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Accession and social policy: the case of the Czech Republic

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Summary This paper assesses the place of EU accession among the determinants of the changes taking place in the Czech social policy after 1989. Compulsory social and health insurance were re-introduced in the early 1990s, along with a guaranteed subsistence minimum for all, and an institutionalized state employment policy. This paper argues that EU-derived policies have had only a limited impact on Czech social-policy reform, focusing mostly on institution building. This phenomenon can be attributed to the apparent discrepancy between Copenhagen criteria of accession (1993) and the Lisbon Strategy, which was accepted as a policy guideline in 2002. Thus, the main concept able to explain Czech social-policy development after 1989 is that of institutional and behavioural path dependency as the country exhibited resistance to change coupled with a strong adherence to the Bismarckian, corporatist, welfare state. This makes the Czech Republic a special case compared to the other Visegrad countries, where the pressure from neo-liberal public-policy concepts of the World Bank and the International Monetary Fund found its expression in the introduction of more residual social policies.

Key words Czech Republic, European Union accession, social and institutional change, social policy, transition

Résumé Cet article tente d'évaluer l'importance de l'adhésion à l'Union européenne parmi les déterminants des changements qui ont influencé la politique sociale tchèque après 1989. Une assurance santé et sociale obligatoire a été introduite au début des années 1990 de même qu'un minimum garanti de subsistance pour tous et une politique d'emploi public institutionnalisée. Les politiques liées à l'adhésion à l'Union européenne n'ont eu qu'un impact limité sur les réformes de la politique sociale tchèque, se centrant surtout sur la création d'institutions. Ceci peut être attribué à l'apparente différence entre les critères d'adhésion de Copenhague (1993) et la stratégie de Lisbonne qui a été acceptée qu'en 2002 comme une ligne directrice politique. Dès lors le principal concept qui peut expliquer les développements des politiques sociales tchèques après 1989 est celui de la dépendance de sentier institutionnelle et comportementale. Ce pays a montré une résistance aux changements avec un fort appui en faveur d'Etat bismarckien et corporatiste. C'est pourquoi la République tchèque constitue un cas particulier comparé aux autres pays de Visegrad où les pressions des conceptions néolibérales des politiques publiques de la Banque mondiale et du Fonds monétaire international se sont exprimés par l'introduction de politiques sociales plus résiduelles.

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Developmental trends

Before the political breakthrough in 1989, totalitarian political systems and centrally controlled social policies were common features of all central and eastern European countries (with the exception of the former Yugoslavia). Deacon (1993) refers to such social policies as state bureaucratic collectivism (work and privilege). This could also be referred to as over-institutionalized socialist paternalism (Večerník, 1993). Employment was compulsory, there were virtually no ways of influencing political decision-making processes from below, and social policy was highly centralized and run by the Communist Party/state.

Following the collapse of communist regimes in the region, there began a combination of partly spontaneous, partly controlled processes of rapid political, economic and social change. It is difficult to identify to what extent these processes have been influenced by conscious, organized collective actions and/or deliberate decisions of the state authorities, and what were the intended and unintended consequences of actions taken. Three phases of social-policy development can be identified according to the prevailing political tasks and priorities of the given period in the Czech Republic.

Phase 1: designing new institutions (December 1989–June 1992)

Since the very beginning, the conceptual foundations of pending reforms were discussed and clarified and some of the social privileges of the communist establishment were taken away. Various volunteer initiative groups intensively prepared reform plans for various spheres of social policy. Social policy was developed and embodied in legislation on both federal (Czechoslovak) level (the Federal Ministry of Labour and Social Affairs) and national level (the Ministry of Labour and Social Affairs of the Czech Republic). Although cooperation

between the two ministries was not always ideal, from a political standpoint their position and those of the respective governments were always compatible. The work of these ministries can be characterized as an effort to systematically replace state paternalism by establishing more resilient and decentralized mechanisms that would be compatible with ongoing economic reform. These mechanisms were to be beholden to the regulative and executive powers of the state only where necessary. From the standpoint of the governments' prevailing political philosophy, this approach was a combination of socio-liberal and social-democratic philosophies.

The 'Scenario of Social Reform', developed and passed at federal Czechoslovak government level, became the fundamental conceptual document for reform of the social sector. A plan to create a universal and unified system of social welfare was adopted which would offer universal compulsory health and social insurance (complemented by voluntary supplementary insurance for individuals or groups), and means-tested state social assistance on condition that all alternative possibilities of welfare and assistance had been exhausted, or in the event of a citizen's inability to provide for himself or herself.

