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Critical Assessment of Development of a Modernizing Society in Eastern Europe: Latent Risks for Social Inclusion

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The capability approach has emphasized human freedom and possibility of choice over various alternatives as a person's capability set (Foster and Sen, 1997). Consequently, a rise of capabilities is a core of human development (Sen, 1999) and essential part of modernization process (Welzel, Inglehart and Klingemann, 2003). The paper suggests the capabilities model of social inclusion and attempts to use such an approach to gauge human development of a modernizing society as well as reveal hidden risks for inclusion. It is argued that despite rapid economic growth, the actual increase of real disposable income per capita and improvement of Human Development Index in Ukraine since the end of the 1990's, the capabilities of its citizens have been seriously jeopardized. Ukraine fails to keep pace with other societies of the region (except Moldova) although the levels of development of Eastern European countries were very similar 20 years ago. This implies the growing gap in social actors' capabilities between the national states within the region.

Keywords: social inclusion, modernization, human development, capabilities, Eastern Europe, Ukraine.

Research area: 22.00.00 – sociology.

Introduction

In present-day global world Eastern European societies are too small to be considered important on an international scale, while social scientists' attention is concentrated on the big rising powers of the former 'third-world'. However, much of the profound changes that have occurred in the world during last two decades were triggered by the region. It is exactly Central and Eastern Europe where the epicentre of transformation was located and social movements emerged that undermined socialist regimes 25 years ago. The Eastern Bloc

collapsed which ended the age of a bipolar world, boosted globalization and eventually led to the contemporary global state of play.

Those changes were immediately reflected by sociologists. At that time theories of neo-modernization of post-socialist societies became the mainstream idea along with an optimistic project of transformation of Eastern European countries into Western like democratic market economy society. Nevertheless, despite institutional and cultural similarity, a developmental track in the region was apparently different which resulted

into different economic levels and quality of life which were achieved by various countries. This experience of Eastern Europe raises once again a question of plausibility of modernization and possible ways towards modernity. Contemporary sociology lacks modernization theory which would provide a tool to find an adequate answer. As W.Knöbl noted 'there is no stable, empirically grounded *theory*... All there is... some sort of modernization *discourse*, some vague ideas about possible developmental paths of contemporary societies.' (Knöbl, 2003: 105)

This paper suggests using a modernization model based on the capability approach to gauge human development of a modernizing society in Eastern Europe. The capability approach has emphasized human freedom and possibility of choice over various alternatives as a person's capability set and the actual functioning combination (Foster and Sen, 1997). Within the approach the increase of capabilities is a core of human development process (Anand and Sen, 1994; Sen, 1999). However, this also implies that even in the situation of equal rights and opportunities not all people may be able to choose options of which they are capable. Therefore, modernization can be considered a process that increases capabilities and enhances inclusion of social actors. Using the capability approach to assess modernization of a society would reveal hidden risks for exclusion and explicate indicators of inequality.

First, the paper provides an overview of problems of post-socialist development and modernization in Eastern Europe in the past two decades. Human development is considered a benchmark of modernization. Based on three-element modernization and human development model suggested by Welzel, Inglehart and Klingemann (2003) I argue that social inclusion is related to both the options application, which is the freedom to choose in the capability approach,

and the choice application, which is the actually chosen, is important dimension of modernization. Such a theoretical framework of social inclusion may be a contribution into application of the capability approach in sociology to expose developmental problems, inequality and exclusion which would enhance the assessment of the needs of the vulnerable groups.

Second, the paper focuses on Ukraine as a case of the post-socialist modernizing society. It is asserted that an optimistic prospect, which appeared after social and economic disruption of the 1990's in Eastern Europe, was not uniformly distributed for different countries. Compared to the region, Ukraine fails to keep pace with either Eastern or Western neighbours except Moldova although the levels of development of most Eastern European countries were very similar 20 years ago and Ukraine used to have the median of regional human development value. This implies the growing gap in capabilities between the national states within the region.

Third, the research demonstrates limitations of indicators of official statistics, data from traditional surveys and Human Development Index (HDI) linking these indicators data to the set of capabilities. I will show that despite positive dynamic in economic growth, average income and human development in Ukraine in the 2000's, capabilities of the vast majority of its citizens have been jeopardized. In particular, the capability for housing, which was still very poor in 1998, dramatically plunged in the 2000's.

As a method of research I use original as well as secondary data analysis comparing trends of various existing indicators including HDI, GDP PPP per capita, Gini index, national and regional income and housing statistics, monthly average wages, price trends on the secondary residential market, self-reported data from the surveys of the Institute of Sociology of the National Academy of Sciences (NAS) of Ukraine. The sources of

the study comprise statistical data of the State Statistics Committee of Ukraine, United Nations Human Development Reports, the International Monetary Fund data, Association of Real Estate Specialists of Ukraine (ASNU), annual surveys of the Institute of Sociology of the NAS of Ukraine 'Ukrainian Society: Sociological Monitoring 1994–2010'.

Problem background and theoretical framework

Sociologists (Esping-Andersen, 2007) and development economists (Yusuf et al., 2009; Sachs, 2008) emphasize that a critical problem for contemporary society is inequality, which persists and even has been growing in various countries as well as in the global system overall. A challenging question for social scientists is about varieties of social existence and alternatives of social, economic and cultural development (ISA, 2006). If modernity emerged in Western (Northern-Atlantic) civilization and is spontaneous in terms of its culture and societal evolution, Ukraine and many other post-socialist countries are societies with 'catching-up development' which determines numerous problems of their growth and makes an issue of inequality more acute.

Since the Eastern Bloc collapsed, theories of neo-modernization of post-socialist countries became the mainstream idea. An optimistic project of transformation of post-socialist societies into western capitalist liberal model was conceived. P.Sztompka pointed out that since 1989 theory of modernization has focused on post-communist countries attempts to 'return to Europe', join the modern Western civilization (Sztompka, 1996: 101).

