

THE CZECH SOCIAL REFORM AFTER 1989 - CONCEPTS AND REALITY

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Summary

The goal of this paper is twofold: to present a description of the most important institutional changes taking place in the Czech social policy after 1989, and offer the explanation of these changes in a broader cultural, economic and political framework.

The significant economic, social and cultural conditions of the country, in which social policy operates, include the disposable economic resources, the concept and realization of economic reform including the changes in ownership rights, the capacity of public administration, the way political democratization is designed and implemented and political priorities and concepts of the political elite actually in power.

Recent developments in the labor market and the new patterns of employment policy are discussed in more detail. After that, the incidence of poverty, and the ongoing social and economic stratification are associated with the new approaches toward the construction of social security system, which has been composed of the three main tiers (or “pillars”): social insurance, state social support and social assistance.

As a conclusion, the sensitive points of the present state of the Czech social policy, along with crucial decisions to be taken in the future, are identified.

1. The Czechoslovak social policy before 1989

After the end of the First World War, the relatively affluent Czech lands became part of Czechoslovakia. Between the two World Wars, Czechoslovakia was an island of relative, though limited, political freedom, whereas authoritarian regimes were common in neighbouring countries. The modernization of the social security system was successfully realized in twenties. The Czechs were an industrially developed and politically aware people when they - partly through deliberation, partially through coercion - joined the communist camp in 1948. The Communists had no reason to weaken the function of the state administration - in their hands the state was an important instrument of power. The relative economic affluence and the inherited

tradition of a modern welfare system generated a situation, where social policy provided from the 50s to 70s a fairly comprehensive package of benefits and services. One feature of the pre-November 1989 Czechoslovakia was quite unprecedented: the equalization of incomes, manageable only within the centrally planned economy through massive regulation and redistribution, achieved a goal not experienced anywhere else in Central and Eastern Europe. This can be attributed partly to the hard-line position of the Czechoslovak Communist Party leaders and partly to the technically efficient state apparatus. The limitations of such a cumbersome, economically inefficient and de-motivated system became much more apparent in the 80s.

Before the important political change in 1989, the totalitarian political systems and the centrally controlled social policies were common features of all Central and East 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 nearly no ways of influencing political decision making process from below, social policy was highly centralized and run by the state. The programming was completely in the hands of the ruling Communist Party.

2. The beginnings of social policy reform in the Czech Republic

The first years of social policy reform in post-1989 Czechoslovakia have been studied elsewhere (see, for example, Deacon - Szalai 1990, Ferge et al. 1994, Ferge 1996, Götting 1994, Potůček 1993, 1997, Potůček – Radičová (eds.) 1998, Ringen-Wallace (eds.) 1994a,b, Rys (1993) and others).

What was the situation of Czechoslovakia in terms of its economic, administrative and political conditions and capacities for social policy reforming in the beginning of the 1990s?

- Accumulated economic resources and inherited patterns of their re-distribution.
It can be said that Czechoslovakia possessed a relatively large per capita gross domestic product, a state budget with a comparatively small balance of payment deficit, and a very equalized income structure. This created a stable starting point for societal reform because there wasn't an enormous rift between the wealthy

and the poor. The whole country, nevertheless, experienced a fall in economic output and a rise of inflation. The disposable economic resources for social expenditure shrank accordingly. There emerged a previously unknown phenomenon during Communism - unemployment.

- Economic infrastructure and the transformation of ownership rights.

Here, Czechoslovakia as an industrialized nation, was at a relative advantage compared to other Central and Eastern European nations despite its out-of-date industrial infrastructure and its burdensome orientation towards East European markets. The transformation of ownership rights (privatisation) was carried out, although the under-estimation of the need for a solid legal framework for such changes and a regulative role for the state resulted in significant state budget losses.

- Capacity and effectiveness of the state apparatus.

In contrast to the more disintegrated state apparatus in Hungary and Poland, the Czechoslovak civil service maintained a significant level of authority and competence until the very last days of communism. There was little corruption and relatively high discipline. In this respect, an important feature of Czechoslovakia's pre-communist state tradition had been preserved. It has been shown that in the first years after the revolution, this apparatus was able to prepare and implement significant reforms, specifically those that were tied to economic transformation, social security reform and the introduction of the new, market-compatible, employment policy. With the passing of time, weaknesses in the functioning of the state apparatus have become more evident, primarily connected to the continued delay or deficiencies of necessary public administration reforms.

- Speed and versatility of political democratization.

Czechoslovakia was a country where institutions of a representative democracy developed fully very quickly after 1989. Both the institutions and the culture of the participatory democracy were lagging behind. Civil sector institutions (non-profit, non-governmental organizations) existed, but operated in, and were influenced by, an environment of legislative limbo and a political atmosphere that left them in

a position of weakness and inferiority.

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 to what extent these actions, when taken, were as effective as anticipated.

During first years after 1989, the overall concept of social policy reform was formulated and most new social policy institutions were established, including compulsory health and social insurance, tripartite institutions (the Councils for Economic and Social Agreement), regional Labour Offices (responsible for both passive and active employment policies) and the state guarantee of a minimum subsistence benefit for every citizen.