Czech social policy reform was based on three basic components: first, active employment policy; second, liberalization and pluralization of social welfare based on a Bismarckian insurance system, that has been deeply rooted in the history of the country since the end of the 19th century; third, the development of a social safety net for people in need.

Phase 2: retrenchment (July 1992–June 1998)¹

Due to political changes in the second phase, neo-liberal policy gained favour in the Czech Republic, characterized by placing emphasis on economic reform; a declared, even legislated effort to limit the role and spending

Table 1 Ratio of social and health system expenditures to GDP, Czech Republic (1990–2002)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Pensions-security benefits	7.3	7.4	7.6	7.3	7.2	7.7	8.0	8.6	8.8	9.1	9.2	9.0	9.2
Sickness and maternity benefits	1.4	1.2	1.2	1.2	1.4	1.3	1.3	1.2	1.0	1.0	1.4	1.4	1.4
Unemployment and employment policies expenditures	0.0	0.3	0.4	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.5	0.4	0.4
Family allowances (state social support system)	2.1	1.9	1.8	1.4	1.5	1.4	1.8	1.7	1.7	1.6	1.6	1.5	1.5
Social-care benefits and social-services system	0.9	0.6	0.8	0.8	1.0	0.8	0.8	0.8	0.9	1.1	1.2	1.2	1.3
Others	1.4	2.7	1.8	1.3	0.9	0.6	0.1	0.2	0.1	0.1	0.1	0.2	0.2
Administration expenditures	0.1	0.3	0.2	0.3	0.4	0.4	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Social-security system expenditures – total	13.1	14.5	13.7	12.6	12.6	12.4	12.4	13.1	13.1	13.7	14.1	14.0	14.2
Health-care system expenditures	4.8	5.2	5.4	7.2	7.3	7.3	7.1	7.2	7.2	7.2	7.3	7.4	7.6
Social and health-protection system – total	17.9	19.8	19.2	19.8	20.0	19.7	19.5	20.3	20.3	20.9	21.4	21.4	21.8

Source: Ministry of Labour and Social Affairs, Czech Republic (2004).

powers of the government in the sphere of social security; and mistrust of the intermediary role of civil-society institutions in forming and implementing social policy. This political agenda, embodied by the Civic Democratic Party, was somewhat modified within the coalition framework by parties that prioritized a solution which left more room for state intervention (the Christian Democratic Union–Czech People's Party [KDU–CSL]) and to the activities of civil-society institutions (the Civic Democratic Alliance [ODA]). Therefore, the prevailing governmental political philosophy was a mixture of neo-liberalism and conservatism. The government was not enthusiastic about joining the EU so that there were considerable gaps in the EU-accession effort of the country, reflected in the annual reports of the European Commission.

Phase 3: Social policy back on the political agenda (July 1998 onward)

The parliamentary elections, which took place in June 1998, resulted in the formation of a minority government by the Czech Social Democratic Party (CSSD). It based its policy on a proactive programme of civic participation and education, and announced the need to create a long-term vision for the country. The core of government policy was the idea of a socially and ecologically oriented market economy. Within this framework, all citizens of the country should be offered equal access to education, work, and civil and personal determination. This was in sharp contrast to the more or less residual social policy accents implemented by previous governments. Nevertheless, the implementation of such a

government programme was seriously threatened by budgetary constraints caused by acute fiscal problems; legislative delays caused by the minority position of the government; insufficient implementation capacity of the state; and the protracted reform of public administration. The next general election in 2002 enabled the Social Democrats to remain in power. They established a coalition government along with the Christian Democrats (KDU–CSL) and a small liberal party – the Union of Freedom (US). They operated with only a marginal (one seat – 101:99) majority in Parliament. In domestic policy issues, compromises between Social Democratic, Christian Democratic and liberal concepts and approaches have had to be found. Most outcomes of such difficult negotiations resemble the centre-left recommendations well known from the contemporary British Labour Party. Both governments have developed a clear pro-European policy and speeded up the EU-accession preparatory process. The referendum on joining the EU in June 2003 revealed prevailing popular support for EU membership among the Czech population (turnout was 55 percent, and 77 percent of participating citizens supported the move).

What have been the consequences of such profound changes in political priorities, administration and delivery of social policy schemes on public expenditures?

One can identify only minor fluctuations. There is, though, a recognizable tendency of liberal and conservative governments up to 1998 to tighten total social-security system expenses, and the inclination of Social Democracy-led governments to be more generous. The overall trend has been surprisingly stable, with a slight increase through time, but still well below the EU-15 average (see Table 1).