Subsequently there has been criticism on modernization of post-communist countries (Allardt, 2002; Kapustin, 2003). It wasn't a smooth process and in a number of cases desired modernization turned into 'the unprecedented

demodernization of a twentieth-century country' when society was pulled 'backward to a pre-modern era' (Cohen, 2001: 45, 169). However, despite common difficulties there are apparent differences in the paths of development of former socialist countries in the region.

After the collapse of Eastern Bloc and the Soviet Union in the beginning of the 1990's Central and Eastern Europe fell into two clusters with different development tracks. While three former Soviet Republics (Belarus, Moldova and Ukraine) were involved into post-soviet integration project (CIS) maintained by Russian Federation, the other three former Soviet republics (Estonia, Latvia and Lithuania) with the rest of Central and Eastern European societies became determined to complete European integration.

Since the middle of the 1990's modernization of Central and Eastern Europe has been 'predominantly understood in terms of a gradual incorporation of the post-communist societies into the European project. This process is then mostly read as convergence in legal, institutional, and political terms' (Blokker, 2005: 515). This has redefined Eastern Europe radically.

Recent enlargements of the European Union have left three Eastern European countries – Belarus, Moldova and Ukraine – in a specific zone that presently embodies European civilization borderland. Those countries share the same features: they used to be a part of imperia (Russian, Austro-Hungarian and then Soviet) and may be considered as post-colonial societies; they were involved in the Communist project of accelerated modernization that was an alternative to the Western one; nowadays they are located between the EU and Russian Federation and experience integrative process from both sides.

After the EU enlargements Eastern Europe doesn't even exist as an integral region. A criterion of belonging to the European project is much more important than geographic vicinity.

Present-day Eastern Europe, definition of which has always had connotation of a peripheral region, basically narrowed to three countries only: Belarus, Moldova and Ukraine.

At this point of time there are two peripheral regions in Europe as a civilization. The first is mentioned above Eastern Europe (or what has left from it), the second – ‘Western Balkans’ (Croatia, FYR Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Serbia including Kosovo).¹ Nevertheless, these two regions differ significantly. While societies of Western Balkans committed to integration process and either have been granted candidate country status or recognized as potential candidate countries (European Commission, 2007), Belarus, Moldova and Ukraine are very far from that.

Moreover, the region of Western Balkans is radically different from Eastern Europe. Western Balkans countries are located on the *frontiers* of contemporary European project which has been expanding its spatial body. Those societies do not have an *alternative to integration*. Very probably, sooner or later they will be incorporated to the project. This is a just a matter of their readiness that simply requires time. In contrast to them, Belarus, Moldova and Ukraine are the borderland which is located *between* European Union, which represents integration on the basis of common liberal values Western post-industrial market-economy democracy, and Russian Federation, which often claims itself to be exceptional ‘Eurasian’ way of development. Therefore, in the case of Eastern Europe there is an *alternative to integration*. There are three possible ways of development for Eastern European borderland: one of integration options will be implemented (either European or Russian), the region will be conserved as the borderland which is utilized as a buffer from both sides.

After disruption of the 1990’s a period of rapid economic growth began in the region which

gave an optimistic prospect. However, Moldova and Ukraine (Belarus has better performance close to recent EU members Bulgaria and Romania) still have the lowest ranks of GDP per capita and Human Development Index (HDI) in Europe (Human Development Report, 2011). Russian Federation and Belarus have not succeeded in development of democratic institutions. Ukrainian democracy is flawed. More recently Russian and Ukrainian political leaders claimed a specific (alternative to Western model that other Eastern European societies are trying to follow) way of development emphasizing technical modernization and economy based on innovations.² The question is whether such a way of modernization can be efficient. Hence, it is important to gauge development beyond economic growth (Stiglitz, Sen, Fitoussi, 2009).

Since 1990 HDI has been widely used for this purpose. However, since it was introduced, HDI has been criticized as ‘conceptually weak and empirically unsound, involving serious problems of non-comparability over time and space’ measure (Srinivasan, 1994: 241). R. Sugden (1993) questioned HDI as an operational tool. In recent 20 years HDI methodology has been advanced and significant contributions into conceptual development and operationalization have been made (e.g. Nussbaum and Sen, 1993; Martinetti, 2000; Kuklys, 2005; Comim et al., 2008). HDI is rooted in the capability approach that besides cross-country comparisons allows deeper understanding of a process and factors of modernization focusing on the increase of capabilities as a core of human development. Employing the capability approach, Welzel, Inglehart and Klingemann (2003) suggested three-element modernization model comprising individual resources (objective means of choice), emancipative cultural values (motives of choice) and institutional rules (effective rights to human

choice). In this model the focus is set, first, on the increasing role of emancipative and self-expression values due to the growth of resources, second, on the linkage of emancipative values as the motives of choice to effective freedom rights and efficient democratic institutions. The model, however, is limited to the linear relationships of resources and values. It does not reveal differences in the access to the resources, participation and the ways of securing the access and choice.

According to A.Sen, the increase of capabilities is a twofold set comprising the options application, which is the freedom to choose, and the choice application, which is the actually chosen (Foster and Sen 1997). Ways and means of securing human freedom and possibility of choice are crucial and require various forms of involvement of social actors in life of society, i.e. their social inclusion. A rise in capabilities is not possible without inclusion of social actors, for it accounts for their choice application. That is why social inclusion is considered a crucial means of human development (Andjelkovič et al., Анджелкович 2011). On the other hand, lack of social inclusion also limits freedom to choose.