In the Czech Republic, the elections of June 1992 brought to power a coalition of liberal and conservative parties. In Slovakia, on the other hand, parties to the left of the political spectrum, as well as populist and nationalist parties, prevailed. This contributed to the division of Czechoslovakia and the creation of two independent states - the Czech Republic and the Slovak Republic.

2.1 Economic and political context

As in other Central and Eastern European countries, the economic transformation of Czechoslovakia was characterised by a drop in gross domestic product and double-figure inflation rates at the beginning of 1990s. This was followed by a moderate GNP increase in the middle of 1990s and inflation rates in single figures. At the end of the 90s, the gross domestic product stagnated at the level lower than in the end of the 80s.

One of the characteristic features of political development in the Czech Republic between the general elections in 1992 and 1996, was the stability of the government. Neo-liberal (libertarian) politics, characterised by placing the greatest emphasis on economic reform, a declared and even legislated effort to limit the role and spending

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, were principal features of Czech governmental policy. This ideology found its expression also in new priorities for social policy-making, especially the effort to tighten eligibility conditions for various social benefits, to replace some universal benefits by means-tested ones and to reduce social expenditure in general. Due to the delay caused by institutional "path-dependency" and the length of the legislative cycle, the second half of 1992 and 1993 witnessed the partial implementation of solutions that adhered more to the political orientation prevalent in the previous period, i.e. a compromise of social democratic and liberal concepts and solutions.

The reform of regional administration and self-government, which would make possible the rationalization of many public social services, hasn't been implemented due to the government's reluctance to prepare and pass corresponding legislation. Also, the reform of the system of public administration as such (including the new definition of civil servants, their duties and responsibilities, as well as rules for their promotion) was postponed. Only two layers of public administration existed; at the central level and at the level of municipalities. These conditions also effectively slowed down the reform of more specific social policy institutions.

In addition, since 1992 the government in power has not supported the development of an independent civil sector able to mediate between individuals and central authority. Once again, the necessary legislation has been delayed. The law on non-profit associations was enacted as late as 1996 and the law on foundations as late as 1997. In spite of these unfavourable conditions, the civil sector experienced a rather rapid development.

The only significant partners of the government have been the unions participating in the tripartite institution - the Council of Economic and Social Agreement - which was created in October 1990 on the basis of a voluntary agreement between three social partners: the government, unions, and an association of businesses. Its activities have been characterised from the very beginning by fragile compromise and constant tension between the neo-liberal government and the unions that have supported social programmes. For various reasons, however, both parties' interests converged

on bringing about social reconciliation. The government didn't oppose the corporative, branching system of collective negotiation (on a central, branching, and business level). In exchange, the government has expected the unions to respect the tripartite structure, not to mobilise their members, and to come to terms with their inferior position in negotiations on fundamental issues of salaries and social policy (Orenstein; 1995). This union participation has resulted in a number of amendments to government measures being prepared. The unions continue to maintain this influence, although their bargaining position was continually on the wane up to 1996.

However, some analysts have pointed to the fact that between 1992 to 1996 the Czech government, oriented to the right of the political spectrum, tended to bide its time and introduce reforms only in those areas where potential institutional changes would not have harmed the interests of large sections of the population.

The parliamentary elections, which took place in June 1996, resulted in the formation of a minority rightist coalition government made up of the Civic Democratic Party, the Civic Democratic Alliance, and the Christian Democratic Union - Czechoslovak People's Party. However, this government was dependent on the silent support of the Czech Social Democratic Party (CSSD) which gained significant strength in the elections, in which it became the second most powerful Czech political party after the Civic Democratic Party. Although the government declared its determination to continue implementing its social policy agenda which limited the provision of welfare assistance to only the "truly needy" and oriented towards minimizing governmental intervention, its practical implementation faced tough resistance from a much more powerful opposition and an increasing self-confidence of Trade Unions.

The split inside the Civic Democratic Party ended up in the governmental crisis and a new election in 1998. The Czech Social Democratic Party became the strongest party in the newly elected Parliament. The so called "opposition treaty" between this party and the strongest opposition party, the Civic Democratic Party, enabled Social Democrats to form a new minority government. This situation forces the government to seek the parliamentary support on an ad hoc basis, which hinders the legislative process. On the other hand, the government can use the operational space of its executive power to introduce important changes in institutional structures and/or in

the nature of policy-making (e.g. initiating public discussions concerning important social policy options, accent on the careful preparation of analytical and strategic documents for decisions).

2.2 Social context

An inevitable part of the transformation process is the differentiating processes regarding incomes of the population. Two facts lie at the heart of problems relating to this issue. First, the differentiation of incomes does not occur in line with an increase in the living standard of the majority of the population, as it is the norm in developed countries, but rather during a sensitive decrease of the average living standard and an absolute and relative shift of income to high income groups. Share of the richest quintile of the economically active population on the total sum of incomes increased from 30,9 % in 1988 to 37,8 % in 1996. In the same period, the ratio between the lowest and the highest household income decile increased from 2,6 to 3,2 in the Czech Republic. (Večerník 1997) Second, the criteria used as the base for differentiation are in most cases not accepted by society as being just, nor are they often in accordance with criteria that prevail in operating market economies. The most threatened groups of the adult population are the unemployed, pensioners, invalids and citizens with only elementary education. Families with dependent children in general, and children in particular, also belong to population groups which run a bigger risk of falling into poverty. Those most at risk are thus families with unqualified workers and with dependent children.