Procedural changes

One of the most important social policy determinants is of course the economic environment. The Czech Republic was in a position

where it had to pursue economic and social policy reforms at the same time. As a result, it faced a situation characterized by the need to approach more extensive old and also new social problems induced by the economic reform with slender resources. This limited the space and disposable resources for preventive aspects of social policy, and interfered with the ideologically induced reluctance towards the institutions and policies of the welfare state typical in the early 1990s. The Czech case is interesting in this respect as the real-world social policy differed a lot from the preferred ideal model. The original ‘Scenario of Social Reform’ was influenced by social-democratic and social-liberal ideologies. The Czech governments of 1992–98, with their mixture of neo-liberal and conservative rhetoric, reservations about EU enlargement, and centralist and etatist practical social policy, faced a problem in finding a way out of this trap.

Their solution was to fill institutional shelves created at the beginning of transformation with a rather different content, or leave them empty, as happened with the proposed corporative Social Insurance Fund. As a result, many social policy institutions were pluralistic and corporatist in theory, but in practice the state has preserved much of its previous power (e.g. the compulsory social insurance sector). Targeted, means-tested residual schemes were introduced in some instances (namely child allowance in 1995). This tendency, coupled with the drop in real incomes for the majority of the population and abolishing most price and in-kind subsidies, weakened the disposable resources and social position of the social strata especially in the middle of the socio-economic ladder.

The Social Democratic-led governments, in power since the middle of 1998, have been trying to re-constitute Czech social policy so that it can fully suit the present and prospective social needs of the population in changing domestic and global environments. The symbolic victory of the first of these over the Thatcherist political resentments of the previous Václav Klaus governments was ear-

marked by Parliament's acceptance of the European Social Charter in Spring 1999. One example of this genuine national initiative was the elaboration of the Social Doctrine of the Czech Republic. Its purpose was to build a broad national consensus concerning the future orientation, goals, priorities and corresponding instruments of Czech social policy. Five preparatory conferences, which were organized in 1998–2000, represented a 'joint venture' of the academic community as well as the non-profit association Socioklub, the Ministry of Labour and Social Affairs and the Czech Senate (the upper house of the Czech Parliament). The document, elaborated by the group of experts from various disciplines and with various political affiliations, was mentioned in the coalition-agreement statement of political parties in power in July 2002 as the starting point for further development of the government social policy, its priorities and approaches for the period up to 2006. In general, Social Democratic-led governments rehabilitated the importance of programmatic work based on basic values and principles, and re-emphasized social issues as top political priorities – very much in accordance with the corresponding European Union approaches and policies. This is the case even though, in an effort to cope with the challenges of the economic, political, administrative and social aspects of transformation, both Social Democratic-led governments had to face severe budgetary constraints as well as insufficient administrative capacities coupled with impressive implementation skills. Postponed reform of public administration is still on the way, with the establishment of regional self-governing units in 2000 and the reform of the central layer of administration envisaged for 2005–06.

The Czech Republic has still a considerable way to go in becoming a consensual democracy of the Western European kind. This would require governmental measures to encourage the results of public policy discussion to be widely published, presented, and discussed by all who would be affected by it.

As has already been indicated, the most powerful decisionmaker on social policy issues remains the government. Nonetheless, unions and associations of entrepreneurs participating in the Council of Economic and Social Agreement (created in October 1990 on the basis of a voluntary agreement) have been the most significant partners of the government. Nowadays, trade union representatives and the representatives of the business sector are respected partners of the government, and the tripartite institution has deep roots in the political fabric of the Czech state.

In addition, there are signs that the Social Democratic-led governments are more apt to initiate and/or follow public discussions in the form of civil dialogue. Pars pro toto: the Ministry of Labour and Social Affairs introduced a new form of communication, called 'Social Conferences'. Representatives of NGOs, experts and civil servants discuss important issues (such as the regulatory rules for social assistance) at these conferences before the Ministry and/or government takes the final decision.

It should be noted that the European Union has played an active role as a supporter and mediator in the modernization of accession countries' social policies, including the Czech Republic. Its positive influence can be identified in various fields. Remarkable has been the EU's assistance: in institution and capacity building (e.g. PHARE projects) in the development of the instruments of labour-market policy; in the reform of social services; in the development of policies on human rights and equal opportunities (especially of and for minorities); in collaboration in the field of education. Specifically designed projects have been launched to assist the modernization: reform of public administration; regulatory reform; training of professionals (including civil servants); implementation of new methods of public management and administration. Nevertheless, all this assistance would bear fruit mostly in the long run; its immediate positive effects in improving the life of the population were limited.