Therefore, an elaborated model of human development and modernization should embrace a dimension of social inclusion. Theoretical contributions (Parsons, 1966; 1977; Alexander, 1980; Wilson, 2006; Lamont, 2009; Acemoglu and Robinson, 2012) clearly demonstrate that social inclusion is related to integration of social system, to social institutions, social and cultural capital and ultimately to various forms of incorporation of different social groups into a core society. Social inclusion does not exclusively refer to particular deprived groups but is an important aspect which 'makes societies successful' (Lamont, 2009: 151). Social relationships of various types are built on relative capabilities allocated for social agents and groups which determine their actual choices.

The capabilities model of social inclusion may be an analytical tool in understanding the ways of securing human freedom and possibility of choice, and, consequently, development of a society and modernization. This model comprises:

1. The means of providing choice (the capabilities set) and securing access to the resources; fair and efficient system of redistribution of resources (Dworkin, 2002).
2. Recognition, which determines social esteem of 'abilities and activities' and eventually 'contribution to social reproduction' of different social groups (Honneth, 2001: 54-55).
3. Participation which reflects the capabilities for social interaction (Fraser, 2007).
4. Values as motives of action and choice (Schwartz et al., 2001; Welzel, Inglehart and Klingemann, 2003).
5. Effective democracy and rights as institutional means of securing choice (Welzel, Inglehart and Klingemann, 2003).

The combination of all elements accounts for the options application as well as for the choice application. Consequently, modernization is a process that expands capabilities and enhances social inclusion.

In this paper we focus on the issue of the relative access to the resources studying the case of a modernizing society in Eastern Europe in comparative perspective with an attempt to reveal hidden risks for inclusion and assess human development via selected specific aspect of the capabilities set.

Trends of Human Development in Eastern Europe

This section aims to investigate the trends of human development in Eastern European

countries and identify possible differences in capabilities between the national states within the region and, in particular, between Ukraine and its neighbour countries.

If we look at human development and economic growth of Ukraine in recent 20 years, we will see that decline in 1990's followed by rapid and persistent growth since 1999 till global economic crisis in 2008. Such growth is supposed to increase the capabilities of social agents. However, estimation of such an increase would be more informative if it is related to the context of societies with similar development path and corresponding level of the capabilities in the initial point of comparison.

In 1990 Central and Eastern European countries could be divided into 4 clusters by two dimensions. However, if ignore a factor of location, which is important because Soviet republics didn't have many institutions of an independent state and experienced deeper crisis in 1990's, all 13 countries fall into 2 groups of less developed (4 countries) and more developed (9 countries) based on UNDP criterion HDI

equals 0.800 or above. Five out of nine countries in a more developed cluster were the part of the Soviet Union.

Before the collapse of the Eastern block in 1990 there was no significant difference in HDI value between Ukraine and the majority of Eastern European countries. In fact, Ukraine's HDI value of 0,809 matched the median in the selected set of 13 countries.³ As it follows from Table 1, six countries had higher value than Ukraine and six lower. Ukraine's value was even slightly above the mean of 0,806 in the set.

However, Slovenia and Czech Republic, which historically had been closer to more developed core of European civilization, had higher level of development among others (0,851 and 0,845). Among Soviet countries Lithuania demonstrated better performance with the value of 0,827. Estonia, Russian Federation, Ukraine and Latvia were approximately at the same level with Poland and Hungary. Soviet Belarus, Bulgaria and Romania constituted a cluster of less developed societies. Moldova had the lowest HDI (0,740) and was considerably behind.

Table 1. HDI of Central and Eastern European countries in 1990 – 2005

HDI Rank 2005	Country	1990	1995	2000	2005
27	Slovenia	0,851	0,857	0,891	0,917
32	Czech Republic	0,845	0,854	0,866	0,891
36	Hungary	0,813	0,817	0,845	0,874
37	Poland	0,806	0,822	0,852	0,870
43	Lithuania	0,827	0,791	0,831	0,862
44	Estonia	0,813	0,792	0,829	0,860
45	Latvia	0,804	0,771	0,817	0,855
53	Bulgaria	0,794	0,785	0,800	0,824
60	Romania	0,777	0,772	0,780	0,813
64	Belarus	0,790	0,755	0,778	0,804
67	Russian Federation	0,815	0,771	0,782	0,802
76	Ukraine	0,809	0,756	0,761	0,788
111	Moldova	0,740	0,684	0,683	0,708

Source: HUMAN DEVELOPMENT REPORT 2007/2008. P. 229-230

Table 2. Clusters of Central and Eastern European countries in 1990.

Location/HDI	More developed (HDI \geq 0,800)	Less developed (HDI < 0,800)	Total number of countries
Soviet	5 Lithuania, Estonia, Latvia, Russian Federation, Ukraine	2 Belarus, Moldova	7
Non-Soviet	4 Slovenia, Czech Republic, Hungary, Poland	2 Bulgaria, Romania	6
Overall	9	4	13

