# On the Subjective Perception of Poverty in the Czech and Slovak Republics a Quarter Century after the Split

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Prior to 1993, the Czech Republic and Slovakia were parts of a common state, the Czech and Slovak Federal Republic (or the Czechoslovak Socialist Republic before 1989). As a result, both countries had a number of common features, yet they differed in numerous characteristics. After 1993, the two new countries developed independently in terms of choices regarding movements toward open markets, consumer demand, opportunities in labour markets, and the challenges of production. These choices have influenced country policies, economic structures, labour markets, and institutions. At the same time, within country changes were also influenced by further external factors and changes in the global economy.

During the early stages of the economic transition, disparities between the countries accelerated rapidly, as evidenced by national statistics. For example, Slovak GDP per capita reached around three-quarters of the Czech GDP in 1992, but by 1995 this percentage had fallen to 64 percent. By 2016 the disparity between the two countries had decreased with Slovak GDP rising to 88 percent of that the Czech. Moreover, while the average nominal wage in Slovakia in 1992 accounted for 97 percent of the Czech level, this ratio dropped to approximately 70 percent in 2007. By 2016, Slovakia reached 96 percent of Czech median hourly earnings (91 percent terms of PPS) according to the latest Eurostat data.

The impacts of economic and political changes on the two countries are evidenced in the economic statistics just presented, but what of the impact on people living in these countries? To understand the more direct impact of these changes, subjective measures of economic well-being can provide a focused look at individuals and households. The purpose of this study is to examine differences in subjective perceptions of poverty and living standard by Czechs and Slovaks in the past and at present. Lower levels of economic performance and income levels in Slovakia in the past suggests a higher share of the subjective poverty in Slovakia, however, this needs to be assessed. It is hypothesized that the convergence, as noted through objective economic measures, will result in a shrinking of the difference in subjective perceptions for the two countries.

In order to compare the subjective well-being of people living in the Czech and Slovak Republics in the past, two main data sources are used, both are household surveys: the Social Stratification in Eastern Europe (1993) and Social Consequences of Transition (1994). According to the first, preliminary results suggest that Slovaks (retrospectively) evaluated their relative living standard slightly better than Czechs at the end of the communist era (1988), while the opposite held in 1993, the year of the split. Similarly, the latter data shows that Slovaks suffered significantly more by insufficient income and inability to make ends meet than Czechs in 1995.

The analyses of the recent situation are based on EU-SILC (2005 up to the most recent) microdata. Preliminary results confirm a convergence until 2012 while the disparity in subjective perceptions started to increase after 2012. In 2005, about 35 percent of Czechs found their actual income lower than their minimum incomes needed to make ends meet, compared to 80 percent in Slovakia. While the difference dropped to 15 percent in 2012, it rose to 25 percent by 2015. A similar U-shaped development can be seen also when we focus on the shares of Czech and Slovak populations with great difficulty making ends meet. Preliminary results thus show a convergence of subjective indicators prevailing over part of the analysed period. However, we hypothesise that the “subjective” convergence does not keep pace with the “objective” one.