Chubrik and Haiduk (2007) pay much more decent attention to empirics. The first one describes the situation of Belarusian households in 1995–2000 and concludes that social policies practiced had not been capable to adequately solve problems of the poor, as social benefits are badly targeted. The second study (Chubrik and Haiduk, 2007) concludes that benefits of high rates of economic growth of 1996–2006 were distributed rather evenly among different income groups. The study also found negative influence of macroeconomic instability (inflation/devaluation) on the incomes of the three poorest deciles of the Belarusian population. According to this study, a significant reduction of poverty in 2000–2006 originated from economic growth and redistribution of incomes within the political-business cycle made possible to GDP growth.

[97] The government utilises several measures that can be considered as living standards: Minimal Consumer Budget (MCB) and Subsistence Level (also used as official poverty line). MCB was introduced in 1992. It is defined as a 'cost of basket of consumer goods and services needed to satisfy basic physiological and socio-cultural needs'. Subsistence level was introduced in 1999 as a '[cost of] the minimum set of goods and services needed to support vital functions of a person and to preserve his or her health'. During recent years, the living standard of the population measured as the relationship of average household income to MCB and subsistence level improved significantly (Table 3.1).

[98] I.e. including children.

[99] The 1–0.5–0.3 scale applied without preliminary analysis of economies of scale of consumption. See http://www.oecd.org/dataoecd/61/52/35411111.pdf for a detailed description of different equivalence scales.

Studies of social inclusion in Belarus are still very scarce. Nevertheless, the IMF and the World Bank reports have to be mentioned. Of direct relevance is the World Bank's Poverty Assessment Report (World Bank (2004) that describes the issues of poverty and its causes and discusses a whole range of related issues such as education, healthcare, and social assistance to the poor. Although the World Bank's report denotes decline in poverty over time so its level remained low compared to other transition countries, it stresses shallowness and fragility of this reduction due to the existence of economic distortions and administrative regulation of the labour market and wage-setting in particular. Next, low income inequality has been observed against the background of differential and unequal access to education and healthcare. This statement reflected the emerging tendency for 'commercialization' and 'marketisation' of these sectors as more services ceased to be free of charge. Also, some reform efforts had been noted, including 'the performance-enhancing reforms in education, health and social protection' (World Bank, 2004). However, the latter passage appears to be a generous credit to the government efforts that seem to be not so comprehensive and consistent (see section 2). Prior to that, IMF reports addressed macroeconomic issues and labour market developments that shed the light onto the poverty dynamics.

Finally, in 2005 Belstat and UNDP prepared a statistical guidebook 'Social Environment and Living Standards in Belarus' containing information about different aspects of poverty and social status indicators of the Belarusian population (however, this publication contains only statistical information and methodological notes with no conclusions or analysis made so it cannot be considered a 'study').

It should be noted that all available studies of poverty/social inclusion in Belarus primarily deals with absolute poverty rates calculated on the basis of the administrative poverty line. Belarus' relative poverty rate (and poverty measured on the basis of equivalence scales) has not been studied yet.

Government policies and strategies towards reducing poverty and social exclusion

The overarching goal of the government is to maintain an egalitarian social system (see Section 2 for a detailed description). Redistribution policies play an important role in securing a relatively even distribution of the fruits of economic growth. However, there is no evidence of their positive impact on poverty reduction (Chubrik and Haiduk, 2007).

Apart from macroeconomic stabilisation programs, there were policies implemented within the framework of the social protection system. Although more detailed analysis is conducted in the Chapter 2, some essential aspects could be recalled here. First of all, there were benefits in kind, mainly social services for poor disabled and old-aged, usually living alone or separately from their families. A network of social service centres has become to spread since 1998–1999 to cover all administrative districts of Belarus. These centres offer various services like nursing, shopping, transportation, etc. for certain vulnerable categories, including the poor. Also, the service is offered free-of-charge for those whose incomes are below the officially set poverty threshold. The second element is the provision of material assistance, i.e. moneyed transfers to the poor. Again, the liability criterion for the provision of a so-called 'targeted social assistance' has been the level of incomes (whether it falls below certain share of subsistence minimum; initially, 50% and now 100%). Often, grants were paid on a monthly basis just 'to make the ends of the poor meet' and not to move them out of poverty situation.

The results of the government policies have been efficient to prevent extreme poverty and to guarantee certain very basic level of incomes so poor households could survive. There are no fully-fledged alternative estimates of the efficiency of poverty reduction made, for instance, by NGOs. One of the studies point to more general problems of social protection[100] that are relevant for the poor. In particular, there are problems related to information and access since some of the poor are not fully aware about certain in-kind benefits available to them. Also, it is impossible to convert in-kind benefits into monetised ones, if there is a need and rationale for that and so on.

One possible way to measure the impact of poverty-reduction policies is to calculate the poverty rate before social transfers[101]. In 2007, the absolute poverty rate excluding transfers[102] was 2.5

[100] See http://eurobelarus.info/content/view/1813/145/.

[101] Direct monetary payments to the households: child allowances, other state subsidies and benefits (postnatal allowance, maternity benefits, benefits for women registered within 12-week pregnancy period, benefits for those who look after the disabled/elderly,

percentage points higher than the absolute poverty rate including social transfers, while the relative poverty rate without transfers increases just by 1.6 percentage points (see Table 3.3). Apparently, the impact of these transfers on poverty is rather moderate. This is because of the mode of functioning of the social security system that used to provide transfers not on the basis of income or need, but on the basis of social status, occupation history, and so on (see section 2 for details). Another type of social assistance is benefits in kind[103]. Until December 2007, benefits in kind were a notable part of the social assistance package. After a partial reform of the social security system (see Section 2 for details), their share in the household monetary incomes dropped by 0.6 percentage points (to reach just 1.1%).[104] At the same time, in 2007 the absolute poverty rate prior to in-kind benefits amounted to 8.4% exceeding the overall rate by 0.7 percentage points. Given that the share of in-kind benefits and monetary transfers in the average household income is quite similar, it can be concluded that monetary transfers are targeted much better than in-kind benefits.

Finally, it should be noted that the reduction of in-kind benefits implemented at the end of 2007 was accompanied by an increase in the volume of monetary transfers. However, the impact of this measure on poverty is yet to be estimated in the future. It is reasonable to expect that further reforms would be implemented in this direction.

3.3. Profiles of poverty and social exclusion

Measures of absolute and relative poverty

The data on poverty and its different dimensions can be obtained from the Household Budget Survey, conducted by the Belarusian statistical office (Belstat) since 1995 onwards. The Belarusian HBS data generally meet the required quality standards (as specified, for instance, in Deininger and Squire, 1996). However, in 1987–1988, the HBS tended to seriously underestimate poverty in Belarus. In 1993–1995 the quality had been notably improved, although the standards adopted by 'developed economies' were not reached in full (Milanovic, 1997); World Bank, 2004).

The Belarusian statistical office does not use equivalence scales in order to compare household incomes. The reason behind this is the quite low share of expenditures on housing, including utilities and furniture (about 10% per average household compared to 33% in the EU–27[105]), which reduces the economies of scale effect. Thus, in the official publications made by Belstat all members of the household are treated equally (with the weight one). But in this report, relative poverty is estimated on the basis of the modified OECD equivalence scale (1–0.5–0.3) as used by the EU.

Poverty lines

The government of Belarus applies the budget standard approach for measuring absolute poverty. The survival minimum (or 'subsistence level'), which is the so-called *administrative poverty line* (hereafter – APL). It is set by the central government at the value of the monetary equivalent of the cost of 2,700 calories per adult per day (equivalent to 2,400 calories per person per day). The revision is made on a quarterly basis. The basket of goods and services for the survival minimum is set by the special regulation of the Council of Ministers. It was introduced in 1999 (prior to that, the official poverty line was defined as 60% of the minimum consumption basket, which is another official living standard, see section 1.2). The key problem of the existing definition of the official poverty line is the misfit of the 'nutrition approach' to the actual structure of the expenditures the poor make. For example, in 2001, the average calories value of a typical diet of a poor individual was 2,217 kcal (7.6% less than the one defined by the subsistence level), while the average disposable resources of the poor were 22.3% below the official poverty line. In 2007, the average calories value of the poor's diet decreased to 1,997 kcal (16.8% less than those of the subsistence level), while the average disposable resources of the poor increased to the level of 82.9% of the official poverty line.

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burial, benefits for families of servicemen killed during fulfilment of military duty and other local authority benefits), student grants and unemployment benefits.

[102] Here pensions are not treated as transfers.

[103] Such as food allowance, partial coverage of public transport fees, housing and public utilities, discounts on medicine and drugs, and reduced fees on kindergarten and similar facilities, including educational ones, etc.

[104] Second quarter of 2008 comparing to the second quarter of 2007.

[105] Finfacts (2008). EU27 Households spend more than half of their expenditure on housing and food; Ireland leads with spending on alcohol at 4.1%, see http://www.finfacts.ie/irishfinancenews/European_3/article_1013977_printer.shtml.

Another possibility to measure poverty is to have a look at *the share of food expenditures* in the total consumer expenditures. One can observe considerable decrease of this indicator in Belarus: from 59.6% in 2000[106] to 41.5% in 2007 (in 2008 the share of food expenditures remained almost unchanged (41.3%)). For the poorest quintile, this indicator improved from 64.7% (2000) to 48.9% (2007), for the richest quintile – from 55.4 to 33.5%. However, this indicator is considerably higher than either in the EU–15 or EU–27: in 2005, these figures were equal to 12.6 and 15.7%, respectively (Zorgafakis et al., 2009). This reflects the development gap between Belarus and the EU, and higher utilities prices in the EU comparing to Belarus.

For the purpose of cross-national comparisons (in order to monitor, for instance, fulfilment of the Millennium Development Goals) the World Bank poverty lines of 1 and 2 USD PPP per day per capita were used in Belarus (see UNDP, 2007). However, the application of these poverty lines proved to have little sense for Belarus, since there have been no households with per capita income less than these poverty lines. Another World Bank poverty line (4.3 USD PPP) is sensitive to the real appreciation/depreciation of the national currency towards the US Dollar (Chubrik, Haiduk, 2007) so there is a danger of overestimation of the poverty level (in the case of real depreciation) or its underestimation (in the case of real appreciation).

The relative poverty line (hereafter – RPL) adopted in the EU countries (60% of median income) has not been estimated in Belarus yet. This study makes such estimates by calculating the relative poverty line both for per capita disposable resources (PC RPL) and for the OECD-modified (1–0.5–0.3) equivalence scale (ES RPL). The annual poverty lines for 2007 are shown in the Table 3.3.

Subjective poverty[107] in 2007 was higher than the absolute poverty rate: 14.8% of households mentioned their dissatisfaction with the level of their well-being as against 5.6% of the poor households[108]. However, in 2000, the official poverty rate (35.7%) exceeded the subjective one (32.6%), while in 1995 these indicators were almost identical to each other (38.4 and 38.8%). These figures might reflect the people's intention to compare their incomes with the incomes of other households, so subjective poverty estimates contain some degree of relativity. This is confirmed by the fact that the subjective poverty rate is closer to the relative poverty (albeit slightly higher than it) as measured both with and without equivalence scales.

Dimensions of poverty and social exclusion[109]

Territorial dimension (according to the ES RPL): According to the HBS data, the poverty is significantly higher in the rural areas, where 18.5% of rural population is poor (see Table 3.3) compared to 8.4% of poverty in the urban areas. Cross-regional differences are also notable: the relative poverty rate is highest in Gomel *oblast* (17.6%) and Brest *oblast* (15.1%); Vitebsk and Grodno *oblasts* have 11.2 and 11.6%, and Minsk and Mogilev *oblasts* have the lowest poverty rates (8.7% in each). Minsk has almost no poor population. Only 3.1% of its population has disposable resources below the relative poverty line. Regional differences can partially be explained by the variability of employment rates among NUTS–2 regions (i.e. between *oblasts* and Minsk city treated a separate administrative unit). In 2007, it was equal to 19.8% (ranging from 65.5% in Mogilev *oblasts* to 77.3% in Minsk city), which is higher than in any of the EU economies[110].

Gender dimension: some gender difference can be discovered as the ES RPL is applied. In particular, 12.6% of adult (16+) women are poor, while for men this indicator amounts to 10.4%. Two other poverty lines (APL and PC RPL) display almost identical poverty levels although women rates are slightly lower than those of men (Table 3.3). This phenomenon can be explained by a higher share of women among pensioners (in Belarus, about 2/3 of pensioners are women). Normally, the level of income of pensioners is higher than the absolute poverty line or poverty line calculated without equalization. However, equalization procedure worsens the poverty situation of single pensioners. Taking into account the longer lifespan of women compared to men in Belarus and the earlier retire-

[106] Between 1995 and 2000, the share of food expenditures (includes expenditures on catering) remained almost unchanged, varying from 57.6% in 1997 to 61.6% in 1995.

[107] Subjective poverty is measured as a percentage of households unsatisfied with the level of their monetary incomes (HBS data).

[108] The share of the poor households is less than the share of the poor individuals, as average size of the poor household is higher than those of the non-poor one.

[109] Hereafter we consider poverty as a percentage of population or population group with disposable resources below the relative poverty line calculated based on the modified OECD equivalence scale.

[110] See http://www.poverty.org.uk/l05/index.shtml.

ment age it is then seen why the number of single retired women exceeds the number of single retired men (by 14.7%). Thus, gender differences in poverty can not be explained by discrimination in the first instance, but needs strong refers to demographic factors.

Duration of poverty: Persistence of poverty can be measured only within one calendar year, as households in HBS sample are rotated annually. However, some positive dynamics is still observed. In particular, in 2007, 35.5% of the poor (as measured by the APL[111]) stayed below poverty line during the whole year (compared to 51.8% in 2000). Additional 41.6% remained poor for three quarters (31.7% in 2000), 21.3% – for two quarters (15.7% in 2000), and only 1.6% of the poor were able to change their status in the course of one quarter (0.8% in 2000).data is available only for one-year intervals since households are rotated annually. In 2007, 35.5% of the poor households (according to the official poverty line) remained poor for the whole year, 41.6% for three quarters, and 21.3% for two quarters.

