

## Editorial

This 2011-2 issue of the *SEER Journal for Labour and Social Affairs in Eastern Europe* focuses on 'Inequality in south-east Europe' with a collection of articles from the major countries of the region. This issue is based on the project *Equity vs Efficiency*<sup>1</sup> of the Friedrich Ebert Foundation's Sofia Office. *SEER* is happy to help extend the audience for this rich material and hopes that it will generate a lively debate.

The lessons from the 2008-2010 crisis show us that the decades-long accumulation of inequality, backed by irresponsible financial practices, was one of the major causes of the deepest economic crisis in the post-World War II world and led to an unprecedented loss of efficiency.

Growing inequality of incomes has been the major global trend in the most recent decades, and this has been true also for Europe. The crisis has also demonstrated a loss of efficiency from depressed wage levels and rising profits in the longer run. The purchasing power of the population was often maintained through credit that contributed to the unsustainable trends and which ended up in a debt crisis.

Inequality in the south-east Europe region demonstrates an even broader fundamental than in the rest of the continent. On top of the worldwide trend, inequality in south-east Europe is also a consequence of a chaotic transformation process in which the massive reallocation of productive capital (under privatisation) proceeded with a lack of transparency. War also resulted in the impoverishment of a large part of the population and, at the same time, to the strengthening of the criminal economy with a thin layer of ultra-rich profiting from the devastation. The large share of the informal economy in south-east Europe is also a hotbed of inequality. Inequality is thus one of the most serious problems and challenges in the region.

The articles in this issue give us an analytical overview of the case of inequality in south-east Europe, country-by-country.

Gabriela Cretu questions in her article the supposed efficiency and equity trade-off in the context of social policies in Romania. On the basis of specific examples and data, she introduces the Romanian case as an illustration of failure.

Dušan Pavlović and Mihail Arandarenko argue in the context of Serbia that applying tailored social policies in favour of the worse-off in labour, welfare and education policy would simultaneously improve both the efficiency and the equity of the Serbian economy. They argue for progressive income tax system.

For Croatia, Predrag Bejaković addresses the problems faced by many of the long-term jobless and argues for a more active labour market policy.

Krastyo Petkov and Atanas Vladikov identify widespread social fragmentation and an increase in poverty as the main symptoms of inequality in Bulgaria.

1 Bejakovic, P and M. Meinardus (Eds.) (2011) *Equity vs. Efficiency – Possibilities to Lessen the Trade-Off in Social, Employment and Education Policy in South-East Europe* Friedrich Ebert Foundation, Bulgaria Office, Sofia.

Svetlana Cenić highlights that poverty in Bosnia and Herzegovina is deeper and more widespread than in any other country of the former Yugoslavia, with some 20 % of the poor suffering serious shortages in key aspects of welfare.

For Montenegro, Jadranka Kaludjerović draws the lessons that social policy is not well-targeted, that labour market measures are not focused on the most vulnerable populations and that education reform still does not deliver positive results in terms of the quality of education and the fulfilment of the needs of the labour market.

Against a background of high levels of unemployment and poverty in Macedonia, as Neda Milevska Kostova and Biljana Kotevska describe, measures are being undertaken to increase the employability of the long-term unemployed and first-time job seekers by ameliorating illiteracy and providing mandatory primary and secondary education.

Jeton Mehmeti addresses widespread poverty in Kosovo, with nearly one-half of the population estimated to live below the national poverty line.

Erisa Çela identifies the informal economy and the lack of employment as the most crucial economic and social problems in Albania.

Cornel Ciurea finds that informal practices in healthcare and education in Moldova increase the general efficiency of the system but, at the same time, they also create additional perverse consequences which undermine its functioning.

**Béla Galgóczi**

**September 2011**

**Calvin Allen**