

**The Reform Challenges to the Central and Eastern European
Welfare Regime.**

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Abstract

Central and Eastern European countries (CEECs) are confronted with serious reform challenges. On the one hand, policy makers in the region are required to conduct reforms of social security systems in a way that ensures the financial stability and the long-term sustainability of recently established welfare institutions. On the other, they are confronted with the task of ensuring sufficient income support for citizens in a difficult and often inefficient labour market. This paper aims to address this issue by briefly summarizing the most recent social policy reforms in Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia in five crucial social policy areas (pension, health care, unemployment, family policies and social assistance). The paper also investigates the role of international actors in the making of post-communist social policy and concludes by exploring how these countries may be included into the European Social Model. The main argument is that CEECs are moving towards a new world of welfare capitalism, which combines old with new social policy characteristics.

Keywords: Central and Eastern Europe, comparative social policy, welfare states, welfare reforms, transition economies, European Social Model.

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Introduction¹

On 1st May 2004, Europe enlarged its borders to the East, increased the number of its citizens (other countries will join soon), but also added new challenges for national welfare systems as well as for EU institutions. European Integration, harmonization and convergence of national social policies have now become crucial topics in conferences and international meetings, but the mechanisms of adaptation, by which national welfare systems may adjust to internal and external pressures, remain partly unknown. This paper focuses on Central and Eastern European countries (CEECs) and, in particular, it looks at the social policy developments (internal and external stresses) occurring in Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

The paper is structured as follows: Part one briefly summarizes the system of social protection existing during communism, but also the most recent social policy developments in five main welfare state sectors (pension, health care, protection against unemployment, family policies and social assistance). Part two focuses on the influences that external actors had in the making of post-communist social policy, but also on the reform challenges that Central and Eastern European policy makers are confronted with. In the third and final section, the adaptational strategies are explored, both in terms of pressures for change and adaptation at the national level, but also in terms of pressures for adaptation and integration at the EU level. In the conclusion, the main findings of this study are summarized.

PART I: 1. Social Policy before 1989

During communism, social policy was an integral part of the central planned economy. This was an extremely centralized system of resource production and allocation called to regulate all spheres of social life. Central planning included dealing with industrial and labour relations, the setting of wages and of prices, the production and the distribution of goods and of services, the allocation of various social policy resources (such as housing and welfare benefits) and, last but not least, the regulation of the individuals' time through the division of labour, but also through the involvement in sport and other activities strongly anchored in the communist ideology.

¹ This paper is based on my PhD research conducted at the University of Erfurt (Germany) and subsequently discussed at the ESPAnet conference "Making Social Policy in the Postindustrial Age", September 22-24, 2005, University of Fribourg (Switzerland). The author would like to thank all the participants at the conference stream "EU enlargement and the European social model" for their helpful comments and critiques. It goes without saying that whatever faults remain are entirely my own responsibility.

Pensions were based on the occupational status and financed by contributions, but since officially all citizens were in employment and wage differences were extremely limited, benefits tended to be universal in coverage and flat-rate in scope. This clearly coincided with the communist ideology of standardization of income and life standards. Pensions ranged between 50 and 100 per cent of a base calculated on the average of the best five within the final ten years of work. Retirement age, as well as the level of benefits, was low (60 years for men and 55 years for women with approximately 25 years of service) (Connor 1997). Exceptions, however, existed. For example, special privileges were often granted to particular professional groups in strategic sector of the state apparatus (such as miners or police forces). The communist nomenclature also ensured its members had the access to better services, even though not officially (King and Szelényi 2004).

The Semashko-model was the basis of the communist health care sector. This was a highly centralized system of health care planning, with decisions concerning the regulation and implementation of services taken at the national level with limited or extremely low knowledge of local real needs. All citizens had a constitutional right to health care services, but these were underdeveloped if compared to Western standards. The poor quality of services resulted not only in high morbidity and mortality rates (Deacon 2000), but also in increasing dissatisfaction among the population. Services, however, were only formally granted free of charge. The existence of "gratitude money" given to doctors soon became the norm, contributing in altering the nature and the universal aspirations of the communist health care system. The emergence of this atypical form of "additional payment" can be explained from two perspectives. On the side of the medical personnel, it is explained by the necessity to increase the low wages they received. On the side of the patients, by contrast, it can be explained by the will (and necessity) of choosing their own doctor on the basis of personal trust and not only on the basis of the residence as the system required (such as in Hungary). This also involved obtaining better, individualized and, therefore, not standardized treatments.

Unemployment was practically non-existent. The system officially worked on full employment, but some form of hidden unemployment did exist. Since the central planned economy regulated the functioning of the labour market, it was not rare that for tasks, which in Western Europe were accomplished by one worker, two workers were employed in the communist system. There were also other serious problems linked to central planning, but, more in general, associated to the excessive standardization of life promoted by the communist ideology. The excessive standardization of wages produced the undesired effect of reducing work performance (Davis and Moore 1994; Lenski 1994; Kivinen 1994; Tumin 1994; Machonin 1997). Workers had in fact no good reason for working

beyond minimum requirements, with the exclusion of medals granted by party officials as a symbol of loyalty to the state. The fact that most of welfare benefits were linked and granted through the enterprise in which the workers belonged to (Ferge 1979) created circles of loyalty around party officials, which did not necessarily represent work incentives that may have led to an increase in work performance.

If during the first years of communism (the years immediately after the end of World War II), the family was seen as a reactionary force and cause of all diseases of modern societies, communist leaders soon realized that the family could also play an important role in the stabilization of the political system recently introduced (Ferge 1978; Sokolowska 1978). As a consequence, political leaders gave their consensus on the establishment of an extensive system of family benefits, made not necessarily to free women from the weight of child rearing, but rather to introduce a three-fold status of citizens-workers-mothers. The result of this policy making, which materialized, for example, in extensive periods of maternal leaves (i.e. three years in Hungary and in the German Democratic Republic), did not mean, however, a full transition from "maternalism"² to a "gender-neutral" society. Rather, it corresponded to the addition of further tasks given to women.

