Since its inception in 1991 in the wake of the collapse of communism in eastern Europe, the European Bank for Reconstruction and Development (EBRD) has been committed to developing open and sustainable market economies. The Bank has been heavily involved in areas such as banking-sector reform, price liberalisation, privatisation of state-owned companies and the creation of proper legal frameworks – all of which are vital ingredients for structural change.

But how have the people in the transition region experienced this process? How have their lives been shaped and affected by the changes since 1991?

By way of background, panel A in Chart 1 below shows that both GDP and consumption per capita have increased during the transition period in most of the EBRD’s countries of operations. It is important to also look at the development of consumption as non-consumption components of GDP might have been mismeasured in the pre-transition period. Both measures confirm that, across the board, people’s economic lives have improved over the past 25 years. The exception is a handful of countries, most of which have been affected by conflict and wars during this time.

An analysis by region (panel B) shows that consumption and GDP have grown pretty much in tandem in central Europe and the Baltic states, and also in Turkey. Consumption has grown faster than GDP in south-eastern Europe and Russia and very steeply in eastern Europe and the Caucasus, where average GDP per capita has increased only to a limited extent in the last 25 years. Central Asia, by contrast, saw an increase in GDP per capita but virtually no improvement in consumption levels.

Chart 1. The evolution of income and consumption during the transition period

Panel A. Most transition countries are now richer than they were in 1989

Panel B. Consumption per capita increased in all regions except Central Asia

How have these diverging macroeconomic developments affected the people that are living in these countries? To help answer this question, the EBRD and World Bank carried out the first Life in Transition Survey (LiTS), a comprehensive survey of individuals and households across virtually the whole transition region in late 2006. A second round took place in 2010, in the aftermath of the global financial crisis, and both rounds contain an extraordinary wealth of information about economic and social life in the transition region.

A third round of the survey is currently in the field in 34 countries, including Cyprus and Greece, as well as two comparator countries, Germany and Italy. Full results are expected to be available in autumn 2016. Building on previous rounds of the survey, the core sections of the LiTS III questionnaire focus on assets and income; housing; attitudes and values; employment; entrepreneurial activities; and governance. The revised modules will feature expanded questions on unemployment, corruption and perceptions of gender, as well as gender-specific questions related to asset ownership. In Greece, the survey includes an additional section focusing on the impact of the crisis and the subsequent austerity measures.

This short publication highlights some key findings based on the first two rounds of LiTS and foreshadows what we might expect to see in the results of the next round.
Happiness and life satisfaction

The transition from a planned economy to a market one is a multi-dimensional process. Households experience a dramatic change in purchasing power of their incomes, access to new markets, goods and services, as well as the major restructuring of public services such as education and healthcare.

For many households, transition involves a change of occupation and even a need to move geographically. It is therefore impossible to find a single economic statistic that would aggregate all benefits and costs of the transition process. We can, however, rely on households’ own evaluation in the form of self-assessed measures of their wellbeing. These so-called “happiness data” are based on surveys and are, by their very nature, subjective. At the same time, perceptions do matter as they affect economic and political choices such as employment and savings decisions, voting and support for policies and reforms.

**Chart 2. Substantial variation in life satisfaction across the transition region**

![Chart 2](image)


Note: The chart shows the percentage of respondents that agree or strongly agree with the statement “All things considered, I am satisfied with my life now”. Figures for comparator and transition countries are based on simple averages. The figure for Greece is based on unweighted preliminary data from the Life in Transition Survey III (forthcoming, 2016).

Chart 2 shows that, in 2006 and 2010, the transition countries had not yet caught up with western Europe in terms of subjective life satisfaction. There is a great heterogeneity between transition countries (as well as within the countries) but the difference is striking – in the West, about 70 per cent of households are satisfied with their lives, but in transition countries the respective number is only 40 per cent. Strikingly, preliminary data from the third round of the survey show that only around one in five Greek respondents are satisfied with their life in 2016. That is, current life satisfaction in Greece appears to be less than a third of the average life satisfaction observed in European comparator countries a few years ago.

In market economies, happiness levels are closely associated with incomes so the disparity between life satisfaction in transition and non-transition countries almost certainly has to do with the fact that most transition countries are still behind their Western neighbours in terms of incomes per capita. It turns out, however, that individuals in transition countries are less happy than their counterparts in Western or other non-transition countries with comparable incomes. This “transition happiness gap” can be explained by the macroeconomic turbulence of the economic transition, devaluation of human capital accumulated in the old system and reduced access to free public goods that were available under socialism. The happiness gap is also associated with higher corruption and with the lack of rule of law.

