Central European Welfare System: the Present Characteristics

Takumi Horibayashi

Introduction

There are different perspectives on the emerging social policy and welfare system in Central Europe. While some authors emphasize their inclination to the neoliberal residualism, others point to similarity to the European model. There is also a view that stresses on the still existing legacy of the communist era in the present Central European welfare system.

This paper attempts to characterize the present Central European welfare system, i.e. those of three countries, Poland, Hungary and the Czech Republic. It also deals with an issue of the globalization in a limited dimension: the impact of the international organization on the Central European welfare system.

This paper is divided in three parts. The first part summarizes the main features of the communist social policy and welfare system. The second part traces the process of formation and transformation of welfare systems in the three Central European countries since the political change of 1989, examining several determinants of the emerging welfare system in the region.

The third part (the conclusion of this paper) defines the present Central European welfare system. The issue of the impact of the international organizations on the region is examined in the second and third parts.

Ⅰ.Social Policy and Welfare System in the communist era.

Until 1989 a similar social policy and welfare system existed in the Central and Eastern Europe and former USSR. To summarize accurate Deacon's view(2000),their basic features could be enumerated as follows.

・The welfare system was an inseparable part of a total, political and economic system which was controlled by the monopolized power, communist party-state and had minimal market mechanisms and political democracy. In return for political subjection, people were provided for by the party-state with highly subsidized food, housing, transport and basic necessities, and free education and healthcare services (although patients actually had to pay gratuity to doctors to receive good treatment).

・The communist regime(party-state) also guaranteed employment and an egalitarian wage system with hidden privileges of the power elite,i.e.nomenklatura. Thus, there existed the distribution according to work as well as political status. Regarding the gender issue, females received favorable treatment such as a three-year child-care leave with partial wages (grants) and the right of resumption for their previous job; but communist regime did not guarantee the gender equality. Among other thing, only females-not both genders- had the double burdens of paid job in the workplace and unpaid family care.

・Party-state monopolized decision making on the allocation of the national product and freely shifted resources between the accumulation and consumption, and between individual consumption and socialized provisions such as pension and health care. Universal social insurance funds such as those for pension, health care and family allowance were not separated from state budget. Pension system guaranteed the old-age subsistence, however it was eroded due to the lack of a suitable index-linking benefit system.

・Pensions and other benefits were related to the wage system in which some categories of workers (in partcular,employees in the heavy industry sector) had privileges.

・Another feature of the communist welfare system was that state enterprises provided several cash and in-kind benefits and services to their employees, employees' families and retirees, such as several sorts of allowances, partly free recreational facilities, vacations and day-care facilities. The trade union played roles in those provisions of benefits and services.

Esping-Andersen simply summarizes the above features of the communist welfare system; "The old communist regime was characterized by three pillars: full employment and quasi-obligatory employment: broad and universalistic social insurance: and a highly developed typically company-based, system of services and fringe benefits"(Esping-Andersen,G,1996,p.9).

Concerning the type of the communist welfare system, Deacon calls it "the state bureaucratic collectivist system", and takes it to be "a particular product of the expropriation of capital and the paternalistic management of the state"(Deacon,1997,p.43).At the same time, he suggests that the communist welfare system had, to some extent, common features with "European conservative tradition", in which "the workplace and a contract between government and trade unions dominated the entitlement system" and "the benefits reflected acknowledged status differences between workers"(Deacon et al,1997,p.91).In our view, the communist welfare system also had common features with social democratic regime because it brought a high degree of decommodification and female's participation in workforce (regarding well-known classification of the welfare regimes into liberal, conservative and social democratic ones, see Esping-Andersen 1990 and 1999).

The communist welfare system had its achievement and defects. With regard to the former, Ferge, a well-known Hungarian expert on social policy, points "despite all its inhuman features and tragic failures, state socialism was not unqualified evil. Unlike its political or economic system, its social (societal) policy was not an artificial construct, forced in an inorganic way on the country. --By development, and assuring access on a mass scale to the health care system, to education and to stable incomes, it contributed to the eradication of practically feudal social distance, the very significant reduction of utmost poverty, and the development of human capital-"(Ferge,1997a,p.108).She, at the same time, refers to the defects of communist welfare system." The main defect of social policy in these states [state socialism] was that it was permeated with the totalitarian logic of the former political system. To mention just a few corollaries, because the legal system was arbitrarily dominated by politics, (1) rights remained illusory:(2) social policy, like everything else, was ideologically loaded:(3) all measures were developed without citizen's participation or control or any attempts of consensus building"(Ferge,1997b,p.301).

