

Splitting Welfare State: the Czech and Slovak Cases

Martin Potůček, Iveta Radičová

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Summary

The split of Czechoslovakia at the end of 1992 and the establishment of the two independent states saw the creation of a sort of a natural social experiment. How strong is the heritage and how long is the institutional path-dependency of social policies in these countries? What factors cause potentially different choices of political goals and instruments in both countries? Do their social policies really differ? In trying to answer these questions, this paper starts with the description of the historical, cultural, political, economic and social conditions of the newly established states. Social policies and social policy reforms in specific areas are analysed: employment policies, policies of social security, housing and health care. Cross-national and cross-sectional comparisons allow for some preliminary conclusions. The Slovak government was more prepared to give up some of its responsibilities to public self-management and local government bodies in order to pass on the responsibility for solving urgent social problems (esp. employment policy, social insurance). The Czech government retained the majority of the responsibilities in these sectors because it enabled the state to redistribute resources collected there for other purposes. Whereas in the Czech Republic the development of corporatist institutions has occurred principally in the health sector (as a consequence of the medical profession being able to use these institutions to support their interest), the Slovak Government has maintained close control of health care reform. The Czech government was able to pursue the reform of the system of state social support (with the obvious tendency to replace universal schemes by means-tested ones), whereas the Slovak government has not had enough courage to do the same, faced as it has been by constant pressure of emerging social problems. The cumbersome and ineffective system of state social aid institutions has remained basically unchanged in both countries, the only exception being the creation of space for the activities of local non-governmental organisations. Both states have withdrawn most of its previous responsibilities for housing, most importantly in terms of state subsidies.

1. The Fundamental Question - and how we have tried to respond to it

During their modern history, Slovaks and Czechs lived twice in a common state: in the Austro-Hungarian empire and, after the World War I, in Czechoslovakia (with the exception

of the World War II period). Both these 'co-habitations' had an influence on shaping all facets of their societal life. Along with other scholars, (Götting 1994:21) we believe that we now face a both a unique research challenge, as well as an opportunity, given to us the split-up of Czechoslovakia into two independent states - the Czech Republic and the Slovak Republic - while still in the process of an unprecedented political and economic transformation. We also believe that these processes may be understood as a natural social experiment. By studying them we would like to tests some of the theories of Welfare State, the determinants and driving forces of social policy reforms. (Overbye 1994:166)

In this paper, we would like to answer the following more specific questions:

- Do Czech and Slovak social policies follow the same reform path or do they diverge? Why?
- Are social policy reforms in the Czech and Slovak Republics sectorally-specific or not? If yes, where and why? If not, why? Social policies in sectors of employment, social security, housing and health will be taken into consideration.

Preliminary comparisons of social policy developments in the Visegrad countries allow us to assume that the cultural and institutional traditions, the available economic resources and a competent state apparatus are the three crucial factors that have the potential to influence the shape, speed and relative success of social policy reforms in the post-communist world. In stabilised democracies, political ideologies are of less importance. The question we would like to raise is their specific impact in the more fragile new democracies. (Potůček 1994, 1997a,b)

Social policy reforms are lagging behind those in the economic and political spheres throughout East Central Europe. Moreover, social policies may also be changed in a very effective, though indirect, way: as an inevitable outcome of other economic and political decisions, i.e. as derivatives of policies „fait-accompli“. They may also come about as a result of 'behind-the-scenes' bureaucratic decision-making.

In analysing all these processes, we shall take into account the following factors:

- the political environment (type and stability of the political regime, influential political ideologies) after 1989;
- the economic environment (nature and impact of economic reform including the changes in ownership rights, (im)balance and structure of the state budgets, fiscal policies, changing labour markets);
- the social environment (demographic changes, social structures, distribution of wealth among the population);
- cultural factors (value orientations and attitudes of the population, inherited behavioural patterns).

2. General context

What was the situation of Czechoslovakia in terms if its economic, administrative and political conditions and capacities for social policy reform at the end of 1989?

- Accumulated economic resources and inherited patterns of their re-distribution method.
It can be said that Czechoslovakia possessed a relatively large per capita gross domestic product, a balanced state budget with a comparatively small balance of payment deficit, and a very equalised 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. (see par. 3.1.). This problem was much more pronounced in Slovakia than in the Czech Republic.

- Economic infrastructure and the transformation of ownership rights.
Here, Czechoslovakia as an industrialised 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 eastern markets. The transformation of ownership rights (privatisation) was, for the most part, successfully 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 state apparatus 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 democratisation.
Czechoslovakia was a country where institutions of a representative democracy developed fully very quickly after 1989. What was lagging behind were both the institutions and the culture of participatory democracy. Civil sector institutions (non-profit, non-governmental organisations) 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.

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, 1994, 1996, Radičová 1995, 1996, Ringen-Wallace (eds.)1994a,b, Rys (1993) and others). 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.

The "Scenario for 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;

- needs-based 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.

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. (The causes of the split of Czechoslovakia are described in more detail in Radičová 1993.)

2.1 Economic 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. One important difference between the two republics was a much higher unemployment rate in Slovakia compared to the Czech Republic to which the mistaken political decision concerning the conversion of military industry (located mainly in Slovakia) contributed a lot.