Income growth and macroeconomic stability has reduced or, in some cases, fully eliminated the happiness gap. Unfortunately, as Chart 2 and Chart 3 show, the Great Recession was a major setback. Chart 3 presents the change in life satisfaction between the LITS in 2006 and 2010 respectively. There is a strong positive correlation between the change in happiness and the change in living standards. Countries which suffered badly during the 2008-09 crisis have seen larger declines in life satisfaction. This relationship also holds at the individual level.

**Chart 3. Life satisfaction dropped more where the crisis hit harder**

![Chart 3](image)

Source: Life in Transition Survey (2006), Life in Transition Survey II (2010), World Development Indicators and authors’ calculations.

Note: The vertical axis shows the difference in the percentage of respondents that agree or strongly agree with the statement “All things considered, I am satisfied with my life now” in 2006 and 2010. The horizontal axis shows the percentage change in GDP per capita in PPP terms (constant 2011 international dollars) between 2006 and 2010.

1 Guriev and Zhuravskaya (2009) show that the gap in life satisfaction between transition countries and comparable non-transition countries is strongest in older age cohorts. There is no gap for the generations who entered the labour market right after the start of the transition (post 1991).
3 See Deaton (2008).
4 See Sanfey and Teksoz (2007) and Guriev and Zhuravskaya (2009).
5 See Djankov et al. (2016).
The Life in Transition Survey shows that the transition from plan to market is associated with destruction of social capital. Chart 4 presents the most commonly used measure of social capital, which is generalised social trust. This trust indicator measures the percentage of respondents that answer positively to the question “Generally speaking, do you believe that most people can be trusted or one cannot be too careful in dealing with people?”

Chart 4. During transition, trust in society decreased dramatically


Note: The chart shows the percentage of respondents that state they have some trust or complete trust in people when replying to the question “Generally speaking, would you say that most people can be trusted, or that you can’t be too careful in dealing with people?” Figures are based on simple regional averages.

The share of households who, in 2006, believed that most people could be trusted, compared with 1989, according to their recollection, has decreased by 20-25 percentage points. This was an important change — recent academic literature in sociology, political science and economics has shown that higher levels of trust are associated with political participation, good governance, financial development, effective judiciary systems and efficient production of human capital and internal organisation of firms.

While it is plausible that the turbulent transformation of planned economies has had a dramatic impact on societies, there is no strong evidence of this as there were no reliable surveys before transition. Comparison of today’s trust measures to those before transition is reliant on the recollections of survey respondents, which is obviously problematic.

Interestingly, Chart 4 shows that the gap between trust in 2010 and the recollection of trust in 1989 is much greater (43 percentage points) in Turkey, a country that has not experienced a transition from plan to market. This suggests that the extraordinary change in trust is not observed only in post-communist transition countries.

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People’s views on economic and political transformation

By 2006, GDP per capita in most (but not all) countries in the transition region was well above its pre-transition levels (Chart 5, dots located to the right of 100 on the horizontal axis). These countries represent about 54 per cent of the total population in the transition region.

However, only one-third of respondents believed that their country’s economic situation had actually improved in 2006, compared with the situation back in 1989.

This may reflect a significant increase in income inequality since the start of transition and reduced availability and/or perceived quality of publicly provided services such as health, education and childcare.

Chart 5. Economic development: objective versus subjective perceptions

Source: EBRD database, Life in Transition Survey (2006), World Development Indicators and authors’ calculations.

Note: The vertical axis shows the percentage of respondents that agree or strongly agree with the statement “The economic situation in this country is better today than around 1989”. The horizontal axis shows the real GDP per capita in 2006 in per cent of real GDP per capita in 1989; a value of 100 indicates that real GDP per capita in 2006 was the same as real GDP per capita in 1989.

Similarly, on average only around 35 per cent of the respondents agreed that the political situation in their country had improved compared with 1989. People’s assessments of the economic and political situation tend to be closely linked in most countries (Chart 6). However, in Croatia, Georgia and Tajikistan, changes in the political situation were viewed significantly more positively than economic changes (the corresponding dots are below the 45-degree line). In Albania, Estonia and Lithuania the respondents were relatively more upbeat about economic transformation.