Kornai, the best-known Hungarian economist, criticizes "goulash socialism" created in his country. He argues," What I meant and still mean by premature welfare state is a country ahead of itself by comparison with its realistic economic potentials. -- The [Hungarian] welfare state has outgrown its desirable extent. It needs cutting back and reforming and at the same time preserving to the extent that is desirable and needful--underlining the principle of need means that the state should refrain if possible from giving money to those who are not in need". Kornai criticizes the "premature welfare state" and monopolistic welfare state as well. “The trouble with the welfare system developed in this country is that it has a monopoly. It used to be an exclusive state monopoly. --I am convinced that monopolies are not good thing for several reasons. For one thing they reduce efficiency--. Another very important thing about monopolies is that individuals supplied by them are at their mercy, without any freedom of choice (Kornai, 1997,pp.95-96).

Although both scholars mainly describe the communist welfare system in Hungary, seemingly they present their own evaluations of the communist welfare system in general. In relation to those evaluations, some (mainly experts of social policy) proposed democratization of welfare state, while others (mainly neoliberalism-oriented economists) insisted on a reduction of the welfare state in the transformation period following collapse of communism.

Ⅱ.Changes of social policy and welfare system after 1989 in Central Europe

The characteristics of communist social policy and welfare system that have been revealed above were also essentially valid for three Central European countries: Poland, Hungary and the Czech Republic.

After 1989,several factors have influenced on the formation and transformation of social policy and welfare system in Central Europe. Among them, important determinants were as enumerated below:

・Social costs of transformation,
・Traditional European welfare system,
・Neoliberalism as dominant stream in the world before and after 1989,
・Advices and commitments of international organizations such as the World Bank and the International Labor organization(ILO),
・Legacies of the communist era.

This part of the paper analyzes the social policy and welfare system in the Central Europe after 1989,examining these determinants.

(1) Social cost of transformation and "emergent" social policy

The Central and East European Countries have replaced the communist party-state system with the system governed by the rules of market and parliamentary democracy since 1989.Politics with freedom and democracy is, with varying degrees, now in operation across almost all the post-communist countries. In general, three Central European countries, Hungary, Poland and the Czech Republic are the top runners of democratization among the post-communist countries.

On the other hand, after heavy depression due to economic transformation (" transformational recession"), the countries have entered onto the path of growth, starting in 1992 in Poland, and 1994in Hungary and the Czech

Republic. The economic growth has continued in Hungary and Poland, although in Poland the GDP growth rate has been moderate since 2000.The Czech Republic, although having once overcome the transformational depression in 1994,experienced one more recession from 1997 to 1999, but then resumed the economic growth (KOPINT-DATORG, 2002).

It is important from the viewpoint of the social policy making that social costs of transformation, negative phenomenon due to the system change (Szamuely, 1996), have been heavy in all post-communist countries, including those of Central Europe, and they required "emergent” social policy in the region. The main social costs of transformation were represented in such phenomena as excessive mortality, mass unemployment, the rise of an economically inactive population, growth of the poor, and the increase of income inequalities.

Life expectancy has been already declining since 1960s in the USSR and across Central and Eastern Europe mainly due to under funding and inadequacy of medical systems, and underdevelopment in the preventive approach to health care(Ellman, 1997).In addition to those defects, the unbearable stress due to drastic system change increased the human loss expressed in high mortality and decline of the life expectancy, particularly in those of males of the working age, after the collapse of communism in the region.

While life expectancy at birth of males, drastically fell in Russia from 64.2 to 58.2 years, it slightly fell also in Hungary from 65.4 to 64.8 years during the period of 1989-94.It fell slightly in Poland during the years 1990-92. In the Czech Republic, the same matter occurred, but only in 1990(Szamuely, 1996).

The transformational depression created unemployment in the post-communist countries and swept a basic component of the communist welfare system, full employment. In Poland, after the unemployment rate peaked in 1993(16.4%), it gradually declined until 1998(10.4%), however it has risen again to 18.6% in 2001.During the years of transformational depression of 1990-93 in the Czech Republic, the unemployment rate was relatively low (3.5%, 1993). But it rose significantly from 1997 and reached 9.4 %“ in 1999,although it slightly decreased to 8.9 %“in 2001.

In Hungary, the unemployment rate registered 12.1% in 1993,then it has gradually declined and it was 5.7% in 2001. (KOPINT-DATORG, 2002). However, the recovery of employment rate is slow in comparison with the decrease of unemployment in Hungary. It means that there are many economically inactive people(more than 2 million) among 6 million of the working age population(Frey,1998).Roma ethnic minority, unskilled and less educated workers, and the inhabitants of the undeveloped area are over- presented among the unemployed in Hungary. The economically inactive population is mainly composed of students, early retired pensioners and housewives withdrawn from the labor market and provided with child-care allowance in Hungary (Frey, 1998).

While the share of females in total unemployment is higher than that of males in Poland and the Czech Republic, it is less than 50% in Hungary (ECE, 1996). However, the decline of the economically active population was more drastic among females than males after 1989 in Hungary. Thus, it could be said that gender-gap (bias) in the labor sphere, Which already existed in the communist era (see above), has grown, with varying degrees, in the respective post-communist countries.

