
Welfare State Transformations in Central and Eastern Europe

Seminar Series **Welfare State Transformations**

University of Oxford, Department of Social Policy and Social Work

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Social policy and social situation in Central and Eastern Europe after 1989

- Communist system of social policy
- Process of EU accession and social policy making in the candidate countries (at present, New Member States - NMS) of Central and Eastern Europe
- Czech Case: Transformation of polity, society, and social policy
- Why do the Czech social policy and social situation differ from other CEE countries?
- Are there any lessons for Welfare State theory formation?

Communist system of social policy

Main features of the communist system of social policy:

- totalitarian political system: there were virtually no ways of influencing political decision-making process from below
- centrally controlled social policies financed from the state budget; a limited space for nonprofit organizations
- compulsory full employment (shortage of labour force)
- Universal coverage, but mediocre quality of social services and modest social benefits (apart from child allowances)
- Well developed preventive health care and facilities for pre-school children

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).

Note:

1. There were considerable differences between various communist countries
 2. The communist system should not be called the Welfare State as there was no democratic mediation of interests
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EU Copenhagen criteria of accession (1993)

A technical (economic and political) instrument. Candidate countries were asked:

- to reform their national economies to be able to compete – and be compatible – with market economies of the present Member States;
- to build robust and reliable institutions of political democracy;
- to adjust their legal and administrative systems to *acquis communautaire*.

The Declaration of Nice and Lisbon Strategy

(valid since 2000, for New Member States since 2002)

- New political initiative, rehabilitating the importance of human resources, quality of life, social cohesion, in short, 'social fabric' of contemporary societies.

Goal: „To make the EU the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion“ in 2010.

Specific social conditions and social policy options of the New Member States (NMS)

- There was an obvious discrepancy between the Copenhagen criteria of accession (1993) and the Lisbon Strategy (2000), that started to bind NMS as late as in 2002: Social policy moved to the top of EU political agenda of enlargement as late as nearly one decade after setting up Copenhagen criteria of accession.
- This lack of political determination has created a considerable opportunity for the actors of global economy to use this region as a backdoor for broadening its operational space, in a broader context of „introducing market institutions“, especially in social welfare.
- What have been the consequences of this development on living and working conditions of the population of the New Member States? Their initial conditions, traditions, and political reactions to such a historical challenge were different, but some common features are recognizable.

Comparison of the goals of the Lisbon Strategy of 2000, and the development of social conditions of everyday life in the New Member States (I)

Goals to fight poverty and social exclusion of EU Nice Declaration and the Lisbon Strategy, 2000	The development of social conditions of everyday life in candidate countries in the 90s.	Selected examples
To provide more and better employment	The sharp drop in overall employment	Hungary: 1989 total employment 5,264 mil. (50,5%); 1999 total employment 3,812 mil. (37,8%)
To ease access to resources, rights, goods and services for all	Access to some social, educational and health services made more dependent on the purchasing power of individuals (re-commodification)	Poland: The number of university students increased considerably: 1990 – 404 thousand; end of the 90s: 1584 thousand. Tuition fees came as a rescue to the school's finances in the situation of dwindling state subsidies. Two-layer health service in Poland and Slovakia: 78 % of Poles (1998) and 60 % of Slovaks (1999) made informal payments for health care.

Comparison of the goals of the Lisbon Strategy of 2000, and the development of social conditions of everyday life in the New Member States (II)

Goals to fight poverty and social exclusion of EU Nice Declaration and the Lisbon Strategy, 2000	The development of social conditions of everyday life in candidate countries in the 90s.	Selected examples
To prevent the danger of social exclusion	Growing numbers and shares of marginalized people	Slovakia: the living conditions of the Romany population deteriorated due to the 95 % rate of unemployment and spread of poverty among them.
To help the most vulnerable	Women and children were the losers of transformation	All countries: relative economic position of women and families with dependent relatives – mostly children – has worsened
To mobilise all responsible institutions	Political neglect to issues of social inclusion	The Czech Republic's government (1992-1997): "...market is the best remedy to all illnesses of the communism". The Slovak government (since 1998): implementation of neoliberal concepts in social welfare.

Are income differences in your country too large: distribution of answers, affluent democracies

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	TOTAL
Austria	41.6	44.7	9.1	4.5	0.1	100
Canada	26.7	41.5	16.3	12.5	3.1	100
France	60.0	26.8	7.4	5.0	0.8	100
Germany	29.4	52.8	10.7	6.5	0.6	100
Great Britain	30.6	50.7	12.3	5.8	0.6	100
Japan	38.6	30.5	18.3	7.5	5.0	100
Netherlands	15.7	48.2	21.7	12.6	1.8	100
New Zealand	29.4	43.8	13.5	11.8	1.6	100
Norway	22.4	50.1	13.8	12.0	1.8	100
Portugal	82.2	13.8	1.8	1.4	0.9	100
Spain	35.9	53.4	7.4	3.1	0.3	100
Sweden	29.2	41.9	18.1	8.4	2.4	100
Switzerland	18.8	36.1	37.0	7.3	0.7	100
Av. OECD	35.4	41.1	14.4	7.6	1.5	100