The perception of changes in the political situation is closely linked to respondents’ view of progress in terms of the fight against corruption (Chart 7). The causality here runs both ways. In countries where corruption declined, the political situation was perceived to be improving. And as political institutions become stronger, the occurrence of corruption declines.

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1 See Denisova et al. (2009).
2 See Denisova et al. (2012).
It is worth noting, however, that in no single transition country do the majority of the households believe the situation with corruption has improved during the course of transition. The best performer in this regard is Georgia but even there only 43 per cent of households believe there was less corruption in 2006 than in 1989.

To privatisate or not to privatisate?

The economic literature documents widespread evidence of discontent with privatisation among societies. It is particularly important to understand the sources of this discontent in the transition region for two reasons. First, given the scale and reach of privatised state assets in transition economies, many individuals have been directly affected through loss of jobs or incomes. Second, perceptions around the management and consequences of the privatisation process affect individuals’ attitudes towards a market economy and thereby their support (or lack thereof) for the protection of property rights and for further reforms.

The first round of the LiTS in 2006 found a number of reasons for discontent with privatisation. First, close to half of the populations throughout the transition region believed that private firms should be renationalised and either kept in state hands or reprivatised using more transparent procedures (see Chart 8). In countries where individuals tend to have human capital specific to an economy dominated by state ownership, there is greater support for renationalisation as individuals are more concerned with their material interests (in terms of immediate employment prospects). Second, work trajectories during transition affect people’s view of privatisation. Individuals who have spent more time in employment in the state sector favour renationalisation, while individuals with greater private sector experience indicate a preference for private over state property. This hints at a generational gap in attitudes towards privatisation. Third, individuals with skills suited to a market economy boost support for privatisation, even among the older generations. This not only shows that skills are an important ingredient for economic reform, it also provides optimism that retraining programmes can boost support for privatisation.

Source: Life in Transition Survey (2006) and authors’ calculations.

Note: The vertical axis shows the percentage of respondents that choose any of the four response options to the question “In your opinion, what should be done with most privatised companies?”.

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Source: Life in Transition Survey (2006) and authors’ calculations.

Note: The chart shows the percentage of respondents that choose any of the four response options to the question “In your opinion, what should be done with most privatised companies?”.
The EBRD’s 1999 Transition Report showed that successful reforms – including large-scale privatisations – during the first decade of transition were more likely in countries with stronger political competition and less polarised electorates. These are the countries that manage to develop the institutions that characterise a well-functioning market economy. These institutions are in turn important for the success of privatisation.8

The failure of privatisations is often attributed to control of the political process being seized by special interest groups (including so-called “oligarchs”) which oppose reforms that would erode their rents. As a result, societies where many individuals do not perceive any economic benefits from the switch to a system of greater private ownership have become more polarised politically. Greater transparency in privatisations as well as investment in human capital to ensure individuals will benefit from private economic activity are therefore vital ingredients for preventing reversals and advancing further reforms.9

The impact of the global financial crisis on households

The 2008-09 global financial crisis has had a profound impact on the day-to-day lives of people across the transition region. Many households directly felt the impact of the crisis as household members lost their jobs or had to accept pay cuts; small-scale businesses folded and remittances dried up. Moreover, access to bank credit became restricted as Western banks transmitted their home countries’ funding problems to their eastern European subsidiaries.10

The second round of LiTS in 2010 elicited detailed information on how the financial crisis affected households and which coping strategies they used. Similar questions on the impact of the crisis and austerity measures were also asked in Greece during the latest round of the survey. These data show that, on average, households in transition countries were hit harder than similar households in most Western comparator countries. Nevertheless, there is considerable cross-country variation within both regions in the severity of the income shocks households were exposed to as well as the extent to which they had to cut back their consumption. For instance, Hungary, Lithuania and Serbia were hit relatively hard whereas in Poland the crisis affected households to an extent comparable to what happened in western Europe (Chart 9).

Chart 9. The crisis hit the transition region harder than comparator countries

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8 See Estrin et al. (2009).
9 See De Haas et al. (2015).
10 See De Haas et al. (2015).
The most recent data from Greece show that Greek households have been hit very hard by the global financial crisis and the subsequent eurozone crisis. Preliminary data from LiTS III shows that three in four respondents were hit by an income shock. Moreover, looking at subjective perceptions of the crisis, over 90 per cent of respondents declared that they were affected by the crisis either “a great deal” or “a fair amount” in the last five years.