Poverty is not a new phenomenon in the region. It already existed under the communist regime. Sociologists dealt with the issue of poverty, for instance, in the Czech Republic and Hungary (Adam, 1999,Andorka, 1997). In Hungary, the dissidents set up SZETA, the Foundation to support the Poor-the existence of which was officially denied-to campaign against poverty and raise funds to assist the poor at 1978(Lomax, 1999). Andorka reveals that about 1 million Hungarian,i.e.10% of the population, lived on a per capita household income lower than the subsistence minimum (a poverty line which is defined as the value,per capita household income, of a basket of certain goods and services needed by an average household in order to maintain a minimum standard of living).

The poor in the communist Hungary was composed of unskilled workers, peasant and inhabitants of villages and small towns. In addition to the old poor, the new poor appeared; and both strata increased rapidly during the years of economic transformation. The proportion of the poor to total population increased threefold by the middle of 1990s in Hungary, if the subsistence minimum is applied as poverty line. Even if another poverty line such as 50% of the average net income is used, the fact of widespread poverty can not be denied. In Hungary, the new poor were families with three and more children, the unemployed and economically inactive population (Andorka, 1997). Roma ethnicity, whose majority fell in unemployment, also was over-presented among the poor after the economic transformation in Hungary. Likewise, the poverty spread rapidly in Poland and the Czech Republic during the years of system change. The proportion of the poor to total population is higher in Poland than in the other two countries (Adam, 1999).

As the system change such as marketization and privatization was in motion in the post-communist countries, the social structure changed that was reflected in the growth of income differentials. In the case of Hungary, in 1988,the year preceding system change, the income of highest household decile was 5.8 times higher than that of the lowest houshold decile, and in 1994-95 the former was 7 times higher than the latter (Kolosi and Sagi, 1999).

Likewise in the Czech Republic, the income ratio between the lowest and highest household decile increased from 2.6 in 1988 to 3.2 in 1996(Potuek, 2001). According to a report by the World Bank, the income differential on the basis of Gini coefficient was widest in Poland in 1993(World Bank, 1996).

Some researches suggest that quite a few of the new rich (or new elite) appeared from the old elite, at least, in the first stage of system change and the winners, in general, were persons with "cultural capital”, the well-educated (Eyal, Szelenyi and Townsley, 1997. Kolosi and Sagi, 1999).

Unlike economic policy which was carried out on the basis of ex ante designed and, more or less, systematic programs-which were strongly influenced by Bretton Woods institutions inspiring neoliberalism -, social policy of the first stage of the system change had the character of "emergency responses" in the region (Cichon, et al. 1995). To put in another way, the emergency measures were introduced to deal with the social costs of transformation such as mass unemployment, widespread poverty and deteriorating living standards.

All countries rapidly introduced schemes of unemployment benefits, social assistant benefits, and adjustment system of pension provision to fight rampant inflation.

In the three countries under discussion, decrees on employment were enacted and unemployment insurance was introduced in the beginning phase of system change. The unemployment benefit schemes were initially generous and wage-related, but later the benefit became limited in terms of the replacement rate and length of entitlement because of budgetary pressure as well as permeating neoliberalism in the region. For instance, length of entitlement of benefit was reduced from initially 2 years to 1 year later in Hungary. Likewise, in the Czech Republic unemployment benefit was paid for 1 year in 1991: 90% of earnings for the first 6 months and 60% of earning for the next 3 months in 1991.However, the length of entitlement of benefit was reduced to 6 months later. And in 1999 only 50% of earnings were paid for the first 3 months and 40% of earnings for the next 3 months (Potuek, 2001).

The Czech Republic, from the beginning stage of system change, attached much importance to active an employment policy such as organizing professional training and requalification programs and supporting small-scale business. Thus the proportion of expenditures on the active employment policy to total expenditures on employment policy was more than two-third in 1994 in the Czech Republic, while in Poland, this proportion was only 12% on average in 1993-5(Adam, 1999). Such a differences of policy approach could be explained partly from the different unemployment rates in two countries in the early stage of system change. At the same time, it could be speculated that the Czech Republic applied such an employment policy, drawing lessons from the experiences in the advanced countries, for instance in Sweden.

The pension provision schemes had some changes, mainly to improve the living standard of pensioners and to repress the increase of the unemployed in the early phase of system change in Poland and Hungary. In Poland, automatic indexation of old-age benefits to wage increase was introduced in 1990, while in Hungary pensions were adjusted twice a year following the development of wages after parliamentary decision in 1992(Muller, 1999). Moreover, both countries applied generous eligibility conditions to old age and disability pensions in order to promote early retirement. Early retirement was considered to be an alternative to unemployment. But this measure had side effects of rising system independency ratios due to the increase of the number of pensioners of working age and led to financial difficulties of the pension system in Poland and Hungary.