The consequence is on the one hand a social tension endangering the social consensus and on the other hand a deprivation of satisfaction regarding the so-called higher needs in groups with lower incomes. A Latin American style social structure is an emerging tendency that may become more obvious in future years. The result of this course of development could be a breakdown of the human potential of the country in the future.

3. Social policies and social policy reforms in specific areas

The development of the Czech social policy after November 1989 can be divided into

four phases, which roughly coincide with the governing periods of the different Czech post-November governments.

1st phase: December 1989 – June 1990

During this phase the conceptual foundations of pending reforms were discussed and clarified and some of the social privileges belonging to the communist establishment were taken away. In addition to the mass media and developing professional associations, various volunteer initiative groups also intensively prepared reform plans for various spheres of social policy. The organ linking these groups was the Program Committee of the Civic Forum which created a conceptual background for the newly established Czechoslovak federal and Czech national governments and of course, for the Civic Forum, in preparation for the first free elections of July 1990.

2nd phase: July 1990 – June 1992

This phase saw the establishment of a new federal, and two new national governments with significantly pro-reform agendas, after the victories of the Civic Forum in the Czech Republic and the Public Against Violence in the Slovak Republic. Social policy was developed and embodied in legislation on both federal level (The Federal Ministry of Labor and Social Affairs) and national levels (The Ministry of Labor and Social Affairs of the Czech Republic). Although cooperation between the two ministries wasn't always ideal, from a political standpoint their position and those of the respective government were always similar. The work of these ministries can be characterized as an effort to systematically replace state paternalism by establishing more resilient and decentralized mechanism that would be compatible with non-partisan 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 government's prevailing political philosophy, this approach was a combination of socio-liberal and socio-democratic philosophies.

The "Scenario of Social Reform", developed and passed at federal Czechoslovak governmental level, became the fundamental conceptual document for the 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, and voluntary supplementary insurance for individuals or groups;
- means-tested state social assistance on condition that all alternate possibilities of welfare and assistance have been exhausted, or in the event of a citizen's inability to provide for him or herself.

Thus, the foundation of social reform was defined as:

- active employment policy;
- liberalisation and pluralisation of social welfare with a core of a Bismarkian-style insurance system;
- the development of a social safety net for people in need.

3rd phase: July 1992 – June 1998

In the Czech Republic, the elections of June 1992 brought to power a coalition of liberal and conservative parties. In Slovakia, on the other hand, parties to the left of the political spectrum, as well as populist and nationalist parties, met with greater success. This contributed to the division of Czechoslovakia and the creation of two independent states in the beginning of 1993 – the Czech Republic and the Slovak Republic. Due to political changes at the time, neo-liberal politics, characterized by placing the most emphasis on economic reform, a declared, even legislated effort to limit the role and spending 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, gained favor in the Czech Republic. This political agenda, embodied by the Civic Democratic Party, was somewhat modified within the coalition framework by parties that prioritized 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.

4th phase – from July 1998 onward

The parliamentary elections, which took place in June 1998, resulted in the formation of minority government of the Czech Social Democratic Party. This government based its policy of the pro-active program of civic participation and education, and announced the need to create a long-term vision for the country. The core of the governmental policy was the idea of socially and ecologically orientated economic policy. Within this framework, all citizens of the country should be offered equal access to education, work, 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 governmental program was seriously threatened by budgetary constraints caused by acute economic problems of the country, the legislative delays caused by the minority position of the government, the insufficient implementation capacity of the state and the protracted reform of public administration allowing for passing greater responsibilities from central government to regional self-governing bodies and public social corporations (such as the Social Insurance Fund, National Labour Office etc.).

3. Employment Policy and Unemployment

3.1 The Employment Policy After 1989

The foundations of the new employment policy that came as a response to the introduction of a market economy, were laid at the former Czechoslovak Federal Ministry of Labour and Social Affairs in 1990. The 'Principles of Employment Strategy' were passed and the concept of the active role of the state in forming employment was incorporated into the Employment Act, which came into force as of the beginning of 1991. The state employment policy, in accordance with this Act, is towards achieving a balance between supply and demand for labour, towards the productive utilization of the workforce resources, and towards securing the rights of citizens to employment. This is interpreted as the right of those who want and are able to work and are actually engaged in the process of applying for work. These persons have the right to the mediation of work in a suitable position, to the requalification necessary for their work, and to material security before starting employment and in the event of losing employment.

The body responsible for the state employment policy is the Ministry of Labour and Social Affairs of the Czech Republic, within the framework of which operates the Administration of Employment Services. Trade Unions are an important partner for the government and employers in forming this policy. In 1990, in expectation of an increased rate of unemployment, a network of 77 regional Labour Offices was created to administrate state employment policy in the regions. Besides locations in individual regional capitals, there are also branch offices in the larger towns of a region. This means that their services are relatively easily accessible to job-seekers throughout the Republic.