Relative to their Western counterparts, households in the transition region suffered far more job losses, wage reductions and reductions in remittances. More specifically, in one in five households at least one person lost his or her job while almost half of all households experienced a drop in wage income during the crisis. Moreover, 20 per cent of all households had to cope with a reduction in the remittances they received from abroad. In contrast, Western households were slightly more likely in 2010 to experience adjustments – either upward or downward – in the number of hours worked per week, reflecting higher contract flexibility in these countries as well as labour market policies designed to prevent a rise in unemployment (Chart 10). Note that of the Western comparator countries, only one – Italy – was based in southern Europe and Italian households were in fact affected more by the crisis than those in the average transition country.

Chart 10. The crisis affected households mostly through wage reductions and job losses

Confronted with these negative shocks, households resorted to various strategies to cope and smooth their consumption patterns in the face of adversity. Again, the data show that households in the transition region suffered considerably more than those in western European comparator countries. The crisis led to larger reductions across virtually all consumption categories, particularly in essentials such as staple foods (milk, fruit, vegetables and bread) and health expenditures. Chart 11 shows that in Western countries (including Italy) less than a third of all households that were affected by the crisis had to reduce the consumption of staple food, skip or postpone doctor visits and/or stop buying regular medications. In the transition region this percentage was more than twice as high, on average.

According to preliminary data from LiTS III, the corresponding figure for Greece is 57 per cent. Interestingly, over 48 per cent of Greek respondents delayed payment of utilities or had to cut services such as internet, phone and TV. Further analysis also shows that 1 in 10 Greek households delayed or defaulted on a loan instalment or had to negotiate a revised payment schedule to keep up with tax payments.

Finally, further analysis of the data also shows that households that were impacted more by the crisis were more likely to be in arrears on their mortgages. This effect is about three times as strong in countries that experienced a strong exchange rate depreciation, which led to sharp increases in the repayment burden of households with a foreign currency-denominated mortgage.

Chart 11. Over half of affected households coped by reducing spending on staple food or healthcare

Preliminary data from LiTS III show Greek households were affected in a similar way as households in the transition region, mostly through wage reduction and job losses. Respondents who had their wages or pensions reduced suffered on average a 24 per cent cut in their income compared with pre-crisis levels.

Source: Life in Transition Survey II (2010), Life in Transition Survey III (forthcoming, 2016) and authors’ calculations.

Note: The chart shows the percentage of respondents that declared that: their wages were reduced; or the head of their household lost their job; or another household member lost their job; or their flow of remittances was reduced; or their working hours were reduced; or their working hours were increased. Figures from the Life in Transition Survey II (2010) are based on simple regional averages. Figures for Greece are based on unweighted preliminary data from the Life in Transition Survey III (forthcoming, 2016).

Source: Life in Transition Survey II (2010), Life in Transition Survey III (forthcoming, 2016) and authors’ calculations.

Note: The chart shows the percentage of respondents that declared that they cut consumption of staple foods such as milk, fruits, vegetables, bread; or postponed or skipped visits to the doctor after falling ill; or cancelled health insurance (for self-employment activity); or stopped buying regular medications. Figures for comparator and transition countries are based on simple averages. The figure for Greece is based on unweighted preliminary data from the Life in Transition Survey III (forthcoming, 2016).
The global financial crisis and support for markets and democracy

The previous section showed that the financial crisis significantly affected the well-being and consumption of households in the transition region and in comparator countries. An important aspect of the crisis is to study how it has affected people’s views of economic and political systems. In particular, has the crisis changed the support for market economies? Have people become disillusioned with democratic institutions?

Both LITS I and II included questions on attitudes towards market economies and democracy. To assess support for the market economy, the respondents were asked to choose one of the following scenarios (similar questions were asked with regard to support for democracy as a political system):

1) A market economy is preferable to any other form of economic system
2) Under some circumstances, a planned economy may be preferable to a market economy
3) For people like me, it does not matter whether the economic system is organised as a market economy or as a planned economy.