All three countries, in the early stage of system change, enacted the decrees regulating social assistance that was conceived the safety net for those who were no longer able to help themselves. Social assistance is means-tested benefit for poor people. Ferge, analyzing the practice of social assistance in Central and Eastern Europe, argues; "there are also widespread shortage of funds at local level. Responsibility for some types of assistance may be shared with central authorities, but very often the localities is solely responsible-. Since there are many competing claims for these funds, the locality may not be able to provide for all needy--as many as 50 to 60 percent of the eligible poor are not receiving assistance"(Ferge, 1997b,pp. 305-6).

In Hungary, a new support system for child-rising, alongside of old family allowance and child care leave, was introduced in 1992.That was the means-tested support which was directed to families that raise three or more children and live below the poverty line. Although it was also a component of social assistance system, at the same time it was a gender-biased policy because it had characteristics of reward for the full time motherhood

(Goven, 2000).

To sum up, the initial social policy after 1989 could be, among others, characterized to be an "emergent response" to the social costs of transformation. (Pestoff, 1995,makes a distinction between policies characterized by the rapid changes in the case of introduction of previously non-existent unemployment benefits and policies characterized by incremental change as in the case of old-aged security).

(2) Shift to a traditional European welfare system

A publication of ILO-CEET (the International Labor Organization, Central and Eastern European Team) points that social protection system in Central Europe by the mid-1990s had a character of emergent response to the outcomes of economic transformation, and on the other hand, it showed the shift to the three-tier social protection system prevalent in the Western Europe that also had existed in the region prior to 1950 (Cichon, ed., 1995).

The three-tier consists of social insurance schemes, universal benefits and social assistance schemes. Certainly, such a shift occurred, with varying degrees, in the region by the mid-1990s.

Alongside with the creation of three tier system, the European-style tripartite institutions were also established. Thus, it could be said that in parallel with the emergent response, to some extent, the Europeanisation of the social policy occurred in the region.

As for social insurance schemes, Hungary was the most advanced example of the social insurance-based social protection system in the region by the mid-1990s. In Hungary, the social insurance fund was separated from the state budget in 1989 and the employment insurance fund was introduced following the legislation of the Employment Act in1991.After the legislation of a law which defined elected boards for pension and health care funds, the representatives of the employees were elected by vote in 1993.The boards of pension and health care funds are composed of the representatives of contributors, the employer and the employee. Ferge notes, “the establishment and election of the social security self-governments is one of the most important achievements in the potential democratization of social policy" (Ferge, 1995,p.156), although the right wing cabinet abolished self-governments of social insurances in 1998 in Hungary.

The Czech Republic (the then Czecho-slovakia) introduced the health care insurance system with the competing insurance funds in 1991.There, besides one general insurance company, a number of NPO-style insurance funds was created on the basis of industry (sector), profession and firm. Although main contributors are the employer and the employee, the government also pays contributions for the unemployed, the retired, women on maternity leave, children without supporter (Adam, 1999). Because the hospitals, except some small ones, have not been privatized, the government has financed their investment cost and the medical education. Therefore the health care finance in the Czech Republic is a combination of the Bismarckian-style of insurance and Beveridgean-style of state finance. One of the problems occurred by the mid-1990s was the growth of expenditure on health care (its percentage of GDP rose from 5.4 in1991 to 8.1in 1995,OECD, 1996).

Poland also introduced the health care insurance system with a number of insurance funds. However, unlike the Czech Republic, the reform of health care insurance system delayed and at long last carried out in 1999.As for the pension finance, although in Poland, the pension fund was separated from the state budget in 1986,the state budget transferred the resources into the pension fund to balance its account in the 1990s.The same thing occurred in Hungary, too. Such financial pressures and the strong presence of the World Bank in both countries (Poland and Hungary) caused the partial privatization of the pension system in the late 1990s(see below).

The shift to insurance-based social security system in the region is considered to be a return to the Central European (or European) tradition as well as easy way of institutional restructuring for ex-communist countries. Deacon notes," The logic of the post-communist development was toward a conservative, corporatist kind of welfare policy. Workplace entitlement to welfare and existing workplace status differentials inherited from state-socialism days could be readily converted into insurance-based, wage related differentiated benefit entitlement of the Austro-German, Bismarckian kind"(Deacon, 2000,pp.149-150).

As for universal benefits, there was a legacy of the communist era and in family allowance and child care leave with partial wage, the principle of universal provision was maintained (sometime, enhanced as in the case of Hungary where family allowance was made universal in 1990) in the early phase of system change in the region.

On the other hand, the right of return to one's previous job after child care leave was eroded by the narrowing labor market and often strengthened gender-bias. Moreover, universal benefits were converted into means-tested ones as a result of permeating neoliberalism and strong pressure from the World Bank in the mid-1990s in the region (see below).