The work of these offices consists of:

- paying unemployment benefits
- supplying information on job vacancies
- consulting services
- creating jobs beneficial to the general public
- supporting small-scale business, including stimulating job-seekers to set up their own businesses
- organizing professional training and re-qualification programmes
- creating programmes for work opportunities
- evaluating the labour market
- conducting checks on the labour market actors
- cooperating in the creation and realization of regional programmes dealing with employment issues
- management of finances designated for employment policy.

A major instrument of what is termed passive employment policy is the assessment and payment of unemployment benefit. Up to 31 December 1991 unemployment benefit was paid for 12 months, 90% of earnings for the first six months and 60% of earnings for the next six months. Since 1992 the conditions of unemployment benefit payments have been made more and more stringent. In 1999, 50% of earnings are paid for the first three months and 40% of earnings for the next three months. The sum must not exceed a defined ceiling. This is set at a multiple of 1.5 of the official living minimum. An unemployed person who has joined a re-qualification programme

has a claim to 70% of his or her former earnings over the whole period of re-qualification, at a maximum of 1.8 times the living minimum. After six months the claim to unemployment benefit ceases and, if the job-seeker is still not able to find work, he or she is referred to state social support paid at what is deemed to be the minimum subsistence level.

From the point of view of active employment policy 1992 was a successful year whereby, with the aid of the Labour Offices, more than 82,000 new jobs were created, more than a thousand places for the handicapped, 25,000 places for community work, and 14,600 job-seekers completed requalification. The active employment policy in 1992 affected 92% of the total number of unemployed.

With the advent of the new government after the June 1992 elections the emphasis on active employment policy weakened. In 1993 the active employment policy only helped around 44,000 persons, which is a little over 24% of the unemployed. The proportion between the active and passive employment policy has, in fact developed to the disadvantage of the former - most money have been spent on the payment of unemployment benefit.

Table 1: Expenses on active employment policy as the percentage of all expenses on employment policy, Czech Republic

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999
%	31	55	35	28	26	21	14	18	25

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

The finances allocated to active employment policy have been directed towards setting up new jobs, towards supporting community work, specialist practical experience for school-leavers, re-qualification, and towards establishing protected workshops for the handicapped. In 1996 almost 10,000 places were created for community work, over 12,000 job-seekers completed re-qualification, and 3,600 places to serve socially useful purposes were set up. A significant initiative has been the shift of emphasis to aid regions with the highest rates of unemployment, to where state finances were directed in 1994 for special development investments - mainly to subsidize the transport and telecommunications infrastructure. Nevertheless, this

promising emphasis to help the most deprived regions was soon abandoned.

Finances for the employment policy continue to be allocated from the state budget, even though since 1993 they have technically been drawn from a special entry of the social insurance fund, which is financed by the contributions of employers, employees and the state (on behalf of the economically inactive).

The new Social Democratic government launched (and the Parliament accepted) the National Programme of Employment in the beginning of 1999. By the set of elaborated pro-active measures, It aims at creating new jobs in the labour market threatened by rising unemployment rate.

3.2 The Development of Unemployment

The development of unemployment is shown in table 2. The figures given are based on the number of unemployed seeking work at the Labour Offices - the so-called registered unemployed. In the past few years figures have also become available gathered by the Czech Statistical Office on the basis of representative sample surveys of the population. These numbers show a systematic difference in an upward direction, indicating that the real rate of unemployment is actually about 0.5% higher than the official figures.

Table 2: The Official Rate of Unemployment in the Czech Republic (in %), 1990-1999 (end of the year)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
%	0,7	4,1	2,6	3,5	3,2	2,9	3,5	5,2	7,5	9,4

Source: Ministry of Labour and Social Affairs, Time-Series of the Labour Market Indicators, 1999.

The visible economic recovery of the country allowed for the slight decrease of the unemployment rate to 8,8 % at the end of September 2000.

In the period between 1989 and 1995 21% of those economically active suffered the experience of losing their jobs, of which 5% more than once. The actual development

does not show any serious signs of slow down of unemployment rate.

The overall structure of unemployment by nature of work has not significantly changed. The figures from the end of 1993 depict the situation: of total unemployment manual workers account for 67%, the non-manual professions 20%, and school graduates seeking their first jobs 13%. In terms of the representation of certain groups, the data suggest that greater problems in finding employment are had by young people up to 30 years old (around 40% of all unemployed; the share of unemployed in the age category of 15-19 as at the end of 1999 was 20,6%), women (still around 60%), the unqualified, ethnic Romany, and invalids (persons with impaired ability to work).

A specific problem of many countries is long-term unemployment, i.e. the proportion of those who have been in unemployment for over 12 months. This is not yet as high in the Czech Republic as in comparison with countries of the European Union (where the proportion of long-term unemployed is between 40% and 60%).