"Being poor" during communism was something that necessarily had a reactionary character. The central planned economy provided jobs for everyone, services and goods were distributed to all citizens on the basis of the needs, rather than on the basis of market achievements, health care and other benefits were granted on an universal basis. Since the economic mechanism was conceived to be a theoretically pareto-optimal system of resource production and allocation, if citizens faced poverty, then something had to be wrong with them. However, discrepancies among the theoretical and practical achievements of such system soon became evident and communist leaders were urgently forced to deal with the necessity of providing some form of subsistence to those who were involuntarily unable to be fully included in the communist society (such as disabled and poor pensioners). As a result, central governments introduced a system of minimum income under the formula of "socially desirable levels of consumption", which aimed at setting a minimum amount of foods, clothing, and heating necessary for a citizen to carry out properly his or her functions in the communist system (Milanovic 1995, 1998). Unfortunately, these "desirable levels of consumption" were set at a very low level and so

² The maternalist family logic in force in the immediate aftermath of World War II was based on the assumption that women had to be the only care-givers. Nowadays, by contrast, a "dualization" of responsibilities can be witnessed. On the transition from "maternalism" to an "employment for all society", see Orloff (forthcoming).

did not permit citizens any real access to decent living standards. This situation was also aggravated by the implicit social stigma associated to these benefits, which necessarily classified the beneficiary as a potential parasite of the society.

2. Post-Communist Social Policy

Immediately after the fall of the Berlin Wall, Central and Eastern European countries engaged in a series of drastic changes to their pension systems. Reforms primarily aimed to: a) ensure financial sustainability of the new system, extremely different from the one based on central planning; b) provide differentiation of benefits so that the excessive equalization of life standards in force during communism could be interrupted; c) introduce market elements; and d) guarantee, at least, a basic income for the citizens. Early retirement policies were widely used, especially in the first years of transition, with the aim to reduce the pressure on the labour market. This strategy revealed itself as extremely expensive in times of raising unemployment and more recent reforms now aim at reducing the access to these policies.

A brief overview of Central and Eastern European pension systems shows that almost all countries have now completed the introduction of the so-called three pillar scheme, as recommended by the World Bank in the well-known publication *Averting the Old Age Crisis* (World Bank 1994). The first pillar is state managed, mandatory and based on pay-as-you-go. The second pillar is privately managed and compulsory funded. The third complementary pillar is a voluntary pension tier. On the basis of the Chilean experience, Hungary and Poland have been the first countries in Eastern Europe to introduce such a scheme, but now also Bulgaria, Estonia, Latvia, Lithuania, Romania, and Slovak Republic have followed this reform path. Only in Czech Republic and Slovenia has the full implementation of the three pillar scheme been temporarily blocked due to possible transition costs, but the most recent political debate draws attention to the necessity of increasing the role of the recently established private tiers, currently based on a voluntary, rather than on a compulsory affiliation³ (see Appendix Table 1).

The Soviet-style health care system was under great pressure and in urgent need of reforms. Health care expenditures were below the OECD average, poor quality of health care services and high morbidity rates were the norm, and the low wages of medical personnel did not help to improve the performance of this system (see WHO *Hit Profiles*). As a consequence, post-1989 reforms aimed at finding an immediate and possibly

³ On pension reforms in Eastern Europe, see Orenstein (1998), Müller (1999, 2002, 2004), Schmähl and Horstmann (2002), Fultz (2002 vol. 1 and vol. 2.), GVG (2003), Cerami (2005), MISSOC (2005).

painless response to these issues. The best way of dealing with the chronic lack of funds was obviously seen through the introduction of health insurance, which, in the mind of policy-makers, would have immediately increased the funds available, financing it with the money of workers and therefore not aggravating the state budget. This reform path was also intended to conduct a shift (or rather an increase) of responsibilities from the state to the individual. Other important characteristics of reforms were the possibility to freely choose the doctors and the hospitals, the decentralization in the management of health care from central to local authorities and the introduction of a competitive and market-oriented system of medicines, of medical equipment and of insurances. Medical services are now provided upon the payment of health insurance contributions in Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Slovak Republic and Slovenia⁴, but this does not mean that the state has completely abandoned its duties to ensure minimum coverage for its citizens. All Central and Eastern European constitutions established after 1989 reaffirm the right to equal access to health care and non protected citizens must be insured by the state⁵ (see Appendix Table 2).

Regrettably, the shift from a central planned economy to a market economy coincided with the collapse of many state-owned enterprises and the dismissals of several million workers. As a result of raising demands caused by the growing number of unemployed, Central and Eastern European policy-makers put in place a general system of unemployment insurance, which only partially succeeded to limit the negative consequences of the economic transition. In all countries in this study the favorite option was the implementation of a German-style unemployment insurance consisting, for the most part, of: a) unemployment benefits; b) unemployment assistance; and c) social assistance. Despite this similar reform path, the systems of protection against unemployment in the region show some differences in the entitlement criteria of benefits, probably due to the fact that the initial economic conditions and the consequent demands necessary to combat unemployment substantially differed. Minimum requirements for access to unemployment benefits (2005) range from 200 days of employment in the previous 4 years in Hungary to three years over the last four years in the Slovak Republic. The duration of benefits also differ from country to country. In the Czech Republic, it cannot be longer than 6 months, while in Slovenia unemployment benefits can last up to a maximum of twenty four months. In Poland, the duration also depends on the level of regional development. In underdeveloped regions, it can be up to 18 months, while in districts with unemployment rates below the national average it is

⁴ Please note that health care in Latvia is tax-financed.

⁵ On health care reforms in Eastern Europe, see also WHO *Hit Profiles*, GVG (2003), Cerami (2005), MISSOC (2005).

granted for no longer than 6 months. As far as the amount of benefits is concerned, the criteria for the calculation are usually earnings-related in Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Slovakia and Slovenia, while a strong flat-rate component still exists in Poland⁶ and Romania (see Appendix Table 3). Despite this diversity of arrangements, some common trends in the most recent reforms are identifiable. These include a reduction of entitlement criteria and the diminution in the level as well as in the duration of benefits⁷.

As mentioned previously, CEECs inherited an extensive system of family policies, both in terms of coverage but also in terms of benefits granted. In almost all countries numerous provisions are still available for citizens, which often cover children if not “from the cradle to the grave”, then at least to the completion of secondary school or university (see Appendix Table 4). Current trends of reforms do not seem to be characterized by a drastic shift in objectives. Central and Eastern European governments still tend to encourage young mothers to have more than one child, in many cases openly pursuing a pro-natalist policy-making as they did during communism. In CEE, young women have access to long maternal leaves (longer than in Western Europe), tax exemptions and, in some countries, also to special credits for buying a house (e.g. Hungary) or to set up a family (e.g. in the Baltic States). The situation is different in less economic performing countries, such as in Bulgaria and in Romania, where women are still seriously disadvantaged in comparison to men. However, as Orloff (forthcoming) has recently argued for Western Europe, the general trend seems to be that of a slow shift from a “maternalist” family logic in force in the immediate aftermath of World War II to an “employment for all” family logic, which recognizes the dual breadwinner role in child rearing. This is not to say, however, that governments have succeeded to fully ensure “gender neutrality”. Most of the differences between men and women still persist in the labour market. These include significant gender wage gaps, access to higher and better positions for men, the persistence of labour segregation for women, lack of recognition between paid and unpaid work, and so on (AA.VV. 2002; Paci 2002; Szelényi 2002; Fultz, Ruck and Steinhilber 2003; Schnepf 2004; Orloff forthcoming). What is important to remember here is that this orientation towards a “gender neutral” society started in Eastern Europe before than Western Europe, but also well before the fall of the Berlin Wall⁸.