The ILO, since whose branch was established in Budapest in 1992,has provided the post-communist countries with the technical assistance to set up the institutional framework of industrial relations and social dialogue prevalent in the continental Europe. The tripartite bodies at the national level were established in the three countries in the early stage of system change.

In Hungary, the Interest Reconciliation Council was established in 1990 as the institution for the social dialogue among government, employers and employees. Likewise, a tripartite body was established in the Czech Republic (the then Czecho-slovakia) in 1990 and in Poland in 1993-4.These bodies were initially established to mitigate social tensions such as the Hungarian taxi driver's demonstration against inflation and the massive and chaotic wave of strikes in Poland. Nevertheless, these bodies have not always functioned well because of the frequent antagonism between the government and trade unions or among rather fragmented trade unions (especially in Hungary and Poland).

In the Czech Republic, a tripartite body was relatively well-functioning even under the neo-conservative Klaus-led government. This can be attributed partly to the tactics of the government to keep low wages in return for low unemployment through the negotiation with trade unions (Orenstain,1996)and partly to less fragmented structure of the trade union. Moreover, a publication of the ILO considers that the tripartite dialogue in the Czech Republic has become an integral part of government since 1998, the year when the social democratic party came into office (Casale, et al.2001).

The number of workers and employers covered by collective bargaining at the sectoral level has recently increased in the Czech Republic, while the decentralization of bargaining to the firm level is one of the recent tendencies of the Hungarian industrial relations. The latter tendency could be considered as a sign of the shift of industrial relations toward the model of Anglo- Saxon countries.

And last but not least, some parts of German or other Western European-style of corporate governance were planted in the Czech Republic (participation of employees' representatives on the supervisory board) and Hungary (Work councils at the level of firm). This is another example showing a certain degree of Europeanisation of the institutional setting in the region.

While some international organization, especially the ILO and the UNICEF encouraged the post- communist countries to establish the European-style of the welfare system; the European-based actors did not play such a role (except the Council of Europe).

The UNICEF Florence has provided for technical advice to the post-communist countries for child survival, development and protection. It proposed to maintain universal benefits and services and stood against the residual approach to the welfare policy.

The EU directed a part of PHARE program to policy advice in the social security sphere (Fagin, 1999), but policy advice to the post-communist countries did not have systematic orientation toward the traditional European-style of the welfare system. In this respect, Deacon points to the battle between the Euroliberals and the Euro-corporatists as a reason for the inconsistent policy advices to the East (Deacon, et al, 1997). Rys notes that the EU so far tended to give to the applicants of the EU membership the policy advices in which social protection issues were reduced to their economic aspect (Rys, 2000). Although the EU required the improvements in the situation of the human rights (like those of the ethnic minority) to the applicants, it tended to avoid the issue of social rights. Orenstain notes that "Europe Effect" made the Central Europe to maintain relatively high levels of the welfare spending (Orenstain, 2002). But, in our view, there was not clear evidence that the EU itself intensified intentionally this effect.

The EBRD initially attempted to engage in the sphere of social security in the post-communist countries. But in order to avoid overlapping with the role of the World Bank, it was limited to a main role of the assistance of the private sector in the region.

The OECD, which the three Central European countries joined in the mid-1990s, took a stance seeking to reconcile economic and social requirements. Its stance is, to some extent, similar to the recent idea of "the third way"(Giddens, 1998,1999,2000) in terms of policy emphasis on the social investment (Deacon call its stance social-liberalism, Deacon et al, 1997).

However, it was the World Bank that had the strongest influence on the restructuring of the ex-communist welfare system, as revealed below.

(3) Permeation of the neoliberalism into the Central European welfare system and the World Bank as its promoter

The widespread neoliberalism was one of the remarkable phenomena from the beginning of system change in the post-communist region. Its signs were seen in the economic policy more than in the social policy and welfare system in the early round of the system change, by the mid-1990s.

Orenstain attributes such as time lag as to the lower priority of social policy among a set of transformation policies for the domestic decision makers in the region and the Bretton Woods institutions by the mid-1990s (Orenstain, 2002a).His explanation is partly true. It is certain that the domestic decision makers in the region and Bretton Woods institutions, in particular the IMF, gave the highest priority to the economic policies in which economic stabilization and privatization were the main purposes everywhere.

On the other hand, one of neoliberalism-inclined Bretton Woods institutions, the World Bank imposed on social conditionality such as tightened eligibility conditions for social securities to the post-communist countries in return for granting the structural adjustment loans already in the early round of system change. For instance, the World Bank advised Hungary to scale down maternity and child care benefits (Goven, 2000).

Accordingly, Orenstain's description is not enough to present the environment of social policymaking in the early period of the system change, because the description misses the above fact. Another fact to be noted was that first post-communist governments born as a result of long awaited free elections hesitated in reducing drastically social expenditures due to the fear of losing popularity.