Material deprivation: In order to smooth the impact of the rural-urban gap, material deprivation indicators are re-estimated by accounting for the place of residence. Rural area is defined as incorporating villages and small towns, where the share of so-called 'private housing sector' (small houses usually owned by one family) is quite substantial (in contrast to the urban localities where blocks of flats prevail). The difference in these housing conditions between the poor and non-poor is drastic in the rural areas, but quite moderate in urban areas (see the Table 3.4 below). In rural areas, families have to bear the costs of installation of various 'amenities' (like heating system, water supply, sewage, etc.), while in urban localities public utility companies provide households with the necessary facilities 'by default' in the vast majority of dwellings[112]. One of the important differences between the rural and urban areas is availability of gas supply. In particular, in the rural areas the poor are relatively deprived of gas access, while in the urban areas the non-poor looks deprived here. However, in the urban areas gas supply to the old buildings (i.e. less than 9 levels high), and its availability could be treated as a sort of proxy of a relatively inferior quality of housing.

The second group of material deprivation indicators, such as availability of durables is less sensitive to the place of living or residence However, in the rural areas both poor and non-poor own less personal computers, music centres, video and DVD players. In general, the poor are significantly deprived in terms of car ownership (especially in the urban areas), personal computers, and DVD players (as shown in the Table 3.4 below).

Housing tenure: 36.3% of the poor (according to the ES RPL) are renters (living in hostels or rented dwelling) compared to 31.5% of the non-poor. The situation improved significantly since 1995, when 48.5% of the poor and 47% of the non-poor was renters. However, this improvement is nothing more than a formal change of the ownership status. The government allowed privatization of the communal housing stock to individual families, so their previously 'communal' property has become 'private' one.

Health status and life expectancy: The ratio of the share of those who self-report bad health status among the poorest 20% of population (after equalization procedure is performed) to the share of those who self-report bad health among the richest 20% of population is equal to 2.1, which is quite low compared to the EU countries (in 2001, EU average was about 2.4[113]). The main explanation for this relatively bad health status self-assessment reflects the presence of a substantial share of pensioners. Bad health is also closely associated with poverty: 17.2% of those who mentioned that his or her health partially or completely restricts their ability to work are poor.

Life expectancy at birth in Belarus achieved its maximum (72.9 years) at the end of the 1960s. In the pre-Chernobyl year it was 72.6 years, but since 1986 it has been decreasing till 67.9 years in 1999, when the absolute poverty achieved its historical maximum. Later it varied around 69.1 years, reaching a new minimum in 2002 (the only year in the period after 1999 when the absolute poverty rate increased) and a maximum in 2008 (70.5 years, which is comparable with the level of 1992)[114].

[111] In order to estimate persistence of the relative poverty one should get quarterly HBS files from the Belstat.

[112] One of Government policy of 'gasification' of rural localities did not lead

[113] The Poverty Site: Health inequality: % in poorest fifth who self-report bad health / % in richest fifth who self-report bad health, see http://www.poverty.org.uk/I10/index.shtml.

[114] For additional information, see Chapter 1.8.

Inequality: Belarus can be treated as a relatively egalitarian country with a ratio of the total income of the richest 20% of the population (after equalization procedure) to the total income of the poorest 20% of the population of 3.7 (which is below the EU-average). The level of equality is comparable to the one of the most egalitarian EU countries like Sweden and Austria. 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.

Coping strategies: Subsistence farming[115] is one of the coping strategies readily available for the poor households. In 2007, 58.6% of individuals living in non-poor households use land their plots for growing food (either only for their own consumption or both for own consumption and for sale), or to keep poultry, cattle or bees. Among the poor this figure is significantly higher (72.4%). Another way to measure the importance of subsistence farming is to estimate the poverty rate before in-kind income. In 2007, it was 14.2% of the population, or 2.1 percentage points higher than the relative poverty rate after in-kind income is included. Finally, the share of in-kind income in disposable resources of the poor is 11.1% compared to 5.5% of the non-poor.

Temporary labour migration is another available coping strategy. According to various estimates, the number of Belarusians working abroad varies from 100,000 to 300,000. Some experts even claim higher figures (such as 400,000 or even 700,000), but this is hard to verify. Some indirect estimates can be done on the basis of the household budget survey data. For instance, part of the respondents do not take part in the interviews for 'uncertain reasons', and at the same time they work or refuse to answer whether they work or not. These people are very likely to be temporary labour migrants. This hypothesis received some support in the course of private communication with representatives of Belstat, who stated that about 2% of the HBS sample is temporary labour migrants. According to our estimates, the number of labour migrants was 265,200 in 2007 and 244,700 in 2006. This is close to an expert estimate of 300,000. However, it is not entirely clear whether these people work either in Belarus (in other places than their household residence) or abroad (mainly in Russia), so these figures have to be used in caution. The bottom line is that temporary labour migration is an important coping strategy, but its scale is yet to be estimated, including by the means of proper labour force survey.

As a coping strategy, labour migration is particularly widespread in small towns and rural areas, where employment rates are lower than country average one (by 0.7 and 3.1 percentage points). Moreover, labour market is rather stagnant and job creation is negligible. There are some localities in Belarus where several hundred people are registered as unemployed, with no chance to acquire employment close to their place of living. At the same time, the opportunities for moving to other destinations are not readily available. It is often the case that wages do not allow such workers to cover rent costs, while employers are unable to provide them with shelter, even a temporary one. As a result, the share of labour migrants in working-age population of Minsk and large cities is 0.3 and 2.8% respectively, while in small towns and rural area this figure reaches 5.4 and 5.9%, respectively. In 2007, 4.5% of individuals from the poor households (defined on the basis of ES RPL) were labour migrants (comparing to 2.6% among the non-poor individuals).

Undeclared work is also difficult to estimate. One possible way is to calculate the difference between the number of employed as reported by the official statistics (about 4.4 mln in 2007) and the same figure obtained from the HBS (about 5 m). Such a sizeable difference suggests of the existence of a 'grey', informal labour market. Another way of estimating undeclared work is to combine those who treats oneself as being self-employed, family-workers or own-account workers, and persons of the working age who took part in an interview, but tick 'Difficult to say' option when answering a question 'Do you work now?' The HBS gives the number of such people of about 0.2 mln. If this estimate is correct, then one can see that undeclared work is an important source of income for young people (in the age cohort 18–19 the share of those who has undeclared work in the total number of employed is 11.8%, while it goes down in the next cohort (20–24) to 5.8%). For the people aged 75+, undeclared work is also an important source of additional income: 27.8% of employed from this age cohort has an undeclared work.

[115] Subsistence farming is widespread in the rural areas (93.2% of households living in rural areas use it) and small towns (52% of households); the share of households that use subsistence farming increases with household head's age (for age 40+, this share exceeds 50%); by socio-economic status of household head, subsistence farming is typical for households headed by pensioners (72.9% of such households), by those who employed at enterprises/organisations (not by individual entrepreneurs) – 51.1%, and by members of producer cooperative (former *kolkhoz* or *sovkhoz*) – 97.6%.

Undeclared work is not more widespread both the poor (10.4% of them (ES RPL) has undeclared work according to the definition suggested above) than among the non-poor (1.9%). Still, when participation at the domestic informal market is compared with the temporary labour migration, the former appears to be less popular 'exit' option than the latter. This is because opportunities offered by informal labour market in Belarus are more modest than the ones available for temporary migrants. Moreover, the authorities are keen to control informal economic activity for taxation reasons, although even they admit the existence of informal economy of a size approximately 10–15% of Belarus' GDP.

3.4. Vulnerable groups

Poverty by age: Children (aged 0–15) are the most impoverished group according to all poverty lines available (see Table 3.4), especially according to the PC RPL. In most cases, one of the parents of the poor children is unemployed, but in some cases both parents work at the state-owned company or a public enterprise (including producer cooperatives), or do not work and live with their own parents, or work but have more than 1–2 children, or these children are from the families with single parents (see below).

Another traditional vulnerable group – elderly (aged 65+) – is at risk of poverty only according to the ES RPL poverty line. Other two definitions (especially APL) treat elderly as mostly non-poor, because of the two reasons. First, pensions in Belarus are indexed to the subsistence minimum (thus, the increase of the poverty line does not lead to an increase in poverty among pensioners). Second, pensioners have non-pension sources of revenue[116]. The poverty rate of the working-age population also differs depending on the definition of poverty. It depends on the level of wage, the minimum wage cannot be set at the level below the subsistence minimum, which should eliminate absolute poverty among blue-collar workers, but do not exclude relative poverty among low-paid workers. However, the main determinant of poverty among working-age people is the working status (i.e. activity/inactivity).

Child poverty: In 2008, 9.3% of households with children were poor (APL) comparing to 1.8% of the poor households without children. Hence, the fact of rearing a child means higher poverty risk. Therefore, any additional poverty risk (like low-paid work, economic activity, locality, etc.) multiplies probability of being poor for households with children. The following household types are the most affected by risk of poverty:

(i) Households with 3+ children (28.6% of them are poor comparing to 8.2% among other households with children;

(ii) Households headed by unemployed[117], housewives, and members of producers cooperative (low-paid workers) – poor households amounted 24.3, 22.6, and 16.2% of the respective groups;

(iii) Households headed by person aged 50–54 and 45–49 (13.6 and 11% of these families are poor, respectively);

(iv) Households from rural area (15.3%) – comparing to 0.8% in Minsk, 7.3% in large cities and 7.9% in towns.

Gender is only slightly affects poverty risk for households with children: there are 10.2% of female-headed households and 8.4% of male-headed. Households with children and with only one adult (proxy for lone-parent households) are at the same poverty risk as households with children and more than one adult (9.6 and 9.2%, respectively).

Generally, there are two main reasons behind high poverty among households with children: (i) economic opportunities (and human capital) of parents and (ii) low social benefits. Regarding the second reason, existence of child allowances and other types of monetary subsidies to the households (except pensions and scholarships) reduces absolute poverty among households with children by 3.7% (these transfers amount 4% of household disposable resources). However, these types of assistance

[116] According to the data of the IPM Research Centre's national opinion poll (November 2007), 28.3% of pensioners got monetary/in kind income from their subsistence plots, 25.7% were employed in the past or now have subsidiary employment, 14.1% obtained assistance from their children, and 6.3% used their savings or relied on other sources of revenue.

[117] More precisely, those who treat her- or himself as unemployed.

are especially well-targeted in case of households with 3+ children (for this type of households, poverty rate before mentioned transfers is 45.1%), for households headed by members of producers co-operative (28.8%), and unemployed (35.1%). Economic reasons include low incentives to work (instead, mothers prefer to take maternity leave), especially when mother's salary is close to size of child allowance. Another reason is low incentive of employers to employ mothers of small children (because of often sick leaves). Further, relatively low level of human capital of rural population and ineffective agriculture (its 'model' remained almost unchanged from soviet times) are key determinants of high poverty, and, hence, child poverty in rural areas.

Poverty by work status: The application of all three available definitions of poverty treat employed as being the least vulnerable group (due to the reasons highlighted above). Among employed, the most vulnerable are people employed at the former collective farms (now transformed into producers' co-operatives). Among them, 21% of them are poor[118]. Also, self-employed[119] (19.4% of them are poor) are threatened by poverty. Still, 42.9% of all poor aged 16–64 are simply low-paid workers employed by organizations or private entrepreneurs.

Unemployed are also the most impoverished group since 30.3% of them are relatively poor (ES RPL) and 19.7% are absolutely poor (APL). There are three main reasons for this. First, registered unemployment is low compared to the actual unemployment (at the end of 2007, only 44,100 people were registered unemployed, while according to the ILO methodology (which can be approximated with the HBS data) the total number of unemployed was about 220,000. Second, unemployment benefit is very low (less than one fifth of the official poverty line almost equal to the minimum wage) (see below). Third, only a half of the registered unemployed receive unemployment benefits. According to the HBS data, in 2007 only 6.3% of the unemployed (both registered and unregistered) reported unemployment benefit as a source of income. Therefore, unemployed have to cope with their troubles by either finding a job as soon as possible (in case their savings are scarce) or relying upon temporary, informal or precarious employment at home or abroad. For unemployed, state employment services often offer inferior jobs. For instance, in Gantsevichi, the majority of vacancies for unemployed are characterized by very low wages, especially in the agricultural sector[120]

The last group is inactive but not retired people. These are women aged 16–54 and men aged 16–60. This group is quite heterogeneous: it includes (1) people aged 16 (for some reason they are not asked about their socio-economic status[121]), (2) students, (3) those who are not unemployed according to the ILO methodology but consider themselves as unemployed, (4) housewives, (5) other non-working people (they did not specify the reason of non-working), and (6) pensioners in pre-retirement age.

Students appeared to be the least impoverished group: only 7.3% of them (among those who are non-active) are poor (ES RPL). A similar poverty rate is among people aged 16 (from the group considered). All other subgroups are affected by poverty on a larger scale. Subgroup (5) is the most impoverished group (3.6% of all inactive but not retired people): 32.5% of them are poor. Housewives and pensioners in non-retirement age have similar poverty rates (24.2 and 23%, respectively). People from sub-group (3) – 'inactive unemployed' (6.4% of 'inactive but not retired') – are another impoverished group with a relative poverty rate of 29.9%. Almost half of representatives of the last group do not work because of their health status.

By type of the household: here we consider the following types of households (mostly according to the Laeken indicators): (1) single people aged 16–64, (2) single people aged 65+, (3) lonely parent, (4) households with 3 or more children (0–17), (5) households without children, and (6) household headed by men (7) household headed by women. As we distinguish households partially according to their size, a choice of poverty line (absolute, relative per capita and relative based on) influences the results considerably. For instance, in 2007 11.8% of population living in lone parent households were poor (APL) compared to 1.1% among people living in single households aged 16–64 and 4.2% among people living in single households aged 65+. The same indicators measured as the relative

[118] Based on relative poverty line (OECD's modified ES).

[119] Independent farmers are not included to these categories.

[120] For instance, one of the vacancies was the manual collection of stones at croplands. A ton of stones collected by a worker is paid at EUR 1.3. In order to obtain this job, a person has to be registered as unemployed. Some part-time jobs offered are paid at EUR 15–20 per month. At the same time, the organizers of the jobs fair estimated that the average wage offered was around BYR 600,000 or EUR 153 per month. See http://www.euroradio.fm/by/811/reports/30857/ for details.

[121] According to the Belarusian HBS methodology, they should be asked about this.

poverty (based on ES RPL) are as follows: 15.5, 12.3, and 30.6%. Hence, taking into account the absence of economies of scale effects for single households lead us to treating single elderly households as the most vulnerable group in terms of relative poverty.