2.2 Political context

The Czech Republic

One of the characteristic features of political development in the Czech Republic between the two general elections, the first held in June 1992 and the second in June 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 rationalisation 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 has not as yet been passed. In spite of these unfavourable conditions, the civil sector experienced a rather rapid development - at least in terms of the numbers of registered non-profit organisations. Nearly 37 000 non-profit organisations (about 4 500 of them foundations) have been registered to date. It employs between 100 - 150 000 people and the non-profit sector accounted for roughly 1% of GDP in 1996.

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 which 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 last 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 is 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 minimising governmental intervention, its practical implementation will face tough resistance from a now much more powerful opposition and an increasing self-confidence of Trade Unions.

The Slovak Republic

"The issue of social welfare reform and implementation of adequate social policy is becoming more and more urgent. It can affect the implementation of transformation as a whole. This is even more important because of the fact that citizens perceive the level of social rights provided by the former communist "social state" as natural, and they are very sensitive to any reductions of these rights. In this way, the transformation of post-communist countries in Eastern Europe has differed from modern Western countries which proceeded from civil rights to political rights and only then to social rights. It is therefore obvious that no political party in the election programmes of 1990, 1992 or 1994 had a goal of affecting the deeply-rooted system of social benefits and social care... The basic strategic task of transformation is to decrease proportionally the subjective importance of social benefits and pensions by increasing dynamism of incomes." (Bútorá - Hunčík 1996:30-31)

Following the 1992 elections, the social policy concept of the Slovak Government, led by Vladimír Mečiar's HZDS (Movement for Democratic Slovakia), was based on three complementary components: social security, state social support and social assistance. (For a definition of these three components of social security system, see par. 3.2.) It was also characterised by a heavy bias towards employment policy and the issue of transforming the system of social benefits. The government's occasionally chaotic measures, were rooted in its inclination to preserve the redistributive model of social policy, while implementing a restrictive policy. This led to the government using a programme similar to the residual model or the mixed model. This model, however, was not well enough developed to implement the programme of social transformation. In addition this, other restrictive social policy methods were ignored due to their potentially negative impact on the support and attitudes of citizens towards the state.

Political and economic development affected the transformation in a range extending from the existing state social welfare system to system of social insurance. Included in the transformation of social policy was both the system's organisation and financing, as well as the legislature governing its operation. In 1993 an act on the establishment of a national insurance and the financing of health, medical and pension plans was passed. At the same time, the Act on the Health Insurance Fund, Pension Insurance Fund and Medical Insurance Fund was also passed into law.

In 1995, a slowdown was recorded in the process of shifting responsibility of local self-governing administrations for financial affairs. This was because of a reduction in income tax contributions to the municipality budget and a moderate increase in subsidies to this budget from state funds. The municipality budget in 1995 thus became less dependent on income tax and at the same time more dependent on state budget subsidies in comparison with the previous period. This represents an increase in the dependence of local administrations on the state budget. This is a consequence of the existing tax system which, instead of allowing for a dispersal of tax yields to regional bodies concentrates them into the state budget, part of which comes back to regions by means of central reallocation. This therefore complicates the allocation process and reduces its effectiveness.

According to the Institute of Statistics of the SR, almost 6000 foundations and other NGOs were registered in Slovakia in 1993, and by 1994 this figure had risen to 9000. These organisations employed 3 568 full-time employees and 1 502 part-time employees. Volunteers number more than 381 000 people, which is testament to the remarkable interest shown by citizens in contributing to this form of organised problem-solving.

At the beginning of 1996, the campaign „Third Sector SOS“ instigated by the leadership of the Third Sector, the main representative of non-governmental organisations, reached its peak. The campaign was triggered by a governmental proposal for a law on foundations which in its adopted version would indirectly impose a two-stage process of approval for the existence of foundations: Foundations would have to register at the Ministry of the Interior of the Slovak Republic. The proposed law contained a number of controversial elements, such as restrictive regulations regarding the management of foundations. For example, it would require all foundations to operate according to a budget which must be approved by March 31; a duty to declare to the tax inspectorate all donors, as well as the level of donations; the exclusion of the possibility for co-financing projects (by subsidies from the state budget and at the same time from the budgets of municipalities) etc.

Besides bipartisan forms of negotiations (collective agreements and higher level agreements), tripartite social dialogues also began to emerge in Slovakia after 1989. In the course of the five year period from the establishment of an economic and social partnership between three parties - the state (represented by government bodies), employers (employer associations and unions) and employees (labour organisations) - five general agreements have been adopted. The general agreement does not establish individual claims of employees. A higher level collective agreement and a corporate collective agreement regulate individual and collective labour relations between employers and employees and establish particular rights and obligations for individuals, as well as general binding regulations.

The problem is that higher level collective agreements must be signed by all labour organisations operating in the relevant sector in order for it to be binding. If the collective agreement is not concluded by all labour organisations, this is not binding on the employer. Prohibition on discrimination connotes that the advantages of a collective agreement can be enjoyed by all employees. General agreements were not signed in 1996 and 1997 due to the growing disagreements between the government and the representatives of unions over income tax and the regulation of wages.

2.3 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, 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.¹ Secondly, 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 on the one hand is 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 starting to form in which the

middle income stratum of the population is absent. This is an indisputable social phenomenon in Slovakia whereas in the Czech Republic we can see it as an emerging tendency which may become more obvious in future years. The result of this course of development could be a breakdown on intellectual and, ultimately, societal levels of future generations.