Are income differences in your country too large: distribution of answers, post communist countries

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	TOTAL
Bulgaria	84.0	12.8	1.4	0.8	0.9	100
Czech Rep	60.3	27.5	6.0	4.2	2.1	100
Hungary	68.2	25.0	3.5	2.9	0.3	100
Latvia	57.2	39.5	1.8	1.3	0.2	100
Poland	47.7	41.6	6.3	3.5	0.9	100
Russia	79.1	16.7	1.9	1.1	1.3	100
Slovenia	49.7	41.3	4.8	3.6	0.6	100
Av. CEECs	63.8	29.2	3.7	2.5	0.9	100

Source: ISSP (1999), own calculations

Comparison of people's satisfaction with social services

	Old Member States	New Member States
Satisfied	52 %	24 %
Not satisfied	43 %	74 %

Note: The Candidate Countries in this case included 8 New Member States from CEE plus Malta, Cyprus, Turkey, Romania and Bulgaria.

Source: Quality of Life Survey, EFILWC Dublin 2003.

Czech Case: Transformation of polity, society, and social policy

■ 1st phase: Designing new institutions (December 1989 – June 1992)

Scenario of Social Reform: The Czech social policy reform was based on

1. active employment policy;
2. liberalization and pluralization of social welfare based on a Bismarckian insurance system, that has been deeply rooted in the modern history of the country since the end of the 19th century
3. the development of a social safety net for people in need.

2nd phase: Retrenchment (July 1992 – June 1998)

Neo-liberal policy, 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.

3rd phase: Social Policy back on the political agenda (July 1998 onward)

The core of the government policy was the idea of socially and ecologically orientated market economy. The consecutive governments, always with a strong position of social democrats party, „rehabilitated“ social dimension of development and a clear pro-European policy. They speeded up the EU-accession preparatory process. The academic initiative **Social Doctrine of the Czech Republic**, encouraging politicians to put social policy making on a more programmatic level, has failed.

Competing concepts of society: Havel vs. Klaus

Concepts	Václav Havel	Václav Klaus
Human being	Individual embedded in society	Selfish individual
„Choice of society“	Important	Dangerous
Commonly shared values	Important: belonging to the whole(s) that exceed individual existence	Limited to basic values: (<i>negative</i>) freedom, democracy, and market
Freedom	Positive freedom	Negative freedom
Democracy	Broad: representative, participatory and direct democracy	Narrow: only representative democracy
Government	Positive evaluation	Reserved evaluation
Civic society	Crucial for a prosperous society; warm attitude	Dismissed as social engineering; associations of free individuals instead
Civic sector	Crucial	Suspicious

Source: Potůček (1999)

Social Policy Changes after 1989

- Foundation of the compulsory health and social insurance
- Establishment of a consultative corporatist body, the tripartite institution (the Council for Social and Economic Agreement)
- Establishment of regional Labour Offices (responsible for both passive and active employment policies)
- The state guarantee of a minimum subsistence benefit for every citizen
- Failing civic initiatives concerning programmatic dimension of social policy making (Czech Social Doctrine 2002)

Ratio of Social and Health System Expenditures to GDP, Czech Republic

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

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Pensions security benefits	7,3	7,4	7,6	7,3	7,2	7,7	8,0	8,6	8,8	9,1	9,2	9,0	9,2	
Family allowances	2,1	1,9	1,8	1,4	1,5	1,4	1,8	1,7	1,7	1,6	1,6	1,5	1,5	
Health care system expenditures	4,8	5,2	5,4	7,2	7,3	7,3	7,1	7,2	7,2	7,2	7,3	7,4	7,6	
Social security system expenditures – total	13,1	14,5	13,7	12,6	12,6	12,4	12,4	13,1	13,1	13,7	14,1	14,0	14,2	
Social and health protection system – total	17,9	19,8	19,2	19,8	20,0	19,7	19,5	20,3	20,3	20,9	21,4	21,4	21,8	

Social Welfare for seniors and children

The Replacement Rate of Average Old Age Pension and Average Gross Wage

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Ratio %	50,4	52,7	57,4	52,0	47,0	44,4	43,8	43,5	45,3	45,9	45,2	43,8	42,9	43,0	41,8	40,2

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

Drop in public support for families with children (child allowances and tax credits), Czech Republic, 1989-2002

Type of family	Drop in public support in 2002 (compared to 100% in 1989)
Family with 1 or 2 dependent children	27%
Family with 3 children	35%
Single parent family with 1 child	45%

Source: Hiršl (2003)

Employment policy and unemployment

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	2000	2001	2002	2003	2004
%	31	55	35	28	26	21	14	18	25	37	43	44		