Households having three and more children are at the most risk of being poor: 36.3% of the people living in this type of households are poor according to the APL, and 26.2% – according to the ES RPL. Here the ES RPL underestimates the problem of the households with three children and more because of their low weight. Families with one and two children are much less vulnerable: absolute poverty rates among the people living in these households are 5.8 and 13.4%, relative poverty rates (based on ES RPL) are 8.9 and 13.6%.

Female-headed households are also being affected by the risk of poverty[122]. In 2007, relative poverty rate (based on ES RPL) among people living in female-headed households amounted 14% comparing to 9.9% for male-headed (respective absolute poverty rates are 8.1 and 7.3%). This is because most of the poor households headed by females (86%) are elderly women living alone.

Level of education: People with low educational attainment are also a vulnerable group, especially if we consider relative poverty. Even if these people are working, their wages often are too low to be relatively non-poor. As a result, in 2007 the absolute poverty rate for those who have a level of education below general secondary education[123] (age group 25–64) was 15.9%; the relative poverty rate (ES RPL) was 23.1%. Moreover, the group of low educated is likely to increase, as the share of low-educated people among those aged 18–24 is 16.1% compared to 4.4% among people of age 25–64.

Other vulnerable groups: Disabled people are another risk group[124]. Since poverty in Belarus is related to joblessness, disabled people are the group that heavily suffers from the lack of access to employment. Jobs for the disabled tend to be low-paid. According to the estimates[125] of the Deputy Chairman of the Belarusian Association for People with Disabilities, 60% of the disabled need a job, since disability allowances are too small to cover the basic needs. The Ministry of Labour and Social Security reports that there are 512,000 disabled people (including 28,000 people aged under 18) in Belarus[126].

Formally, there are about 170 enterprises that employ disabled people (the absolute majority of them were set up in the Soviet Union times) employing about 5,255 people. These enterprises operate in such sectors as the light industry (clothing and footwear industry), wood processing, metal working, and some other. In order to induce job creation and to assist enterprise development, the government grants tax preferences for companies employing more than 50% of the disabled on a full-time basis. At the same time, subsidies are granted to assist the development of these companies and to induce job creation among the disabled. In 2007, the volume of subsidies amounted to an equivalent of EUR 325,000. However, since 2003, no funds are allocated for investment purposes, while since 2001 the volume of social benefits granted to the disabled has been trimmed[127].

There is a problem to analyse the situation with 'new' vulnerable groups since they are simply not accounted in the official statistics and analysis. Experts simply denote the existence of non-accounting for these new groups without provision of analytical statements[128]. A detailed analysis is yet to be done.

To summarize, poverty problem in Belarus seemed – at least before the impact of the crisis become measurable – not very urgent socially. Belarusian poor are not very different from their counterparts in other countries. Typical Belarusian poor are large families, single parents and old-aged, uneducated, unemployed and disabled people. The government offers some assistance to tackle

[122] Feminization of low-paid jobs contributed to a situation when female-headed households tend to consume 10% less than similar households headed by males (World Bank, 2004).

[123] Incomplete primary, general primary, and general basic education, which is a sort of proxies of ISCED levels 0, 1 and 2, respectively

[124] Chapter 2 contains a detailed assessment of the policies targeted towards them, including employment and training efforts. In Belarus, both state-run social centres and some NGOs help certain socially-vulnerable categories to participate more actively in social and also economic life. However, these policies are of limited impact, as some experts denote, since disability in Belarus is largely seen as a barrier to finding a job. However, NGO activists (see Zborovsky, 2007) assess that disabled become more visible in the Belarusian society by frequently appearing in the public and the media.

[125] See http://naviny.by/rubrics/inter/2007/12/03/ic_news_259_281547/.

[126] See http://news.tut.by/it/109389.html.

[127] See http://naviny.by/rubrics/inter/2007/12/03/ic_news_259_281547/.

[128] See http://eurobelarus.info/content/view/1813/145/.

the extreme poverty among these groups and thus reduce the risk of extreme poverty. The existing threshold, based on the 'nutrition approach' might need update since it does not account for real consumption patterns of the poor. The attempts to revise it have been made by some trade union organizations, but unsuccessfully. Some of them developed their own baskets applicable in the course of enterprise-based collective bargaining.

In addition, an important source of dealing with poor households used to be transfers via the system of social protection (see Chapter 2). However, recent reform of the system resulted in trimming of these transfers. Finally, poor also relies on coping strategies that tend to generate incomes or substitute some of essential spending (like food expenditure that occupy a large share of expenditures).

3.5. Conclusions and key challenges

Statistical problems

Although poverty could be studied in detail, due to the availability of various data, more systematic data on social exclusion have to be collected and analysed. Also, information on non-standard issues of poverty and social exclusion is lacking so this gap needs to be filled. Regarding the data provided by the National Statistical Committee (Belstat), steps should be taken to align methodology with EU standards, namely to estimate relative poverty based on the OECD's modified equivalence scale (and to introduce a national equivalence scale). Additional, steps should be taken in order to adjust the absolute poverty threshold taking into account the actual consumption basket of the poor.

Key challenges

One of the major challenges is how to reduce poverty among vulnerable groups, given the existence of various vicious circles. For instance, low skills (resulting from insufficient education to occupy higher-paid jobs) result in lower wages, while the negative effects are augmented in case of rural families with many children. Also, labour mobility is very low in Belarus, especially among females, so female-headed households tend to be locked-in poverty situation. Last but not least, poor have fewer opportunities to hedge their assets in the situation of high inflation. Accordingly, poor are more vulnerable to macroeconomic instability and shocks.

As it has been argued, Belarus is affected by the global economic crisis via the reduction of demand for its exports goods and the availability of loans to finance its sizeable current account deficit, so there are pressures for the exchange rate stability as further devaluation might be required to restore macroeconomic balance. The immediate effect of devaluation is higher poverty due to accelerated inflation that disproportionately hit the poor in Belarus. Also, incomes of the poor can be adversely affected by lower real wages dampened by devaluation. In addition, there are dangers of higher hidden unemployment, as companies could face a problem of overproduction, i.e. inability to sell their goods in the times of lower demand. In that situation, the government would possibly adopt a 'wait-and-see' attitude still supporting enterprises and allowing them to keep excessive labour force. The final policy would be very much dependent on both the prevailing expectations of the government and business actors of the length of the crisis and its actual length. In case the latter is prolonged, then there could be pressures to reform the social security system in such a way as to avoid growing poverty resulting from a considerable increase in open unemployment. This policy option has already been discussed in Belarus by the officials, namely increase of unemployment benefit to level of the subsistence minimum[129].

The existing social security system appears to be weakly adapted to overcome the negative impact of the economic crisis, as seen from the point of socially-vulnerable groups. First, unemployment benefit is very small (being less than one-fifth of the administrative poverty line), so there is a risk of becoming poor among current employees which in the future can lose their jobs. Furthermore, higher unemployment rate hits children, since the largest share of the poor children have unemployed parents. On top of this, a planned (an already implemented) increase in public utility tariffs

[129] On January 6, 2009, the Deputy Minister for Labor and Social Protection, Piotr Grushnik, claimed that there are plans to connect unemployment benefits with the subsistence minimum, and not the 'base-value' as it is now. The Ministry of Economy has started to explore this possibility since the beginning of the year onwards. See http://news.tut.by/economics/125840.html.

exacerbates the problem, as increase of the share of housing expenditures will not be matched by higher subsistence minimum used as a basis for calculation of various social benefits.

Another major challenge for social policy in Belarus is creation of adequate poverty-reduction policy tools for each of vulnerable groups. It is not true that all social transfers are poorly targeted, but some vulnerable groups are (e.g. households with children headed by economically inactive adult, lone-pensioners households, etc.). However, sometimes state subsidies are too low to combat poverty of such groups. Other vulnerable groups (like 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.

3.6. References and tables

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Tables

Table 3.1: Living standards, 1995–2007

Indicator	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Average real per capita income (growth rate, %)	--	0.3	10.1	17.4	7.8	8.1	21.0	9.3	4.6	14.4	19.9	14.2	15.8	11.9
Ratio of average per capita income to MCB*	0.72	0.75	0.78	0.75	0.69	0.75	0.85	0.87	0.90	1.02	1.19	1.31	1.46	1.63
Ratio of average per capita income to SL**	1.21	1.26	1.30	1.25	1.05	1.19	1.40	1.41	1.44	1.63	1.86	2.02	2.26	2.53
Real wage (growth rate, %)	–5.0	5.1	14.3	18.0	7.3	12.0	29.6	7.9	3.2	17.4	20.9	17.3	10.0	9.0
Inequality (Gini index)	0.261	0.254	0.258	0.283	0.269	0.270	0.278	0.272	0.254	0.254	0.256	0.262	0.274	0.284

Source: Belstat, HBS.
* MCB is Minimum Consumer Budget. ** SL is Subsistence Level.

Table 3.2: Poverty lines, EUR per capita per annum

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Relative per capita poverty line	228	318	295	182	164	257	373	429	428	499	666	805	933	1106
Relative poverty line based on the EUROSTAT equivalence scale	365	563	488	307	272	416	625	707	706	817	1091	1308	1457	1728
Absolute poverty line	361	475	429	284	295	410	506	577	555	572	666	745	761	842
Median disposable resources	380	530	492	303	274	428	621	715	714	831	1109	1342	1555	1843
Average disposable resources	436	597	559	356	310	489	709	814	800	934	1237	1503	1783	2127

Source: HBS.

Table 3.3: Selected Laeken indicators of poverty in 2007

Indicators:	Units:	Relative poverty		Absolute poverty
		Per capita income	EUROSTAT equivalence scale	
Primary indicators:				
Annual poverty line	EUR	933.3	1457.3	760.6
Poverty	% of population	14.7	12.0	7.7
Inequality*	times	4.2	3.7	4.2
Poverty gap**	% of poverty line	19.8	15.9	14.7
Dispersion:				
40% of median	% of population	3.4	2.2	--
50% of median	% of population	8.1	5.7	--
70% of median	% of population	24.0	20.7	--
By age:				
Children (0–15)	% of the group	26.2	17.6	13.3
Aged 16–64	% of the group	13.4	10.5	6.9
Aged 65+	% of the group	6.8	17.0	3.4
By gender (adult):				
Female	% of the group	12.1	12.6	6.3
Male	% of the group	12.4	10.4	6.4
By house tenure (renters***):				
Poor	% of the group	44.0	36.3	44.1
Non-poor	% of the group	30.0	31.5	31.1
By work status:				
Employed	% of the group	11.1	7.9	5.2
Unemployed	% of the group	29.1	30.3	19.7
Inactive but not retired****	% of the group	19.7	15.8	11.2
By type of household:				
16–64, single	% of the group	1.5	12.3	1.1
65+, single	% of the group	4.3	30.6	4.2
Lone parent*****	% of the group	23.4	15.5	11.8
By residence:				
Minsk	% of the group	4.1	3.1	2.0
Cities (100,000+)	% of the group	10.7	8.2	4.6
Towns (<100,000)	% of the group	12.8	11.7	7.4
Rural area	% of the group	22.9	18.5	12.3
Secondary indicators:				
Poverty rate before social transfers (pensions considered as transfers)	% of population	25.0	25.1	26.3
Poverty rate before social transfers (pensions are not considered as transfers)	% of population	16.4	13.6	10.1
Low educational attainment******	% of the group	25.9	23.1	15.9

Source: own calculation based on the HBS microdata.
Notes:
* Calculated as the relationship of total income of 20% of the rich/total income of 20% of the poor.
** Calculated as the following relationship: (poverty line – median income of the poor)/poverty line.
*** Hostels or rented dwelling.
**** Aged (16–54 for women and 16–60 for men).
***** Households with children and the only adult. There is no information about the marital status in the HBS files.
****** People aged 25 to 64 with an education level ISCED of 2 or less. ISCED levels 0–2: pre-primary, primary and lower secondary education.

Table 3.4: Selected indicators of material deprivation of households in 2007

	Total			Rural			Urban		
	%* of the poor**	% of the non-poor	difference	% of the poor	% of the non-poor	difference	% of the poor	% of the non-poor	difference
Housing conditions:									
Central heating	61.1	83.7	–22.6	52.0	69.9	–17.9	94.3	97.4	–3.1
Gas	91.4	90.3	1.1	93.3	96.0	–2.7	84.4	82.2	2.2
Stationary telephone	60.0	86.6	–26.6	53.9	77.9	–24.0	82.0	91.6	–9.6
Sewerage	61.0	84.4	–23.4	52.1	70.8	–18.7	93.2	97.5	–4.3
Bath	53.2	76.9	–23.6	42.7	60.4	–17.7	91.4	94.1	–2.7
Hot water	47.6	73.3	–25.7	36.0	54.4	–18.3	89.6	93.6	–4.0
Water supply	65.1	86.3	–21.2	56.6	73.9	–17.4	96.1	98.3	–2.2
Durable goods:									
TV set	96.7	99.4	–2.6	96.3	98.9	–2.6	98.4	99.2	–0.8
Personal computer	6.9	32.9	–26.0	6.0	22.1	–16.1	10.2	41.1	–31.0
Music centre	9.5	26.6	–17.1	8.3	20.5	–12.2	14.1	30.6	–16.6
Video or DVD player	35.3	59.4	–24.1	34.2	52.5	–18.3	39.1	62.4	–23.3
Refrigerator	91.7	98.1	–6.4	90.8	97.2	–6.4	94.8	97.5	–2.7
Washing machine	66.6	85.7	–19.1	65.8	82.2	–16.4	69.5	85.2	–15.7
Cars (one or more)	11.7	40.3	–28.6	12.7	36.9	–24.1	8.1	36.8	–28.8

Source: own calculation based on the HBS microdata.
* The share (%) of population living in the households with the listed housing conditions or owned the listed durables.
** Here poor are those who have disposable resources less than the relative poverty line calculated after equalization of households.

4. Pensions

Belarusian pension system has many Soviet-type features. First and foremost, it is funded on the PAYG basis. It is funded by a payroll tax of 36% (of the total wage fund, of which 35% is funded by employers and 1% is paid by employees). Pension provisions attract 29% of the total wage fund. No funded schemes (obligatory or voluntary) are available in Belarus, although there are some very rudimentary pension and life insurance programs[130]. The latter are poorly developed to the legislative and regulatory restrictions. Apart from old-age pensions, there are also special pensions for disabled family members for the loss of bread-winner. Also, there are special pensions and mark-ups for those who worked at companies and enterprises with harmful working conditions or had acquired a long-lasting job or service record (like staying in military). In general, about 33% of all pensioners (spread across 20 special categories) in Belarus are liable for special pensions provisions or mark-ups. Currently, every fourth citizen of Belarus is a pensioner (although it differs across the type of locality: 20% in the urban localities and about 30% in the rural ones).