Table 3: Long - term unemployment as the percentage of all unemployed persons

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999
%	3,9	17,1	14,8	19,2	23,1	22,3	19,6	22,4	25,2

Source: Potůček-Radičová (1998), Statistická ročenka (1999), Analýza vývoje zaměstnanosti a nezaměstnanosti v roce 1999 (2000)

The risk of the occurrence of long-term unemployment is higher for those who are more afflicted by unemployment as such: the unqualified, single mothers with children, Romany, and the handicapped. Detailed studies indicate that the long-term unemployed in the Czech Republic do not yet show a strong tendency towards becoming an 'underclass', with this being particularly absent in the rural areas. There is a considerable risk, however, that in the future there will emerge an uprooted underclass among the long-term unemployed Romany, homeless, and unqualified young people who have never worked.

Since 1989 there has been a general freeing up of wage restraint only in the private sector, whereas pay in the public sector (with some exceptions, for example judges

and officials in public administration) has fallen behind. This has even affected professions requiring high qualifications which also suffered considerable wage disadvantages under the Communist regime in comparison with the situation of such jobs in Western democracies. The differences in pay between university-educated workers in the private and public sector have widened in both absolute and relative terms. The inevitable consequence has been a brain-drain of the public sector in such branches, as science and research, education, health care, and social services. This seriously hindered the ability of Czech society to effectively utilize the potential of its human resources, both in terms of future reproduction and the immediate present. Despite severe budgetary constraints, the new Social Democratic government decided to narrow the above mentioned gap and increase the average rough salaries of public employees by 17 % in the beginning of 1999.

4. Social Protection Policy and Poverty

4.1 Social Security Policy after 1989

In the social sphere the basic conceptual document was the above mentioned “Scenario of Social Reform”, which was published and passed in 1990. A universal and uniform system of social security was to become the core of the state's social policy. The cornerstones of social security reform were thus defined as the liberalization and pluralization of the social security system, complemented by the establishment of a protective social network.

After the victory of neo-liberal and conservative political parties in the elections of 1992, and after the Czech Republic became independent at the beginning of 1993, liberal and residual tendencies began to be asserted more forcefully in social policy. The conception of social reform began to impose limitations on the social security policy - and in this framework crystallized the conception of its three tiers – “pillars”:

1. compulsory social insurance, reacting to foreseeable situations in a citizen's life,
2. state social support, reacting to unforeseeable social events,
3. social assistance built on the principle of aid to citizens who find themselves in an emergency situation.

Social insurance

Laws were passed enabling the transformation to a new structure of social insurance in 1992. The principles of the newly conceived structure of social insurance were as follows:

- social insurance was to be compulsory,
- contributors to the Social Insurance Fund were to be employees (they pay up to 8% of gross income, of which 1.1% goes toward the sickness insurance scheme, 6.5% to the old-age pension scheme, and 0.4% to the state employment policy), employers (they pay up to 26% of the gross income of their employees, of which 3.3% accounts for the sickness insurance scheme, 19.5% for the pensions scheme, and 3.2% for the state employment policy). In the case of self-employed persons it is an amount they fix themselves, but not less than 35% of the income from self-employment after the deduction of costs expended in its achievement, insurance and maintenance, and it cannot be lower than six-fold of minimum wage. (Social Security 1999) The state pays the insurance contribution for children, pensioners, parents on maternity or paternity leave, the unemployed, invalids, soldiers and prisoners.
- Social insurance contributions cover:
 - * old-age pensions, invalidity pensions, widow, widower and orphan pensions,
 - * sickness contributions, contributions for the treatment of a family member,
 - * contributions to the state employment policy,
 - * administration costs.

In 1995 there was a significant legislative change in the framework of the compulsory structure of social insurance with the passing of a new law on old-age pensions. An increase in the statutory retirement age limit was approved to be introduced incrementally up until 2007. The statutory retirement age for women, originally 53-57 was raised to 57-61 (the actual limit depends on the number of children), while for men it increased from 60 to 62. The law on base pension insurance conceives the old-age pension as of two-components, made up of a fixed amount paid to all and one that is dependent on the number of years worked and the working income received; the law is built on the principle of a substantial redistribution of accumulated finances towards persons with a lower level of earnings. Old-age pensions for

persons with higher working incomes are affected by a regressively acting calculation formula.

Table 4: The Replacement Rate of Average Old Age Pension and Average Gross Wage

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Ratio %	50,4	52,7	57,4	52,0	47,0	44,4	43,8	43,5	45,3	45,9	

Source: Vývoj vybraných ukazatelů (1998)

Under the new law the pension as a proportion of the gross wage will drop by the year 2005 to less than 42%, in 2010 to 38% and in 2015 to 35%. Thus the government has managed to set down a very residual conception of old-age insurance which differs considerably from continental European practice and does not rule out the possibility of the pension falling below the living minimum. Moreover, it is a system the conditions of which as well as management of gathered resources are fully in the hands of the Ministry of Finance instead of an independent public corporation – Social Insurance Fund.