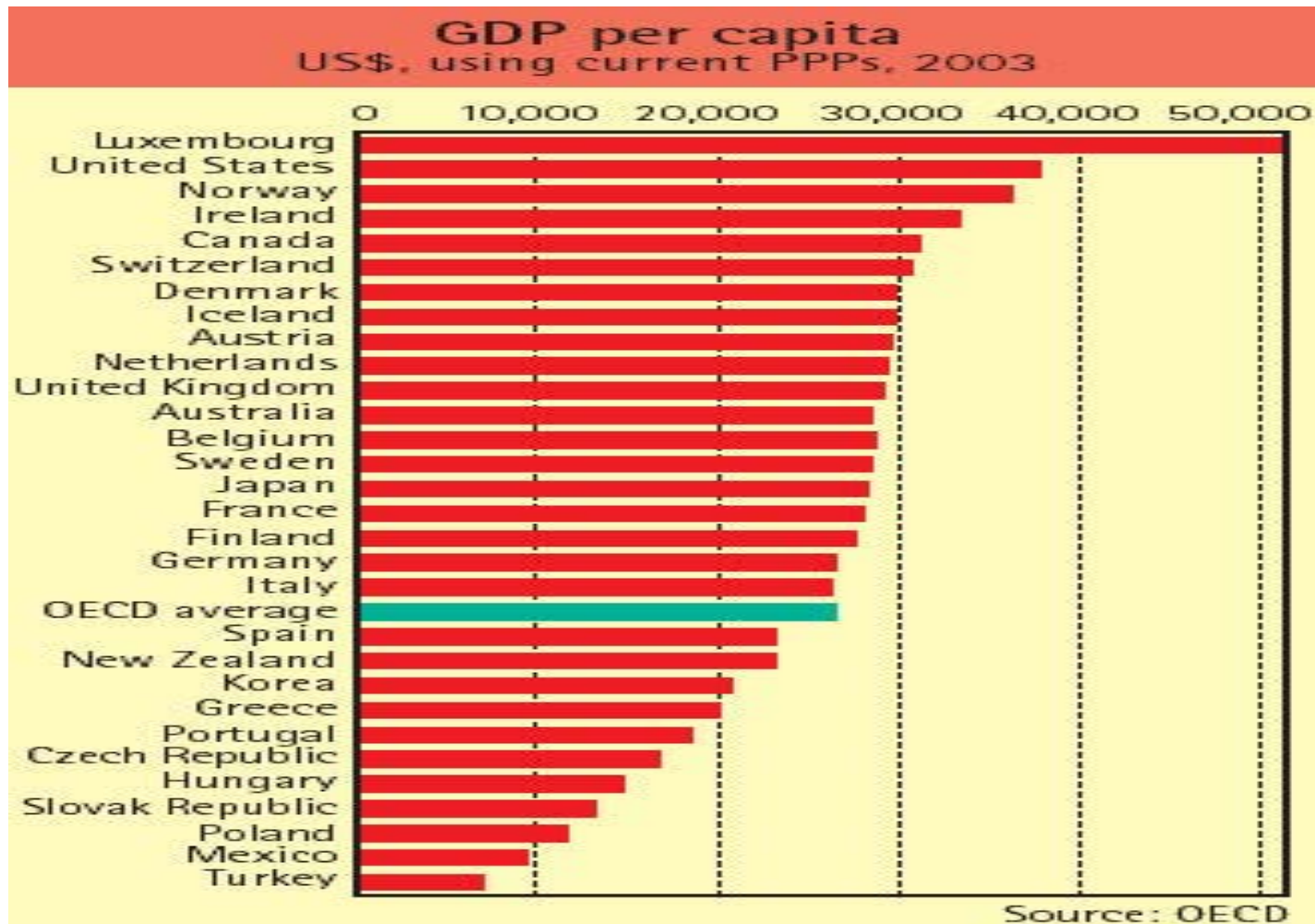
Source: Ministry of Labour and Social Affairs, Czech Republic (2004)

The Official Rate of Registered Unemployment in the Czech Republic (in %, end of the year)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
%	0,7	4,1	2,6	3,5	3,2	2,9	3,5	5,2	7,5	9,4	8,8	8,9	9,8	10,3	9,5	8,9