⁶ Please note that the 2004 legislation in Poland has introduced a flat-rate benefit.

⁷ On protection against unemployment in CEE, see Nesporova (1999, 2002a, 2002b), Cazes and Nesporova (2003), GVG (2003), Cerami (2005), MISSOC (2005), Vaughan-Whitehead (2005).

⁸ On family policies in CEE, see GVG (2003), Cerami (2005), MISSOC (2005), Pascal and Kwak (2005).

Finally, the dismissal of workers from ex-state owned enterprises also forced Central and Eastern European policy-makers not only to establish a general system of unemployment insurance, but also a basic safety net for those citizens who lost the right to unemployment benefits. This basic safety net was then intended to provide a minimum subsistence level for the increasing number of poor. A so-called Minimum Guaranteed Income (or Minimum Subsistence Level) has now been introduced in almost all countries. With the exception of Hungary, which has no statutory Guaranteed Minimum Income (although numerous similar provisions exist for certain groups) and, to some extent Poland, due to the discretionary character for having access to benefits, the Minimum Subsistence Level strictly regulates the access to social assistance provisions in Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia (see Appendix Table 5). The Minimum Guaranteed Income is calculated on the basis of the person or family income and aims at bringing the vulnerable people above a nationally defined poverty threshold. Interestingly, this was not a new introduction. As mentioned, most communist regimes (Czechoslovakia, Hungary and the Soviet Union were among the first ones) had already established "socially desirable" levels of consumption for their citizens (Milanovic 1995, 1998) well before the concept of "social minima" was introduced in France in 1988 (in numerous other European countries, as in Spain and Italy, it is still absent⁹).

Part II: 3. Actors of Post-Communist Social Policy

The role played by international actors in the making of Eastern European social policy has been the object of several studies (Deacon et al. 1997; Orenstein 1998, 2005; Müller 1999, 2002, 2004; Manning 2004; Cerami 2005). Among the most influential actors usually quoted are the World Bank, the IMF, the OECD, the European Union, the WHO, and the ILO. The role of the "epistemic community" (Bafail forthcoming) in driving the political debate on the necessity of social policy reforms has indeed been crucial in providing new social policy ideas necessary for the shift from a welfare state based on central planning to a welfare system based on the market economy.

One of the most significant actors in the social policy reform process has certainly been the World Bank (Deacon et al. 1997; Orenstein 1998, 2005; Müller 1999, 2002, 2004), having facilitated the introduction of the three pillar scheme of pension, a health care system based on health insurance and liberalization of medical services as well as a residual social safety net in order to deal with the emergent problem of the new poor. Four main strategies conducted by the World Bank to ensure that its main policy

⁹ On social assistance in CEE, see GVG (2003), Cerami (2005), MISSOC (2005).

priorities are effectively implemented can be identified (Cerami 2005, pp.57-59): (1) *Policy Advice ⇒ Lending ⇒ Technical Assistance Strategy*; (2) *Multi-disciplinary Strategy*; (3) *Strategy of Global Context*; and (4) *Strategy of Direct Involvement*. As far as the first strategy is concerned, the World Bank often financed workshops on the reforms of the social security systems, which, beyond their pure informative character, served to introduce new social policy ideas and to call attention to what the World Bank addressed as crucial reform priorities. Once that political agreement on the necessity of reforms was found, the Bank started discussions on the possibility for granting loans and, if reforms were initiated according to the time-table, loans were granted (or continued to be granted) as planned. At the end of this process of "consensus building", the Bank sent its experts to the country in order to monitor the progress the transformation in the welfare state.

The second strategy was carried out involving numerous sectors in the process of reforms (for example, financial, telecommunications, and social protection). This was associated to the *strategy of conditionality* for granting loans. Loans granted in one sector, such as the railway sector, were often conditional upon the full implementation of reforms in another sector, such as in the social security sector. By so doing, the final impact of a planned reform in the pension sector was exponentially amplified by the introduction of another reform in the sector of telecommunications.

The third strategy was based on a global vision of reforms against a sectorial vision as preferred by the EU. While the EU tended to finance projects that could be immediately identified by their clear planning, implementation, timetabling, and objectives, the World Bank involved both specific and broad projects in strategic sectors, which influenced further reforms of the social security system. Finally, according to the *strategy of direct involvement*, the World Bank was actively engaged with local partners in the implementation of projects, not only through technical advice, as it often happened with EU sponsored projects, but sometimes also through a direct or indirect control of companies and organizations implicated in the management and implementation of such projects (see, for instance, Lethbridge 2005).

Amongst the most important international financial institutions, the International Monetary Fund (IMF) was certainly the one, which firmly promoted liberalization, privatization and macro-economic stabilization as a main conditionality for granting access to loans. Legal and institutional reforms were the main political science tools for assessing the feasibility and sustainability of planned transformation. In order to get access to IMF loans, countries had to agree with the IMF economic priorities (financial

and economic stability) and had to take the necessary actions to ensure full compliance with IMF guidelines, supervised also by its officials. Interestingly, lending and reform objectives of the World Bank and the IMF have often coincided to the point that in order to get access to World Bank loans, countries were requested to agree with the IMF economic priorities.

Similarly, the OECD has favoured the fast implementation of macro-economic stability measures as recommended by the World Bank and IMF. The *OECD Economic Surveys* have been the main tool for calling attention to the areas where reforms were addressed as urgent. These have coincided with the introduction of a residual welfare state, made of a three pillar scheme of pension, health insurance, limited unemployment benefits (accused of creating disincentives to re-enter the labour market) and a residual social safety net. The debate on the real impact of the OECD recommendations is, however, controversial. Armingeon and Beyeler (2003) have emphasized, for example, that although the OECD is a coherent think tank that promotes clear and coherent advice, it is not capable of playing a prominent role in national welfare state retrenchment, partly because of its limited possibilities to apply sanctions to the recommendations expressed in the *Country Surveillance Reports*. Others, by contrast, have focused on the indirect influence in policy-making through a mechanism of "moral suasion" (McBride and Russel 2001), that is, through a moral pressure that international institutions put on countries of how a "good" policy-making should look like.