In 1994 a special law made it possible to take out additional pension insurance with a state contribution, but only on the basis of a contract between the individual and the insurance institution (ruling out contributions on the part of the employer). The government thus asserted the 'civil' principle and blocked the way for the originally proposed employee forms of additional pension insurance (enterprise or professional systems arising, for example, on the basis of collective bargaining).

The public sector of compulsory social insurance is completely dominant in the Czech system of old-age pension insurance. Nevertheless, additional voluntary private pension insurance, based on an individual contract between the citizen and the insurance company is attracting the rising number of clients. The state contributes a defined sum of money as well. If the conception of a drop in the ratio of the old-age pension paid within the public system to the average wage comes about, the more well-off groups of the population will be forced to make more use of the private sector in order to increase their old-age pensions.

Since 1995 there has been a public discussion about the reform of the whole concept of the old-age pension system. It was initiated by some experts from international financial institutions, namely the International Monetary Fund, who strongly recommended the country to follow the model applied in some other (mostly non-European) countries and opt for a compulsory private co-insurance. This new type of old age insurance would complement the pay-as-you-go public scheme which would gradually lose its importance in the total amount of redistributed resources. It was argued that this change would be inevitable due to demographic trends (aging of the population) and the demand for investment in the national economy that would be satisfied by the newly established and privately run for-profit pension funds. There were strong opponents of this idea, too, who stressed the risks of such a reform due to the fragility of financial markets and institutions and the huge demand for additional financial inputs during a couple of decades after such a reform is introduced. The present Social Democratic government belongs to that camp, too. Nonetheless the discussion is going on and there is the need for a creation of a special institutional platform for its steering and moderation that could overcome ideological, partisan and other barriers among various participants. The government initiated such a consensus-building capacity as a special committee established by the Lower House of the Czech Parliament). By the end of 2000, the government is about to submit its proposal for pension reform to public discussion. The core function of the whole system should be still performed by the pay as you go system run by the public corporation. There should be introduced a complementary system of voluntary co-insurance run by non-profit insurance funds, thus enabling employers to be directly involved in financing and managing those funds along with their employees.

State social support

Unlike social insurance, state social support is covered from the funds of the state budget and the institutions responsible for this are the social departments of district authorities. The main element is benefit for parents with children. In 1995 a new law was passed on state social support, which regulates the payment of the following benefits:

a) means-tested benefits:

- ~ child allowance (paid up to the age of 26 where the child is training for a future occupation)
- ~ social contribution
- ~ housing benefit
- ~ transport benefit (for children training for their occupation away from their permanent residence)

b) benefits provided without regard to income (for well defined categories of clients):

- ~ parental allowance (paid to a parent looking after a child up to four years old)
- ~ maintenance contribution (for the family of a soldier doing military service or the alternative form of civil service)
- ~ benefit for foster-parent care
- ~ birth allowance
- ~ burial benefits.

One of the most important system changes has become the method in which benefits are awarded to children. Up to 1995 child allowance was paid to all families with minors without regard to their income. The State Social Support Act introduced a new means-tested method tied to the family income not exceeding three times' the living minimum. The present government would like to switch back to universal (categorical) child allowance by the beginning of 2002. The real purchasing value of child allowances has been decreasing quite considerably due to the inflation rate after 1989.

Social assistance

The structure of social assistance is conceived as a 'lifeline' to those who are no longer able to help themselves, have no claim to benefits in the framework of the social insurance and state social support structures, or these benefits are not enough to sustain them at least the level officially set as the living minimum. Social aid is provided in cash or in kind or both.

The new laws have begun to influence the living conditions of people in need, namely

the Act on the living minimum and the Act on social need (which has been amended several times). They included the obligation of the state to guarantee all citizens that their standard of living would not fall below the official living minimum, and to make up the difference between the actual income of an individual or family and this limit on condition that he/she (they) cannot him/herself (themselves) increase this income by his/her (their) own endeavor because of age, health state, or other legitimate reasons. The law in question has thus delineated a socially accepted poverty limit, establishing the right to aid from the state under certain circumstances. It is a scheme based on the individual assessment of total income, property and social relations of the applicant. The defined living minimum differs according to age and structure of the household.

The law entrusted the government to increase the level of the living minimum in accordance with changing costs of living and to maintain the ratio between the level of the living minimum and the average income.

The government conception of social assistance in the Czech Republic issues from the principle of subsidiarity: the individual is responsible first, then the family, charities, the municipality and, at the end of the line, the state. A new Act on Social Assistance has been under preparation since 1994. A government proposal on the principles of the law being prepared on social assistance uses the idea of subsidiarity as a way of reducing the scope of required social aid, in particular in its preventive dimension. The administrative and testing aspect of social work prevails. Because of this it is viewed rather critically by experts in this field and the government bill of the relevant law has not yet been passed by the Czech parliament. The recent idea is to prepare a series of laws regulating different aspects of social assistance stemming from different needs of its clients.

4.2 Incidence of Poverty

Under socialism the situation of full employment, large income levelling and relatively generous aid to families with children was reflected in the low percentage of truly poor. Even though the transformation of the economy has changed and is still changing the economic situation of most individuals and households, the situation

has been kept under control, in part by making use of the most varied socio-political measures, such as the already-mentioned introduction of the institutions of living minimum, minimum wage, the introduction of a social allowance partially compensating the increase in the price level after the liberalization of prices, the adjustment of the amounts of old-age pensions with regard to advancing inflation, and the payment of unemployment benefit.