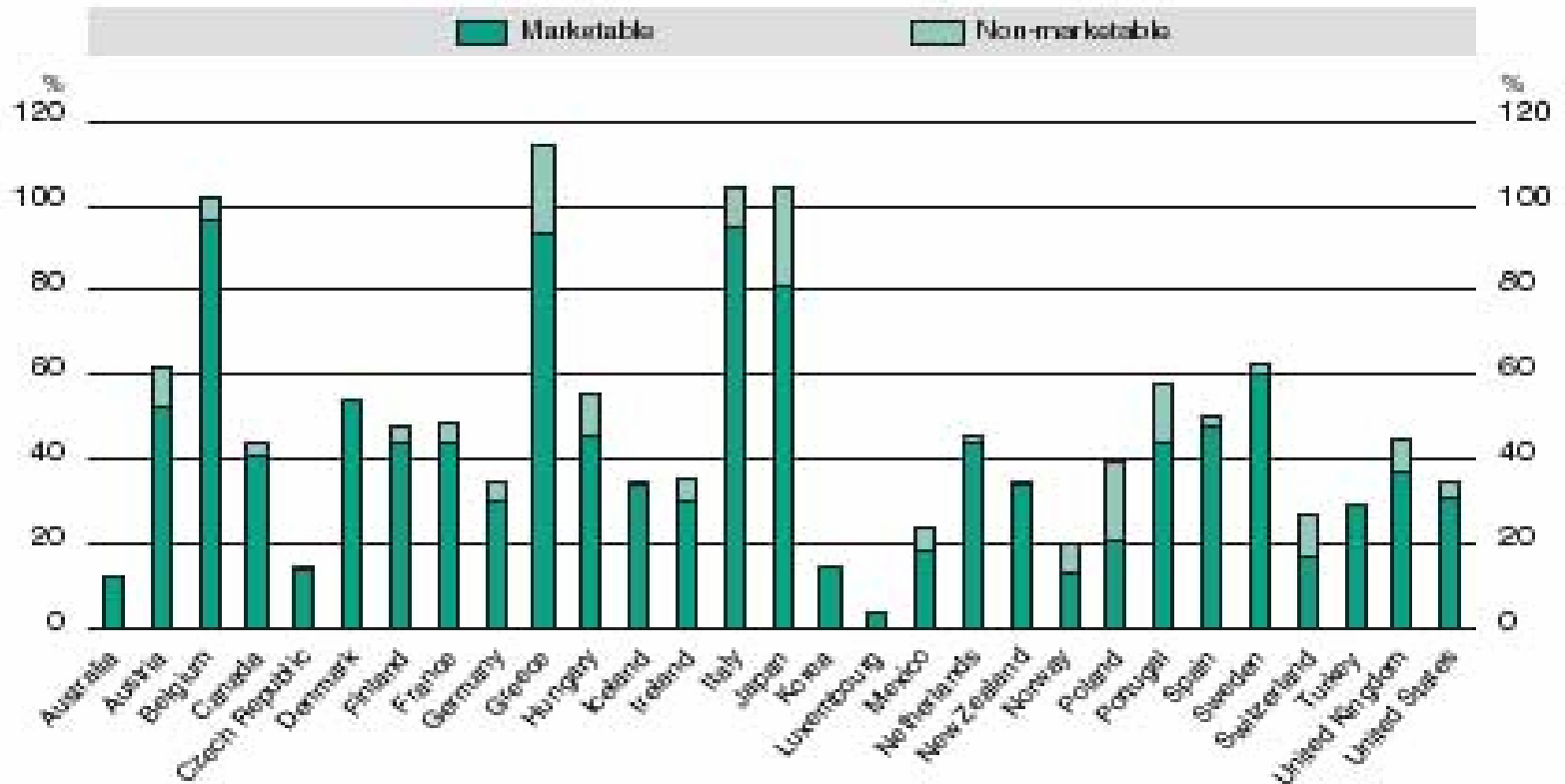
Source: Ministry of Labour and Social Affairs, Czech Republic (2006)

Central and Eastern European countries compared to other countries (OECD data)