Ferge expressed well such a complexity of the early period of the system change in Hungary. “It is to credit for Antall government [the first post-communist government] that welfare benefits did not deteriorate faster--. The entire period [1990-94] was characterized by a contradictory mixture of gaining ground of neoliberal ideals enhanced by conservative elements, the inadequate fulfillment of needs growing as a result of impoverishment, the temporary patching up problems and ad hoc popularity seeking ideas"(Ferge, p.157, 1995).

Around middle of 1990s,the neoliberal approach to the social policy became more visible than before in the region. It occurred in the environment of a rapidly deteriorating state budget and external balance both in Hungary and Poland. Even in the Czech Republic, which did not face a severe imbalance, social policy inclined to neoliberalism in the middle of 1990s.

The essence of neoliberal social policy inspired by the World Bank was the following two: first, targeting the provision of welfare benefits to the "truly needy”, thus reducing the social expenditure, and second, privatization of the pension system.

Around the mid-1990, the universal benefits and services such as family allowance and child care leave with grant were converted into means-tested ones, and the principle of free of charge in education and health care was eroded by the introduction of copayment into dental care and tuition in the universities in Hungary.

The austerity program including these measures was called "Bokros Package" because the name of the then financial minister of Hungary was Bokros. Kornai supported this austerity program and criticized the "premature welfare state", overspending for welfare continued under the first post-communist government in Hungary (Kornai, 1997), while the Hungarian majority stood against the "Bokros Package". Although this “package" was modified to some extent and Bokros was forced to into resignation in 1996,the essential parts were put into operation. As a result, the percentage of the welfare expenditure in the budget in CDP decreased to 20.9 in 1996 from 26.3 in 1994(Andorka and Toth, 1999).

Likewise, in Poland the family allowance was converted into means-tested one in 1995.Then, only families whose household incomes per capita were less than 50% of those to the average, were entitled to the allowance. Also in the Czech Republic, those whose income were above 1.8 times more than social minimum were not entitled to a family allowance after the latter became a means- tested.

As noted above, the eligibility of unemployment benefits also was gradually narrowed in the region. Thus, the percent of the beneficiaries of the unemployed declined in Hungary from 77 in 1991to 29 in 1996,in Poland from 79 to 54 and in the Czech Republic from 72 to 50(Adam, 1999).

As for the pension system, its reform was carried out with paradigm shift in Hungary in 1998 and in Poland in 1999.The original idea of the pension reform was suggested to the both countries by the World Bank. The reform process was led by the Ministry of Finance, which cooperated with the World Bank. The main concern was to limit the Public PAYG scheme to a minimum flat-rate pension (first pillar),to introduce the mandatory and individually funded, privately managed and non-solidaristic second pillar, and to establish the additional voluntary third pillar as well. Hungary introduced such a new pension system composed of three pillars in 1998,but the proportion of second pillar to total contributions was smaller than initially proposed by the Ministry of Finance. The reason was that the Ministry of Finance was obliged to change its initial ambition in face of the resistance of the Welfare Ministry. A number of social policy experts also stood against the idea of the World Bank concerning the pension reform, the idea that had been already expressed in a publication entitled by "Averting the Old Age Crisis"(World Bank, 1994). The new Polish pension system was essentially similar to the Hungarian one, but it had more an individualistic character because, in addition to individually funded second pillar, the "notional defined contribution"(NDC) plan was also arranged in the first pillar to enhance the contribution-benefit link.

In contrast with Hungarian and Polish cases, the Czech Republic maintained the PAYG scheme, although voluntary pension funds were allowed to establish after 1993 there. Muller explains this bifurcation in the pension systems of Central Europe from the constellation of the main actors(the World Bank, the Ministry of Finance and the Welfare Ministry)and the structural conditions(situations around the pension fund, state budget and external balance)in the three countries concerned. On one hand, the deteriorating financial situation of the existing PAYG scheme led to its dependence on budgetary subsidies as well as the commitment of the Ministry of Finance to the pension reform. Moreover, the fiscal crises made the Minstry of Finance a strong actor in pension reform in Hungary and Poland. On the other hand, the high external debt in both countries created the situation that the World Bank imposed more easily social conditionalities in return for granting. In such an environment, both the World Bank and the Ministries of Finance, which were inclined to neoliberalism, could carry out the pension reform with a paradigm shift in Hungary and Poland. In the Czech Republic where PAYG scheme was sustainable, and did not face serious problem due to the state budget and external imbalance, the main actor of the pension reform was the Welfare Ministry, which was traditionally inclined toward the Bismarckian-Beveridgean paradigms. Thus, the Czech Republic maintained the PAYG scheme (Muller, 1999).