The Ministry of Labour and Social Affairs is responsible for monitoring the occurrence and trends of poverty in the Czech Republic. It can be said that the rate of poverty in the Czech Republic remains low. As is known, measuring the scope of poverty in society is very complicated. In the case of the Czech Republic the following indicators can be worked with:

1. The officially set living minimum limit.
2. The rate of poverty used by bodies of the European Union. Households find themselves in the poverty belt whose income per head drops below 50% of the income median of an equivalent adult person, whereby the first adult is counted with a coefficient of 1, other adults with a coefficient of 0.7, and children with a coefficient of 0.5 (this is the previously mentioned adjusted household income).
3. The subjective rate of poverty, ascertained using specific methods.
4. The feeling of poverty, ascertained as the percentage of answers reading 'definitely' to the question 'Do you think your household is poor?'

The proportion of poor households in the Czech Republic as classified by the above mentioned criteria can be seen in the table below.

Table 5: The Occurrence of Poor Households in the Czech Republic According to Various Indicators (%)

Indicators	December 1990	January 1993	November 1994	January 1996
Official living Minimum	2.0	1.9	2.0	3.7
Poor according to EU methods	2.6	2.3	2.2	3.9

Subjective rate of poverty	25.3	26.9	32.8	28.2
Feeling of poverty	8.0	10.0	8.0	8.0

Source: Večerník 1997.

Poverty does not relate to all groups of the population equally. Households with more members, especially those with children, find themselves in the poverty belt more frequently. In 1992 3.5% of adults found themselves under the official living minimum as opposed to 6% of children. Whereas before 1989 more pensioners were in the poverty belt, the transformation of the economy and the social system bring a greater threat to children, unemployed and employees in the public sector. Winners of the changes are the members of the economic and political elite, those who have profitted from the privatization (either legally or by „tunneling“ public and/or corporate funds into private hands) and employees of multinational firms whose Western-level salaries represent the multiple of the low average local wages.

5. The Social Policy Role of Local Authorities, Enterprises, and the Civil Sector

The aim of the reform of social policy after 1989 was the pluralization of the sector of social and health services and those entering the arena of social policy. This has actually started happening both in the public sector and the private (profit and non-profit) sector.

In the public sector the burden of the provision of social benefits and services still lies with the cumbersome and over-centralized state. Even though many local authorities are interested in greater involvement in carrying out social policy, as yet there are neither enough finances for this nor powers required by law. In general, however, it is assumed that the situation will change, especially after the new law on social assistance has been passed. The postponed reform of regional administration gained its momentum with the new government: new self-governing regional authorities will become fully operational since the beginning of 2001. This reform will also shift part of the responsibility for social and health-care from the center to the regions.

The role of enterprises in the provision of social benefits and services to its own employees and their family members has decreased in comparison with the period before 1989. Enterprises have gradually relinquished these under pressure of the market environment forcing them abandon functions not essential for their survival and success in the new conditions. Significant exceptions have been the rich international companies, which have provided social benefits similar to those ones common in the West, and to a lesser extent the domestic banking and insurance sector.

Companies have become more interested in the provision of health and social services that had previously been monopolized by the state. Besides the relatively large sector of health services, the market is beginning to find a footing in several spheres of social care (domestic care, nursing, rehabilitation, pensions for pensioners, social consulting activities). The costs for the provision of such services are met from public budgets, the para-fiscal funds of health insurance and from the finances of private individuals.

The development of the civil (non-profit, non-government) sector has come up against many barriers (the reserved attitude of state bodies, insufficient and belated legislation, insufficient financial resources). Nevertheless, its development has been surprising: whereas in 1989 just over 2,000 civic associations were registered in the Czech Republic, the figure for 1996 is almost 37,000 organizations of this type (about 4 500 of them foundations). It employed between 100 - 150 000 people and the non-profit sector accounted for roughly 1% of GDP in 1996. The state has gradually become familiar with the idea that the activities of civic associations can and must be supported from public resources.

Non-profit organizations are heavily involved in the sphere of information guidance. Examples to serve for all are the YMCA Information Center of Social Work, the Handicap Association and the Association of Representatives of the Physically Handicapped. Consulting services and social aid are also provided by various Church organizations, in particular the Czech Catholic Charity and the Protestant Diakonie.

6. Communication and decision-making processes in the formation and

implementation of social policy.

As was already indicated, the most powerful decision-maker on social policy issues is the government. The Czech Republic has a long way to go in becoming a pluralist, consensual democracy on the Western-European model, which would require governmental measures to encourage the results of public policy discussion to be widely published, presented, and discussed by all who will be affected by it. I would like to bring attention to some threats to achieving this ideal situation, primarily caused by government's dominant position, and secondly, by several barriers to communication.