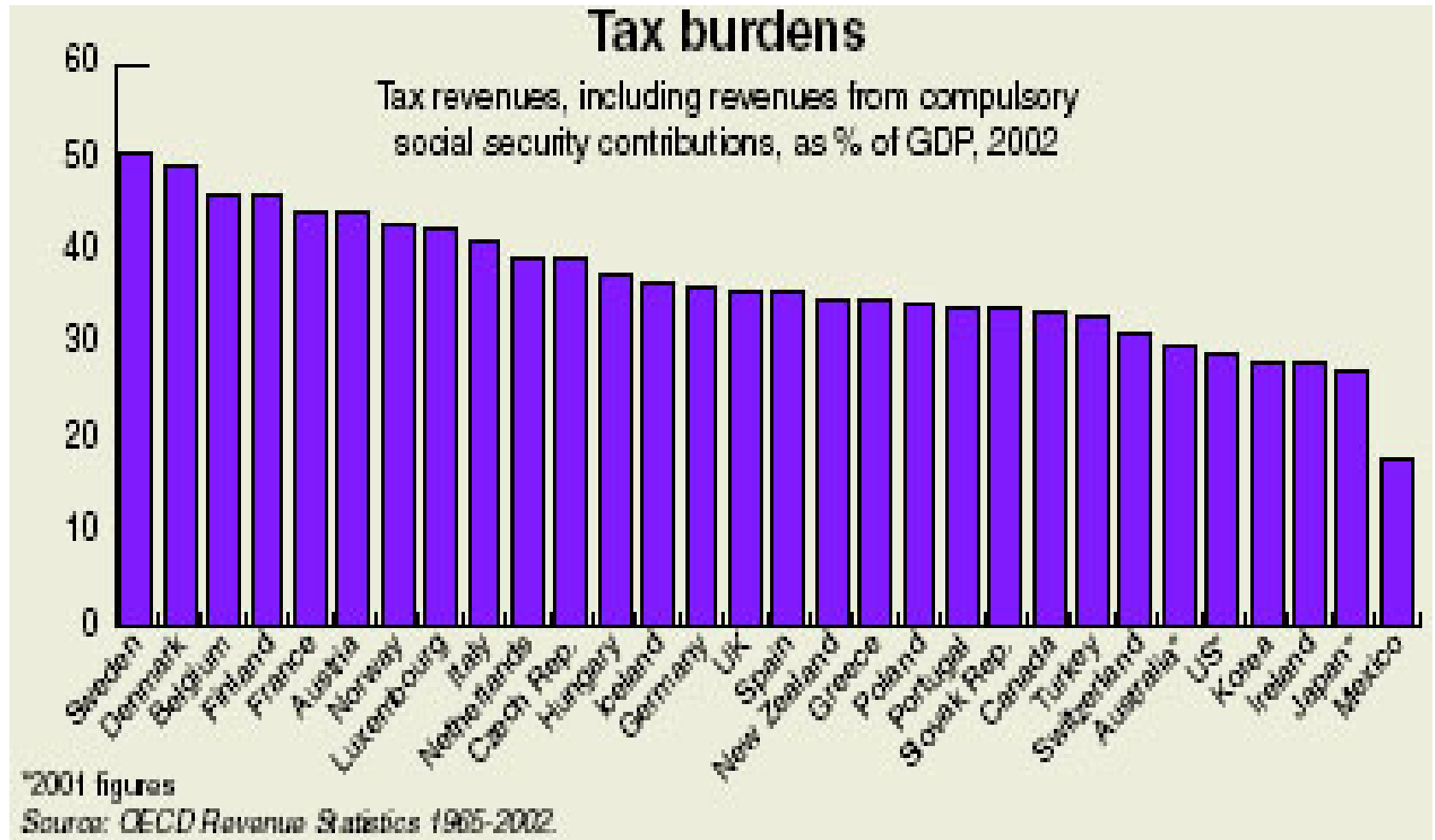
Central and Eastern European countries compared to other countries (OECD Data)

Central government debt
% of GDP, 2000



Source: OECD

Central and Eastern European countries compared to other countries (OECD Statistics)



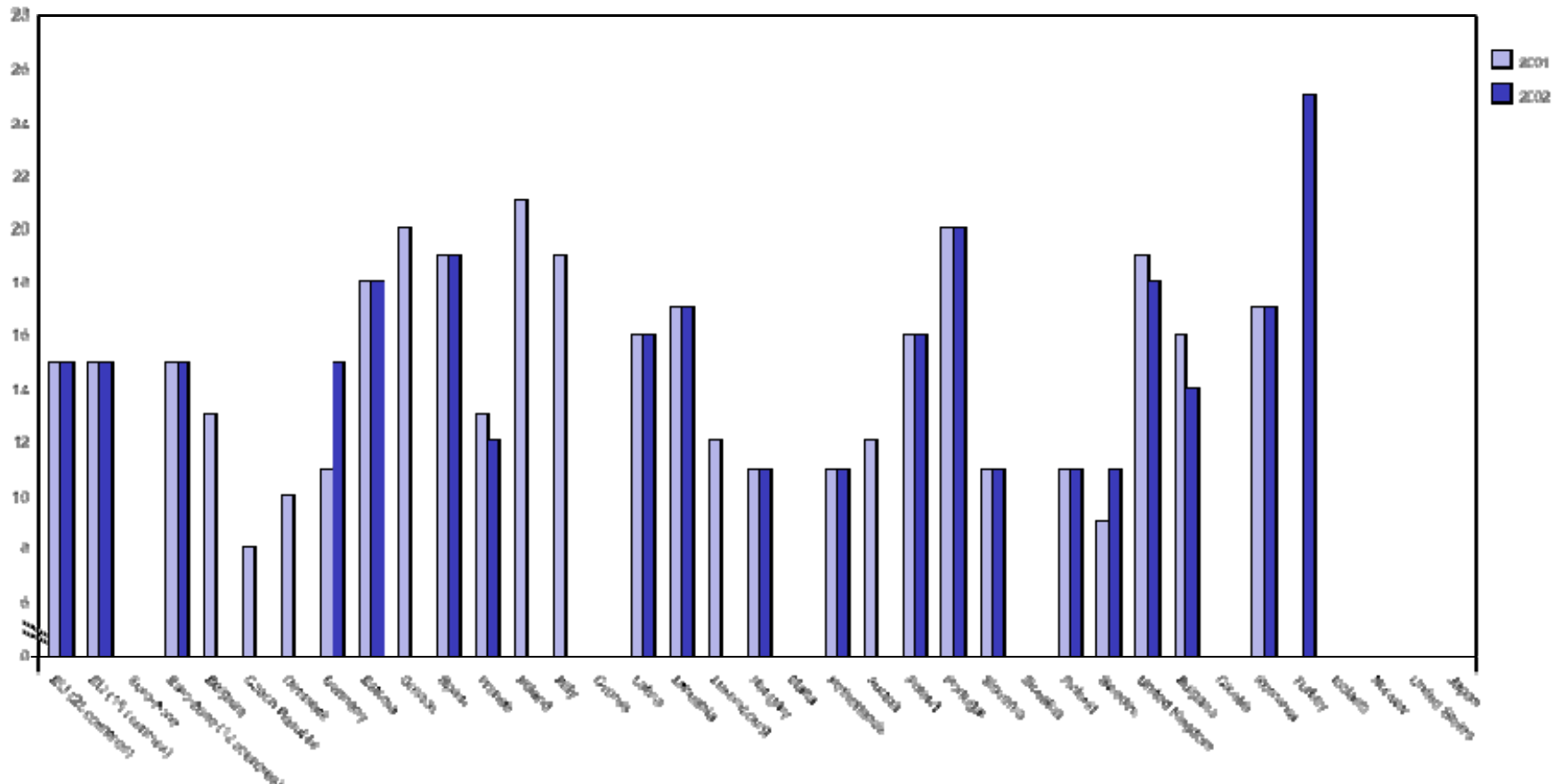
Central and Eastern European countries compared to other countries (OECD Statistics)