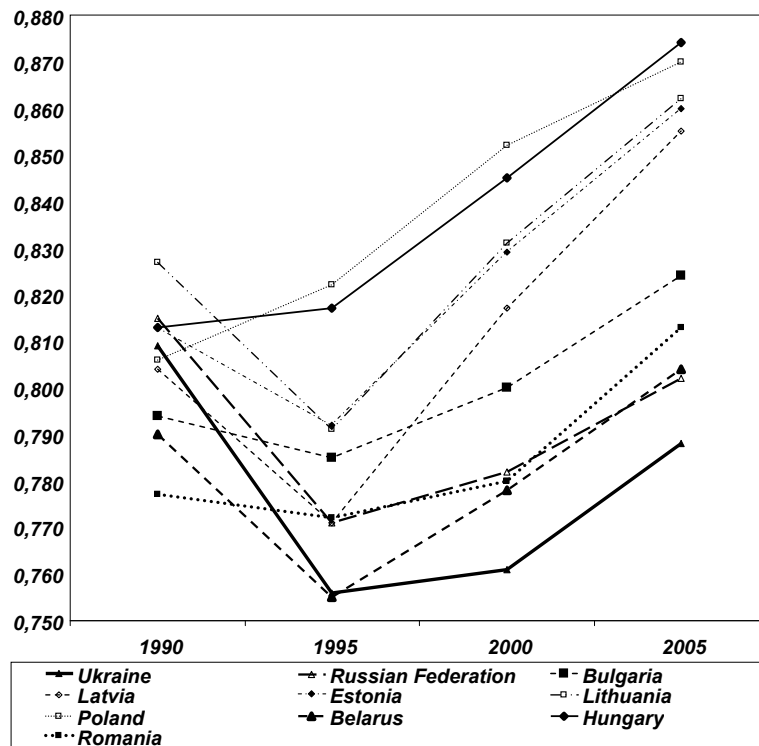


Fig. 1. HDI trends for 10 Central and Eastern European countries in 1990-2005

Figure 1 demonstrates dynamic in human development of post-socialist countries in Eastern European region. The Figure doesn't include Slovenia and Czech Republic that are above the mainstream and Moldova that is much lower. Moldova constitutes a separate case; it was an agricultural republic of the Soviet Union. In addition due to separatist movement it lost the most developed part Transnistria (*Pridnestrovie*)

in the beginning of the 1990's. That is why even compared to other post-soviet countries that were pulled backward after the USSR collapsed Moldova can be estimated at a very low level of development – 111 HDI rank (Human Development Report, 2005).

The Fig. 1 shows that Poland and Hungary didn't experience such a fall in contrast to post-soviet countries. Lithuania, Estonia and Latvia did

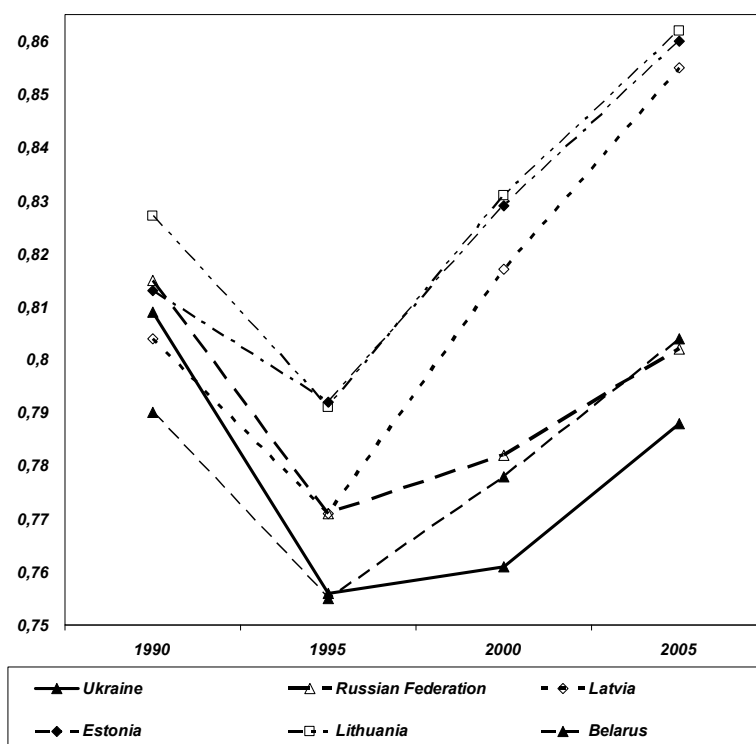
have a drop as well as other Post-Soviet countries. However, they quickly recover after 1995. Latvia experienced a huge HDI slump in the middle of 1990's but developed progressively.

Bulgaria and Romania had moderate decrease from 1990 till 1995. Their HDI trends were very similar to the HDI trends of Russian Federation and Belarus from 1995 till 2000, but from 2000 HDI began growing much faster so that even Romania passed Belarus and Russian Federation by 2005. In contrast to 1990, Ukraine's HDI value in 2005 (0,788) was much lower of median of the set of 13 countries (0,855) and even lower of the 1st quartile (0,836). Ukraine had the largest slump and is backward except Moldova which is not in the Figure because of the extremely low HDI value. Notably, both Ukraine and Belarus had virtually identical minimum of HDI in 1995, unlike Ukraine Belarus experienced much faster

increase of HDI which approached the value of 1990 in 2000 and exceeded it considerably in 2005. Belarus also improved its relative position in the country set from 1990 to 2005.

Figure 2 shows the difference between six post-soviet countries clearly. Lithuania, Estonia and Latvia were by HDI at the same level of development with Russian Federation and Ukraine in 1990. HDI dropped dramatically for all countries by 1995. By 2005 six countries formed two distinct clusters. Three Baltic States which are involved in the European project have considerably higher HDI.

Among three Post-Soviet states Ukraine demonstrates a typical pattern. Russian Federation's HDI progress is predominantly a result of growing GDP per capita. The latter is maintained increasingly by fuel and energy industry. Belarus has better performance than



Source: HUMAN DEVELOPMENT REPORT 2007/2008. P. 229-230

Fig. 2. HDI trends for 6 Post-Soviet countries in 1990-2005

Ukraine and Russian Federation since 1995. This is the only country among these three that exceeded HDI value of 1990. It can be explained by existing efforts of authoritarian regime. Such a regime is capable of mobilizing resources for a certain period of time.

Above we considered HDI trends of selected societies that gave the opportunity to draw comparisons. However, it is more important to analyze development of Central and Eastern European countries in the broader context to understand their developmental track.