Chart 12 plots the percentage of respondents in each country in favour of markets in each round of the survey. The chart shows that support for the markets on average decreased in the transition region between 2006 and 2010, with the percentage of respondents favouring markets declining from 43 per cent in 2006 to 34 per cent in 2010. On average, the Western countries had stronger support for the market economy but the difference was not very large – 42 per cent in the West compared with 34 per cent in the transition countries.

Strikingly, support for the market economy declined in all the advanced transition economies and in the EU countries, and increased only in FYR Macedonia and in four former Soviet Union countries (Armenia, Azerbaijan, Kazakhstan and Uzbekistan). Across regions, the biggest decline in support for the markets can be seen in central Europe and in the Baltic States, which ranked third after Central Asia and south-eastern Europe in 2006 and only second to last before Russia in 2010, with the percentage of respondents favouring the markets dropping by 15 percentage points. In Serbia, ranked last, the percentage of respondents favouring markets decreased by 21 percentage points.

Further analysis shows that people’s disillusionment with market economies can in many cases be traced back directly to their own exposure to the financial crisis and the related need to, for instance, cut down on food consumption or delay payments on utility bills.11 Evidence from Ukraine suggests that such impacts and subsequent erosion of support for markets were particularly strong in areas where foreign banks where highly dependent on (volatile) wholesale funding.12 In such areas quick reversals in bank lending led to stronger real-economic impacts and, at least in the short term, an erosion of support for market economies.

By comparison, it is interesting to note that, notwithstanding the very severe impact of the crisis on Greek households, almost 46 per cent of respondents in Greece still favoured the markets over any other alternative in 2016. This suggests that popular support for a market-based economic system may have been more strongly cemented in Greek society than in most transition countries.

Chart 12. The crisis reduced support for markets in most transition countries

[Graph showing percentage of respondents favouring markets]


Note: The chart shows the percentage of respondents that stated that “A market economy is preferable to any other form of economic system”. Figures for comparator and transition countries are based on simple averages. The figure for Greece is based on unweighted preliminary data from the Life in Transition Survey III (forthcoming, 2016).

Chart 13 shows that support for democracy also on average decreased in the transition region between 2006 and 2010, with the average percentage of respondents favouring democracy declining from 57 per cent in 2006 to 48 per cent in 2010. On average, a much larger section of the population was in favour of democracy in the comparator countries (75 per cent) than in the transition region (48 per cent) in 2010. The corresponding figure for Greece remains very high at 78 per cent, notwithstanding the severe impact of the eurozone crisis on the country.

Similarly to the support for the market economy, support for democracy declined in all the advanced economies and in the EU countries, and increased only in FYR Macedonia and in five former Soviet Union countries (Armenia, Azerbaijan, Kazakhstan, Moldova and Tajikistan).

11 See Grosjean et al. (2013).
12 See De Haas et al. (2016).
13 See Grosjean et al. (2011).
The biggest falls were registered in Bosnia and Herzegovina and the Slovak Republic, and the most positive increases took place in Armenia, FYR Macedonia and Kazakhstan. Across regions, Turkey, which ranked first in 2006, recorded a significant fall in 2010, with the percentage of respondents favouring markets decreasing by 19 percentage points.

Chart 13. The crisis reduced support for democracy in most transition countries

While the charts show that large swings took place across the entire transition region, they also point to the fact that none of the EU countries were included in the top supporters of markets and democracy following the crisis. Further analysis shows there is a positive correlation between individuals’ perceptions of the current economic situation and their support for market economies. The same holds true for individuals’ perceptions of the current political situation and their support for democracy. A large fraction of respondents in EU countries thought that the economic and political situation was worse in 2010 than in 2006, while the opposite was true for most of the former Soviet Union countries, particularly for Tajikistan and Uzbekistan.

This may have happened for three reasons. First, the crisis might have objectively hit EU countries harder. Second, the subjective perception of the crisis might have been lower in former Soviet Union countries; the recent crisis might have appeared relatively minor in comparison to the large and sustained decline in well-being that most of those countries endured during the first decade of transition. Third, it might be the case that respondents associated the crisis with the economic system and political institutions in place at the time it occurred and therefore had turned against them.13

Chart 14 and Chart 15 look at the relationship between the percentage change in GDP per capita measured in PPP terms between 2006 and 2010, and the proportion of respondents supporting the market economy and democracy in each country, respectively.
EU countries tend to cluster in the bottom left quadrant, which is consistent with the explanation that such countries suffered during the crisis more than the rest and hence saw the largest decline in support for the market economy over the four-year period. By contrast, most of the former Soviet Union countries lie in the top right portion of the chart, having registered a positive overall growth and experienced a change in support in the same direction.