A substantially more critical orientation to neo-liberalism has been provided by the UN agencies (such as ILO, WHO) and by the European Union. The ILO, for example, has been especially actively involved in the region through its Subregional Office for Central and Eastern Europe in Budapest, which main tasks have been and still are: a) to provide technical assistance by training; b) to carry out research; c) and to monitor the employment situation. The office has also been responsible for implementing numerous programs, and in organizing workshops and seminars, not only on labour issues, but also on the reform of the social security system¹⁰. The numerous publications coming from research activities and seminars directed to country officials have called attention not only to the necessity of reforms, but also for the need to consider the social dimension of reforms, especially on the possible transition costs associated to a shift towards a three pillar scheme, favoring the reduction of poverty as main policy priority rather than macro-economic stability.

¹⁰ For up-to-date information on the activities carried out by the ILO in Central and Eastern Europe, see home page of the ILO Sub-regional Office in Budapest. URL: <http://www.ilo.org/public/english/region/eurpro/mdtbudapest/>.

Following the same “socially responsible” policy line, the World Health Organization (WHO) has been active in Central and Eastern Europe since the first years of transition, providing technical assistance and monitoring the development of the health care systems recently established. The major part of its activities, however, are aimed at providing a detailed overview of reforms, including a comprehensive set of statistics (see WHO 2005, *Health for All Database*), rather than suggesting or promoting a specific health care model. Specific projects to modernize the health care sector have also been sponsored in most transition countries, but no clear policy preference has been observable. Beside the general call for a more egalitarian health care system, it is worth noting that the WHO suggestions did not confer legal rights and, thus, did not imply binding directives for their implementation. Reasons for this impasse are manifold, including the differences in health care systems among the WHO member states. The ratification of the agreements with the World Trade Organization (WTO) is also often quoted as another cause for the inaction of the WHO (Koivusalo 2003).

Finally, one of the most important actors that has called attention to the social dimension of reforms, even though probably not in a coherent way (see, for instance, Deacon *et al.* 1997; De la Porte and Deacon 2002; Ferge 2001; Lendvai 2004, 2005; Cerami 2005), has been the European Union. The most important financial assistance programmes to assist CEE countries in adopting EU laws previous to accession were PHARE (institution building), SAPARD (agricultural and rural development support), and ISPA (environment and transport investment support). In addition, the candidate countries had access to TAIEX (Technical Assistance Information Exchange Office) which concerned the “twinning” (training) of civil servants. Critiques on the effectiveness of these programmes focused not only on the work of EU institutions, but also on the structure of the assistance programmes itself. At the end of 2000, for example, only about 56 per cent of the projects financed under PHARE were rated as satisfactory, while, with respect to the “Twinning” of civil servants, the EU Court of Auditors repeatedly stated that the European Commission should still “demonstrate that it was achieving adequate value for money” (read cost/benefits) (see European Commission 2000, p 7). The absence of a coherent social policy strategy in ‘projects’ implementation was also frequently highlighted in numerous independent evaluation reports (GOPA 1998; Gaude and Vinard 2000; Euroservices Developments Belgium 1999; Office of International Policy Services and HUKS 1999; quoted in Cerami 2005, pp.54-56). Nevertheless, despite the existence of these shortcomings, the important role played by the EU in influencing the social policy reform path, at least in cognitive terms, cannot be denied (Palier and Guillén 2004; Ferge and Juhasz 2004, Lendvai 2004, 2005; Cerami

2005). A socially responsible welfare state was, unquestionably, a necessary precondition to meet the social priorities expressed not only by the *Accession Agreements*, but also by the Lisbon Council of 2000, which now represents the main reference in the so-called European Social Model.

4. Reform Challenges of Post-Communist Social Policy

Which are the most urgent reform challenges that the Central and Eastern European countries are called to deal with? Most of them are similar to the challenges that other Western European welfare states are facing (such as ageing population, ensuring financial balance of the system, improving work conditions and safety at work, promoting gender equality, etc.), and that have led social policy scholars to draw attention to the necessity to “recast” (Ferrera and Rhodes 2000), to “recalibrate” (Pierson 2001) or to “defrost” (Palier 2000) current welfare institutions. Other challenges, by contrast, seem to be particularly urgent for Central and Eastern Europe and are mainly focused on the sustainability of the newly established welfare arrangement. These include the necessity to ensure: a) coverage for the citizens; b) sufficient income; c) long-term sustainability of health, pension and unemployment insurance under conditions of great financial pressure; and d) certainty for those citizens who have invested or will invest in private funds.

Ensuring coverage for the population (and not only for workers) is certainly one of the most pressing problems. The collapse of the command economy with its centralized system of resource allocation has, in fact, drastically altered the distributive character of the countries in transition, with a growing number of citizens now involuntarily catapulted out of the labour market. The introduction of Bismarck-style welfare institutions, which link the access to benefits to the contribution record of the insured, has inevitably implied the exclusion of numerous citizens, who now find themselves almost unprotected, if unemployed, or, only partially protected, in case of atypical, informal or part-time workers. These new professional categories have all drastically increased in recent years (Vaughan-Whitehead 2005). Ensuring coverage is not only limited to the pension and health care sector, but also includes unemployment insurance and, more in general, those policies aimed at preventing social exclusion, such as social assistance provisions. Strict means-testing with the subsequent tightening of eligibility criteria, as often suggested by the most influential financial institutions, notably the OECD and World Bank, has, in fact, implied not only a drastic reduction in eligible citizens, but also an increase in social stigma for those who succeeded to receive the benefits.