The US development is suggested to be a scale for changes in the modern world. The US is the largest Western society with the biggest economy. It fully embodies values and principles of market-economy democracy. Nonetheless the US doesn't have the highest HDI among the most developed countries. Below data will present HDI trends of selected countries compared against US HDI trend between 1990 and 2005. This also allows finding relative development shift for each society taking into account initial country's position in 1990.

All Central and Eastern European countries that are the EU member-states (EU8) demonstrate positive dynamics in relation to the US. They all improved their HDI ratio. The biggest improvement demonstrate Slovenia (3,82 %) and Poland (3,78 %). Latvia demonstrates the best relative result among post-soviet A8 countries (2,42 %), although its absolute HDI value is the smallest.

Bulgaria and Romania also have HDI growing better than the US. Although improvement is less significant: 0,25 % and 0,94 % accordingly. Bulgaria has the lowest value among all ten Central and Eastern European countries. Overall three countries have relative change range below 1 % (Bulgaria, Romania and Lithuania).

Adding Bulgaria and Romania to the aggregate list of EU8 and EU2 makes the mean of relative range value a bit smaller – 0,0211, $\sigma^2 = 0,0002$.

The state of affairs in the post-soviet societies is absolutely different. All countries as well as Russian Federation have negative dynamic in relation to the US.

Table 3. Relative HDI change in Central and Eastern European countries (EU8) in 1990/2005

HDI Rank 2005	Country	HDI original value 1990	HDI original value 2005	Country's HDI/United States' HDI ratio 1990	Country's HDI/United States' HDI ratio 2005	Relative change range 1990/2005
12	Point of reference (US)	0,919	0,951	1,000	1,000	0,0000
27	Slovenia	0,851	0,917	0,926	0,964	0,0382
32	Czech Republic	0,845	0,891	0,919	0,937	0,0174
36	Hungary	0,813	0,874	0,885	0,919	0,0344
37	Poland	0,806	0,870	0,877	0,915	0,0378
43	Lithuania	0,827	0,862	0,900	0,906	0,0065
44	Estonia	0,813	0,860	0,885	0,904	0,0197
45	Latvia	0,804	0,855	0,875	0,899	0,0242

Mean = 0,0255; $\sigma^2 = 0,0001$

Source: HUMAN DEVELOPMENT REPORT 2007/2008. P. 229-230

Table 4. Relative HDI change in Bulgaria and Romania (EU2) in 1990/2005

HDI Rank 2005	Country	HDI original value 1990	HDI original value 2005	Country's HDI/United States' HDI ratio 1990	Country's HDI/United States' HDI ratio 2005	Relative change range 1990/2005
12	Point of reference (US)	0,919	0,951	1,000	1,000	0,0000
53	Bulgaria	0,794	0,824	0,864	0,866	0,0025
60	Romania	0,777	0,813	0,845	0,855	0,0094

Source: HUMAN DEVELOPMENT REPORT 2007/2008. P. 229-230

Table 5. Relative HDI change in Borderland societies and Russian Federation in 1990/2005

HDI Rank 2005	Country	HDI original value 1990	HDI original value 2005	Country's HDI/United States' HDI ratio 1990	Country's HDI/United States' HDI ratio 2005	Relative change range 1990/2005
12	Point of reference (US)	0,919	0,951	1,000	1,000	0,0000
64	Belarus	0,790	0,804	0,860	0,845	-0,0142
67	Russian Federation	0,815	0,802	0,887	0,843	-0,0435
76	Ukraine	0,809	0,788	0,880	0,829	-0,0517
111	Moldova	0,740	0,708	0,805	0,744	-0,0607

Mean = -0,0425; $\sigma^2 = 0,0003$

Source: HUMAN DEVELOPMENT REPORT 2007/2008. P. 229-230

Belarus has better result (-1,42 %). The worst situation is in Moldova (-6,07 %). Russian Federation, which is close to Belarus by original HDI value (0,843 against 0,845), is more than 3 times worse by relative to the US shift. The mean of relative range value for four post-soviet societies equals -0,0425, $\sigma^2 = 0,0003$. (For three borderland societies Belarus, Moldova, Ukraine it equals -0,0422). The difference with the mean of Central and Eastern European countries that are the EU members is 0,0636 and 0,068 with EU8.

Thus, Eastern Europe was radically reshaped after 15 years of modernization. Different clusters formed in the region by 2005. Poland, Lithuania, Estonia and Latvia were by HDI at the same level

of development with Bulgaria and Romania (EU2) remain in the same cell, but they are approaching the cluster of more developed societies Russian Federation and Ukraine in 1990 had considerably higher HDI in 2005. Bulgaria and Romania (EU2), which had lower level of development that Ukraine in 1990, approached the cluster of more developed societies.

Notably, all old EU member-states (EU15) countries displayed positive dynamic in relation to the US. HDI grew more than in the US with the mean of relative range value - 0,0204, $\sigma^2 = 0,0001$. If in 1990 none of the countries had HDI as high as in the US, in 2005 five the EU members exceeded that level.

United Nations Development Programme (UNDP) changed calculation of HDI and classification parameters of Human development in 2010. Since we use HDI calculated based on 2008 methodology to capture data for 1990's period for several post-soviet countries, it would be logical to keep the former UNDP criterion, according to which High human development should be recognized with the HDI value of 0.800 or above. (Human Development Report, 2008) Following this classification, Belarus and Russian Federation fall into a group of countries of High human development, while only Ukraine and Moldova among selected countries go into a group of Medium human development.

However, if one wants to find real differentiation in Central and Eastern Europe, another working criterion should be employed. It was suggested using UNDP estimation for initial point in 1990 to define clusters showed in Table 1. HDI value of 0,800 equalled 0,8705 of the US HDI in 1990. Apparently, the same value of 0,800 is smaller part of US HDI in 2005 because the latter has increased (in fact, the ratio is 0,841). If to keep the same ratio of 0,870 as a benchmark for defining more developed societies as it was in 1990, absolute HDI value would be 0,827 in 2005.