According to the official data all old-age citizens of Belarus are provided with pension. Its level is indexed according to the pace of growth of average nominal wage. As a result, pensions have been growing steadily, while social protection system ensured combating of poverty among old-aged. The replacement rate remains high, but stable at around 42% (see Table 4.2). These allow to speak about adequacy of the pension system in Belarus. However, its redistributive nature raises fairness issue because of a great deal of equalization. The average pension (earned after approximately 30 years of work record) is just two times higher than the social one paid for those who had not been working a single day (or simply had not made any contribution to the social security fund). The maximum level of old-age pension exceeds the average one by approximately 50%, while it is 30% less then the average economy-wide wage.

Although currently the pension system is sustainable and even generates surpluses on pension accounts in general, it is sensitive to demographic pressures of the future. According to various estimates, the system would face a deficit by the year 2015. This will naturally lead to the replacement rate decrease, taking into account high both tax burden on wages and dependency ratio (see Table 4.2). Meanwhile, the PAYG system of Belarus is unaffected by the global financial turmoil. But, it remains sensitive to domestic demographic issues and internal economic problems that the crisis revealed.

It has to be mentioned that people are very much aware of the existing pressures. Nevertheless, the window of opportunity for parametric reforms is rather narrow, and is actually limited to the levelling of female and male pension age at 60 years old. In these circumstances the possible solution is an introduction of funded schemes with compulsory and voluntary parts. In their turn, opinion polls show that many wish to participate in the funded pension schemes, if they are available (Baturchik and Chubrik, 2008).

4.1. Historical perspective

The pension system of Belarus is regulated by a number of legislative acts, including the Laws 'On Basic Provision for State Social Insurance', 'On Pension Provision', 'On Pensions for Military Personnel and the Interior', 'On Social Protection Measures of Persons Injured in the Chernobyl Catastrophe', 'On Basic Provision for the Civil Service', and some others. The core principles of Belarusian pension system organization (defined contribution or 'pay-as-you-go' system) are largely inherited from the Soviet past, e.g. retirement age has not changed since 1956.

In contrast to many other transition economies, Belarus has not changed its PAYG pension system run by the state. There is also very small and underdeveloped analogues of voluntary pension funded schemes in form of life and pension insurance, but its share in the pension system is very negligible. In 1993, the first life and pension insurance company in Belarus was established. In 1996, employer contributions to life and pension insurance schemes were exempted from taxation, providing some impetus for the development of this sector. Sadly, but since 2002, several legal acts virtually blocked private pension schemes development in Belarus (Homiarchuk, 2008).

[130] These are maintained by some well-performing enterprises like 'Belaruskalij' (potash fertilizers exporter) and private companies.

Historically, one of the notable developments was a gradual increase in the level of the minimum pension. In the early 1990s, the minimum pension in Belarus was set at the level of 25% of the budget of the living wage. However, since 1995 its level was revised so the legislative notion of 'minimum pension' is a used to define the basis upon which a 'really paid' minimum pension is calculated (i.e. the one received by pensioners).So, in 1995 the really-paid minimum pension was increased to 30% of the subsistence minimum, and by 37.5% and 40% in 1996 and 1997, respectively. Over 1998–1999, it amounted to 50% of the subsistence minimum. However, since 2000 onwards the way of calculating the minimum pension has been changed. The actually paid minimum pension is calculated as a sum of 25% of the subsistence minimum (base-value minimum pension) plus 15% of the average wage.

4.2. Existing pension system

Basically, there are two kinds of pensions in Belarus:

(i) *Employment-related pension* (old-age pension, disability and meritorious pension, etc.). People who are registered with the social insurance system and made insurance contributions are entitled to obtain old-age pension. The size of the pension depends on duration of work during which the pension contributions were paid and the amount of salary (the longer work experience and bigger salary, the higher pension). In general, males are liable for pension after age 60 (being employed for 25 years or more) and females after age 55 (being employed for 20 years or more). These criteria had experienced little change since the Soviet Union (see Table 4.2). Disability pension are paid to those who is incapable for any work (total disability) or regular work (partial disability); a minimum of 1 to 15 years of covered employment, depending on the insured's age at the onset of disability.

(ii) *Social pensions*. Nonworking citizens who are not eligible for an old-age or disability pension and are aged 60 (men) or aged 55 (women), or disabled since childhood, younger than age 18 and disabled, or orphans younger than age 18 (no limit in case the disability began before age 18) are entitled to a social pension.

There are special pensions (above customary ones) for those working in harmful conditions (it concerns mining, textiles, agriculture, and some types of transport)[131], and aviators, artists, professional athletes, and some categories of medical personnel and teachers. They are liable for the pension at the age of 55 being employed 25 years including no less then 15 years working in these harmful conditions for male, and at the age of 50 being employed 20 years including 10 years in specific conditions for female[132]. In addition, there are special provisions for military and servicemen of the Ministry of the Interior, the KGB, and so on.

As for the calculation of pension, the 2008 situation can be illustrative. In particular, the wage base in 2008 was calculated by account for the actual individual earnings in any 14 consecutive years within the last 24 years of employment, disregarding interruptions (if any, with the exception for individuals with a short employment record, for instance, in the case of a disability pension). Until 2000 the wage base was calculated by using the data of five consecutive years within the last 15 years of employment. Since then both periods are being increased each year by an additional year to reach 15 and 25 years, respectively. The monthly old-age pension is equal to 55% of the wage base (but not less then minimum pension)[133], plus 1% of the wage base (not less than 1% of the

[131] After retirement from these sectors, one can earn additional pension working in non-military sectors.

[132] Those employed in hazard conditions like working underground retire after age 50 (being employed 20 years including 10 in hazard conditions) for men and age 45 (being employed 15 years including 7.5 in hazard conditions).

[133] The pension is equal to 55% of the wage base only if the base is equal to 130% of the average wage. If it is less than this amout, then the wage base is taken as a 100% of the first 10% of this limit, 90% of the second 10% of the limit, 80% of the third 10% and so on. Mathematically, the formula is as follows:

$$Base = \frac{1.3\bar{w}}{10} + \frac{1.3\bar{w}}{10}\cdot\frac{9}{10} + \frac{1.3\bar{w}}{10}\cdot\frac{8}{10} + \ldots + \frac{1.3\bar{w}}{10}\cdot\frac{n}{10} + R\cdot\frac{n-1}{10},$$

$$R = w - 1.3\bar{w}\cdot\frac{10-n}{10},$$

where $\bar{w}$ is an average wage, w – actual wage base.

If the wage base exceeds 130% of the average wage, the amount, exceeding 130% limit (but less then 400%) is included only as a 10% share. In this case the base can be written as:

$Base = 0.55\bar{w} + 0.1(w - 1.3\bar{w})$.

minimum old-age pension) for each year of the insurance coverage in excess of the required number of years of insurance coverage (25 years for men, 20 years for women), plus 1% of the wage base for each year of insurance coverage in excess of 10 years in hazardous work (7.5 years for women), up to 20%. If the period of insurance covered by employment is less then the required one, the amount of pension is reduced based on the ratio of actual employment period to the required one, but it should not be less then half of the minimum pension. If one was employed and paid contributions for less then five years, then one is not liable for an old-age pension, but could rely on social pension, On average, it is equal to 50% of the national average per capita subsistence level (until July 2008 it was twice less) (see table 4.5 for details).

The maximum pension can reach 75% of the wage base. The minimal amount of pensions (equal to 25% of the national average per capita subsistence level plus additional 15% of the average wage) and social pensions are indexed according to the changed in the subsistence minimum. For example in 2008, minimum pension (i.e. pensions paid for people with small wages during their employment career) and social pensions (i.e. pensions paid for people with no job record whatsoever) were indexed three times following the revision of the subsistence minimum.

The loss of earnings due to inflation is offset via the application of individual pensioner's coefficient that is calculated by comparing a pensioner's monthly earnings in a chosen period with the average wage in the country during the corresponding months. It is an arithmetic mean of the coefficients for actual monthly earnings within the corresponding period. Therefore, the pensioner's earnings are adjusted by multiplying the average wage at the time the pension is paid by this individual coefficient. This indexation takes place when the growth of the average wage compared to one indexed last time, exceeds 15%. If this condition is not met in the course of a year, then the pension is automatically indexed in November of this year. For example, in 2008, the labour pensions were indexed twice (by 6% in February, by 11% in August). By any accounts, the adjusted amount should not exceed 400% of the average wage. Earning-related pensions are also increased and recalculated in relation with results of economic performance of the country and rise of average wages. Their current level is shown in the Table 4.5.

Currently, payroll tax in Belarus amounts to 35% of the wage fund and is paid by an employer, while an additional 1% is paid by an employee (so the total rate is 36% of the wage fund). Only employers have the right to make payments to the SSF. Pension expenditures amounts 29% of the wage bill, which allows ensuring the replacement level (average pension to average wage ratio) slightly higher than 40%. Despite the fact hat it is the highest ratio in the CIS, this level is far below the EU countries.

4.3. Main reforms and the drivers of change

Pensions are mainly financed from the SSF. The SSF is the public body, controlled by the Ministry of Labour and Social Protection. The SSF expenditures are about 10% of GDP on average (10.1% of GDP in 2008 and 10.8% in 2007). Expenditures on employment related pensions constituted only 79.4% of the SSF total expenditures (including 0.1% spent on the pensions for Belarusian citizens abroad and those who emigrated from Belarus[134], and 0.1% spent on the early retirement pensions[135]), while social pensions made up only 1.2% of the expenditures. The rest was spent on the benefits not related to pensions (see Table 2.2, section 2[136]). For some categories of pensioners (like military pensioners, former employees of the Ministry of Interior, and the public officials), pensions are not paid from the SSF, but the state budget. Since its establishment in 1993 the SSF has been operating with the surplus (1.3% of GDP in 2008). Surplus is then allocated to the deposit accounts in banking system to secure the reserve of the SSF (3.2% of GDP at the end of 2008). These reserves constituted 14.3% of the total SSF revenue in 2008, while income from their capitalization guaranteed additional 1.2% (see Table 2.2, Section 2).

Currently early retirement pensions are financed by the employer's special contributions (see Table 2.2, Section). Starting from 2009 financing of these pensions is regulated by the new Law on 'Pro-

[134] The Ministry has agreements with a number of countries, mainly of the republics of the former USSR, including the Baltic states.
[135] Some details about the liability for these pensions are provided at the beginning of this chapter.
[136] As in the case of fiscal system, it is uneasy to construct consistent time series to analyse expenditures and revenues of the SSF since the data publicly available cover only a limited period only. So data is presented only for the last years available.

fessional Pension Insurance' (passed in January 2008). According to this law contributions for early retirement are accumulated in the special fund and then allocated to the selected banks. Having reached the retirement age, those who made contributions are able either to receive a whole sum formed by these contributions and the bank interests, or receive every month a part of this sum (calculated in such a way, that it will come to the end at the age of ordinary retirement). Contributions to earlier retirement are made every month at the rate of 1.5–4.8% of the wage[137].

The surplus of the SSF reduces the incentives for the pension system reform. However, in the future (by 2015–2020) Belarus is likely to face the problems caused by insufficient financing of pensions due to the population ageing. Some minor steps have been made to deal with the problem in a premature fashion. In 1997, a 'Concept of Pension Reform in Belarus' was prepared. It provided the guidelines for possible restructuring and reorganization of the existing pension system. The concept was approved by the government, while the Parliament had even passed a related legislation. The Concept envisaged the creation in Belarus of a three-level retirement insurance scheme. At the first level, social pension is to be paid, while the second pillar is comprised of mandatory contribution from employers. The third level is contribution-based one, related to sectoral, industry, or occupational affiliation of the contributor. The Concept proposed the introduction of individual pension accounts already in 2003. However, the Concept has not been implemented in any meaningful way. Instead, its implementation has been postponed. Currently the Ministry of Labour and Social Protection considers the possibility of introduction of notionally-defined contribution pension accounts. No serious reforms are planned.

Another possible reform in the pension system is a change in the indexation procedure. The ministry of Labour and Social Protection suggests indexing employment-related pension according to inflation instead of wage growth. This measure is aimed at sustaining pension fund financial stability; but simultaneously it will lead to stop of pension growth in real terms and reduction of replacement rate.

However, at the end of 2008, the Ministry of Labour and Social Protection has started to discuss the possibilities for a retirement age increase (step by step to 60 for females and 65 for males). However, the Prime Minister and Presidential Administration, has been opposing to this policy measure[138]. Instead, a more likely reform option, also discussed by the Ministry of Labour and Social Protection[139], is to create incentive for late retirement. Currently, if pensioner wishes to work, there are two options: (i) to receive wage only, but pension is increased by 1% every two months of employment after retirement age is reached and by 1% each additional employment year after 25 years worked, (ii) to receive both wage and pension, but without opportunity to increase it in the future. Most of the people chose the second option. The discussed reform is probably aimed at preventing the possibility to receive both pension and wages.

4.4. Pensions, exclusion and vulnerable groups

According to the official data, 100% of old-age citizens of Belarus are covered by pensions. There are no pension arrears in Belarus. In general, people tend to treat it as one of the indicators of successful performance of the current pension system (see section 4.7. for details). Old-age pensions occupy the largest share (74.1% of total number of pensioners). Disability pensions are paid to 11.6% of Belarusian pensioners. Social pensions are provided for 2% of pensioners. Over the whole transition period, the distribution of pensions across the categories of pensioners has not changed in any notable fashion (see Table 4.1). This provides the evidence of little change in the PAYG system. Minimal pension is received by 2.5% of pensioners. But this figure declined significantly since 2000 (when it was maximal at 9.8% of the total number of pensioners). Starting from 2007 the size of minimal pension is nearly equal to the subsistence minimum, thereby preventing this group of pensioners to find themselves below the APL (see section 3.3).

[137] The maximum tax rate is set for miners and aviators, while the minimum rate for some categories of artists, teachers and medical workers.
[138] http://www.charter97.org/ru/news/2009/1/23/14344/.
[139] http://www.zautra.by/art.php?&sn_nid=3587&sn_cat=17.