Providing sufficient income for citizens is, probably, the second most important challenge. The *monetarization and individualization of responsibilities and risks* (Ettrich and Cerami forthcoming) has resulted in a dramatic increase in income inequality with a substantial reduction of earning possibilities for a large part of the population. From one of the lowest rates of income inequality in Europe (income inequality during communism was well below the Western average, see Milanovic 1998), CEECs are now coming close or even overcoming (such as in the case of the Baltic countries, Poland, Romania and Slovakia) the EU 15 average¹¹ (see Appendix Figure 1). Poverty in the region has also dramatically increased, as many studies have repeatedly emphasized (Förster and Tóth 2001; Ferge *et al.* 2002; Stanovnik and Stropnik 2002; Szelényi 2002; Zhelyazkova *et al.* 2002; Orenstein *et al.* 2003, World Bank 2001, 2002; UNDPAD 2003; Cerami 2003, 2005). Figure 2 (see Appendix) provides a brief overview of poverty rates in 2003 divided by gender and shows how, with the sole exception of Hungary, Poland and Slovakia, poverty rates tend to be higher for women than for men. Here, it is perhaps interesting to note how the situation for women in the new Member States is now close to the one present in the old Member States, where the traditional family pattern based on the male-breadwinner model (see Lewis 1992) has contributed, during the decades, to the feminization of poverty¹². Nevertheless, women are not the only vulnerable group of transition, with the young, elderly, households with children (particularly single households), workers of ex state-owned enterprises and the Roma community also being extremely disadvantaged (Szelényi 2002; World Bank 2001, 2002; Orenstein *et al.* 2003; UNDPAD 2003; UNECE 2004). Figure 3 (see Appendix) provides a simple, but clear picture of the impact of social transfers in the region. As it can be seen, social transfers substantially reduced poverty in almost all countries. Only in Bulgaria, Romania and Slovakia the poverty reduction rate¹³ has been lower than 40 per cent, but these are also the most problematic countries in terms of economic recovery, also having recently opted for more market oriented welfare institutions. In short, it can be affirmed that welfare institutions, by reducing the number of poor people, have been vital democratizing forces, helping to ensure stability for the democratic institutions recently established (Cerami 2003, 2005).

¹¹ In Figure 1, income inequality is defined by "the ratio of total income received by the 20 % of the population with the highest income (top quintile) to that received by the 20 % of the population with the lowest income (lowest quintile). Income must be understood as equivalized disposable income". Definition by Eurostat 2006.

¹² In Figure 2, the poverty rate is defined by "the share of persons with an equivalized disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalized disposable income (after social transfers) the lowest income (lowest quintile). Income must be understood as equivalized disposable income". Definition by Eurostat 2006.

¹³ The poverty reduction rate is calculated as the difference between the poverty rate before and after social transfers.

The third, most pressing issue, concerns the long-term sustainability of the recently established health, pension and unemployment insurance under conditions of extreme financial pressure. The employment ratio in the ten countries studied has drastically decreased since the first years of transition from an average of 71 per cent in 1990 to 64 per cent in 2002 (see Appendix Table 6). This has resulted in a serious reduction of the social security receipts, with the necessity of an increase either in social insurance contributions for the workers remained in activity or an increase in expenses for the state budget now called to cover the deficit of the newly established social insurance funds. The growing number of pensioners, of unemployed, and of sick people (due to the deterioration of life quality following the austerities of transition) has also helped to aggravate a situation already disastrous.

Fourth, the uncertainty following the introduction of private schemes in times of market instability should not be forgotten. The introduction of compulsory and voluntary private tiers in the three pillar scheme reform (the second and third pillar) raises serious concerns not only with regard to the so-called double-payment (Bonoli 2000; Myles and Pierson 2001) necessary for financing the transition from a PAYG to a fully funded system (current workers would in fact be called to pay twice: once to finance current pensioners under the PAYG scheme and once for their own individual accounts), but it also raises important questions on the trustworthiness of the private pension funds allowed to operate in the market. The temptation of private pension funds to declare bankruptcy or insolvency, in absence of an effective legislation, should market conditions create difficulties to the financial profitability of the company, should not be underestimated. In this case, the state will be called to either cover the expenses of pension funds or directly insuring the citizens who have seen their savings disappear. It is also important to note that it is often impossible to predict the actual end pension that retiring workers will receive. A study carried out by the ILO (2000) has, in fact, expressed serious doubts on pension fund managers' ability to predict the future amount of pensions for their clients due to the volatility and the unpredictability of markets. Similar considerations apply for the newly established health funds, which in numerous cases have been abolished soon after their introduction due to a lack of funds necessary to ensure even minimum services. Last but not least, close to the raising costs associated with the increase in administration and management costs caused by the decentralization of responsibilities from central to local governments (but also from public to private funds), it has also to be questioned whether private insurance companies should be allowed to carry out a preventive screening in order to see which potential clients are affected by chronic illnesses (such as diabetes), which would inevitably imply more costs for the health insurance company.

To conclude, just to quote few examples of the dissatisfaction of Eastern citizens with current reforms, in 2003, with the sole exclusion of the Czech Republic and Slovenia, the satisfaction with the quality of the health care system¹⁴ was dramatically below the EU 15 average (Appendix Figure 4). Also the quality of social services¹⁵ was evaluated more negatively in the East than in the West (Appendix Figure 5) and substantially higher was also the perception of Eastern citizens on the likelihood to loose their job¹⁶ (Appendix Figure 6) as well as on the risk to fall into poverty¹⁷ (Appendix Figure 7).

Part III: 5. Explaining Post-Communist Adaptation

Unquestionably, one of the key questions that needs to be addressed in order to improve understanding of the post-communist transition is the identification of the main mechanisms responsible for institutional change. In our specific case, a particular attention must be given to the factors that have influenced the social policy reform process, facilitating the implementation of specific welfare institutions at the expenses of others. Why has, for example, a social insurance model been introduced instead of a system financed by taxes? Why have entitlement criteria been granted on the basis of the professional status instead of on the basis of citizenship? In short, how do we explain the introduction of new post-communist welfare institutions?

The most common approach to welfare state change in Central and Eastern Europe, deeply rooted in the tradition of modernization theory (see Zapf 1998), has looked at the transformation from a communist to a post-communist welfare state as a mere shift from a de-differentiated and de-modernized welfare system to a differentiated and modernized one¹⁸. As in many other areas, social policies have been understood as a result of a simple transfer from the West to the East, due to the innate superiority of the Western model. The only effort made by the recipient countries was in accepting this policy transfer with the associated policy prescriptions. This would have inevitably led to a fast modernization of their obsolete system of social security (see, for instance, continuous references in OECD and World Bank reports to introduce a welfare state mirrored on the Western model).

¹⁴ Question: "Percentage of individuals who are very or fairly satisfied with their national health system".

¹⁵ Quality of social services: "mean value on a scale of 1 'very poor quality' to 10 'very high quality' of the national public social services.

¹⁶ Question: Percentage of employed people (18-65 years old) who think it is very likely or quite likely that they will lose their job in the next six months.

¹⁷ Question: "Percentage of individuals who strongly agree or agree that they feel there is a risk they could fall into poverty, measured on a four item scale".