Based on these calculations we can see from Table 6 that all EU8 members fall into a group of more developed societies, while all the rest post-soviet countries concentrate in a cluster of less developed societies. Russian Federation and Ukraine lost their positions and switched to the latter cluster. There are no non-EU countries in the former. Bulgaria and Romania (EU2) remain in the same cell, but they are approaching the cluster of more developed societies.

Therefore, despite the actual growth since 1995, if related to the other societies of the region Ukraine is drastically behind which may lead to the gap in capabilities on the national states scale within Eastern Europe.

Assessment of capabilities and a risk for inclusion in Ukraine

Comparison with a regional or a group of countries trends is one possible way to assess human development in a modernizing society. Another tool is measurement of the capabilities. Traditional statistical measures often can not be indicative of the actual capabilities and risks for inclusion. As it follows from Table 7, inequality indicators in Ukraine are stable over 8 years and the situation is slightly improving.

However, the average monthly wage statistics demonstrate rising inequality between

Table 6. Differentiation of Central and Eastern Europe in 2005.

Status/HDI	More developed (HDI \geq 0,827)	Less developed (HDI $<$ 0,827)	Total number of countries
Non-EU members	0	6 Belarus, Russian Federation, Ukraine Moldova, <i>Bulgaria, Romania</i>	6
EU members	7 Slovenia, Czech Republic, Hungary, Poland, Lithuania, Estonia, Latvia	0	7
Overall	7	6	13

Countries that accessed the EU in 2007 and are approaching a cluster of more developed countries are in italics.

Table 7. Inequality measures in Ukraine in 1999-2010

Year	Share of income or consumption %		Richest 10 % to poorest 10 %	Gini index
	Poorest 10 %	Richest 10 %		
1999	3,7	23,2	6,4	29,0
2007	3,8	22,5	6,0	28,2
2000 – 2010	-	-	-	27,6

Source: HUMAN DEVELOPMENT REPORT 2003. P. 283; HUMAN DEVELOPMENT REPORT 2009. P. 196. HUMAN DEVELOPMENT REPORT 2010.

Ukrainian regions and the City of Kyiv (Table 8). The gap between all regions and the capital of Ukraine is growing and **13 of 25 regions** therein had an average wage less than 50 % of Kyiv's value (Ukraine's capital) in 2008 (0 – in 1995).

National value compared to Kyiv decreased for 14,25 % between 1995 and 2008. The biggest difference for this period have experienced Donetska region – 31,45 %, Dnipropetrovska – 29,97 %, Zaporizka – 25,05 %. The smallest changes occurred in Zakarpatska region – 2,73 %, Volynska – 8,11 %, Khmelnytska – 8,51 %. Although the latter regions have average wage less than half of Kyiv's. Remarkably, only **3 regions of 24** (excluding the City of Kyiv and Kyivska region) had the average monthly wages above the national average in 2008.

From a resources perspective the capabilities can be estimated by availability of assets and actual access to them. Even if, for instance, inhabitants of Kyiv have higher wages than population in other regions it doesn't necessarily mean their greater capabilities, for assets can be harder to access in Kyiv because of their higher relative value.

According to the official state statistics, in the last decade Ukrainians obtained on average more financial resources than in the previous period, which implies increase in capabilities. Based on reports of the State Committee of Statistics of Ukraine we calculated that between

1998 and 2008 real salaries in Ukraine grew **309 %** (nominal salary increased 1176 %). Real disposable income since 2001 till 2008 has grown **263,5 %**. Number of population with average per capita total income under subsistence minimum dropped over 4 and a half times from **39,2 million** (80,2 % of the overall population) in 2001 to **8,1 million** (18,1 % of the population) in 2008 (official size of subsistence minimum was raised by 231,8 %) (State Statistics Committee of Ukraine, 2010). These objective statistics indicators are also supported by subjective self-assessment of the population shown in the national representative surveys. Number of people who felt satisfied with their overall position in society increased during 8 years almost 3 times from **7 % in 1998 to 20,2 % in 2006** (Panina et al., 2006).

These data makes to assume that in average the capabilities of the population in Ukraine improved. However, this assumption may not embrace all set of the capabilities. As an example, we will explore such a vital capability as housing.

In 2001 according to the survey of the Institute of Sociology of NAS of Ukraine 36,7 % of the respondents lived in a private apartment owned by their families and 35,6 % lived in a private house (part of the house) which were in possession of their families (Panina et al., 2006). Hence, over 72 % of Ukrainians could feel secure with regard to their access to housing.

Table 8. National and regional average monthly wages as percentage of the City of Kyiv average monthly wage in 1995-2008

	1995	1998	2003	2008
Ukraine	73,00	61,94	60,71	58,75
Autonomous Republic of Crimea	70,00	57,89	56,90	52,34
Vinnitska	58,00	46,56	43,89	45,67
Volynska	53,00	42,51	41,92	44,89
Dnipropetrovska	91,00	76,52	69,12	61,03
Donetska	97,00	78,95	72,27	65,55
Zhytomyrska	61,00	47,77	43,89	45,67
Zakarpatska	50,00	43,72	49,80	47,27
Zaporizka	84,00	74,09	71,09	58,95
Ivano-Frankivska	65,00	48,58	52,83	50,20
Kyivska	78,00	61,13	61,76	60,25
Kirovogradska	58,00	48,18	46,39	46,45
Luganska	82,00	65,99	62,29	57,55
Lvivska	62,00	53,44	55,06	51,07
Mykolayvska	68,00	58,70	61,76	52,73
Odeska	66,00	59,11	59,66	53,12
Poltavska	76,00	60,73	57,42	54,03
Rivnenska	61,00	48,58	51,25	49,54
Sumska	66,00	52,63	49,80	47,89
Ternopilska	53,00	42,11	39,95	42,71
Kharkivska	72,00	64,37	59,79	54,62
Khersonska	59,00	50,61	46,78	44,73
Khmelnyska	55,00	46,15	42,44	46,49
Cherkaska	63,00	51,42	45,99	47,46
Chernivetska	55,00	42,91	45,20	45,61
Chernigivska	57,00	49,39	44,94	44,57
City of Kyiv	100,00	100,00	100,00	100,00

Source: State Statistics Committee of Ukraine, 2010. (Wage accruals per pay-roll, UAH) Percentages calculated by the author.