Individual entrepreneurs (including farmers) contribute to the FSS from their income at the rate of 29%, to be eligible for old-age pension. However, their contributions constitute just 0.4% of the SSF revenues.

Some groups of pensioners are provided with the additional funds to the old-age pensions. For example, disabled (1st group disability) are paid extra minimum old-age pension, persons in the age above 80 and single pensioners who need permanent assistance receive a supplement of 50% of minimum old-age pension. Also, they are liable for special social services provision (see Chapter 2 for details).

Those working abroad (largely unofficially as construction workers in Russia) are one of the most vulnerable group. However, some of them remain formally employed, and the others take the decision to work abroad perceiving opportunity costs (due to less years of insurance coverage) as marginal. As for those people with employment record in Belarus, but currently resided abroad, Belarus' share of pension only includes a period of contributions to the domestic SSF. The same is applied to those officially worked abroad. The only exceptions is provided for those who worked more then five years within the last 15 years before their retirement abroad. The choice is then between average pension for people of job record and the one based on their contribution to the SSF. This scheme also covers the citizens of Belarus, who worked exclusively abroad. Belarus has special agreements with Russia and Lithuania[140]. According to these agreements, if one worked during in both countries, one receives a pension from both states proportionally to the period of contributions.

In case a pensioner moves from Belarus, he/she receives a six-month pension, except the countries Belarus has special arrangements with (Lithuania, Latvia and the CIS countries, excluding Georgia, and Azerbaijan). In case one wants to return to Belarus, then one is paid pension at a value of the last 3 years. According to the arrangements made with Moldova, Ukraine and Tajikistan the pensioners residing in these countries receive pensions according to the local pension insurance schemes. Arrangements with other CIS countries implies 'exports of pensions', i.e. possibility to receive Belarus pension while being resided abroad (pension is then converted into the currency of the country of residence at the exchange rate set by the National Bank of Belarus).

4.5. Sustainability of pension systems

Importance of informal economy and undeclared work

Belarusian labour market includes significant share of undeclared workers (see sections 1.5 and 1.7) who do not pay contributions to the SSF (since they are unable to do so, see section 4.3). Of 4.9 mln employed, only 3.7 mln contribute to the pension system. It follows that the actual dependency ratio is lower than the 'potential' one, which is 1.9 employed per one pensioner instead 1.4 contributors per one pensioner. If the government would attract informal workers to the pension system, it would postpone the deficit of the pension fund by 20 years (see Chubrik and Shymanovich, 2008).

Demographic issues and fiscal constraints

On January 1, 2008 there were about 2.6 mln pensioners in Belarus, with the ratio of employees and pensioners amounted to 1.4 in 2007 in comparison with 2.2 in 1990. Ageing pressures over time will only increase and could, therefore, cause a sustainability problem. As Belarusian government plans no structural reforms of the pension system (e.g. switch to the funded schemes), one should estimate an influence of the demography on the stability of the existing system. Taking into account the ageing problem (see section 1.9), current level of pension age, and current economic proportions, the PAYG system begins to generate deficit of 1% of GDP in 2015; but later this deficit could increase up to 8–16% (depending on demographic scenario chosen) in 2050 (Chubrik and Shymanovich, 2008). Increase of pension age by five years for both genders shifts deficit by 20 years, but since then it could grow rapidly. This shift would be adversely perceived by the population, except, perhaps, some female workers because of their life expectancy at the current retirement age (55 years old) is 24 years (Table 5.4), which gives some room for retirement age in-

[140] This type of Agreement was signed also with Latvia on the 29 February, 2008, but it has not come into force yet.

crease. For men life expectancy is 13.8 years at the retirement age of 60 (see Table 5.4). It is lower then average figure for the EU for male at the age 65 (for example the lowest one is in Lithuania, 13 years). So the 5 years increase of the retirement age for male workers seems to be an unrealistic option.

Migration issue is also an important factor of pension system sustainability. However, in case of Belarus its influence is difficult to trace, since there is no reliable migration data. The UN population projections are based on the figure of the net emigration of 5,000 per annum, which hardly affects the sustainability of the system. We can expect to obtain good quality data only after the next census scheduled to the end–2009, as the government plans to include migration issues to the questionnaire.

Structural reform of the pension system is a proper way to withstand an ageing pressure. The introduction of the obligatory funded schemes (at the expenses of the current PAYG system[141]) would allow generating additional funds and securing higher level of pensions in the future. However, this transformation is a costly and revenue-harmful for the SSF. The deficit could be financed, for instance, by the revenues from privatization and reduction of SSF expenditures unrelated to pensions. Shift to the obligatory funded scheme alone is not enough, as parametric changes are also needed to minimize the number of earlier retirement cases and stimulate postponed retirement. Importantly, the introduction of the obligatory funded schemes should be accompanied by the development of the voluntary pension insurance schemes, currently suppressed by the legislation. These opportunities would be very likely to attract those working abroad or in the shadow economy to accumulate additional pension. However, for the pension funds to perform successfully, stable financial environment is required, including moderate inflation rate and exchange rate stability. Privatisation of the obligatory funded schemes is another challenge of the structural reform. On the one hand, it could guarantee improved funds management, and on the other make it be more risky in 'bad' economic times, as current global economic crisis has shown it.

Losers and vulnerable groups

Non-conduct of pension reform would very likely result in the deterioration of living standards of the future pensioners (i.e. those people are currently 40 years old and less). Since increase of the pension age could realistically be expected (after 2015), a negative influence on people aged 40–50 years could follow. Besides, people tend to view the first years after reaching a retirement age as a possibility for accumulating savings for the future. Every third pensioner aged 60–64 (31.6% in 2007, see Table 4.4) is still employed, usually receive wage and pension at the same time. Some of them work after the age of 65. So increase of the retirement age would cut work opportunities for them and lead to deterioration of their welfare.

In case a shift to funded schemes is implemented, the number of losers would essentially depend on the reform schedule. It appears that the proper time to start reform is around 2010 (Chubrik and Shymanovich, 2008) since after that year the environment is not very friendly, putting aside global financial crisis. It can be suggested that pension reform is better to implement in the 'good' times like Belarus has now in terms of pension situation (i.e. there is a surplus of the SSF and some reserve money available). As for the losers, it is low-income groups are likely to suffer as the new system would be less egalitarian[142].

4.6. Public awareness and acceptance

The government treats the pension system as a sort of 'the sacred cow'. It is kept untouched, and the only change planned is the introduction of notional defined contribution (NDC) pension system. There are some rumours started to circulate at the beginning of 2007 about plans to increase the pension age. But they were publicly confuted almost immediately. In some private communications, state officials maintained that there will be no changes of the pension system until 2011 (the year of presidential elections). However, they agreed that it appears to be necessary to increase

[141] Chubrik and Shymanovich (2008) discuss the possibility of dividing total 36% payroll taxes into two parts: 26% goes to SSF and 10% are accumulated on the accounts of pension funds.
[142] Currently, quarterly Gini index for pensions is about 0.17, while for the whole income it is about 0.33 (Haiduk, Chubrik, and Giucci 2008).

the pension age (or at least equalize it between genders)[143], and that the current pension system is unstable in the long run.

People express their awareness of the pension system functioning only reached age 35[144]. It is sort of threshold they start to perceive the problem of pensions. However, people tend to treat pension system of Belarus as unstable (due to economic, demographic, and political reasons) and unfair (because it is too egalitarian, see Table 4.5). Pension considered as low and insufficient to cover the basic needs by 70% of population. 'Ideal' pension system is a 'Western one' since it allows to enjoy a hobby and to travel abroad (Baturchik, 2008).

According to the research of the IPM Research Centre (Baturchik and Chubrik, 2007), working-age people are less aware of the principles of pension system's functioning and pension setting than pensioners: only 26.2% of them answered that they 'know this for sure', 62.7% 'know something', and 11.1% 'do not know'. For people in pension age, these figures are as follows: 43, 45.1 and 11.9%.

Perception of the pension system stability is also differs among working-age and pension-age people. However, both working-age and pension-age people tend to perceive pension system as mostly instable (64.5 and 53.9%, respectively).

4.7. Conclusions and key challenges

Key challenges

As in many other transition economies, Belarus faces a problem of the pension system sustainability over the long run due to the population ageing. The government has not yet fully recognized this problem. Increase of the retirement age alone would not solve the problem, but just postpone its solution for the future, which is far from efficient (see section 4.6). Actually, only gradual levelling of female retirement age with male one is possible, as male life expectancy at corresponding age is low. Besides, UN projections claim that life expectancy at birth will not be growing fast in Belarus, reaching current European average level only at 2030. So retirement age increase above 60 years old will cast doubts over the adequacy of the pension system. Instead, the vital solutions are needed that would create incentives for pension-age people to postpone retirement. They should encompass both more feasible increasing of pensions for those postponing retirement, and creating stimuli for live-long learning and more comfortable working conditions for elder people.

Minimization of the share of undeclared wages and reduction of non-pension related expenditures of the SSF might also be vital solutions for increasing pension system stability. Another important step could be the introduction of an obligatory funded scheme and the development of a voluntary one. The current environment (leaving the effects of the global financial crisis aside) is rather favourable for making such a shift, as the SSF is still operating with the surplus. Nevertheless, the government seems to be little aware of such opportunity. The major impediment to reform is the population's distrust to the financial system caused by the negative memories about the loss of savings during the collapse of the USSR and the financial crisis in Russia in 1998. Accordingly, some incentives have to be made available to enhance trust to long-term savings.

The global financial crisis provides an additional stimulus for reform of the pension system. One of the factors is the need to tighten fiscal discipline since Belarus started to cooperate with the IMF concerning the obtaining of loans to finance the current account deficit. Also, pensioners faced lower real incomes after the devaluation of the Belarusian rouble: in the real terms, pensions' purchasing capacity decreased by 5% within January–February as compared to the end of 2008. In addition, pensions are to be indexed by just 5% over 2009, as the IMF suggested to the government. Another aspect is that wages can be dampened and wage growth is slowed down substantially, thereby resulting in the reduction of the volume of contributions to the SSF. In that situation, reform of the pension system in Belarus can be required.

[143] http://nv-online.info/index.php?c=ar&i=9513.

[144] People's awareness and attitudes towards the pension systems were studied by the IPM Research Centre (Minsk, Belarus) in 2007 and presented in the papers by Baturchik (2008) and Baturchik and Chubrik (2008).

4.8. References and tables

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Tables

Table 4.1: Distribution of pensions, % of the total number of pensioners, aop

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Old age	72.8	75.8	75.5	75.4	75.1	74.8	74.6	74.4	74.0	73.6	73.6	73.7	73.7	74.1
Disability	12.0	12.0	12.1	12.3	12.4	12.4	12.4	12.3	12.2	12.1	12.0	11.9	11.8	11.6
Survivor's	7.2	5.2	5.2	5.2	5.4	5.6	5.8	5.9	6.2	6.2	6.2	6.0	6.0	5.7
Social	1.6	2.0	2.0	1.9	1.8	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Source: Belstat.

Table 4.2: Main parameters of pension system

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement age, male	60	60	60	60	60	60	60	60	60	60	60	60	60
Retirement age, female	55	55	55	55	55	55	55	55	55	55	55	55	55
Wage base (average wage of years/within years of employment)	5/15	5/15	5/15	5/15	5/15	6/16	7/17	8/18	9/19	10/20	11/21	12/22	13/23
Replacement rate	43.2	41.0	39.0	37.0	35.9	40.5	42.1	42.4	42.6	43.4	43.0	41.8	41.5
Pensions, BYR thsd													
pension, average	387.2	0.6	1.2	2.6	12.3	36.4	44.4	63	113.9	172.6	211.0	277.6	328.2
pension, old age	406.9	0.6	1.3	2.7	12.9	38	68.2	93.9	119.0	181.5	221.4	292.1	345.4
minimum pension	248.5	0.4	0.8	1.6	6.1	27	44.4	63	81.8	111.8	134.1	165.0	189.8
Gross wage	750.0	1.2	2.3	4.6	19.7	59.4	124.9	191.8	253.6	350.1	469.2	590.7	700.2
Old age dependency ratio (1)	2.6	2.6	2.6	2.7	2.7	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9
16–54 / 16–59 (eop)	5672.5	5685.5	5707.1	5752.1	5809.3	5872.4	5918.0	5966.1	6009.7	6037.2	6060.9	6066.0	6053.3
55+ / 60+	2155.0	2167.6	2164.8	2160.1	2144.7	2126.0	2114.7	2099.5	2081.8	2080.0	2070.2	2073.9	2089.5
Old age dependency ratio (2)	5.3	--	--	--	--	5.1	--	--	--	--	4.9	4.8	4.9
15–64 (eop)	6757	--	--	--	--	6818	--	--	--	--	6869	6851	6866
65+	1283	--	--	--	--	1350	--	--	--	--	1409	1422	1402
Systemic old age dependency ratio	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Pensioners, thsd (aop)	2644	2661	2667	2661	2645	2629	2613	2611	2603	2595	2587	2586	2583
incl. old age	2005	2010	2010	1999	1979	1961	1945	1931	1916	1909	1906	1905	1915
minimum pension	181	195	235	165	104	258	183	193	200	126	110	76	64
Employed, thsd	4409.6	4364.8	4369.9	4416.6	4442	4441	4417.4	4380.8	4339.3	4316.3	4349.8	4401.9	4476.6

Source: Belstat, Ministry of Labour and Social Protection.

Table 4.3: Employment among elderly at the age brackets

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
17–64	68.9	68.4	66.9	69.1	70.0	69.4	69.1	68.1	68.5	68.1	68.5	69.8	71.9
50–54	85.1	83.2	82.9	84.9	85.0	85.4	85.8	84.6	83.7	84.1	82.9	83.2	85.0
55–59	53.3	54.1	49.0	51.2	56.1	58.0	59.2	60.5	59.5	61.0	58.8	58.2	63.2
60–64	19.9	19.0	19.8	21.1	23.2	22.0	24.1	25.8	24.4	21.3	20.9	25.7	31.6
65–69	9.6	7.4	7.5	6.2	10.3	9.1	8.2	9.2	10.8	11.3	10.7	9.9	13.9

Source: Belstat.