¹⁸ An interesting debate on modernization and the transition in Central and Eastern Europe is provided by Ettrich (2005) and Bafoil (forthcoming).

Needless to say, this approach is clearly simplistic, since it does not take into account the historical background of the countries in which specific policy options had to be implemented. Why should, in fact, be a model good for the West also be good for the East? A substantially different understanding of welfare state change is an approach based on path-dependency theory and on neo-institutionalism. Here, welfare state change is understood in terms of an incremental transformation in which historical, social, political and institutional legacies play a crucial role hindering a full and aseptic policy transfer. In a nutshell, according to the supporters of this approach, post-communist countries have not built the new society out of the ruins of communism, but rather with the ruins of communism (Stark 1992, 1995; Stark and Bruszt 1998; Eyal et al. 2001, 2003).

With regard to the transformation of the welfare state, social policy characteristics in place in the pre-communist (Bismarck-style social insurance) and communist period (universalism, corporatism and egalitarianism) have permeated the post-communist reform process, with its new consensus on market-based schemes (Cerami 2005). A brief overview of pre-communist Central and Eastern European pension and health care systems shows that all countries had already established some form of Bismarck-style pension and health insurance, which linked the access to benefits to professional status. In the years 1906 to 1928, the numerous funded pension and health care schemes established were based on a corporatist vision of social solidarity, primarily aiming to secure occupational standards. At the end of World War II, the attempt of the Soviet Union to dismantle these social security systems and to include them in the Soviet welfare regime was only partially successful. Most of the peculiarities in force during the first stage of Bismarck reforms survived to the drastic social policy re-organization. In almost all these countries, the universal and egalitarian principles spread by the communist regime were, in fact, coupled to a corporatist vision of social solidarity.

As a consequence of on-going evolutionary processes, the contemporary Central and Eastern European welfare regime¹⁹ seems to be the result of an ambiguous policy mix of different elements. The three-pillar scheme of pension insurance has turned into a four-

¹⁹ In the last paragraph of the book *The New Eastern Europe*, Deacon (1992) suggested the emergence of a possible future "post-communist conservative corporatist" model related to Bulgaria, Poland and Romania. In his conceptualization, Czechoslovakia would have been a good example of social democratic welfare state, while Hungary and Slovenia would have been good examples of future liberal capitalist regimes. In the following years, however, this three-fold classification seems to have been abandoned by the author, who focused in later works on globalization and social policy (Deacon et al. 1997). For the classical typology of welfare regimes, see Esping-Andersen (1990), for an up-to-date discussion, see Arts and Gelissen (2002), for the definition of "models of solidarity", see Ferrera (1993).

pillar model, where a strong link to social assistance provisions ensures coverage for those citizens whose income under the above scheme would not be sufficient (see also Wagener 2002). Market-based health insurance, characterized by a strong link between contributions paid and services received, has been introduced, but coupled, in all countries, with the universal principles guaranteed by the state, which is still responsible to cover numerous uninsured citizens. Finally, unemployment, social assistance and family benefits, introduced with the aim to reduce temporary poverty, have changed their nature and scope from residual safety nets into active democratization forces. A mix of market-orientation, targeting and universality has then become the new distinctive attribute of these areas. If analyzed in their global context, the abovementioned characteristics are evidence for a significant degree of cohesion among these welfare states in transition and presuppose the emergence of a new and unique model of solidarity (Cerami 2005, pp.143-144).

Here, however, one last important point needs to be made. Path dependent transformation has not necessarily implied the absence of innovative solutions, as the main critiques to path dependency theory²⁰ would affirm. Rather, there have been possibilities of "path departure"²¹ and of "path creation"²², which have been made possible by the opening of several policy windows. In our specific case, important policy windows were opened by the necessity of drastic reform of a social security system, which was anchored on a no longer existent central planned economy. "Lock-in" processes have then been overcome by the necessity of rapid adjustment. Even in the pension sector, usually addressed as the most "sticky" object of the welfare state (Myles and Pierson 2001), Central and Eastern European countries have found place for innovative solutions, such as in the case of the three pillar scheme, and also for subsequent incremental adjustments (the introduction of the notional defined contribution –NDC– in Latvia and Poland). The increase in coverage under state responsibility through an enlarged access to social assistance provisions or through state subventions to health insurance are two other notable examples.

6. Central and Eastern European Welfare Regime and the European Social Model

Is the Central and Eastern European welfare regime compatible to the institutional set up of the European Union? If yes, how can Central and Eastern Europe be included into the European Social Model? Before attempting to find a response to these questions, a brief

²⁰ On path dependency theory, see David (1985), North (1990), Pierson (1993, 2000). For a critique, see Beyer and Wielgohs (2001).

²¹ An interesting discussion on "path dependency" and "path departure" is provided by Ebbinghaus (2005).

²² For the concept of "path creation", see Garud and Karnøe (2001); Lessenich (2003).

reference to the *spatial politics of social security* reforms is necessary (Ferrera 2005). Based on the work of Rokkan (1999) and Hirschmann (1970), two Italian political scientists have recently called attention to the necessity of looking at the development of European nations (Bartolini 2005) and welfare states (Ferrera 2005) as a complex process of boundary building and boundary transcendence. In a nutshell, welfare state has been functional to the development of the modern nation state by defining the boundaries of citizenship (see also Marshall 1963, 1970, 1981). Welfare institutions have not only created the legal conditions for the inclusion of specific professional groups, but also created the conditions for the exclusion of others, usually the “non nationals”. System building, in our specific case welfare state building, has thus coincided with an ongoing process of structuring, de-structuring and re-structuring of existent institutions, both formal and informal, which have had a crucial impact in the final definition of how the nation state was supposed to look like, but also where its boundaries ended (see Bartolini 2005; Ferrera 2005). It is affirmed that social sharing (the act of sharing responsibilities but also rights among the members of the community) has moved in Western Europe along two general lines: one based on the Bismarckian understanding of social solidarity with its main focus on contribution and employment related benefits and the other based on the Beveridgean conception of citizenry with its main focus on universal and flat-rate benefits.

If we take into account the Eastern European experience, largely neglected by the two authors, we see that, despite the extreme validity of their explanatory model, a mix of Bismarck-style and Beveridge-style welfare provisions have been developed during the forty years of Russian occupation and that still continue nowadays. Even though none of these categories should be seen as a “pure type” but rather as a Weberian “ideal type” of welfare arrangement, we must conclude that, for the reasons mentioned above, the Central and Eastern European welfare regime has always been and still is “something else” from those present in Western Europe. However, the process of structuring, de-structuring and re-structuring of functions and membership criteria, very different from that present in the West, should not be seen as a concluded process, but rather as still in the making.