The State Statistics Committee of Ukraine has reported that since 2000 till 2008 overall **672 thousand** apartments have been put into service with total size of **68 753 sq. m** and number of apartments built per 1000 population have risen from **1,3** in 2000 to **2,0** in 2008; there were **22,8 sq. m** average per 1 inhabitant in 2008 compared to **20,2 sq. m** in 1998 (State Statistics Committee of Ukraine, 2010).

Average room number for a dwelling was **2,8 in 2006 compared to 2,6 in 1998**, and in average a room was shared by **1,7 inhabitants** in 2006 compared to **2,0** in 1998 (Panina et al., 2006).

Number of families and single persons registered as requiring municipal or cooperative accommodations declined from **2 million and 29 thousand** in 1998 to **1 million and 216 thousand** in 2008 (State Statistics Committee of Ukraine,

2010). Notably, that during the same period there were only **245 thousand** families and single persons who obtained municipal or cooperative accommodations (State Statistics Committee of Ukraine, 2010).

These official statistics and the survey data depict the situation with housing for Ukrainians as stable and slightly improving. But what is the capability for a common Ukrainian to acquire their own housing during life? We calculate such capability as number of years needed for a family of two fulltime working persons to earn an amount to purchase a 50 sq. m apartment for a current market price on the secondary residential market in a particular region. Number of years is calculated based on the average monthly wage for a particular region assuming that the whole wage amount before paying taxes of one family member is intended for the purchase.

Table 9 demonstrates that in Desnianskyi district of the City of Kyiv, which has had the lowest prices on the secondary residential market in Kyiv persistently over decade, capability to purchase a modest apartment implies saving the whole monthly wage (without even paying taxes) for virtually the same period of 12 years in 1998 and 2003.

This period became almost one and a half time longer at the beginning of 2008 and reached **17 years**. Meanwhile, the average monthly wage in Kyiv increased over 3 times between 1998 and 2003 and more than 4 times between 2003 and 2008.

The actual situation with housing capabilities in Kyiv is even more constrained. We calculated the price of a 50 sq. m apartment based on an average price of 1 sq. m in the district. However, smaller apartments normally have higher price for a 1 sq. m on the residential market. Besides, we selected the district with the price minimum in the city.

Table 10 presents calculations for Sviatoshynskyi district, in which prices of 1 sq. m were close to median for Kyiv in the considered interval.

The period needed to earn a required amount was with some fluctuation about 13 years in 1998 and 2003. But it exceeded **19 years** in 2008. The difference with the district with the minimal price became more significant – over two years. According to SVDevelopment consulting company database the mean price for 1 sq. m in 2008 for the City of Kyiv was 3523 USD. Consequently, an apartment for the mean price would demand over **23 years** of earnings.

Table 9. Market prices for a sq. m on the secondary residential market, average monthly wages and number of years expected to purchase a 50 sq. m apartment in Desnianskyi district of the City of Kyiv in 1998-2008

	January 1998	January 2003	January 2008
Sq. m price in USD	366	414	2 490
UAH/USD official exchange rate	1,91	5,33	5,05
Sq. m price in UAH	699,06	2206,62	12574,5
Calculated price of 50 sq. m apartment in UAH	34953	110331	628725
Monthly wage in the City of Kyiv (Wage accruals per pay-roll, UAH)	247	761	3074
Number of years expected to purchase an apartment	11,8	12,0	17,0

Sources: Association of Real Estate Specialists of Ukraine (ASNU, 2010), State Statistics Committee of Ukraine, 2010, National Bank of Ukraine. Calculations made by the author.

Table 10. Market prices for a sq. m on the secondary residential market, average monthly wages and number of years expected to purchase a 50 sq. m apartment in Sviatoshynskiy district of the City of Kyiv in 1998-2008

	January 1998	January 2003	January 2008
Sq. m price in USD	411	441	2810
UAH/USD official exchange rate	1,91	5,33	5,05
Sq. m price in UAH	785,01	2350,53	14190,5
Calculated price of 50 sq. m apartment in UAH	39250,5	117526,5	709525
Monthly wage in the City of Kyiv (Wage accruals per pay-roll, UAH)	247	761	3074
Number of years expected to purchase an apartment	13,2	12,9	19,2

Sources: Association of Real Estate Specialists of Ukraine (ASNU, 2010), State Statistics Committee of Ukraine, 2010, National Bank of Ukraine. Calculations made by the author.

Table 11. Average monthly wages, market prices for a sq. m on the secondary residential market and number of years expected to purchase a 50 sq. m apartment in five Ukrainian cities in 2003-2008

	Monthly wage (Wage accruals per pay-roll, UAH)		Sq. m price in USD 2003	Calculated price of 50 sq. m apartment in UAH 2003	Number of years expected to purchase an apartment 2003	Sq. m price in USD 2008	Calculated price of 50 sq. m apartment in UAH 2008	Number of years expected to purchase an apartment 2008
	2003	2008						
Dnipropetrovsk	526	1876	380	101270	16,0	2365	597162,5	26,5
Donetsk	550	2015	400	106600	16,2	2451	618877,5	25,6
Lviv	419	1570	488	130052	25,9	3020	762550	40,5
Odesa	454	1633	480	127920	23,5	2992	755480	38,6
Kharkiv	455	1679	341	90876,5	16,6	2120	535300	26,6

Sources: State Statistics Committee of Ukraine, 2010, National Bank of Ukraine, SVDevelopment Consulting Company Database. Calculations made by the author.