Social security contributions, 2000^a		
	% of GDP	% of total tax revenues
Czech Republic	17.3	43.8
France	16.4	36.1
Netherlands	16.1	38.9
Sweden	15.2	28.1
Austria	14.9	34.2
Germany	14.8	39.0
Slovak Republic	14.7	41.2
Belgium	14.1	30.9
Spain	12.4	35.1
Switzerland	12.0	33.6
Finland	12.0	25.6
Italy	11.9	28.5
Hungary	11.5	29.3
Greece	11.4	30.1
Luxembourg	10.7	25.6
Poland	10.0	29.4
Japan	9.9	36.5
Norway	9.0	22.5
Portugal	8.8	25.7
United States	6.9	23.3
United Kingdom	6.1	16.4
Turkey	5.6	16.9
Canada	5.1	14.3
Korea	4.4	16.7
Ireland	4.2	13.6
Mexico	3.0	16.4
Iceland	2.9	7.8
Denmark	2.2	4.6

a) The 28 countries included in this table are ranked by decreasing ratio of social security contributions to GDP. Two of the thirty OECD countries, i.e. Australia and New Zealand, are not included in the table, because they levy no social security contributions.

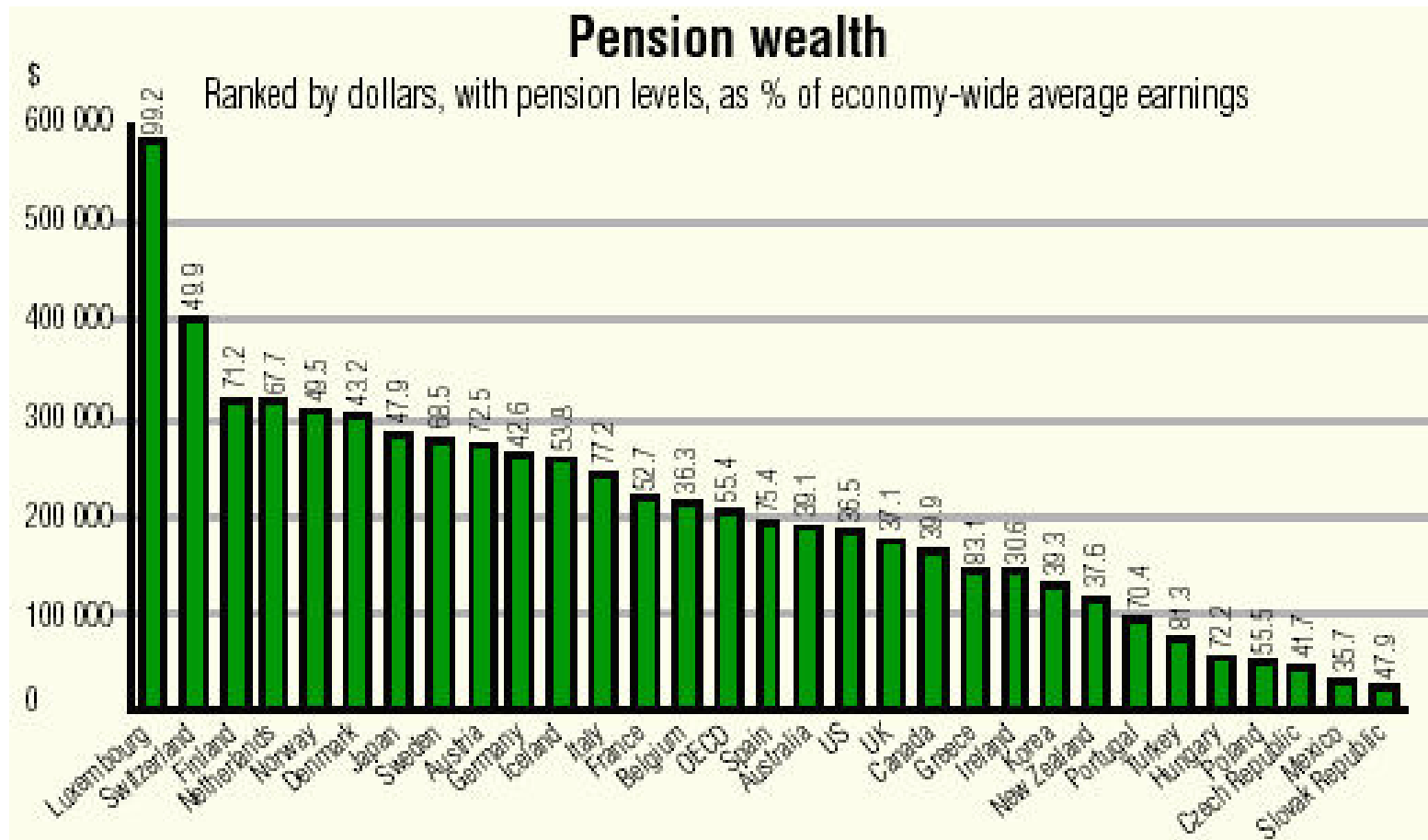
Central and Eastern European countries compared to other countries: At-risk-of poverty after social transfers (Eurostat)