A specifically Czech problem was the fact that economic reform was, justifiably or not, considered the primary task of transformation before the change of the government in 1998. This political priority was institutionalized in the so called Conference of Economic Ministers, an informal but very powerful body made up of selected ministers of the Czech government. They discussed all the important bills that the government handed over to the Parliament after being approved. Therefore, the fate of all social legislation was influenced by the judgement of a group of high-level government officials whose educational background and outlook are primarily those of economists. Faced with problems of economic depression and shrinking public revenues, they often opted for immediate budgetary cuts in social provisions at the expense of the long-term societal goals, including the cultivation of the country's human potential. Understandably, the influence of this powerful group was bound to make an impression on the laws. Non-privileged (non-economic) ministers, tripartite partners, and MPs received bills that were in a relatively finalized state which rendered them difficult, if not impossible, to change.

Communication between decision makers and the public had too many shortcomings. With regard to the Czech Republic's proportional election system, the responsibility of representatives in the Chamber of Deputies vis-a-vis their electorate is considerably weak. It can be said that most representatives feel a greater responsibility towards the headquarters of their political parties. The most important channel of communication between the political elite and citizens has, therefore, been the mass media. In this context, a large role is played by public opinion polls

presented by the media, that reflect the public's views of various problems, including social problems, social policy measures, and the functioning of various institutions.

Nevertheless, there are signs that the present government is more ready to initiate and/or follow public discussions. Pars pro toto: The Ministry of Labor and Social Affairs introduced the 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) there before the Ministry and/or government takes the final decision.

The role of the mass media has been significant during the given time frame. In many cases they supplemented, represented, or substituted for the developing institutions of a representative democracy. Without the mass media, there would have been no public dialogue about the problems of social policy. The television, radio, newspapers, and magazines expressed opinions on various problems of every-day life including the possible consequences that the legislation being prepared may have. Unfortunately, this publicity rarely reached the necessary analytical depth that exists, for example, in English journalism. The limited capacity of academic and research institutions inhibited their ability to analyze and appraise individual policies.

Conclusion

One of the most important social policy determinants is of course economic environment. The Czech Republic was in a position to pursue the economic and social policy reform at the same time. As a result, it faced a situation characterised by the need to approach more extensive old and also new social problems induced by the economic reform by slender resources. This limited the space and disposable resources for preventive aspects of social policy, and interfered with the ideologically induced reluctance toward the institutions and policies of the Welfare State. 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 1992-1998 with their strange mixture of neo-liberal and conservative rhetoric and centralist and etatist practical social policy faced a problem how to find its way out of this trap. Their solution

was to fill institutional shelves created in the beginning of transformation by a rather different content - or let 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). The targeted, means-tested residual schemes were introduced in some instances. This tendency, coupled with the drop in real incomes of the majority of the population and abolishing most of price and in-kind subsidies, weakened the disposable resources and social position of the social strata in the middle of socio-economic ladder. The Czech neo-liberal and conservative governments neglected conceptual work and practical orientation toward long-term goals, especially preventive social policies.

The Social Democratic government, which is in power since the middle of 1998, has been trying to re-constitute the Czech social policy more or less in line with the original 1990-1992 ideas. Its symbolic victory against the Thatcherist political resentments of the previous Klaus' governments was the acceptance of the European Social Charter by the Czech Parliament in the Spring 1999. Nevertheless, it has faced severe budgetary constraints as well as insufficient administrative capacities and not very impressive implementation skills. As for the civic sector, it has been too weak to become an equal partner of the government in shaping the present and the future of the Czech social policy in a considerable way.

Not very flourishing economy, associated with the political deadlock and a considerable worsening of living conditions of the numerous strata of the population allow to predict, that the Czech Republic will experience both social and political turbulences in the near future. One of the indicators of this development is the stable popular support (more than 10 %) for the Communist Party of Bohemia and Moravia (KSČM), which has not transformed itself into a party of the democratic left (as it happened to their counterparts in other Central and Eastern European countries, including Slovakia). Most of its members still belong to the old hard-line cadres of the Communist past.

One considerable phenomenon in this situation is the initiative to elaborate - and eventually pass by the Czech Parliament - the Social Doctrine of the Czech Republic,

a joint policy orientation document prepared by the representatives of interested political parties, experts and civic associations. The idea, raised by the Czech Christian Democratic Union (KDU-ČSL) in 1997 and then followed by the Czech Social Democrats (CSSD) in 1998, is to build a broad national consensus concerning the future orientation, goals, priorities and corresponding instruments of the Czech social policy. Five preparatory conferences, which were organized in 1998-2000, represented a „joint venture“ of the civic association Socioklub, the Ministry of Labor and Social Affairs and the Czech Senate (the upper house of the Czech Parliament). Their organizers believe that only a broad consensus, involving both governing and opposition political parties, civic sector associations and the expertise of the academia, may allow for more effective and rational steps in reconstructing social policy and the Welfare State approaches and institutions. The document, elaborated by the group of ten Czech social policy experts from various disciplines and with various political affiliations, was launched for public discussion on October the 5th, 2000. Only the future will tell us how successful this initiative will be in shaping the future of the Czech social policy making.

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