We can now turn back to the main question on the inclusion of the Central and Eastern European welfare regime into the European Social Model? Although the debate on the constraints that the European Union may exercise on Member States is broad and

cannot be discussed here in details²³, it can certainly be affirmed that the European Union is acting as a force able to “unfreeze” or to “unlock” (see Rokkan 1999; Bartolini 1998, 2005; Ferrera 2000, 2003, 2005) the borders of national welfare states, by providing incentives for compliance to an ideal European Social Model, based on the economic priorities as expressed by the Single Market, but also creating conditions for new rights and membership criteria based on the social objectives as promulgated by the European Council of Lisbon in 2000. As a consequence, the emergence of a two-tier system²⁴ can be proposed (see Cerami 2005, pp. 186-187): a “European Model” common to all member states based on the single market principle and regulated by EU directives associated with a second-tier established on distinct forms of social solidarity and synchronized by national decision-making in accordance to historical and cultural backgrounds (see Table 7).

Table 7 The EU Two-Tier System: The Single Market Oriented Model

| First - Tier | Second - Tier |
|---|--|
| <ul style="list-style-type: none"> - Common to all countries: Single Market oriented with some universal aspiration - Legal - Compulsory - Economic sphere - Decisions made by the European Commission on the basis of the criteria regulating the Single Market | <ul style="list-style-type: none"> - Differentiated according to national peculiarities - Semi-legal/tolerated - Optional - Political sphere - Decisions made by national governments on the basis of the requests coming from the electorate |

Source: Cerami 2005, Table 4.1, p.187

In the scheme presented above, the first tier, common to all countries, is based on those principles that constitute the foundation of the single market (such as the priority for economic stability, market competition, and so on) coupled with some universal aspirations promoted in the “European Social Model”. This first tier has also a legitimate strong legal framework, provided by the superiority of the EU Court of Justice, on national decisions, is compulsory, and primarily involves the economic sphere through decisions taken by the European Commission. The second tier, is differentiated

²³ For a brief introduction to the debate over the governance in the European Union, see, for instance, O’Neill (1996), Tsoukalis and Rhodes (1997), Dehousse (1997), Hooghe and Marks (1997, 2001); Scharpf (1999, 2002); Wallace et al. (2005).

²⁴ On the concept of “multi-tier system”, see also Leibfried and Pierson (1995).

according to national peculiarities; is semi-legal in the sense that it is tolerated by EU institutions as long as it does not compromise the stability of the Single Market; and, is optional in that it is not essential for EU membership and primarily involves the political sphere since decisions are taken by national governments on the basis of the requests coming from their electorate (Cerami 2005, p.187).

Conclusion

This paper has briefly summarized the social policy developments occurring in Central and Eastern Europe since the fall of the Berlin Wall, providing also a short overview of the social security system in force during communism. The main argument has been that social policy transformation in the region has been path-dependent not precluding, however, moments of institutional innovation. The existence of a similar social policy logic has led to the identification of a unique Central and Eastern European welfare regime, whose main characteristics are the result of an ambiguous mix among: a) Bismarck social insurance as in place in the pre-Soviet period; b) universalism, corporatism and egalitarianism as driving values during communism; and c) market-based schemes as key elements of the new post-communist consensus. This paper has also explored the reform challenges that Central and Eastern European countries are now facing. Closed to the ones common to other Western European welfare states (such as ageing population, improving gender equality, etc.), CEECs are now urgently required to ensure coverage for the citizens, sufficient income, long-term sustainability of health, pension and unemployment insurance, and certainty for those citizens who have invested or will invest in private funds.

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Appendix

Table 1 Pension 2005

| | Three-Pillar Scheme | Type | Retirement Age | Minimum Contribution Years | Fourth Pillar |
|-------------------|-----------------------------|-------------------------------------|------------------------------|-----------------------------------|----------------------|
| Bulgaria | √ | earnings-related | 63 men 60 women (2009) | 15 | √ |
| Czech Rep. | I and III Pillar | earnings-related + flate-rate | 61.5 men 59 women | 15 | √ |
| Estonia | √ | earnings-related + flate-rate | 63 men 59.5 women | 15 | √ |
| Hungary | √ | earnings-related | 62 men 62 women | No minimum | √ |
| Latvia | √ | earnings-related NDC | 62 men 60 women | 10 | √ |
| Lithuania | √ II Pillar Voluntary | earnings-related | 62.5 men 59.5 women | 15 | √ |
| Poland | √ | earnings-related NDC | 65 men 60 women | 20 | √ |
| Romania | √ | earnings-related | 65 men 60 women | 15 | √ |
| Slovakia | √ | earnings-related | 62 men 62 women | 10 | √ |
| Slovenia | I and III Pillar | earnings-related | 65 men 63 women | 15 | √ |

Source: MISSCEEC 2002; GVG 2003; MISSOC 2005

Table 2 Health Care 2005

| | Health Insurance | Year | State Involvement |
|-------------------|-------------------------|-------------|----------------------------------|
| Bulgaria | √ | 1998 | Medium |
| Czech Rep. | √ | 1991/1997 | Strong |
| Estonia | √ | 2002 | Strong |
| Hungary | √ | 1997 | Strong |
| Latvia | Tax-financed | 1997 | Strong |
| Lithuania | √ | 1996 | Strong |
| Poland | √ | 1997/2004 | Low |
| Romania | √ | 1998 | Medium |
| Slovakia | √ | 2004 | Strong (medium in the future) |
| Slovenia | √ | 2002 | Strong |

Source: MISSCEEC 2002; GVG 2003; MISSOC 2005

| | Unemployment Insurance | Qualifying Period | Maximum Duration of Benefits | Amount of Benefits |
|-------------------|--|---|---|--|
| Bulgaria | √ earnings-related | 9 months over the last 15 months (2003) | 4-12 months | 60 % of previous earnings |
| Czech Rep. | √ earnings-related | 12 months over previous 3 years | 6 months | 50% of reference earnings (3 months). Then 45% |
| Estonia | √ earnings-related | 12 months over previous 24 months | 9 months | 50% of reference earning. Then 40% |
| Hungary | √ earnings-related | 200 days over previous 4 years | 9 months | 65% of previous earnings |
| Latvia | √ earnings-related | 9 months in the last 12 months | 6-9 months | 50-65% of previous earnings |
| Lithuania | √ earnings-related | 18 months over previous 3 years | 6 months | Fixed + Variable Component (national currency) |
| Poland | √ flate rate benefit (new law 2004) | 365 days over previous 18 months | 6 months areas unemployment less than 125% national average; 12 months areas with unemployment of at least 125%; 18 months areas where unemployment is more than twice the national average | Unemployment Allowance (national currency) |
| Romania | √ strong flate rate component | 6 months over previous 12 months (2003) | 12 months | 75 % minimum gross salary |
| Slovakia | √ earnings-related | 3 years over previous 4 years | 6 months | 50% assessment base |
| Slovenia | √ earnings-related | 12 months over previous 18 months | 3-24 months | 70% (3 months). Then 60% |