3. Social policies and social policy reforms in specific areas

Five years after the split of the common state provide an opportunity to identify the nuclei of new trends, common features as well as differences in social policy making in the Czech Republic and the Slovak Republic. Of course, we take the findings included in this study as preliminary conclusions which should be submitted to further scrutiny.

All analysed social policies will start with the characteristic of the original concept of particular reform which was common to both states. After that, we confront this concept with real policy developments in both countries after the split of Czechoslovakia, paying attention to main similarities and/or divergent trends.

3.1 Employment policies

The end of the Communist regime and the introduction of market economy brought about important changes in the labour market and the structure of employment. The mobility of labour force increased, the absolute numbers of employed persons decreased, there occurred important changes in the sectoral composition of employment opportunities. The state lost its role as the main employer. A new phenomenon - unemployment - became a new feature of everyday economic and social life in both countries.

Table: The rate of registered unemployment as the % of the labour force (end of the year)

State ↓	Year ⇒	1990	1991	1992	1993	1994	1995	1996
the Czech Republic		0,80	4,13	2,57	3,52	3,19	2,93	3,52
the Slovak Republic		1,53	11,82	10,38	14,44	14,59	13,11	12,84

It is very hard to discriminate between the impact of macroeconomic policies and development, and the impact of labour-market policies executed by newly established Labour Offices on the development of unemployment in both countries. The structure of the Slovak economy, especially its fast modernisation during the Communist period, its branch structure with an excessive proportion of heavy machinery, and many regional monopolies of big industrial plants as suppliers of job opportunities, contributed to the fact that the problem of a discrepancy between supply and demand within the labour market has become much more serious in Slovakia.

Table: The number of registered unemployed to one vacancy (end of the year)

State ↓	Year ⇒	1990	1991	1992	1993	1994	1995	1996
the Czech Republic		0,7	4,58	1,70	3,43	2,17	1,74	2,2
the Slovak Republic		2,58	36,82	16,06	47,95	28,47	21,54	23,35

A set of measures were developed to fulfil employment policy goals in both countries:

- evaluation of developments in the labour market and impact of employment policy, forecasting, design of concepts and programmes of employment at a state and regional level
- provision of information, consultancy and mediating services, free of charge
- creation of „socially purposeful“ jobs or public works
- re-training, consultancy for choosing a career
- financial compensation before entering a new job and in the case of the loss of previous work.
- specific employment policies for people with disabilities
- system register of vacancies and job seekers.

Due to the very different situation of the labour market in both countries, it is very difficult to try to compare their labour market policies. Nevertheless, there are some similarities and differences which should be taken into consideration:

1. In both countries, there was a decisive period of original institution-building. It dates back to 1990-1992, the last phase of the existence of a common state.
2. A common feature is also the diminishing role of the active employment policy. The percentage of unemployed who participated in various programmes of active employment policy as a total number of clients of labour offices decreased through time: from 51% in 1991 to 21% in 1996 in Slovakia, from 38% to 12% in the same period in the Czech Republic.
3. A long-term substantial decrease in the relationship of average unemployment benefits to average wages is also the feature common to both countries.
4. The Slovak government was more active in adapting the system of employment policy to new challenges. It prepared and passed a new Law on employment and implemented important institutional changes. The Czech government, on the other hand, was somewhat indifferent, and this led to stagnation of policy making and a lack of innovation.
5. The important difference was the pluralisation of the management of employment policy in Slovakia. It took the form of corporatist arrangements, which created the space for the involvement of trade unions and representatives of employers in its formation and implementation, including financial management. Nevertheless, the Slovak state bureaucracy preserved most of its previous controlling power, especially in personnel matters. In the Czech Republic, a strong statist approach prevailed after 1992.
6. Slovakia invested more in the employment policy, including its active employment programmes. For the Czech government, investment in employment policy was a thing of marginal importance.
7. In spite of all the above mentioned differences between the Czech and Slovak employment policies, the development of unemployment in the Czech Republic belonged to the success stories - at least in the European context. No doubt, this was more due to the macro-economic development and the delayed, but in the long run necessary restructuring of the economy, than as a consequence of an elaborate and effective labour market policy.

The declared goal of the state employment policy was to preserve full and effective employment - and to provide services which will enable to fulfil this goal by the network of regional Labour Offices in the form of both active and passive employment policy. Especially in Slovakia this goal has not been reached - unlike the Czech Republic, Slovakia is the country with chronic high unemployment rate. This calls attention to the tasks of prevention of unemployment and increasing labour market flexibility. Because the pressure on the

institutions of labour market policy was much lower in the Czech Republic, the institutional system run by the state and created as soon as in 1990 has remained unchanged. In Slovakia, special Employment Fund was created with much more attention to active employment policy provisions, institutional pluralisation of employment policy on the basis of corporatist arrangements. As a result of this process, the National Labour Office, a public self-management body with the responsibility for the whole sector was established in 1996.

3.2 Policies of social security

It can be said that whereas the short-term goals of transformation were explicitly formulated (the development of those elements of the social network where the officially defined subsistence level would represent a base for benefits and material help), long-term goals (the new system of social security consisting of three pillars - social insurance, State social support and social assistance) were formulated rather generally, providing sufficient room for modification.