**Gender and inequality of opportunity**

The legacy of communism’s focus on equal education for women continues into the 21st century and the contrast with western Europe is still apparent. Chart 16 shows that there are more women than men with university and postgraduate degrees in the CEB countries, while there are no gender differences in the SEE region and in the former Soviet Union countries. By contrast, significantly more men than women have university degrees in the five western European countries included in LiTS II (as well as in Turkey).

![Chart 16. Post-secondary education and employment by gender](image)

Source: Life in Transition Survey II (2010) and authors’ calculations.

Note: The chart shows the percentage of respondents that completed post-secondary non-tertiary education or tertiary education and those who were employed at any point in the year prior to the survey. Figures are based on simple regional averages.

Equal education, however, is not reflected in labour market outcomes. Work has been scarce during transition and almost half of all women of working age (and about one-third of men) are jobless. Chart 16 also shows the proportion of women and men who had paid jobs at any time in the year prior to LiTS II. Across the board, women are less likely than men to have worked for wages, but there is variation across the countries. At 67 per cent, the employment rate of women in CEB countries is closest to that of women living in the five western European comparators. However, variations within each sub-region are large. For example, within the former Soviet Union countries, only about a quarter of women have worked for wages in Armenia, Azerbaijan and Tajikistan, while around two-thirds have done so in Belarus and Russia, at par with western Europe.

Having children is one reason why some women may find it difficult to (or continue to) work for wages. Since the fall of communism, childcare availability and affordability has worsened in many transition countries. Combined with low relative wages, this means that more women stay at home longer with young children. Chart 17 shows self-employment and preferences for self-employment by gender.

![Chart 17. Self-employment and preferences for self-employment by gender](image)

Source: Life in Transition Survey II (2010) and authors’ calculations.

Note: The chart shows the percentage of respondents that were self-employed at any point in the year prior to the survey and those who replied “Self-employed” to the question “Suppose you were working and could choose between different kinds of jobs. Which of the following would you personally choose?”. Figures are based on simple regional averages.

Women are also under-represented among the self-employed in all regions. Self-employment can provide a job opportunity for people who have trouble finding other types of employment. It can also be important for women, who more often have to balance work and family responsibilities. But while 20-30 per cent of surveyed women say they would like to be self-employed, fewer than 10 per cent actually are (light blue bars in Chart 17). Men are twice as likely to be self-employed as women.

Preferences for being self-employed are high compared with actual self-employment rates, for both women and men. Chart 17 also shows the variation across regions in the gap between the portion of those who want to be self-employed and those who are, by gender. There is certain heterogeneity between transition countries. The gap is more pronounced for women than it is for men in Turkey and Central Asia. Elsewhere, men and women face similar gaps. There is no difference in the size of these gaps across regions, even taking into account educational level, age, marital status, having children or urban/rural status.

On average, these gaps are similar to those in Western countries, where 23 per cent of women would prefer to be self-employed and only 7 per cent actually are. In the transition countries, the respective numbers are 21 and 6 per cent. For men in the West, 30 per cent would prefer to be self-employed and 12 per cent actually are; in the transition countries it is 28 and 13 per cent respectively.
Chart 18 shows how a person’s circumstances at birth contribute to inequality of opportunity for obtaining a tertiary degree, across countries. Circumstances at birth include gender, place of birth and parental background. Parental background includes parental education and whether one’s parents were in the Communist Party (which, before transition, was strongly correlated with social and economic status). The height of each bar is inequality of opportunity for a tertiary degree. The size of each coloured block is the extent to which each circumstance explains the inequality of opportunity. We see that parental educational attainment is dominant across countries, with membership in the Communist Party important in EEC.

Chart 18. Gender is one of the drivers of inequality of opportunity

Source: Life in Transition Survey II (2010) and authors’ calculations.

Note: The chart shows the factors that contribute to inequality of opportunity in the completion of tertiary education. Parental education is based on the number of years of education completed by the respondent’s father and mother.

Place of birth is consistently important across countries for explaining who obtains a tertiary degree whereas gender is not. Place of birth captures whether respondents were born in urban or rural areas. Being born in a rural area is more of a disadvantage in EEC and SEE, but there is considerable variation across countries. For example, in Armenia and Albania it plays a very small role, but in Romania and Ukraine it is at least as important as their father’s education.