At-risk-of-poverty rate after social transfers total



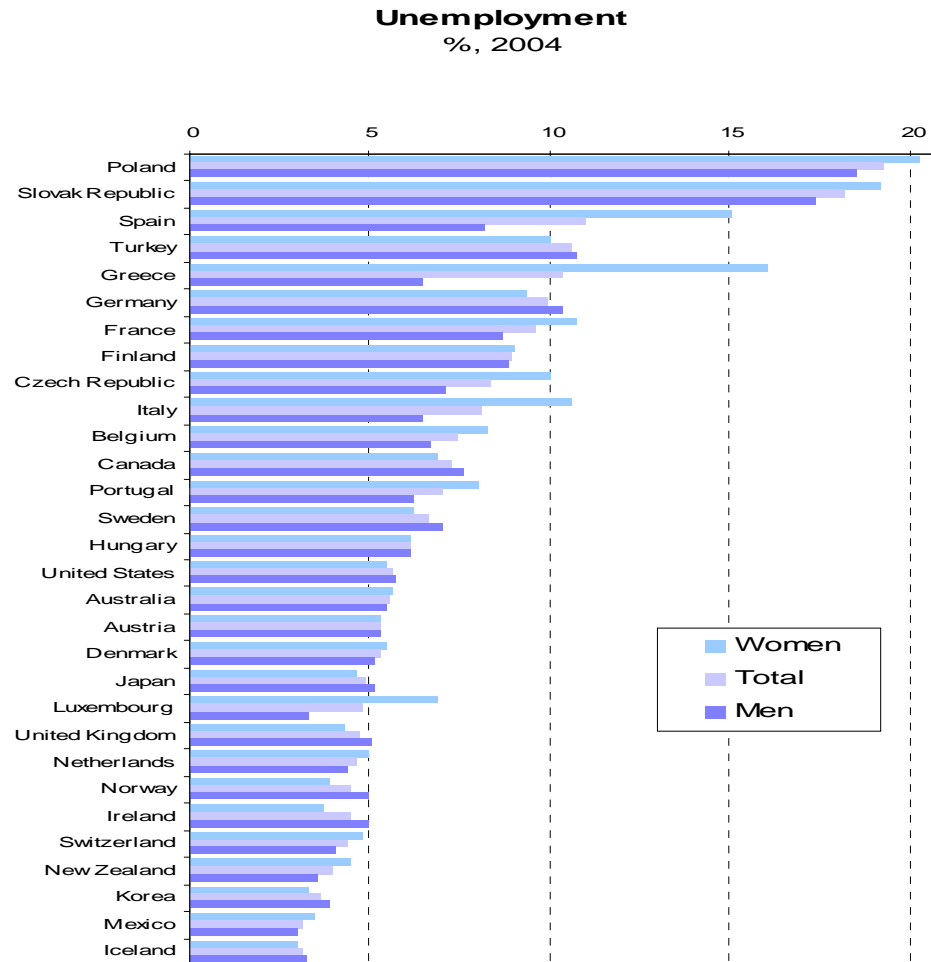
Source: Eurostat

Central and Eastern European countries compared to other countries (OECD data)