The ILO-CEET supports the pension reform within a PAYG scheme and accumulates the research on the pension reform (Cichon, et al.1997, Fultz.2002). Interestingly, the previous Senior Vice-President and Chief Economist of the World Bank suggest that a shift to an individually funded, privately managed pension system is not always the best solution (Orszag and Stiglitz, 2001). And the following description of Deacon is also deserving a note.” With in the World Bank it is perhaps most evident that a heated and hard fought struggle of ideas and policy prescriptions is underway. Here we identified a 'camp' associated with European wage-related state-funded social security systems and a 'camp' associated with a flat rate-possibly means and assets tested-residual pension policy"(Deacon,et al.1997,p.148).

(4)Legacies of the communist era in the post-communist welfare system

Although neoliberalism has been a remarkable tendency in the post-communist social policy, especially since the mid-1990s,it has been blocked to permeate deeply into society by the legacies of the communist era. Esping-Andersen describes,” East and Central Europe is clearly the most under- defined region, a virtual laboratory of experimentation. If it is at all possible to generalize, there is at least clear one trend: where neoliberal welfare policies (often inspired by the Chilean model) were pursued most vigorously, they were punished in subsequent democratic election---so neo-liberal welfare policies in Eastern Europe seem to revitalize socialism (Esping-Andersen, 1996,p.267).

Certainly, the neo-liberal economic policy "revitalized" socialism and made ex-communist (the presently Social Democratic or Socialist) parties come back in office in Poland (1993) and Hungary (1994). But the Social Democratic and Socialist Party-led coalition governments were also punished by people in "subsequent elections” in 1997(Poland) and 1998 (Hungary) and transferred from the government to the opposition because their government adopted the policy to reduction of the welfare expenditures.

In Hungary, the subsequent conservative government abolished the tuition at the universities and re-universalized the family allowance to keep the popularity among the electorate. Nevertheless, in the2002 general election, the conservative parties were defeated by the Socialist Party, which promised to the electorate many welfare measures such as extra provision for pension of the old and increase of the wage of the public employee including the low-paid school teachers and health care bearers. Like in Hungary, the social Democratic Party came back in office in 2001 in Poland. All stories described above show that the majority of the population in the region expects from state a deep commitment to social protection. According to Ferge, people in the ex-communist region "would turn more willingly to public authorities when in need than to churches, non-governmental organizations, or charitable Institutions"(Ferge, 1997,p.315, 1997). Kornai and Csontos argue the relation between such an attitude of people and (a weak)"tax awareness" in the region (Kornai, 1997,Csontos, et al, 1998). Without details, it could be confirmed that vast majority of the people in the post-communist countries expects a strong welfare commitment of state and this attitude is a legacy from communist era.

As already noted, Orenstain attributes a decent level of social expenditure in the present Central Europe, in comparison with the Eurasian Countries, to "Europe Effect"(Orenstain, 2002a). However, we consider the above legacy as a more important factor, which explains the relatively strong welfare commitment of the state in the Central Europe.

Thus, less privatization of health care and education in the region could be considered as a "Legacy Effect". In fact, the primary care(GP) facilities were almost privatized, but the hospitals mostly managed by the central and local governments in the region. Privatization of education was mostly concentrated on the tertiary level and the percentage of secondary school pupils enrolled in a private school was still 8 inHungary, 7 in the Czech Republic and 4 in Poland in1996-7 (Deacon, 2000).

The informal sector (hidden economy) and, in general, informality are also legacies from the past regime, especially for the countries that second economy prevailed as in the case of Hungary. While the informal sector plays the role of a hidden safety net for the unemployed and forced economically inactive population and also the lower income earners, it narrows the taxation base. Equally important, those working only in the informal sector are not entitled to the social insurances such as the public pension and health care.

And informal sector, to some extent, is related to the dual structure of labor market, which reflects a gender gap in the region."[The] labor market is a bifurcating in multiple way: into public and private, to be sure, but within this into regular and secure jobs, coded as male, and into unstable, part-time work and multiple jobs occupied mostly by women. While equally a part of the private sector and potentially lucrative, these latter jobs offer neither security nor social benefits (Gal and Kligman, 2000,p.61).

Social capital or social network resources also play the role of a safety net. But distribution of the social capital is dependent on the past social structure(legacy from he communist era).As already described, many representatives of the old elite became the new rich on the basis of the old social network resources. Likewise, the old poor are largely overlapped with the new poor. To be noted, the new poor tended to be excluded from the social networking the 1990s(Angelusz and Tardos, 1999). This suggests that there exist those who can gain neither a formal nor an informal safety net.

Ⅲ.Conclusion

We could sum up the above-description as follows.

・The transformation of the welfare system in Central Europe was determined by several factors; the social cost of the economic transformation, the traditional European-style of welfare system, neoliberalism, the international organizations and legacies from the communist era.

・The social policy in the early years of the system change in Central Europe had a character of "emergent" response to the social costs of the economic transformation such as mass unemployment, widespread poverty and decreasing living standards.” Emergent" policy measures were composed of establishing unemployment benefits and social assistance schemes, and adjustment of the pension benefits to the wage increase.