These three components of social security sector have evolved, during the reform process. They have been envisaged in the reform proposals and incrementally, component by component, realised. They may be defined as follows:

A/ The system of social insurance is to cover the entire population against the risks of old age, invalidity, sickness and unemployment. Its core is designed as a compulsory one, but there are supplementary voluntary schemes within it as well.

B/ The system of State social support is a set of benefits for well defined categories of population in specific living conditions - demogrants (e.g. families with dependent children). It is financed from State budget.

C/ The system of social assistance is residual system which is to help people who fall below the subsistence minimum level and/or need the help provided by social services.

3.2.1. The System of Social Insurance

The original federal scenario comprised the following basic features of social insurance:

1. Insurance should be general and obligatory for all economically active citizens, employees as well as persons performing independent gainful activity, with the possibility of individual or collective additional insurance.
2. Financing of insurance should be separated from the state budget, financial sources should be created primarily from premiums paid by employees and employers, the State should contribute on behalf of some groups of citizens who are economically inactive, the method of financing at the basic level should be one of „pay-as-you-go“.
3. An independent public self-managing institution led by representatives of employees, employers and the State should be responsible for the administration of pension and sickness insurance at the basic level.
4. The State should act as a guarantor to fulfil legal claims of insured people, and perform a control function.

Despite an accord achieved in the basic strategic objectives as explained in the 'concepts' section, actual policies both in the Czech and Slovak Republics after a few years of reform have developed some distinct features of their own.

With respect to pension assurance, Slovakia has succeeded in the separation of pension insurance from the state budget, and in the establishment of a public institution to administrate the whole package of the assurance. Slovakia has become the first post-communist country to finance these programmes independently of the state budget. In the Czech Republic, work categories have been cancelled and new retirement age limits have been introduced.

A person in the Czech Republic is entitled to claim pension when he has worked 25 years, however, some changes are now being implemented in respect of retirement age. In the Czech Republic, the retirement age is being continuously shifted upwards (up to 2007) for both sexes. In case of men, it is 62 years and in women it is from 57 to 61 years. This retirement age approximates the CR to the retirement age in most of the European Union countries. Work categories in the CR were cancelled in 1992.

Slovakia has been less successful, or has failed, in the following areas:

1. Re-construction of the security system into a true insurance, i. e. resources in Slovakia are created based on an insurance principle (contributions of employers and employees, persons performing independent gainful activity and co-operating persons, and State contributions), however, benefits (claims and amounts) are practically operating the same way as in the old security system.
2. The existence of work categories in the SR is considered to be a disadvantage to pension security, benefiting certain groups of employees.
3. Different retirement age for women and for men in the SR, which is moreover rather low compared with other countries.
4. The burden rate of contributions paid by persons performing independent gainful activities and co-operating persons in comparison with other employees is rather high.
5. Contributions to pension funds paid by the State on behalf of certain groups of citizens defined by law are minimal, and moreover, the State has a strong tendency to withdraw from its obligation to pay contributions to public funds.

The situation in sickness insurance is much the same. The separation of financing sickness insurance from the State budget has been successful as well as the introduction of obligatory contributions of employees, employers, persons performing independent gainful activity and co-operating persons, the State and the Employment Fund. Another plus point has been the shift of those benefits that do not represent a replacement of income to benefits of State social support and assistance. Similarly, pension security, sickness insurance has more drawbacks than redeeming features, for example:

1. One of the most serious disadvantage is non-compliance of the State with its obligation to contribute payments to the Fund of Sickness Insurance, or a purposeful reduction of contributions paid on behalf of some groups of people stipulated by law.
2. As regards benefits, claims and amounts, no effective change has been introduced, i.e. the law from 1956 is valid, and has been amended on numerous occasions. There is no apparent link between contributions and benefits and moreover, daily allowance in case of

illness is limited, which is a big disadvantage to employees with high incomes. In other words, whereas some people can benefit from illness, others prefer taking holidays or days-off.

Generally, it can be claimed that the biggest difference in the system of sickness and pension insurance in the SR and the CR lies in its institution and the related role of the state. There are significant differences in the methods of financing, mainly in transparency in the use of social insurance contributions. Regarding claims, the shifting of the retirement age limit and the cancellation of work categories in respect of retirement claims in the CR represent a material change in comparison to the old system. In respect to other claims, as well as amounts claimed, there are no big differences between both republics. Both systems appear to play the role of a basic security system complemented by voluntary schemes (additional pension insurance).

The aim of the social insurance reform was to create an independent public institution based on the principle of compulsory health and social insurance that would administer sickness, pension and unemployment benefits. In the Czech Republic, this concept was realised formally: there was introduced a compulsory sickness and social insurance, but administration of these provisions remained the state responsibility and was financed through the state budget. It was decided to increase the retirement age gradually up to 2007. In Slovakia, General National Insurance Company and Social Insurance Company were created as public corporations who were responsible for the administration and financing of old age and sickness benefits. The retirement age remained unchanged. In both countries there were established insurance companies providing supplemental pension insurance: the difference is, that in the Czech Republic it is organised exclusively as a contract between an individual and an insurance company, whereas in Slovakia a corporativist principle allowing for participation of the employer was preferred.

