

Foreword

The mission of the EBRD is to foster a transition to open market economics in the economies where it invests, helping to make them not only competitive, integrated and well governed, but also inclusive, green and resilient.

With repeated crises affecting lives and livelihoods across the EBRD regions, politics in many economies has become more polarised, and much-needed reforms – including those required to support the transition to a green economy – now enjoy less than universal support.

In order to understand how peoples' lives and opinions have been shaped by the changes and upheavals seen since the 1990s, the EBRD and the World Bank launched the Life in Transition Survey (LiTS) – a comprehensive large-scale survey looking not only at living standards, but also at the beliefs, perceptions and attitudes of individuals and households in economies where the EBRD operates and comparator countries.

The first round of the survey was conducted in 2006, the second was carried out in 2010, and the third was conducted in 2016. Its reach grew significantly in this time: the first round featured interviews with 29,000 households in 29 economies; the second round covered more than 38,000 households in 34 economies; and the third round involved interviews with 51,000 households in 33 economies.

In the second half of 2022 and the first half of 2023, interviews were conducted with more than 37,000 households in 37 economies (33 economies in the EBRD regions, plus Algeria, Belarus, Germany and Russia) as part of the fourth round of the survey, with 50 localities being visited in each economy. In economies that had also featured in previous survey rounds, around a third of the localities chosen on this occasion had already participated in the second and third rounds. This allows researchers and policymakers to see how lives and attitudes have changed over time within the local communities in question. At the same time, the wording of many questions mirrored that used in other surveys, such as the Gallup World Poll and the World Values Survey, making it easier to combine LiTS information with those datasets.

The first two rounds of the LiTS survey provided insights into subjective wellbeing and attitudes towards reforms, as well as looking at the impact of the global financial crisis, while the third round included an extended module on corruption and governance, as well as a section on the impact that the economic crisis had had on households in Greece. The fourth round of the survey focuses on attitudes towards the green transition, experiences during the Covid-19 pandemic and digital skills. These rich data have helped to inform the EBRD's operations, as well as featuring heavily in our *Transition Reports* and many academic publications.

What are the most important findings from LiTS IV?

Before the transition process began, economies in the EBRD regions were characterised by low levels of inequality and exceptionally high job security. The transition years, in turn, have brought about dramatic changes in the structure of economies and labour markets – benefiting some, but not all. The findings of this report show that while overall levels of inequality remain low in many economies in the EBRD regions, much of where people stand in the income distribution is inherited – explained by where they were born and who their parents were. Furthermore, in many economies, the importance of such factors has increased over time. It is no surprise, then, that most respondents feel that they have fared worse than the median person in their economy since 2016.

This, in turn, weighs on support for reforms, democracy and market economics. It causes people to question the value of effort and hard work, wondering whether these are really the key to success in life.

Support for the green transition – and, crucially, the willingness to pay for it – hinges on people's expectations about the future and their faith in governments' ability to deliver on their promises. Support for green policies tends to be higher where people have greater faith in institutions, where individuals are more aware of what policies have achieved to date, and where the costs are less salient (as in the case of subsidies, which will eventually need to be financed through higher taxes).

Increasingly, people expect the state to be able to socialise risks (both health and economic risks), as highlighted during the Covid-19 crisis. At the same time, people are increasingly demanding more secure jobs. Despite the legacy of central planning, with its near-universal employment, many of today's jobs in the EBRD regions are informal, with one in seven jobs not being governed by a written contract. Similarly, many jobs do not afford access to pensions, social security or benefits such as annual leave or sick leave. People with lower-paid jobs, the young, those working for small firms and people working in the private sector are all less likely to have access to benefits and more likely to have temporary contracts or no written contract at all. In ageing economies with tight labour markets, formal contracts and the provision of benefits may prove to be a win-win solution for employees, employers and, ultimately, society in general. Meanwhile, economies with rapidly growing labour forces may need to strike a fine balance between improving the quality of existing jobs and creating new jobs for the numerous young entrants to the labour market.

Many people hoped that digitalisation would be a great social leveller, reducing the importance of geography and enabling people to learn – and work – across vast distances. However, the results of LiTS IV paint a more nuanced picture. In EBRD economies in the European Union, there is a strong generational divide, with more limited digital literacy among

older respondents and high levels of basic digital skills among the young. In other EBRD economies, by contrast, the young are lagging far behind their peers in Germany in terms of basic digital skills and the use of digital technologies. In these economies, generational change will not, on its own, be sufficient to deliver near-universal digital literacy in the near future.

As time passes and economies develop, the general tendency is for inequality of opportunity to fall, energy to become cleaner, jobs to become more formal and digital skills to improve. However, this report clearly shows that, in many cases, that change is not happening fast enough. And in some economies, it is not happening at all. There are no easy ways of speeding up that change, but a policy mix that combines many of the various options discussed in this report can eventually succeed in making societies more equal, more stable, more productive, greener, healthier and, ultimately, more satisfied with life.

A handwritten signature in black ink that reads "Beata Javorcik". The script is cursive and elegant, with the first letters of "Beata" and "Javorcik" being capitalized and prominent.

Beata Javorcik
EBRD Chief Economist