Table 4.4: Average pensions in January 2009

	BYR	EUR
Average monthly pension	389 427	109.76
Average employment related pension	394 139	111.09
old-age	408 321	115.08
of which minimum	226 467	63.83
disability	359 100	101.21
survivor's	239 180	67.41
retirement (aviation, artists, special groups of medical workers and teachers and so on)	539 102	151.94
Estimated minimum pension (25% of the subsistence level)	56 180	15.83
with supplemented payment of 15% of average wage	184 960	52.13
Average social pensions	169 342	47.73
Estimated social pensions		
disabled and disabled since childhood of the 1st group (85% of the subsistence level)	191 000	53.83
disabled since childhood of the 2nd group (75% of the subsistence level)	168 530	47.50
disabled of the 2nd group (65% of the subsistence level)	146 060	41.17
disabled of the 3rd group (55% of the subsistence level)	123 590	34.83
persons over 60(55) years old without seniority (50% of the subsistence level)	112 350	31.67
Estimated maximum pension	**634 240**	**178.76**

Note. Average minimum pension differs from the estimated one due to the supplements, e.g. for employment beyond required 25/20 years, that are set individually.
Source: Ministry of Labour and Social Protection.

5. Health and long-term care

5.1. Introduction and objectives

There have been virtually no reforms in the healthcare system of Belarus since the beginning of transition. The system remains largely state-run (and, to a great extent, state-owned), although a network of private healthcare institutions began to emerge. Although the formal quantitative indicators appear to be rather satisfactory (such as the number of physicians, hospital beds, etc. per capita), quality of the medical services is still a concern. At the same time, the government has no plans to shift towards insurance-based healthcare system, while some policy measures have been implemented to increase the efficiency of state-run healthcare institutions. However, the system faces several challenges with growing pressure on primary and social care due to the growing number of elderly people (24.3% in 2008). According to WHO estimates about 11% of the average life span in Belarus is spent with illness and/or disability. Accordingly, the healthcare system should focus on increasing of healthy years of life. It brings about the necessity to improve primary and long-term care facilities to deliver health-improving service, to prevent and to prevent the spread of chronic diseases (i.e. preventive care), to shift away from hospital care to greater specialization of the medical centres in the sense of provision of highly technical procedures, to reduce the variation in quality of medical services between rural and urban areas, and to put financing on a more sustainable base.

5.2. Historical perspective

Evolution of legislation

The current legislation regulating the functioning of the health and long-term care system is based on the Constitution of the Republic of Belarus and the Law on Healthcare (adopted in 1993) and amendments to it. Also, there are several legislative acts that have been adopted over the last decade. Overall, the Law permits the operation of both public and private healthcare institutions, although a priority is given to the publicly funded ones. All private facilities have to be licensed by the state. The existing legislation consists of a number of special national programmes aimed at improving management of the healthcare system, providing better access to it, and renovating and modernising medical equipment. There are eight programs adopted (their term is provided in the parentheses), such as 'Children of Belarus' (2006–2010), National Program for Demographic Security (2007–2010), State Program for Rural Areas Development (2005–2010), Healthcare Development Program (2006–2010), State Program of Sanitary and Epidemic Safety of the Population (2007–2010), Programs for Prevention of Tuberculosis (2005–2009) and AIDS (2006–2010), and State Program for Disability Prevention and Rehabilitation of the Disabled (2006–2010).

Main sector features

Many of the features of healthcare system of contemporary Belarus have been inherited from the Soviet past. The system remains largely state-owned and controlled by the government. Still, the system is extended to all citizens of Belarus irrespective of their social status. However, since the beginning of transition, private health and long-term care institutions began to emerge. In addition, state-run medical facilities offer paid services (thereby reflecting a trend for commercialisation of the medical services in Belarus). At the same time, it remains declared that the heath of citizens and demographic situation are the policy priorities, so the budget outlays are directed to healthcare institutions development and modernization (of medical equipment).

5.3. Health outcomes

Crude mortality rate (the number of deaths per 1,000 of population) increased from 13.0 in 1990 to 13.7 in 2007 (Table 5.5). It exceeds that of the EU countries, such as Germany (9.9), Poland (9.5), and Lithuania (12.0). There are no substantial differences across the regions of Belarus, except Minsk where the mortality rate is the lowest one (9.5). However, the discrepancy between urban and rural areas is still significant (10.4 and 22.6, respectively). To some extent, this pattern of the mortality can be explained by excessive alcohol consumption in the countryside. There are no accurate estimates for Belarus but the difference in male and female mortality rate increases, thus

supporting the idea of a casual role of alcohol. In 1990 the mortality rate differential by sex was minor, but since then in males, the mortality rates have increased almost steadily (by 43.8% during the period 1990–2006) ending with a slight decrease in 2007. As for females, the rise in crude mortality rate was not that sharp (17.3% in 1990–2007). In addition, it only concerns women of 60 years of age and older. Nevertheless, over the last five years, chronic alcoholism has become a serious problem in Belarus. In particular, from 2002 to 2007, the number of chronic alcoholics increased from 121,880 to 177,188 people[145]. In addition, the number of passive alcoholics[146] is growing in parallel at a similar rate.[147] According to the data provided by the Ministry of Healthcare of Belarus[148], from 1995 to 2007, there had been a drastic increase in the consumption of alcoholic beverages in Belarus as measured by per adult consumption of absolute alcohol. In 1995, this figure amounted to 6.7 litres, but in 2007 it reached 11.6 litres. However, these data do not account for the illegal and household production of alcoholic beverages (so-called home-made vodka), which is observed more frequently at the rural than the urban areas. In order to assess the scope of this phenomenon, the data of registered crimes related to the illegal production and consumption of alcohol have to be accounted for. Even the official data exceed the level set by the WHO as alarming for the country in terms of alcohol consumption.[149] During 2006 and 2007, the number of alcoholics increased by 5.1%, while the number of deaths from alcoholic intoxication grew up by 4.8%. There are no signs that the problem would evaporate since the government is planning to increase the production of vodka and other alcoholic beverages from 15.005,000 dal to 15.155,000 dal, while fruit-based wines from 1.437,000 to 2.152,000 dal, and Champaign and sparkling wines from 4.274,000 to 4.281,000 dal.[150] Interestingly enough, the production of alcoholic beverages performed most strongly as compared against all other industries in physical terms. Many experts call such policy short-sighted given the intention to build a prosperous and healthy nation.

Next, one of the causes of increased mortality rate is cardiovascular diseases (52.8% of all deaths in 2007, which is almost double the EU average). Although the mortality from CVD has shown cutback since 2006 it is substantially higher than the EU average. Cancer caused 13.7% of all deaths in 2007, but mortality from cancer had clear downward trend in recent years. In 2007, respiratory diseases accounted for 3.5% of all deaths and mortality has been steadily decreasing. However, mortality rate from tuberculoses almost tripled since 1990 (see Table 5.5).

According to the official data, in 1987–2006 in Belarus 7.640 people lived with the HIV (78.3 per 100 000 inhabitants,), of which 33.5% were women. Among adult population 0.3% is HIV-infected. There were 628 new infections in 2006. During 1987–2006 919 people died of the AIDS-caused illnesses, 330 persons, with 7 children among them died from the HIV.

In Belarus the rate for infant mortality dropped from 11.8 deaths per 1,000 live births in 1990 to 5.2 in 2007 and appeared to be close to the EU average (4.7 in 2006). The main cause of infant mortality is conditions originating in the perinatal period (44.4% of all deaths) and congential anomalies (22.8% of all deaths). Therefore, effective antenatal care along with its availability becomes the important issue in the Belarusian healthcare system.

However, mortality rate is a fairly crude indicator that does not account for population ageing observed in Belarus. The life expectancy in Belarus has stabled over the recent period, partly reflecting the improvement of living conditions and healthcare service (Table 5.3). 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 expectancy of males and females. In Belarus, this indicator in 2007 amounted to 64.5 years for males and 76.2 years for females, which is below the EU-average of 75.2 and 81.5 years, respectively.

The life expectancy of the rural and urban population also differs. In the rural areas in 2006, male life expectancy is 59.2 years and female life expectancy is 73 years, while in urban areas these figures are 65.3 and 76.5 years, respectively. Over 1990– 2006 life expectancy among males fell 1.5 years in urban areas and 5 years in rural areas, while for urban women it slightly increased. In

[145] These figures account only for those who are officially recognized by a respective medical body as being 'an alcoholic'.
[146] Passive alcoholics are all those people who are living close to alcoholics, like family members, relatives, etc. See http://medvestnik.by/news/content/diagnoz/1831.html.
[147] http://naviny.by/rubrics/zdorovie/2008/09/04/ic_articles_292_158810/.
[148] http://www.minzdrav.by/med/article/see.php?nid=302&all=0.
[149] http://naviny.by/rubrics/economic/2008/09/02/ic_news_113_296897.
[150] http://naviny.by/rubrics/economic/2008/09/02/ic_news_113_296897.

addition to life expectancy the expected length of life spent in good health is a good indicator of the quality of living and healthcare. it is calculated by subtracting estimated years of life spent with illness and disability from life expectancy at birth. According to the WHO estimates, people in Belarus in 2002 lost on average 7.6 years to illness and injuries, for females this indicator was 9.4 years, while for men this figure amounts to 6.0 years. The data for comparison is available only for the EU–15. According to estimates in 2002 average loss of healthy life years was 10.7 for men and 12 for women in the EU–15.

As it can be seen from the data, health status of the Belarusian people as measured by the morbidity rate is worsening (Table 5.8). Since 2002 this indicator has been growing in general and across nearly all disease groups. Alcohol (21.2%), tobacco (19.7%), high blood pressure (15.6%), and high cholesterol (13.0%) were detected by the WHO as the major factors causing diseases for men, while for females they were high blood pressure (18.3%), and high cholesterol (15.6%) followed by high body mass index (12.2%) and low fruit and vegetable intake (8.1%). Although popular fears suggest that cancer is the relatively more frequently observed disease in Belarus (due to the repercussions of the Chernobyl disaster), the data show that about 0.1% of the patients were given a diagnosis 'cancer' in Belarus in 2007. At the same time, there is a considerable growth of the number of patients with such diagnosis. In particular, the Ministry of Healthcare records that since 1995 until 2006, this figure increased by 57.2%. While cardiovascular diseases are a primarily cause of deaths in Belarus, cancer occupies the second place in the list of causes.

Controls and check-up measures conducted by the National Centre for Hygiene, Epidemiology and Public Health reveal that a number of localities still consume polluted products, i.e. ones containing excessive percentage of radioactive elements. Most often, these products are discovered in the private households (self-growth for domestic consumption). As it follows from the report of the Centre, milk is the most 'problematic' good. Over a first half of 2008, there were 53 localities in total across Brest, Gomel, and Mogilev regions where the percentage of caesium–137 exceeded the normal level. In Gomel region, 20 localities consumed milk with the excessive share of strontium–90. This is because of the use of forage harvested at the polluted territories. The collection of berries and mushrooms by the population (as a coping strategy for the poor) for the domestic consumption or sale is another source of the consumption of the radioactive products. The research conducted by the Gomel Institute for Radiology shows that the primary source of caesium ingression is berries, mushrooms, fish and game consumed by the inhabitants of the rural and, less frequently, urban areas.

There is an increase of prevalence/incidence of chronic diseases and functional impairments for children. In addition, there is a rise of the morbidity rate of children aged 0–14 across all main diseases groups.

Last but not least, 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 (see Table 5.7).

5.4. Governance and financing

Sector organisation and financing

The regulatory framework consists of the legislation and regulations adopted by the President, the Council of Ministers, the Ministry of Healthcare, and some other relevant state bodies. The organizational structure of healthcare system has not changed significantly since the Soviet time. The Council of Ministers elaborates and approves state health plans and healthcare development programmes. The Ministry of Healthcare is directly responsible for the public health policy implementation, including the provision of medical care, measures to secure sanitary and epidemic wellbeing of the population, and organization of relevant scientific research. At the same time, some bodies provide healthcare services beyond the regulatory framework set by the Ministry. These include the Ministry of Defence that runs military hospitals, while large enterprises continue to have healthcare facilities. The Ministry of Healthcare also licenses all medical facilities (public and private), controls the quality of services provided and of pharmaceutical products.

The main burden of responsibility for running of the healthcare system falls on the local authorities. The health committees of local government (*oblasts* or *rayons* executive committee) act as regional and district health authorities. They run local and regional polyclinics and hospitals are responsible for the delivery of primary and hospital care, and fund hospitals and polyclinics on the basis of activity levels. The health committees derive their funds for financing of local healthcare institutions from local taxation. However, money may also come from the national funds for national healthcare programmes. Although the health committees are liable for the allocation of between different priority areas decision-making is highly influenced by Ministry of healthcare recommendations (see Figure 5.1). The healthcare system of Belarus is based on three pillars: outpatient and polyclinic organizations, hospitals and emergency service, and sanitary-epidemiological service.

The first pillar is comprised of polyclinic and outpatient organizations (polyclinics, outpatient clinics, dispensaries, outpatient departments of hospitals, medical and sanitary departments, healthcare centres, etc.) that provide primary/ambulatory healthcare services to population both during their visits and at home. A great bulk of primary care in urban areas is provided through two parallel systems of district polyclinics, one for children and the second for adults (with gynaecological units as a separate department). Both types of polyclinics have at their disposal such narrow specialists as surgeon, otorhinolaryngologists, ophthalmologists, neurologists, endocrinologists, cardiologists and diagnostic facilities (laboratory, X-ray, ultrasound and etc.). The polyclinics in the urban areas are planned to serve 10,000–100,000 of the resident population. District paediatrician deals with 800–1000 children, while a district therapist is in charge of 1,800 adults. In the rural areas primary care is delivered mainly through outpatient clinics and attached to them medical assistants. The staff of outpatient clinics includes at least one therapist, a dentist, a medical assistant, a midwife, and several nurses.

The second level includes hospital organizations (hospitals, medical and sanitary departments and dispensaries having hospital departments, other medical organizations equipped with hospital beds) providing inpatient medical services, emergency hospitals and emergency service. The third pillar consists of sanitary-epidemiological centres.

Structure of expenditures on health care

There were two attempts (in 1992 and 1996–1997) of shifting healthcare funding from a tax-based system (general taxation) to statutory insurance, but until now public healthcare institutions are funded by the state budget at central and local levels. The health systems of other ministries and enterprises are financed by their own budgets; details of funding levels are not disclosed to the public and not reported to the Ministry of Health. In addition, the Social Insurance Fund contributes to the care of the elderly in old people's homes and covers the cost of rehabilitation (for more information about Social Insurance Fund see Section 4.3).