3.2.2 The System of State Social Support

The Scenario of social reform, submitted to the Federal Assembly in October 1990, defines the basic objectives of the family policy as follows: “With respect to the family policy, the state has abandoned the population view and emphasises the support of basic social and cultural functions of the family and the needs of family members in all phases of their life cycle.” In order to fulfil this goal, the government has announced the following intents:

- Provide social help to families, when their financial sources are insufficient or have failed, or they are unable to use them. Complete the system of benefits and services.
- Introduce a parent benefit as a family income of mother or father who is taking care of a baby, in order to equalise maternity with employment and economic activity.
- Adjust family benefits in order to first of all protect children according to their social needs and the abilities of parents to satisfy these needs, regardless of the number of children in the family. Remove the dependence of family benefits upon the employment of the parents by providing them to all children based on consistent conditions and in the same manner.
- Differentiate and direct help to families with low incomes. Guarantee at least the subsistence level through social assistance.
- Apart from providing help to standard families in standard situations, develop also a system of help (encompassing the State and voluntary organisations, churches and associations) for endangered children and endangered families by means of purposeful

benefits in respect of living, meeting the increased costs of the diet of diabetic, secondary benefits etc. The first priority is however to support and develop those activities that are oriented towards the restoration or stimulation of family care and to providing help to families with disabled children.

The dual stipulation of the state social support policy, first in the system of family policy, and then in the system of social care, is overlasting in the Slovak Republic from the Scenario of social reform from 1990 till now.

It was political instability that was the primary influence on the decision making process in Slovakia after 1993, expressed by the frequent change of governments: in June 1992, March 1994, December 1994. From the political point of view, the following can be identified:

- Unsuccessful attempt to elaborate a concept of social reform independent of the Federal scenario of social reform of 1990.
- Unsuccessful attempt to carry out reform under the initial transformation strategy (simultaneously adopt decisive laws and create institutions as needed).
- Gradual change of the transformation strategy and the programme of reform which has started in 1996.

Contrary to the Czech Republic, Slovakia has not adopted a law on State social support. Towards the end of 1995, the Slovak government approved only the “Principles of State Social Support” and decided upon the gradual implementation of the system in the form of separate laws on particular benefits, which are to be prepared in the course of 1996 to 1998. Based on the schedule of the “Transformation Concept of the Social Sphere in Slovakia” (December 1995), it was still expected that all adopted laws on benefits would be included in one law on State social support in the middle of 1998. In the “Concept of the State Family Policy” approved in June 1996 such a common law is not included.

In the Czech Republic, State social support is regulated by law of 1995. This law was adopted in two phases. Benefits that are provided regardless of the level of income of people, considered together, were approved in the first phase, and those benefits where the level of income is considered (child allowance, social extras, housing and transport benefit) in the second one. Only income is tested, not property.

The only social benefit defined in the Slovak Republic as a system element of State social support is a child allowance. It was re-defined from an universal benefit to a means-tested one in 1994.

The system of State social support in CR supports the income of low-income families and pays attention to the social situation of the family (for example a handicapped child or parent, a child commuting to school outside its permanent residence, an absent parent family etc.).

An interesting indicator of how the system works can be seen by a comparison of the proportion of social income to total net monetary income of families with children, over the period when the system was being introduced. This is summarised in the following table:

Table: The proportion of social income to total net monetary income of families with children, the Czech Republic

Second quarter of the year

	1994	1995	1996
Average households of employees with children			
Total net income in CZK per month	12588	14781	17520
Social income in CZK per month	1813	1990	2105
Social income share in total income - %	14.4	13.5	12.0
Development of social income (prior year = 100)		109.8	105.8
Low income households with children			
Total net income in CZK per month	7674	8094	8624
Social income in CZK per month	2723	2978	3522
Social income share in total income - %	35.5	36.8	40.8
Development of social income (prior year = 100)		109.4	118.2

According to family accounts statistics, the proportion of social income to total net monetary income after 1994 was decreasing for average families with children, whilst in low income families, it was slightly increasing.

Within the system of the state social support, state remained the exclusive acting body of this policy. The concept of reform included the shift from universal to means-tested provision of most subsidies. In the Czech Republic, a corresponding comprehensive Law was passed in 1995. The most important subsidies, e.i. family allowances, were defined as means-tested ones. This represent a transition from the formal system of family support to a new system of state social support in the situation when many people face complicated and nor foreseeable living situation. On the contrary, in Slovakia the dual stipulation of the state social support policy existing from 1990 till now, it means it preserved both the system of family policy and the system of social care. The appropriate legislation is still lacking.

3.2.3 The System of Social Assistance

In the standard model of social assistance, the state fulfils the function of concept, initiation, co-ordination and control. Social services are provided by non-state organisations, associations, charities and municipalities.

The three main lines of the whole development in the sphere of social assistance are as follows:

- from a definition of groups of citizens a transfer to a definition of individual hardship
- emphasis shifted from a provision of benefits to a provision of services including consulting
- pluralisation of providers of social assistance.

The basic difference in the objectives of social assistance in both republics lies in the fact that whereas in the Slovak Republic it is family-oriented, in the Czech Republic it is focused on the individual.

In both republics, the State plays the main role and bears the greatest responsibility for social assistance. The Ministry of Labour and Social Affairs of the Czech Republic drafts concepts based on recommendations and contributions of experts, elaborates and submits laws and decrees to the government including decrees on payments for stay in social care centres, meal allowance, consideration of the health condition of a benefit or service claimer. Moreover, it establishes and administrates special social institutions with operation in the whole CR.

Furthermore, it operates and controls activities of State administrations in the field of social assistance (it may revoke decisions of district administration).