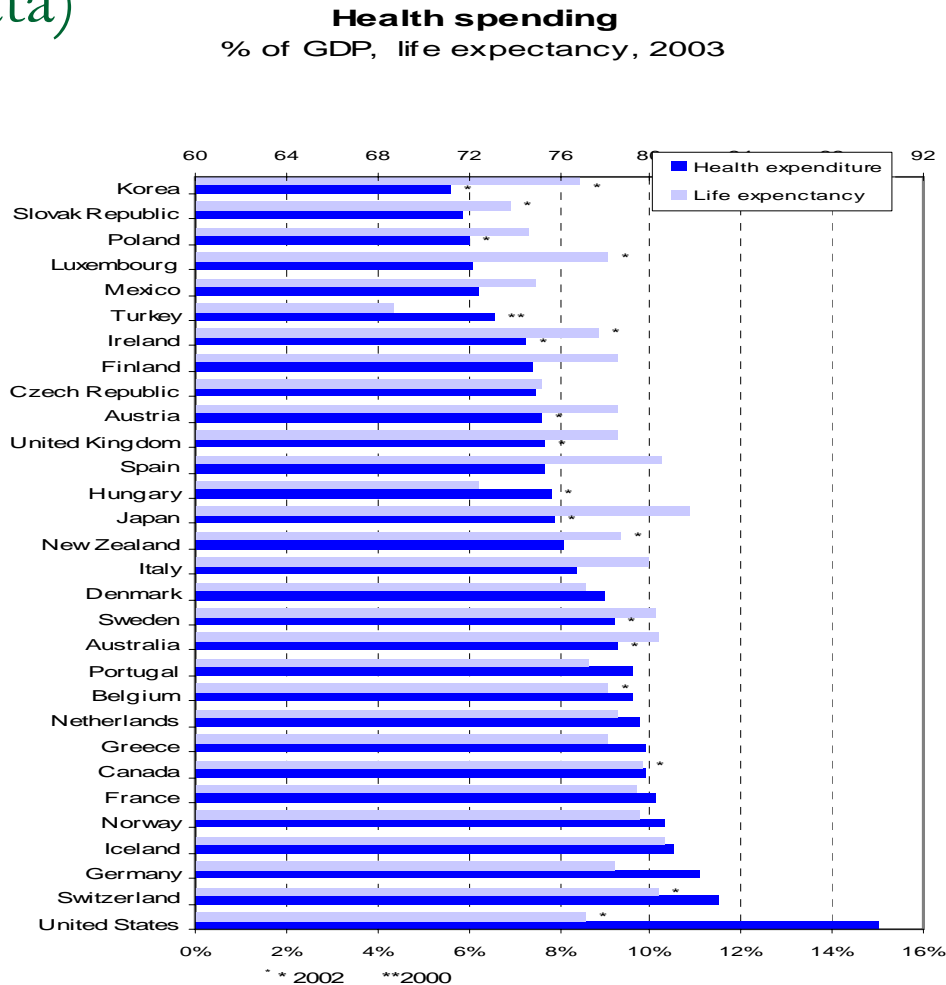


Source: OECD.

Central and Eastern European countries compared to other countries: Unemployment (OECD data)



Central and Eastern European countries compared to other countries – health spending and life expectancy (OECD data)



Czech social situation and social policy compared to other CEE countries

The Czech Welfare State performs better than other postcommunist Welfare States (with an exception of Slovenia): poverty rate is lower (under-60% median income share of the population is 8%, the lowest in the EU), universal access to health and social care has been preserved, one-digit unemployment rate is kept under the EU-25 average. There were no risky pension reforms passed as has been the case of Hungary, Poland and Slovakia. *Pars pro toto*: In Slovakia, which used to be a part of a common – and *de facto* unitary – state (Czechoslovakia) until 1989, all indices of social situation and welfare provision are considerably worse. All postcommunist countries have been exposed to the same pressures of globalization within the umbrella of EU-enlargement. **Why, then, Czechs differ?**

Why do the Czech social policy and social situation differ from other CEE countries?

I would contribute much of the explanatory power to „hard-to-grasp“ cultural and institutional factors, that were able to survive even under the surface of totalitarian regime for a long time. In the Czech case I would mention:

- The establishment of Social Democratic party as soon as in 1878. It was abolished by Nazis (1938-1955), and later on by Communists (1948-1989). Surviving in exile in the meantime, it was re-established in 1989, and started to co-govern the country since 1998.
- The core social legislation comprising the universal health and social insurance, prepared by social democratic experts after the WWII, and implemented since 1948. Soon after that completely etatized by communists, revived after 1989.
- The establishment of the Ministry of Labour and Social Affairs during the short Prague Spring liberalization period in 1968. Between 1948-1968, there was no governmental department responsible for social affairs as it was believed that there would not be any social problems in a communist system.
- Egalitarian tradition in the values and attitudes of the Czech population, which found its expression in political adherence to „socially responsible“ political actors.

I would be happy to expose this macro-hypothesis, based on the concept of *long-durée factors* influencing societal development, to further discussion and testing.

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