With the mean price of 568 USD for 1 sq. m it was **16,5 years** in 2003.

Since there is the lack of data on real estate prices in Ukrainian regions, it was possible to calculate the index for several big cities only and for a shorter period.

Table 11 shows that despite lower prices on the secondary residential market comparing to the City of Kyiv, the capability to purchase own apartment became poorer in all big Ukrainian regional cities in 2008. However, it is possible to divide them in two clusters by the indicator of years expected to purchase an apartment. The

first one embraces three cities – Dnipropetrovsk, Donetsk and Kharkiv which with the City of Kyiv (16,5 years) fell within range from 16 to 16,6 years in 2003. The values increased by 9,4 – 10,5 years by 2008 with the range **25,6 – 26,6** years. Remarkably, the value in Kyiv (23 years) was lower by 2,6 years than in Donetsk and 3,6 than in Kharkiv in 2008.

The second cluster of cities Odesa and Lviv had considerably higher values of 23,5 – and 25,9 years in 2003 (one third longer period than in the first cluster). In 2008 they reached point of **38,6 and 40,5** years accordingly. (The difference of

approximately one third with the other cluster was kept. The difference with Kyiv grew to over 40 %.) Although prices on the secondary residential market in the regional cities from both clusters were very similar: mean 417,8 (USD per 1 sq. m), standard deviation 57,3 and the coefficient of variation 0,137 in 2003; and mean 2589,6 (USD per 1 sq. m), standard deviation 357,03 and the coefficient of variation 0,138 in 2008, disparity in the capability indicator was determined by lower monthly wages in Lviv and Odesa regions which concurred with relatively more expensive housing.

Thus, foregoing calculations demonstrate the actual and significant decrease of the capability to acquire own housing in the biggest Ukrainian cities including the national capital. Meanwhile other relevant statistical indicators and survey self-reports failed to reveal the negative trend in housing capabilities.

Conclusion

This study provides a critical observation of development of Ukraine as a modernizing East European society in comparative perspective. Employing the capability approach to social inclusion allows assessment of the access to the resources, hidden risks for inclusion and implicit indicators of inequality. From this perspective social inclusion is an important factor in human development which embraces the means of providing and securing human choice.

This paper shows that despite the actual growth of GDP per capita, real disposable income and Human Development Index since 1995, if compared to other societies of the region that had similar level of development Ukraine is significantly behind which implies the growing lag in capabilities on the national states scale within Eastern Europe. In particular, within a decade the access to housing in Ukraine, which

was already very poor in 1998, dramatically worsened in the 2000's.

The study is focused on the selected case of the relative access to the resources in the period of economic growth in conjunction with comparison of developmental tracks in Eastern Europe based on conventional HDI methodology. It unveils limitations of indicators of official statistics and available data from traditional surveys. The capabilities model can supplement existing methods of measurement of social development in sociology. The capabilities, which are allocated for social actors and groups, determine their actual choices. The choice application requires social inclusion of actors. Relative access to the resources, recognition, participation, values as motives of action and choice, and institutional means of securing choice can be considered dimensions of modernization which induces a gain in capabilities.

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- ¹ Relation Turkey to European civilization is under discussion that is omitted in this paper. Russian Federation has a special position that will be discussed below.
- ² Modernization rhetoric was used in official documents and presidents' addresses of both countries, e.g.: Послание Президента Федеральному Собранию Российской Федерации. – 12 ноября 2009 года, Москва, Большой Кремлёвский дворец. – Available at: <http://news.kremlin.ru/transcripts/5979>; Послание Президента Федеральному Собранию Российской Федерации. – 22 декабря 2011 года, Москва, Кремль. – Available at: <http://news.kremlin.ru/news/14088>; Модернізація України – наш стратегічний вибір : Щорічне Послання Президента України до Верховної Ради України. – К., 2011. – 416 с.– Available at:http://www.president.gov.ua/docs/Poslannya_sborka.pdf; Тільки глибока модернізація України сприятиме її швидкому розвитку : Виступ Президента України на урочистостях з нагоди відзначення 80-річчя утворення Дніпропетровської області. – 24.02.2012. – Available at: <http://www.president.gov.ua/news/23092.html>
- ³ Slovakia was excluded because of lack of the data. Russian Federation was added as a point of reference.

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Критическая оценка развития модернизирующегося общества в Восточной Европе: скрытые риски для социальной включенности

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Возможностный подход предложил понимать человеческую свободу как возможность выбора различных альтернативных вариантов (Foster and Sen, 1997). Рост возможностей является основой развития человеческого потенциала (Sen, 1999) и важнейшей частью процесса модернизации (Welzel, Inglehart and Klingemann, 2003). В статье предлагается возможностная модель социальной включенности, которая используется для оценки человеческого развития модернизирующегося общества. Она также позволяет выявить скрытые риски неравенства и эксклюзии. Обосновывается, что, несмотря на быстрый экономический рост, фактическое увеличение реальных доходов на душу населения и улучшение индекса развития человеческого потенциала в Украине с конца 1990-х до середины 2000-х годов, возможности граждан были под серьезной угрозой. Украина отставала в развитии от других обществ региона (за исключением Молдовы), хотя уровни развития стран Восточной Европы были очень похожи в начале 1990-х годов. Используемый подход демонстрирует растущий разрыв в возможностях социальных акторов в регионе.

Ключевые слова: социальная включенность (инклюзия), модернизация, развитие, возможности, Восточная Европа, Украина.

Научная специальность: 22.00.00 – социология.