District administration and municipalities seek those people who are in need throughout their social offices. If no assistance can be provided at their level, district administration reports such cases to a higher office. District offices operate the majority of social service centres. They take decision on provision as well as acceptance of people in centres of social care and on payment for the services. They take decision on acceptance in social institutions and on payment for the stay. They administrate payments of some of the frequently repeated social assistance benefits. Authorised by municipalities, they pay and provide single as well as repeated monetary and material help of social assistance. In specified cases, centres of social services fulfil the role of the related body of social assistance. Except for applications for survival assurance, applications for claiming benefits and services of social assistance are dealt with according to the valid Administration Order.

The non-profit sector is engaged mainly in the establishment of asylum centres (more in the Czech Republic than in Slovakia). Further, it competes with the State care service in respect of providing home care and personal assistance. Although they represent peripheral activities of non-profit organisations, yet a few private pensions for pensioners are operating in the CR territory.

The percentage approximation of the population under the subsistence level, whose income is supplemented by social assistance benefits, varies around 3% in both countries. The compensation provisions after 1990 are focused on two groups of citizens: old-age pensioners and families with children.

Social deprivation of families has two basic roots: the demographical and the socio-professional character of the household. A certain process of auto-reproduction of socially and materially deprived families can be observed. The majority social office clients is not seeking only financial help, but most of them is asking for all kinds of advisory services. Social help is usually needed in a case when a number of adverse social events and situations has occurred and the client is not able to find solutions to all (e. g. combination of a one-parent family and unemployment).

It can be stated that the social and the economic situation of endangered groups of the population has changed owing to the operation of State social support. Benefits of State social support are placing certain families above the breadline. These families cease to receive social assistance benefits. The families that are or have been totally dependent on social benefits remain included in the system of social assistance.

The concept of social assistance included the aim to pluralise the financing as well as provision of services in question, with the emphasis put on municipalities. In reality, there has not happen any substantial change which would represent the break up with the past, state run, inefficient and bureaucratic system of institutionally provided services in any country. Nevertheless, non-governmental organisations were given a considerable space for their own activities and initiatives in this field.

3.3. Housing policies

If we look at the process of housing policy transformation in both republics, we can see that “the transfer of State responsibility for other entities” have certainly belonged to those objectives which were supposed to be (or are to be) achieved. First of all, it means minimisation of the role of the State in housing policy, transfer of competence from the central to the local level, shift of responsibility for housing to citizens, and finally a maximal utilisation of the private sector to the detriment of the public sector. The effort to minimise the role of the State has appeared primarily important in both republics, i. e. effort which at the beginning of transformation was considered not only necessarily but also to be a sufficient condition to take over responsibility for housing by other entities. This wrong assumption (given in by governments of all transforming countries) caused that both the Czech and the Slovak governments significantly minimalised their operation in respect of housing policy, but did not create sufficiently stimulating circumstances for citizens, municipalities and the private sector to take really over the responsibility for housing. Being aware of this situation for some time, the Czech government is making attempt to develop such supporting tools which will increase the role of the given entities.

The basic objectives, which both republics were trying to achieve in respect of transformation and which were fulfilled in a more or less satisfactory or similar way, are as follows:

- effort to minimise the role of the State (government) in the sphere of housing, and mainly in the area of financing housing construction, and the maintenance of housing stock,
- effort to transfer responsibility for housing from the central level on the local level, i. e. on municipalities (decentralisation in the area of ownership and administration of housing facilities, in the area of housing construction, etc.),
- effort to emphasise the responsibility of citizens for their own housing (negation of the present State paternalism, and understanding housing as social service secured to a citizen by the State),
- effort to maximally utilise the private sector in the area of housing, mainly in the area of supply (housing construction including financing, ownership and operation of housing facilities).

A) Effort to Minimalise the State Role

Analyses of housing policy concepts show that the trend to minimise the role of the State in the area of housing was not straightforward. The biggest emphasis put on the weakening of the role of the State was felt in 1991 - 1992. Official documents and mainly practical provisions of particular ministries produced later, however, show evidence that the role of the State in the area of housing is perceived as a role that is unreplaceable, and that the significance of the State in respect of the housing market development is increasing. When looking back at this problem, it can be noted that both states have gone through similar development in respect of “reduction of the state role”, alike the majority of the former socialistic countries. As indicated by the analysed documents, Slovakia learnt the ropes (however only in a theoretical level) earlier. (Here, the influence of a populist approach can be mentioned on the part of some Slovak governments).

B) Effort to Transfer Responsibility for Housing from the Central Level to the Local Level (to Municipalities)

The decentralising intent, which has soon emerged in both housing policies, was a logical supplement to the above-mentioned intention and, moreover, it complied with similar tendencies which were apparent for a long time in West European countries. Main problems

associated with this transfer were: - underestimation of the role of municipalities in the creating of housing policy in the consigned territory (overestimation of the role of market); - understanding the municipal housing assets as a source of profit; - underestimation of the role of rent or housing at affordable prices in the housing market; - stopping of housing construction etc.

C) Effort to Emphasise the Maximum Responsibility of Citizens for their Own Housing

On the face of it, it may be said that the transfer of responsibility from the State on the citizen was due to the fact that various housing construction support and the allocation of the state-owned flats have been cancelled within the transformation provisions, so that now people have to rely more on themselves and their financial means when they want to acquire any kind of housing. If we take a close look at what are the real chances of acquiring housing, we have to state that the “manoeuvre space” is rather limited, the reason of that primarily being a big “gap” between income level of the majority of households and the cost of housing, which cannot be healed by the existing supporting tools of the State. It is clear that the whole process is hardly “in its half-way”.