・The process of making emergent social policy was overlapped with the approach to the traditional European-style of welfare system. Namely, by the mid-1990s,a three tiers of welfare system was established in Central Europe: social insurance, universal benefits and social assistance. In addition to them, the European-style of corporatist system, tripartitism was introduced to promote social peace. The ILO and UNICEF encouraged Central Europe to arrange the traditional European-style welfare system. The European or Europe-based organizations had a minimal impact on the creation of the traditional European-style welfare system in Central Europe. Advice of the EU to the candidate countries of Central Europe focused on the economic aspects of social policy and not much on the” social rights".

・Although the permeating of neoliberalism and the presence of the Bretton Woods Institutions were remarkable from the beginning of the system change in Central Europe, their influence in the social policy making has been enhanced since the mid-1990s. Neoliberal social policy was promoted by the Ministries of Finance in cooperation with the World Bank. The key of the neoliberal social policy was to convert the universal provision into means-tested one and to privatize the pension system.

In the three Central European countries, the principle of universal provision was eroded and privatization of the pension system was partially implemented in Hungary and Poland, while the Czech Republic maintained its PAYG pension system.

・The legacy from the communist era still remains and, among other factors, people’s attitude of expecting from the state much commitment to welfare have resisted the post-communist welfare the move toward a residualist welfare state.

The above summary leads to two questions: first, what type of welfare has appeared or is appearing in Central Europe? Second, to which extent could we attribute the formation or transformation of Central European welfare system to external factors such as the intervention of international organizations?

As for the first question, there are several answers whose differences are caused by the complexity of the paths of the welfare system after the political change. As noted above, the ILO-CEET suggests that the welfare system of Central Europe have been approaching to those of traditional Western Europe. Orenstain stresses "Europe effect" in Central Europe (see above).

On the other hand, some experts of social policy such as Ferge and Standing(1996)-the latter was the first director of the ILO Budapest office-warn that neo-liberalism has largely influenced the social policy making in the region. Ringold (1999) and Kornai tend to indicate the large affect of the legacies of the communist era on the post-communist welfare system.

In our view, the welfare system in Central Europe is now still in the formation process and it is too early to define its type. Nevertheless, to dare to characterize it, our view is close to Deacon's well-balanced one;" Some of the countries were slowly reforming their social policies in the direction of one or other variant of Western welfare policy. A tension between European-style social market economy (or conservative corporatism) and a budget-induced and IMF-World Bank-backed residualism was evident and continuing in the late1990s. There was remarkable continuity and stability in the provision of state security, health and education services, although in some countries some private provision was appearing at the margins"(Deacon, 2000,157).

In our view, the Central European welfare system approached the European Continental one in the early stage of system change and since the mid-1990s it has inclined to the neoliberal one, but it has not turned to residualist welfare system yet due to the resistance of the majority of society, where the legacy of communist era still remains. "The tension" between" a European-style social market" and "IMF-World Bank-backed residualism" was expressed in the tension between " budget-induced" austerity plans by the governments and disagreement of people with the plans and repeated power (governmental) alternations.

As for the degree of the affect of the international organizations on the welfare system in Central Europe, Bretton Woods institutions were most influential. Deacon calls increasing global actors' ideological motivated influence on the national welfare policy "political globalization" and distinguishes from economic globalization (Deacon, 2000). To use this terminology, the main actors of "political globalization" were the Bretton Woods institutions and ILO followed them in Central Europe.

The strength of intervention of the World Bank varied from one to another country. It depended on the degree of the foreign debt of the respective countries. While Hungary and Poland having faced serious external imbalance were exposed to the strong intervention from the World Bank in the formation of their welfare systems, the Czech Republic was not so strongly influenced by it. The attempts of the World Bank faced resistance from people. It sometimes fulfilled its zeal, but sometimes failed, or at least, was obliged to compromise with the people's wishes in the region. It can be said that the World Bank was a very strong actor but not always winner in the region. As already pointed, attention should be also paid to that there are different views on the welfare policies within the World Bank.

The impact of the EU was weak on the formation of the Central European welfare system in the 1990s in spite of increasing economic relation and geographical and cultural closeness between them. It resulted partly from the policy priority and partly from under-defining "European social model" in the EU. The policy priority of the EU was to fulfill a single market and to introduce a single currency in the 1990s which resulted in the enhanced economic competition and restricted fiscal policy within its member countries (Chapon and Euzeby, 2002).

On the other hand, under the new situation of the creation of a single market and a single currency, the corresponding "European social model" has neither conceptualized nor shared by all EU members yet (Ryms, 2000). These resulted in that the EU did not offer a clear welfare model to the post-communist countries and the World Bank tended to be involved with the preparations for the EU accession of the Central Europe (Orenstain, 2002, World Bank 2002).

But the future social policy and welfare system of Central Europe largely depends on the EU's choice: whether the EU creates a "European social model" or aims only to win in a global economy.

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