Gender, on the other hand, is less important than parental education in all countries. It plays a greater role in EEC than other regions, where inequality of opportunity is also the highest. It plays almost no part in explaining inequality in educational outcomes in SEE, many CEB countries and western Europe.

How are gender differences perceived? Preliminary LiTS III data from 17 countries show that in all countries – except Estonia and Poland – the majority of respondents believe it is important for their children to achieve university education. Perhaps surprisingly, the data reveal almost no gender preference for sons’ education versus daughters’ education (Chart 19).

Chart 19. Gender preferences within the household

Source: Life in Transition Survey III (forthcoming, 2016) and authors’ calculations.

Note: The chart shows the percentage of respondents that agree or strongly agree with the following statements: “It is better for everyone involved if the man earns the money and the woman takes care of the home and children”, “It is important that my son achieves university education” and “It is important that my daughter achieves university education” respectively. Figures are based on unweighted preliminary data from the Life in Transition Survey III (forthcoming, 2016).

Also, on average, almost 80 per cent of respondents believe that female business executives are as competent as male business executives. Over 50 per cent of respondents declare that men do not make better political leaders than women (this is wide-ranging, from 25 per cent in Mongolia to 76 per cent in Germany).

While these figures show that women are considered to be as capable as men by the majority of respondents, and that women’s university education is as valued as men’s, the blue bars in Chart 19 show that, on average, 45 per cent of respondents in the sample still favour a more traditional family arrangement where the man is the sole income earner and the woman takes care of the home and the children. The error bars show the results of the same analysis by gender of the respondent – the violet end points show the percentage of female respondents that believe in a more traditional family arrangement, while the dark blue end points show the percentage of male respondents that believe the same. It is interesting to note that the percentage of respondents that agree it is better for the man to be the only income earner is greater among male respondents than among female respondents.

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14 See López et al. (2016).
15 See Pollo (2003).
16 See EBRD (2011).
Conclusions

In the 25 years since the EBRD was established, the countries in which the Bank invests have gone through a remarkable process of deep economic transformation and structural reform. In most (but not all) countries, GDP per capita is now well above its pre-transition level – even in those countries that were hit hard by the global financial crisis.

However, large parts of the population in the transition region remain unsatisfied with their life today. Life satisfaction is also low when compared with non-transition countries at similar income levels. Closing the “happiness gap” between East and West – through continued economic growth, more macroeconomic stability and more inclusive institutions – is not only important in and of itself. Limited life satisfaction undermines popular support for market reforms, development of the private sector and democratic politics, and therefore the EBRD’s work in the transition region continues to be crucial.
References


Glossary

| CA | Central Asia |
| CEB | Central Europe and the Baltic states |
| EBRD | The European Bank for Reconstruction and Development |
| EEC | Eastern Europe and the Caucasus |
| FYR Macedonia | Former Yugoslav Republic of Macedonia |
| GDP | Gross domestic product |
| LITS | Life in Transition Survey |
| PPP | Purchasing power parity |
| SEE | Southern and eastern Europe |

Country abbreviations

| Albania | ALB |
| Armenia | ARM |
| Azerbaijan | AZE |
| Belarus | BEL |
| Bosnia and Herzegovina | BOS |
| Bulgaria | BUL |
| Croatia | CRO |
| Cyprus | CYP |
| Egypt | EGY |
| Estonia | EST |
| FYR Macedonia | FYR |
| Georgia | GEO |
| Greece | GRC |
| Hungary | HUN |
| Jordan | JOR |
| Kazakhstan | KAZ |
| Kosovo | KOS |
| Kyrgyz Republic | KGZ |
| Latvia | LAT |
| Lithuania | LIT |
| Moldova | MDA |
| Mongolia | MON |
| Montenegro | MNG |
| Morocco | MOR |
| Poland | POL |
| Romania | ROM |
| Russia | RUS |
| Serbia | SER |
| Slovak Republic | SVK |
| Slovenia | SLO |
| Tajikistan | TJK |
| Turkey | TUR |
| Turkmenistan | TKM |
| Ukraine | UKR |
| Uzbekistan | UZB |
| Czech Republic | CZE |
| France | FRA |
| Germany | GER |
| Italy | ITA |
| United Kingdom | UK |