D) Effort to Maximally Utilise the Private Sector in the Area of Housing

Effort to maximally enable the private sector to be engaged in the area of housing in both republics was from the beginning of transformation connected mainly with a question of financing (particularly housing construction) and a question of ownership (particularly of housing assets), and was as much as in the previous situation a reaction to the past regime. The intention, fully corresponding with total change of the housing system to a market-oriented system has gone through similar development, which we have mentioned, i. e. from a full reliance on the private sector to a more realistic consideration of how to utilise it, and in this regards the significance of the public sector cannot be denied (e. g. support of housing construction from budgetary means, existence of a public tenement sector, etc.). It may be mentioned that amongst reasons leading to this “realism” is included again a long term unsatisfactory situation in the housing market, evident mainly through a lack of interest of private investors in the area of housing (according to some opinions this lack of interest lies in a lasting regulation of rent however a number of experts estimates that the main limit is the restricted ability to buy on the part of the population), low interest of the population in the privatisation of housing fund, and some negative experience from privatisation.

What conclusions can be drawn from the above described transformation, i. e. oscillation between the private and the public sector (market and government), the State and the citizen, and the central and the local level? It appears that the whole to-date development is unfolded from “the logic” of this historically special transformation from a directive and planned economy to a market economy. In this sense, a short-sighted effort is apparent to negate everything what was typical of the past regime, however, this effort is moderated in the course of time as the “real dilemma” is being realised, i. e. the dilemma that is inevitably encompassing this type of the transformation of housing policy.

The real dilemma means that the creators of housing policy from the political point of view cannot afford to implement a pure market policy which would lead in the area of housing for example to an expansion of segregation, slams, etc., but at the same time from the economic point of view they cannot afford a housing policy which is realised in the developed states of West Europe.

The only sphere where both governments realised most of their original intent to withdraw (or, at least, substantially diminish) their own responsibility for social affairs, is the housing policy. The concept of housing policy comprised indeed the minimalisation of the role of the state, transfer of competence from the central to local level, shift of responsibility for housing to citizens and maximal utilisation of the private sector to the detriment of the public sector. The newly introduced instruments - such as long-term loans, saving schemes - were constructed to stimulate the individual effort of citizens in his/her effort to get appropriate housing. As a result, the gap between demand and supply on the housing market increased and the general affordability of housing diminished.

3.4. Health policies

After 1989, the reform programs relating to health care, and the first steps in their implementation, contained many common features in the Czech Republic and Slovakia, in particular:

- the introduction of compulsory health insurance (with the contribution of employees, employers and the state) - as in other Central and Eastern European states. (Marrée and Groenewegen 1997: 21)

- broad changes in the forms of ownership of health care units, represented by transfer of state ownership to municipal ownership and/or privatisation of state property, esp. in ambulatory care, balneologic treatment, pharmaceutical facilitiesⁱⁱ
- the abolishment of highly centralised health care system and increase of the scope for free decision making of health care units, including their financial independence and responsibilityⁱⁱⁱ
- free choice of a physician and/or health care unit.
- the intent to improve the social and economic status of physicians and other health care personnel (not yet realised).

In both countries, first comprehensive reform proposals were elaborated and accepted as soon as in the Autumn 1990. General similarity of health reform programs allowed for some differences in their institutional framework, political processes of their realisation (or postponement) and effects. These divergent trends gained additional momentum after the June 1992 general elections.

If we are to analyse the path of health care reform as a political process, we can identify two significant differences.

1. In the Czech Republic, professionals have been quite successful in „capturing“ government, especially the Ministry of Health, in order to protect their interests. They used for this purpose the corporatist institutions - the Czech Chambers of Physicians, Dentists and Pharmacists, Trade Unions (the more moderate one - the Union of Workers in Health and Social Care, and the more radical Physicians Trade Union Club). In Slovakia, physicians and other professionals were not able to organise influential lobbies even if they established similar „corporatist“ institutions as their Czech counterparts. The scope of their responsibility is narrower as defined by law as well. Thus, the dominant force of decision-making remained the government there.

2. The Slovak government was more active in health legislation and in programming. The second comprehensive health care reform document was accepted by Slovakian authorities in 1995. In the Czech Republic, there has not been accepted any similar document since 1990. In the Czech

Republic, the old Law on Health Care from 1966 is still valid, though with many amendments. In Slovakia, a series of new laws has been passed during last couple of years, including the new Law on Health Care (1994), the Law on Health Protection (1994) and the Law on Conditions of Treatment (1995).

There is one common feature of the health policy in both countries: the striking deficiency of civil involvement in health policy making. One of deficiencies is the lack of an efficient public debate about the direction and speed of the reform. The other one stems from the fact that the institutions of self-management (e.g. Supervisory Boards of Health Insurance Funds and hospitals) resemble empty shelves - they failed in performing their steering functions.

In both countries, the system of compulsory health insurance is facing budgetary crisis: increasing number of hospitals, ambulatory units, and some of Health Insurance Funds are in debt. The common reason of this situation is the inefficient allocation of financial resources.