It has to be mentioned that foreign organisations and donors provide some material assistance to the Belarusian healthcare sector. The UNDP is probably the most active contributor. However, there are a number of smaller projects in terms of financing, though not of issues at stake. For instance, the Swiss Department for Development and Cooperation[151] conducts a project at Bragin and Hoiniki regions of the Gomel region to improve controls over the consumption of goods containing excessive percentage of radioactive elements.

As for the budgeting procedures, the funds to cover free-of-charge medical services are determined on an annual basis. According the data provided by the Ministry of Health, most funds come from the local taxes and revenues, e.g. in 2006, 86% of revenue for health was raised from local budget, while only 14% was derived from the national budget, of which 9% is allocated directly to health facilities and 5% to centralised services such as the sanitary-epidemiological network and vertical programmes.[152] At the local level financing of the primary healthcare system and hospitals is performed in accordance with the centrally determined budget. For primary care it is calculated on per capita norms that are estimated by the Belstat for the oblasts and the Minsk city (since it is a separate administrative unit). The budget for hospitals is determined by using the actual expenditure of the previous year (e.g. for diagnostic procedures and clinical laboratory services, etc.) and

[151] http://www.sdc.by/rus/Home.
[152] Richardson E., Boerma W. *et all* (2008) Belarus Health System Review. Health System in Transition, Vol.10, Nj 6

planned future expenditure. There are detailed norms prescribing what is considered as the 'optimal' the number of beds and staff for different types of facilities, which are set on the basis of social standards for medical care. These standards are defined by the government. It has to be noted that local authorities could allocate additional resources to volume required in terms of determined norms, in case funds are available to them.

Free health care guarantees cover all citizens and permanent residents of Belarus. There is the legal possibility to voluntary purchase private health insurance in order to cover additional services that are not covered by the public/state budget. However, the amount of voluntary insurance offered by private companies is negligible. It is also legal for polyclinics and hospitals to charge patients for medical care (e.g. more comfortable hotel facilities for inpatients or elective diagnostic procedures and treatments, rates are determined by the state and appear to be rather symbolic therefore their contribution to the healthcare budgets is marginal.

Private sector expenditure on health[153] account for 24.2% of total health expenditure, this is comparable with the EU data (24.5% in 2005, see Table 5.9). Private households' out-of-pocket payment on health have been increasing steadily and reached 16.7% of total health expenditure and 69 % of private sector health expenditure[154] according to the WHO Regional Office for Europe estimates (in EU 17.2% and 71% correspondingly. Most of these payments were spent on the pharmaceuticals and on private services such as dentistry and opticians. It should be mentioned that state covers 50–100% of costs of prescribed pharmaceuticals for some categories of patients, e.g. with specific chronic diseases. However, there have been some changes made to the social protection system, including the provision of medicine in December 2007 (see Chapter 2 for details).

The private contribution also takes form of under-the-table or envelope payments to doctors and nursing staff. Anecdotal evidence suggests the prevalence of this practice, the extent of which according to some informal estimates amount around 10 % of the income of health sector workers. These informal payments can hardly be considered as a barrier to accessing care, since according to survey only 8% patients have paid for consultation with money or gifts.[155] Therefore, for the rest of the patients, service was available without such payments.

Comparisons with the EU highlight that Belarus spent on healthcare in total less as a percentage of GDP (5.9% in 2006, while EU devoted 8.9%), although the share of public expenditure out of total health expenditure corresponded to EU average spending more closely (4.8% and 6.8% respectively in 2005).

Over 2002–2007, public healthcare expenditures amounted to 4.5–4.7% of GDP. This is about 9.1–9.9% of general government expenditure, which is sharply contrasting with the EU level (14.7%) (see Table 5.10). For instance, in 2006 in Germany the share of public expenditures on healthcare in total government expenditures amounted to 17.6%. Both public and private expenditures on health reached 6.6% of GDP in 2007, while the share of private expenditures was about 1.6% of GDP. In 2007, per capita total expenditure on health (estimated on a PPP basis) amounted to EUR 284.3. This is far below the EU-average figures.

The proportion of expenditure devoted to inpatient care remains relatively high (66% in 2006 according to Ministry of Health data), reflecting the traditions of the Soviet period to focus on provision of beds and on hospital facilities. While only 21% of health expenditures came to outpatient services (3% was allocated on sanitary-epidemiological services). The structure of health care expenditures in Belarus has changed during 1990–2006. The share of capital investment out of total

[153] Private sector expenditure comprises the outlays of insurers and third-party payers other than social security, mandated and voluntary employer health services and other enterprises provided health services, non-profit institutions and non-governmental organisations (such as Red Cross) financed healthcare, private investments in medical care facilities and household out-of-pocket spending. Estimates for this indicator were produced by the WHO, see http://data.euro.who.int/hfadb/definitions/def.php?w=1280&h=800.

[154] According to the WHO definition, private households' out-of-pocket payment on health are the direct outlays of households, including gratuities and payments in-kind made to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services, whose primary intent is to contribute to the restoration or to the enhancement of the health status of individuals or population groups. Includes household payments to public services, non-profit institutions or non-governmental organisations. Includes non-reimbursable cost sharing, deductibles, co-payments and fee-for service. Excludes payments made by enterprises which deliver medical and paramedical benefits, mandated by law or not, to their employees. Excludes payments for overseas treatment, see http://data.euro.who.int/hfadb/definitions/def.php?w=1280&h=800.

[155] Balabanova D. et al. (2004). Health service utilisation in the former Soviet Union: evidence from eight countries. *Health Services Research*, 39(6):1927–1950

health expenditure decreased from 15.4% to 11.4%, while salaries increased from 27.2% to 41.3% of overall spending reflecting aspiration to keep the staff within the public sector.

Personnel in the health sector

There are 48 physicians per 10,000 of population (Table 5.1). Physicians are considered to be well-qualified (according to the Belarusian standards). Medical personnel are educated and trained at four university-type institutions, 17 colleges, while research and skills upgrade are conducted at five research institutes. In 2007, the number of graduates added up to 1.800. The government introduced a system of mandatory job placement for the graduates whose education was covered by the budget funds (i.e. they were studying for free). As a rule, graduates are mandatory sent to work primarily to the rural areas. This is to increase the quality of medical services in the rural areas, which is still well behind the one in the urban areas.

There is a tendency for outflow of personnel resulting in the lack of medical workers in Belarus.[156] Average wages in the healthcare sector lag behind average economy-wide wages as well as wages in industry. In 2007, they accounted for 76% of wages in industry and 80% of the average economy-wide wages. Real wage growth in the healthcare sector in Belarus is lagging behind other sectors as well. In May 2008, 21% of employees of the healthcare sector were paid EUR 120 or less, and 59% of them were paid not higher than EUR 150 per month, while the economy-wide average wage was almost twice as much. The government is aware of such wage discrepancy and periodically increasing wages to prevent cadres outflow. In July 2008, first-rate wage in the healthcare sector was increased, but it seems to be a one-time measure only. At the same time, the amendments made to the 'Law on Healthcare' and 'Law on Local Government and Self-Government' allow municipalities to increase wages of medical workers. However, it is only in Minsk and the Minsk region that such increases are observed (the add-on varies from EUR 80 to EUR 115 and are provided only to the cardiologists and cardiosurgeons). In all other regions of Belarus, no mark-up to the regular wages are provided comparable to the capital. Nevertheless, the government does not plan to abolish it, but continues to rely on small incremental increases in wages.

There is also a lack of personnel at primary level in some special areas like psychotherapeutics. Although the number of psychotherapists has increased, especially in the rural areas, there is still a deficit of these specialists in Belarus. Currently there are 142 consulting rooms in Belarus to service the adults and 33 to service the children. In total, 172 psychotherapists work there, while in 2003 this figure was 123.[157] As for psychiatrists, there are currently 670 of them (and 647 in 2003) who work at 240 psychiatric adult consulting rooms and 78 children consulting rooms. According to the Chief Psychiatrist of the Ministry of Healthcare of Belarus, every district centre in Belarus should have its own psychiatrist, psychotherapist, narcologist, and social worker, but the current situation is not like that. It is observed that 70–75% of patients are admitted by mental homes in Belarus due to the existence of communicative problems that could have been cured in the course of primary treatment.[158] Overall, by the end of 2007, about 5.5% of the population was registered with the psychiatric and alcohol and drug abuse dispensaries.[159] Annually, the number of people[160] with mental abnormalities grows in Belarus by 1.4% on average. In fact, every fourth Belarusian family has a member possessing unsoundness of mind of some kind. In 2007, 65,000 patients were diagnosed as having primary mental disorder, while five years ago this figure was 34.6% less.[161]

5.5. Access, equity and quality in health and long-term care

In Belarus, the physicians density (per 10,000 of population) has been increasing steadily and reached 48.5 in 2007 (Table 5.1). This is in line with the density of the number of practicing doctors in the EU countries or even higher than in some of them like Germany (34.0). The ratio of nurses to physicians in Belarus is also comparable to the EU countries (2.6 against 2.3 in Germany).The

[156] http://www.ktr.su/news/actual-90/2008/09/17/8942.
[157] http://www.afn.by/news/i/105323.
[158] http://naviny.by/rubrics/zdorovie/2008/10/10/ic_articles_292_159404/.
[159] http://naviny.by/rubrics/zdorovie/2008/10/10/ic_articles_292_159404/.
[160] http://news.tut.by/118838.html.
[161] http://news.tut.by/118838.html.

level of health care resources is also illustrated by the number of hospital beds per 10,000 of population, which has the downward trend and amounted to 112.4 in 2007 (Table 5.1), exceeding such indicator in some EU countries, e.g. Germany (83.0). There are several nation-wide screening programmes, e.g. according to official reports of the Ministry of Health cervical cancer screening, which is carried out annually for all women aged 18 and over, covers around 90% of females; the fluorography screening for TB detection spans almost 95% of the adult population (from the age of 17 years); screening for hypertension means that every adult can check blood pressure by visiting of a before-doctor examination room at PHC institution. However, these screening programmes most likely are not able to reach socially excluded groups

A national survey conducted in 2005 found that overall patients were largely satisfied with the accessibility of primary care services and their primary care doctors and nurses, moreover it is worthy of note that the level of satisfaction among rural respondents was higher than among urban.[162]

Quality

It can not be denied that the indicators provided above can serve as crude measures of the status of health care system. Unfortunately, there is very likely the discrepancy between the quantity and quality of the services provided, since the hospitals and polyclinics, especially in rural areas, are often equipped with the obsolete equipment, and hospital efficiency is lower than in the EU countries. Lower wages also cause physicians and paramedics to hold several appointments, to work extra-time, etc that undoubtedly influence the quality of provided consultations. In the system of PHC getting an appointment is uneasy since the patients often queue for hour.

In order to obtain better care and quality of services patients make under-the-table payments. As a result, poorer households are unable to receive service of the same quality as richer ones.

Equity

The major inequality in provision of healthcare services lies between urban and rural populations. In rural arrears PHC facilities and hospitals are understaffed and badly equipped. Government has undertaken some steps to handle these problems in the framework of the State Programme for the Revival and Development of Rural Areas, by recruiting additional healthcare personnel in the course of mandatory job placement in rural areas for the graduates of medical institutes. However, these measures failed to solve the problem of retaining staff, especially in primary care, and making its work more attractive.

The other source of potential inequity is a sort of 'parallel' health system funded by the different ministries and enterprises that usually allocate more funds for healthcare and therefore their PHC and hospitals can provide better quality services.

In addition, it should be noted that people with higher incomes have better access to healthcare and can obtain services of a higher quality, especially the dental care, as they can visit private healthcare institutions.

Long-term care

The Ministry of Social Protection and Labour is responsible for long-term care for the disable people (see Chapter 2 for details). Such care is provided either by care workers that assist disabled living at home, and family members looking after them (see Table 5.12) or through state nursing and long-term care houses. In the latter case patients pay for their care from their pensions, however, it does not cover the full cost of care in nurse homes.

In rural areas long-term care for elderly people is also provided through inpatient facilities of the Ministry of Health. Thus some rural hospitals and outpatient clinics (15–30 beds) have been reorganised for delivery long-term care for elderly people and patients with chronic diseases (so-called palliative care). In the case of medical nature of hospitalisation it lasts for 21 days and is free of charge. When social factors are behind admission, e.g. in the winter time elderly people can not cope with heating their houses, the patients are allocated to stay at the hospitals for a period from one to six months but 70–80 % of their pensions are transferred to hospital in order to cover the cost of care.

[162] Egorov K et al. (2006). *How do Belarusian citizens see primary care? Results from a national survey in 2005*. Utrecht, Netherlands Institute for Health Services Research (NIVEL).

The only data available for long-term care is the number of nursing and care houses for elderly and disabled persons (adults and children) and the number of residents at these medico-social institutions intended for permanent residence of elderly and disabled persons. Both of these indicators slightly decreased in 2007 with respect to 1990 (see Table 5.11).

Palliative care patients with a cancer at incurable stage represents a problem for the system of healthcare so the relatives of such patients are used to carry the major burden, and not the hospitals. In 2005, the first hospice was opened in Minsk ('A Hospital of Palliative Care').[163] It has just 28 places, which is only 10% of the demand for such service in Minsk only, not to speak about the country in general. However, there are 175 patients that are provided with help and care at home in case urgency by the paramedics of the hospice. The Ministry of Healthcare plans to increase the number of hospices in Belarus by 2009. Currently there are five of them functioning (including the Minsk one) along with the paramedics brigade of the Borisov Central Hospital servicing the cancer patients of the Minsk region[164].

5.6. Issues of sustainability

One of the problems of the healthcare system is the lack of funds. In 2000, the Council of Ministers adopted the Regulation on the Improvement of Financing Mechanisms in Health Care which changed to the way of healthcare system financing from input-based mechanisms to per capita budgeting according to the specified norms. The Ministry of Health planed to increase the efficiency of the system, to cut unused capacities, to prioritise PHC and introduce a more economically efficient form of healthcare services over hospital care, and to address the problems with human resources. However, despite these measures, the healthcare system still experiences the shortage of resources. In the future, it could hardly be able to cope with this problem without finding complementary sources of financing or further change/re-design of the mode of financing the system. Currently there is no support for these measures by the government. The draft law on insurance-based healthcare system prepared in 1997–1998 has not even been discussed in the Parliament. The Ministry of Health looks like a reform supporter but, at the same time, fears that changes might lead to a breakdown in health care provision, equity in access to health care in different regions or for different population groups and thus equity in financing. There seems to be agreement that reform should be undertaken with a degree of caution.

