



Foreword

The mission of the EBRD is to foster the transition towards open market-oriented economies in its countries of operations. When the Bank was created, there was little doubt about the advantage of a market over a command economy. However, as the transition to market involved economic hardship in many countries, parts of the public have become disillusioned, with reforms slowing down or even being reversed in some cases. It has become increasingly clear that transition is not sustainable unless it is perceived by the public as being fair and of benefit to the majority. This is why it is important to evaluate structural and institutional reforms not just in terms of GDP growth or share of private ownership but also in terms of how reforms are perceived by citizens and how they have impacted their lives. Reforms are, after all, intended to enhance the well-being of the general public. If the public does not see the benefits of the reforms, they will ultimately not be successful.



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In order to understand how peoples' lives have been shaped and impacted by the changes and upheavals since the fall of communism, the EBRD and the World Bank launched the unique Life in Transition Survey (LiTS) – a large-scale and comprehensive survey focusing on beliefs, perceptions and attitudes of individuals and households across the transition region. The first round of LiTS was conducted in 2006, the second in 2010 and the third in 2016. Over the 10 years since the survey began, its reach has grown significantly. In the first round, 29,000 households were visited in 28 transition countries and the Czech Republic. For the second round in 2010, the survey was extended: over 38,000 households were interviewed in 29 transition countries, the Czech Republic and five western European comparator countries (France, Germany, Italy, Sweden and the United Kingdom). In 2016 the survey covered 51,000 households in 29 transition countries as well as Cyprus, the Czech Republic, Greece and two western European comparator countries (Germany and Italy).

The first two waves of LiTS have provided many insights on subjective well-being and attitudes towards reforms, described in the EBRD's *Transition Reports* – specifically, *People in Transition* (2007), *Crisis and Transition: The People's Perspective* (2011) and *Stuck in Transition?* (2013) – as well as in many academic papers based on LiTS data. This work has established important, and often unexpected, results. The scholars using LiTS have not only identified low levels of life satisfaction among residents of transition countries – and their surprisingly high support for regulations, price controls and reversals of privatisation – but also that historical attitudes towards reforms, the market economy and democracy are persistent (some observed today can be traced back to imperial/colonial legacies) and they depend on individual respondents' age and their personal experience of transition. All three waves of LiTS, including the very latest, show us that transition is very much a work in progress.

The third wave of LiTS is also unique in many respects. The questionnaire was developed in collaboration with the World Bank and Transparency International, and now comprises revised modules on asset ownership and labour participation, an extended module on corruption and governance, and new questions on respondents' family history and anthropometric measures. In Greece, the questionnaire also includes a section on the impact of the economic crisis on households.

The coverage of LiTS III is the largest we have achieved so far, with 1,500 households interviewed in each country instead of the previous 1,000. In addition, interviews were conducted with a female and a male respondent in all households composed of at least two adult members of a different gender. New questions on decision-making in the household and on attitudes and perceptions of gender roles give us the opportunity to observe how men and women's positions in the family differ and whether these are affected by their respective ownership of assets or participation in the labour market. Lastly, of the 75 localities that were visited in each country, 50 had also participated in the 2010 round. This will allow researchers to capture how lives and attitudes have changed over time within the same local communities.

What are the most important findings from the third round of LiTS?

First, the latest data show that people's life satisfaction has increased across post-communist countries compared to the 2006 and 2010 levels and there has been a convergence with the western European comparator countries. Another noteworthy finding is that people in most transition countries are now more optimistic about the future than their counterparts in western Europe. Access to public utilities (such as electricity, water, heating and postal services) is widespread throughout the transition region and satisfaction levels for these services compare well with the averages for the western European comparator countries. LiTS III data also show that people in the transition region almost uniformly think that the gap between the rich and the poor should be reduced – much more so than in 2010.

Second, encouragingly, levels of corruption – both in terms of perception and actual experiences – have decreased since 2006 in many countries in the transition region. Nevertheless, many respondents in this region still believe that the level of corruption among their elected officials and within public services is higher across the board than in western Europe. The perceived level of corruption is highest in the health care sector and lowest when it comes to requesting official documents. There is a negative relationship between the level of service satisfaction and people's experience of needing to make unofficial payments. In most countries, confidence in public sector authorities is relatively low and public officials are more often perceived as being corrupt than is typically the case in the western European comparator countries. The level of trust in institutions overall has also fallen since 2010, though it varies within and across regions.

Third, the latest LiTS III results show that while educational attainment is relatively equal across genders in the transition region, this is not reflected in labour market outcomes. When it comes to paid work, women are less likely to work full-time, less engaged in the workforce than men and earn less than men working a similar job. In terms of unpaid work, women bear a disproportionate share of the housework and caring for their families. There are also fewer businesswomen in the transition region in comparison to western Europe and the proportion of female entrepreneurs in the region has not increased significantly since 2010. Both men and women often cite insufficient financing as the main barrier to setting up a business. Female political participation also remains rather limited in the region as a whole.

Fourth, LiTS III data show that the impact of the economic crisis on Greek households has been deep and widespread. Over 92 per cent of Greek respondents believe that the crisis has affected them, and 76 per cent of Greek households have suffered a negative income shock such as reduced wages or pensions, job losses, delayed or suspended wages and decreased working hours. Compared to eastern European

households interviewed as part of LiTS II in 2010 (who also reported a deep impact of the recent crisis), Greeks have had to resort to cutting the consumption of necessities, non-necessities and services to a greater extent. Furthermore, the impact of the crisis was disproportionately strong for female-headed households, families with a household head who did not complete secondary education, and those with little or no savings. Not surprisingly, the crisis has also affected the respondents' satisfaction levels and their confidence in political institutions. Today, only 1 in 10 Greeks are satisfied with their financial situation and only 24 per cent of respondents say they are satisfied with their life in general, as opposed to 72 per cent in Germany and 42 per cent in Italy. Importantly, the very small minority of Greek respondents who were not affected by the crisis (8 per cent) report a level of financial and life satisfaction similar to, if not higher than, the average in Germany and Italy.

Lastly, despite attitudes towards democracy and the market economy becoming less positive or remaining stable relative to 2010, there is still widespread support for both in the transition region, despite the difficult economic circumstances of the recent past. The survey also provides some evidence on the rather weak recovery from the financial crisis which affected households in many countries in the transition region. On average, only 26 per cent of LiTS respondents report that their households live better than four years ago and only 20 per cent believe that their country is economically better than four years ago.

This report has only scratched the surface of the findings from the third round of the Life in Transition Survey. As with the previous rounds of LiTS, there will be more work by EBRD researchers and external academics based on LiTS III data. This will provide important insights into the impact of reforms and financial crises on beliefs and attitudes, which will in turn inform policy debates in both emerging markets and developed countries.



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