The health care reforms in both countries in question have preserved similar goals as well as means. Nevertheless, there were identified important differences, too. One of them is the structure of political decision-making: the sovereign and the key agent of the Slovakian health care reform is government, whereas in the Czech Republic there has developed a more „corporatist“ structure, with a sort of a dead-lock situation: professionals are able to influence many governmental decisions, but the government is not able to develop and realise an overall vision of reform. Thus, professionals can pursue their interests only in marginal decisions which hardly contribute to the overall efficiency of the system. The Czech way of health care transformation is no doubt more liberal, with a lack of efficient governmental steering; the system has not effective cost-containment instruments; it failed to gather necessary data about the real performance of health care system; as a consequence, we can see an increasing indebtedness of many health care units and health insurance funds, lack of rationing and dissatisfaction of health professionals. On the other hand, the Czech system seems to be more generous in financial terms and allows for innovations, whereas the Slovakian health care system is less flexible. The Slovakian approach is stronger and faster where the state has to play its role: in implementation of legislative changes, in the transformation of public health institutions, in optimising the network of health care facilities at the regional and district level, in preventing excessive overspending, in initiating various cross-sectoral programs and actions. The Czech approach is probably faster in privatisation.^{iv}

The concept of health care reform was based on the principle of compulsory health insurance, pluralisation of the provision and financing of health care (mostly by means of privatisation) which represented the abolishment of previous highly centralised health care system run by the state. The birth of the new system was full of complications: especially, it faced growing fiscal tensions and dissatisfaction of the health professionals with their position and salaries. The Czech approach favoured market-conform approaches, especially fast privatisation. The privatisation was slower in Slovakia. Unlike in Slovakian case, the Czech medical profession was able to use the newly established corporatist institutions (e.g. Chambers of Physicians, Dentist and Pharmacists) to „capture“ the governmental policy and pursue their, especially economic, interests. The Slovak approach relied more on the state regulatory functions, such as a locally and regionally specific description of basic necessary health services, cross-sectional programmes, regulation of the market with medicaments and the reform of public health sector.

4. Conclusion

One of our intents was also to identify and, if possible, compare most important factors of social policy developments in both countries.

One of important social policy determinants is of course economic environment. Both countries strived to pursue their economic and social policy reform at the same time. As a result, they 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 limits the space and disposable resources for preventive aspects of social policy making. In reality, therefore, most social policies resemble piece-meal muddle-through activities.

We feel that, at least in the case of our two countries, the political environment belongs to crucial factors shaping social policies. It should be stressed the difference between political and ideological rhetoric and real-world social policies. The original federal Scenario of Social Reform was influenced by social democratic and social liberal ideologies. The Czech government with its neoliberal and conservative affiliation faced a problem how to find its way out of this trap. Its solution was to fill institutional shelves created in the period of the common state by different content. As a result, many social policy institutions are pluralistic and corporatist in theory, but in practise the state has preserved much of its previous power (the only exception being the reform of Czech health care system). The targeted, means-tested schemes were introduced in some instances. The Czech government neglected conceptual work and practical orientation toward long-term goals, especially prevention. The Slovak government, whose ideology was a mixture of socialist (populist) and social market approach, realised transformation of the existing state-run system of social welfare to the self-managed pluralist system of social security. First, this process has not been linear due to the political instability. Second, the political instability followed from the existing economic and social problems and non-standard political scene. Third, only half-hearted solutions, frequent changes of concepts and legislation and the emphasis on ad hoc solution instead of prevention were the consequences. Paradoxically enough, refusal of the federal concept of social reform complicated the sequence of social policy institutional changes and contributed to the spread of social problems which eventually forced the Slovak government to realise it.

The Slovak government was more prepared to give up some of its responsibilities to public self-management and local government bodies in order to pass on the responsibility for solving urgent social problems (esp. employment policy, social insurance). The Czech government retained the majority of the responsibilities in these sectors because it enabled the state to redistribute resources collected there for other purposes.

History is probably more important than most people are able to realise at present. Implicitly or explicitly, we always compare our direct or indirect past experience with current situation. Pre-war period is a symbol of strong social differences and such phenomena as unemployment, poverty and discrimination for most Slovaks. In comparison, after-war period is associated with solving these pre-war living conditions. The simplification somehow explains why within the Slovak population nostalgia to the former Communist regime connected with the dissatisfaction with the ongoing system changes prevails. For most Czechs, the inter-war period is the period of national liberalisation, political freedom and relatively affluent economy. The Communist period represents for them the deterioration of many important conditions and values of individual and societal life. In this context, the so called socio-cultural definition of the present situation represents a main challenge for the Czechs and main barrier for the Slovaks in implementing new social policy models.

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ⁱ 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)

ⁱⁱ The privatization of hospitals proved to be a very difficult and long-term task. Even in the Czech Republic, where privatization enjoyed full governmental support, only 6,7% of all hospital beds belonged to the private sector in 1995.

ⁱⁱⁱ At the end of 1989, there were only 116 legally autonomous health care units, mostly Regional and District Institutes of National Health in the Czech Republic. At the end of 1991, there were 430 such autonomous units, at the end of 1992, 3,965 units, and on 1 June 1993, 6,449 units.

^{iv} After 1996 general election, the Czech governmental program became more balanced; it was too obvious, that the market couldn't regulate health care provision properly without parallel governmental checks and stimuli.