5.7. Conclusions and key challenges

It appears that the Belarusian economy is closed to the upper limit in terms of its ability to finance the healthcare publicly. So the major challenge is how to ensure the effective distribution of available funds especially taking into consideration growing pressure on primary and social care by aging population and increasing number of elderly people. The system needs reform to enhance the quality of human capital so some years in life is not spent 'unproductively'.

The next important challenge is the improvement of the services quality. Equipment in the public healthcare institutions needs modernisation and upgrade. Finally, there is a need to allow for more private companies to operate at the market, most likely resulting in the increased quality of services provided and lower charges. All these challenges bring about the necessity of conducting healthcare reform or at least further changing/re-designing of the system's financing.

5.8. References and tables

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[163] http://www.postmaster.by:80/.
[164] http://www.akavita.by/news/belarus/363495.html.

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Tables

Table 5.1: Main indicators of public health, per 10,000 of population, eop

	1990	1995	2000	2003	2004	2005	2006	2007
Physicians of all specialities, persons	38.9	42.0	45.9	45.7	46.2	46.8	47.7	48.5
Paramedical personnel, persons	117.6	115.5	122.8	118.8	119.7	121.5	121.8	121.9
Number of hospital organisations	874	865	830	729	704	711	705	702
Hospital beds	132.6	125.1	126.3	113.7	107.4	111.6	112.0	112.4
Average length of stay ay hospital, days	15.3	--	13.9	12.7	12.2	11.8	11.7	--
Bed occupancy rate, %	81.3	--	90.3	84.3	86.2	83.6	--	--
Number of outpatient and polyclinic organisations	1468	1622	1843	1918	1983	2005	2022	2027
Outpatient and polyclinic organisations, visits per shift	185.6	212.3	231.7	238.2	242.6	247.1	250.1	252.3

Source: Belstat.

Table 5.2: Number of physicians by basic specialities per 10,000 of population, eop

	1990	1995	2000	2004	2005	2006	2007
Total, of which:	38.9	42.0	45.9	46.2	46.8	47.7	48.5
Therapists	10.5	11.3	12.2	11.9	12.0	12.5	12.4
Surgeons	4.7	5.4	6.2	6.4	6.5	6.6	6.7
Obstetricians-gynaecologists*	4.2	4.5	5.0	5.1	5.0	4.9	4.9
Paediatricians**	21.7	20.7	23.3	24.9	25.6	26.5	27.4
Ophthalmologists	0.8	0.8	0.9	1.0	1.0	1.0	1.0
Otorhinolaryngologists	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Neurologists	1.1	1.3	1.4	1.5	1.5	1.5	1.5
Psychiatrists	1.2	1.2	1.3	1.4	1.5	1.5	1.5
Physiotherapist	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Dermatovenerologists	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Roentgenologists and radiologists	1.3	1.1	1.2	1.2	1.3	1.3	1.3
Exercise therapy and sports	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Sanitary and anti-epidemic group	2.0	2.0	1.9	1.9	2.0	2.0	2.0
Dentists	3.2	3.6	4.5	4.5	4.7	4.8	4.9

* per 10,000 women; ** per 10,000 of children (0–14 years).
Source: Belstat.

Table 5.3: Life expectancy at birth, years

Period, for which the indicator is calculated	2000	2001	2002	2003	2004	2005	2006	2007
Men	63.4	62.8	62.3	62.7	63.2	62.9	63.6	64.5
Women	74.7	74.5	74.1	74.7	75.0	75.1	75.5	76.2
Total population	69.0	68.5	68.0	68.5	69	68.8	69.4	70.3

Source: Belstat.

Table 5.4: Life expectancy at specific ages in 2006, years

Age	Total population			Urban population			Rural population		
	Men and women	Men	Women	Men and women	Men	Women	Men and women	Men	Women
0	69.4	63.6	75.5	71.0	65.3	76.5	65.3	59.2	73.0
5	65.0	59.2	71.1	66.5	60.9	72.0	61.1	55.0	68.7
10	60.1	54.2	66.1	61.6	55.9	67.1	56.2	50.1	63.8
15	55.1	49.3	61.2	56.7	51.0	62.1	51.3	45.2	58.9
20	50.3	44.5	56.3	51.8	46.2	57.2	46.5	40.5	54.0
25	45.6	39.9	51.4	47.0	41.5	52.3	42.1	36.3	49.3
30	41.1	35.6	46.6	42.4	37.0	47.5	37.9	32.3	44.6
35	36.7	31.4	41.9	37.9	32.7	42.7	33.8	28.6	40.0
40	32.4	27.4	37.3	33.5	28.5	38.0	28.8	24.9	35.5
45	28.2	23.5	32.7	29.2	24.5	33.4	26.0	21.4	31.1
50	24.3	20.0	28.2	25.1	20.7	28.9	22.6	18.3	29.9
55	20.6	16.7	24.0	21.3	17.3	24.5	19.4	15.5	22.9
60	17.3	13.8	20.0	17.9	14.3	20.5	16.5	13.0	19.3
65	14.3	11.4	16.2	14.7	11.8	16.6	13.8	11.0	15.7
70	11.4	9.3	12.7	11.7	9.5	12.9	11.1	9.0	12.4

Source: Belstat.

Table 5.5: Mortality by main groups of causes of urban and rural population by regions, per 100,000 of population)

	Certain infectious and parasitic diseases	Neoplasms	Diseases of the circulatory system	Diseases of the respiratory system	Diseases of the digestive system	External causes of death
Urban population						
1990	5.7	149.9	358.7	35.5	19.0	85.2
1995	8.0	167.2	459.8	37.8	24.2	139.0
2000	8.4	172.4	521.5	35.4	29.3	136.8
2005	13.8	172.9	597.5	32.4	42.0	135.4
2006	12.1	173.4	585.3	31.1	42.8	126.5
2007	11.2	173.5	553.1	29.8	44.6	115.5
Rural population						
1990	9.9	220.3	919.5	149.5	28.5	131.3
1995	11.5	245.5	1044.8	127.3	29.8	166.5
2000	12.2	249.6	1194.5	140.1	30.4	207.5
2005	20.8	234.3	1365.2	110.3	48.1	269.0
2006	17.3	231.0	1326.5	110.0	50.6	259.6
2007	17.9	224.6	1191.1	98.3	51.9	236.2

Source: Belstat.

Table 5.6: Population subject to regular medical examination, %of those subject to examination

	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
Adults	94.3	95.2	99.3	99.3	99.3	99.1	98.9	98.9	98.8	98.2
Youth	99.6	98.8	99.8	99.6	99.9	99.8	98.9	99.5	99.2	99.8
Children	--	--	99.2	99.3	99.5	99.5	99.7	99.6	99.8	99.9

Source: Belstat.

Table 5.7: Vaccination of children aged 1 year (% of registered children)

Children vaccinated against:	1995	2000	2001	2002	2003	2004	2005	2006	2007
Tuberculosis*	96.2	99.2	99.3	99.2	99.2	99.2	98.9	99.0	98.2
Diphtheria	93.9	99.1	99.2	98.9	98.9	99.0	99.2	99.1	93.9
Whooping cough	93.9	98.6	98.8	98.5	98.5	98.7	99.0	98.8	94.1
Poliomyelitis	96.1	99.2	99.2	99.1	99.0	99.1	99.2	99.1	88.9
Measles	92.8	98.2	98.9	99.0	98.8	99.0	99.0	84.3	87.6
Mumps	89.3	98.1	98.9	99.0	98.8	99.0	99.0	84.3	87.6

* newborn; ** at the age of 2 years.
Source: Belstat.

Table 5.8: Morbidity by main disease groups, per 100,000 of population

	2002	2003	2004	2005	2006	2007
Number of cases, of which:	76,871	78,108	79,142	83,097	82,723	82,938
Certain infectious and parasitic diseases	3,685	3,604	3,598	3,658	3,667	3,639
Neoplasms	820	862	968	990	990	1,011
Diseases of blood, blood forming organs and certain disorders involving immune mechanism	232	247	265	254	259	257
Endocrine, nutritional and metabolic diseases	704	698	711	721	688	669
Psychic and behavioural disorders	1,209	1,364	1,489	1,561	1,643	1,664
Diseases of the nervous system	826	704	740	744	712	682
Diseases of the eye and adnexa	2,581	2,760	2,844	2,909	2,828	2,888
Diseases of the ear and mastoid process	1,988	2,054	2,303	2,308	2,337	2,363
Diseases of the circulatory system	2,138	2,283	2,531	2,622	2,617	2,765
Diseases of the respiratory system	39,111	39,075	38,539	41,916	41,466	41,889
Diseases of the digestive organs	3,030	3,008	3,019	2,940	2,750	2,601
Diseases of the skin and subcutaneous tissue	4,139	4,269	4,253	4,574	4,521	4,499
Diseases of the musculoskeletal system and connective tissue	3,901	4,092	4,399	4,382	4,546	4,518
Diseases of the urogenital system	2,944	3,078	3,146	3,191	3,225	3,121
Congenital anomalies, deformations and chromosomal abnormalities	104	117	111	109	109	115
Injuries, poisonings and other conditions resulting from external causes	7,746	8,045	8,296	8,267	8,379	8,276

* Since 2002, morbidity statistics are compiled in accordance with the International Statistical Classification of Diseases and Related Health Problems (WHO, 10th Revision, 1989).
Source: Belstat.

Table 5.9: Selected indicators of healthcare utilization and expenditure

		1990	1995	2000	2002	2005	2006
Total health expenditure, % of GDP	Belarus	2.90	5.40	5.90	6.20	6.00	5.90
	EU	6.87	7.83	7.99	8.38	8.93	8.92
	new member states	4.53	5.26	5.45	5.91	6.08	6.02
Public sector expenditure on health, % of GDP, WHO estimates	Belarus	--	--	4.90	4.70	4.80	--
	EU	--	--	6.02	6.38	6.76	--
	new member states	--	--	4.16	4.59	4.62	--
Private sector expenditure on health, % of GDP, WHO estimates	Belarus	--	--	1.50	1.90	1.60	--
	EU	--	--	1.99	2.05	2.16	--
	new member states	--	--	1.57	1.72	1.88	--
Total health expenditure, PPPUSD per capita	Belarus	166	237	445	342	475	--
	EU	1121	1471	1863	2125	2493	2619
	new member states	311	417	560	683	845	--
Public expenditure on health, PPPUSD per capita, WHO estimates	Belarus	--	--	230	254	390	--
	EU	--	--	1398	1608	1887	--
	new member states	--	--	433	550	663	--
Public sector health expenditure as % of total health expenditure	Belarus	85.1	88.1	83.6	75.4	79.8	79.2
	EU	--	--	--	--	--	--
	new member states	--	--	--	--	--	--
Private sector expenditure on health as % of total health expenditure, WHO estimates	Belarus	--	--	23.4	28.9	24.2	--
	EU	--	--	25.1	24.6	24.5	--
	new member states	--	--	27.3	27.2	29.1	--
Total inpatient expenditure as % of total health expenditure	Belarus	--	56.5	60	55	52	52
	EU	--	--	--	--	--	--
	new member states	--	--	--	--	--	--
Total capital investment expenditures on medical facilities as % of total health expenditure	Belarus	15.4	14.6	12.1	6.2	11.6	11.6
	EU	--	--	--	--	--	--
	new member states	--	--	4.81	--	--	--
Salaries as % of total public health expenditure	Belarus	27.2	26.7	27.6	41.2	38.1	39.6
	EU	--	--	--	--	--	--
	new member states	--	41.6	37.6	35.3	35.1	--
Private households' out-of-pocket payment on health as % of private sector health expenditure	Belarus	--	--	57.1	69.4	69	--
	EU	--	--	71.8	71.8	71	--
	new member states	--	--	97.2	92.9	87.3	--
Public sector expenditure on health as % of total government expenditure, WHO estimates	Belarus	--	--	10.7	10.1	10.5	--
	EU	--	--	13.6	13.9	14.7	--
	new member states	--	--	10.3	10.9	11.5	--

Source: WHO Regional Office for Europe, European Health for All Database.

Table 5.10: Structure of public expenditures on health care

	Healthcare, mln EURO	Healthcare, EURO per capita	Healthcare, % of GDP	Healthcare, % public expenditures
1990	816.6	80.8	2.45	7.44
1995	614.4	61.4	4.45	13.94
2000	369.6	37.0	4.41	12.44
2002	589.1	59.5	4.27	12.87
2004	1342.4	136.3	4.65	10.56[1]
2005	1789.8	182.6	4.76	9.91[2]
2006	2061.5	212.2	4.44	9.61
2007	2754.9	284.3	4.49	9.09

Note. [1] Since 2004 sources of the Social Protection Fund were included in the republican budget. [2] Since 2005 innovation funds are considered state special-purpose budgetary funds.
Source: Belstat.

Table 5.11: Nursing and care houses for elderly and disabled (end of year)

	1990	1995	2000	2003	2004	2005	2006	2007
Number of nursing and care houses, of which:	75	74	72	70	71	70	70	71
for elderly and disabled adults	66	65	63	61	62	61	61	62
for disabled children	9	9	9	9	9	9	9	9
Number of places at nursing and care houses, thsd., of which	18.7	17.9	16.9	17.0	17.0	16.6	16.9	17.3
for elderly and disabled adults	16.1	15.6	14.9	15.2	15.2	14.9	15.2	15.5
for disabled children	2.6	2.3	2.0	1.8	1.8	1.7	1.7	1.8
Number of inmates at nursing and care houses, thsd. persons, of which	17.6	15.6	16.0	16.1	16.3	16.3	16.6	16.8
for elderly and disabled adults	15.2	13.8	14.2	14.4	14.6	14.7	14.9	15.1
for disabled children	2.4	1.8	1.8	1.7	1.7	1.6	1.7	1.7

Source: Belstat.

Table 5.12: Units providing social assistance at home (end of year)

	1990	1995	2000	2001	2002	2003	2004
Number of units	392	172	169	161	156	156	155
Number of social workers, persons	2875	9462	11740	11712	10323	8501	8687
Number of attended aged and disabled, persons	37130	66187	92839	90332	66634	64191	66564
Workload per social worker, persons	12.9	7.0	7.9	7.7	6.5	7.62	7.7

Source: Belstat.

Figure 5.1: Organizational structure of healthcare system in Belarus