Source: MISSCEEC 2002; GVG 2003; MISSOC 2005

| | Maternity Leave | Child Benefit | Child Raising Allowances |
|-------------------|------------------------|----------------------|---------------------------------|
| Bulgaria | 135 days (2002) | Up to 18 years | Income tested |
| Czech Rep. | 196 days | Up to 26 years | Up to 4 years |
| Estonia | 140 days | Up to 19 years | Up to 3 years |
| Hungary | 308 days | Up to 24 years | Up to 3 years |
| Latvia | 112 days | Up to 20 years | Income tested |
| Lithuania | 126 days | Up to 24 years | Up to 3 years |
| Poland | 112 days | Up to 24 years | Up to 2-3 years |
| Romania | 126 days (2002) | Up to 26 years | No special scheme |
| Slovakia | 196 days | Up to 18 years | Up to 4 years |
| Slovenia | 105 days | Up to 26 years | Up to 280 days |

Source: MISSCEEC 2002; GVG 2003; MISSOC 2005

| | Guaranteed Minimum Income | Principle |
|-------------------|---|--|
| Bulgaria | √ 1997 | Ensure basic income. Differential amount |
| Czech Rep. | √ 1991 | Ensure basic income |
| Estonia | √ 1995 | Ensure basic income |
| Hungary | No Guaranteed Income. (other provisions available) | other provisions available |
| Latvia | √ 2002 | Ensure basic income |
| Lithuania | √ 1990 | Ensure basic income. Differential amount |
| Poland | √ 2004 | Ensure basic income. Discretionary entitlement |
| Romania | √ 2001 | Ensure basic income |
| Slovakia | √ 2003 | Ensure basic income |
| Slovenia | √ 2004 | Ensure basic income |

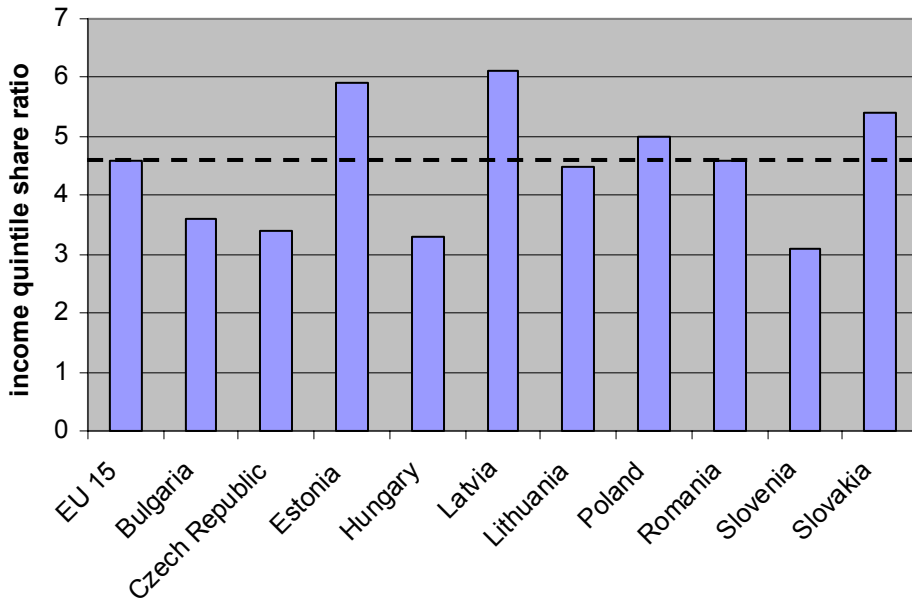
Source: MISSCEEC 2002; GVG 2003; MISSOC 2005

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Bulgaria | 77,9 | 68,3 | 63,3 | 62,8 | 63,2 | 64,2 | 64,3 | 61,8 | 61,7 | 60,4 | 58,3 | 60,1 | 60,6 |
| Czech Rep. | 85,7 | 77,4 | 74,7 | 75,7 | 75,8 | 75,8 | 75,4 | 74,5 | 73,1 | 71,3 | 70,6 | 70,6 | 71,3 |
| Estonia | 86,9 | 85,5 | 82,4 | 77,8 | 76,7 | 73,2 | 72,6 | 73,1 | 72,4 | 69,4 | 68,7 | 69,3 | 70,2 |
| Hungary | 82,9 | 79,6 | 71,1 | 63,9 | 60,5 | 59 | 58,1 | 57,8 | 58,1 | 59 | 60,3 | 60,5 | 60,8 |
| Latvia | NA | NA | NA | NA | NA | NA | 64,1 | 67,4 | 67,5 | 66,5 | 64,9 | 66,6 | 68,5 |
| Lithuania | 81,7 | 83,9 | 82,4 | 79,5 | 75,5 | 74,6 | 76 | 77,1 | 77 | 77 | 65,6 | 63,5 | 65,9 |
| Poland | 70,6 | 67,1 | 64,8 | 63,3 | 63,5 | 63,8 | 64,8 | 66,1 | 65,4 | 63,8 | 61,1 | 59,8 | 57,5 |
| Romania | 76,8 | 77 | 75,2 | 72,1 | 71,4 | 67,5 | 66,5 | 64 | 62,6 | 59,8 | 61,1 | 60,3 | 61,3 |
| Slovakia | 77 | 67,5 | 67,5 | 65 | 63,5 | 64,3 | 62,7 | 60,2 | 59,4 | 56,1 | 56,8 | 56,7 | 56,5 |
| Slovenia | 71,7 | 66,1 | 62,6 | 66,6 | 67 | 69,2 | 68,8 | 70,2 | 70,9 | 69,5 | 69,3 | 70,7 | 71,2 |
| Average | 71 | 67 | 64 | 63 | 62 | 61 | 67 | 67 | 67 | 65 | 64 | 64 | 64 |

Source: TransMonee Database 2004

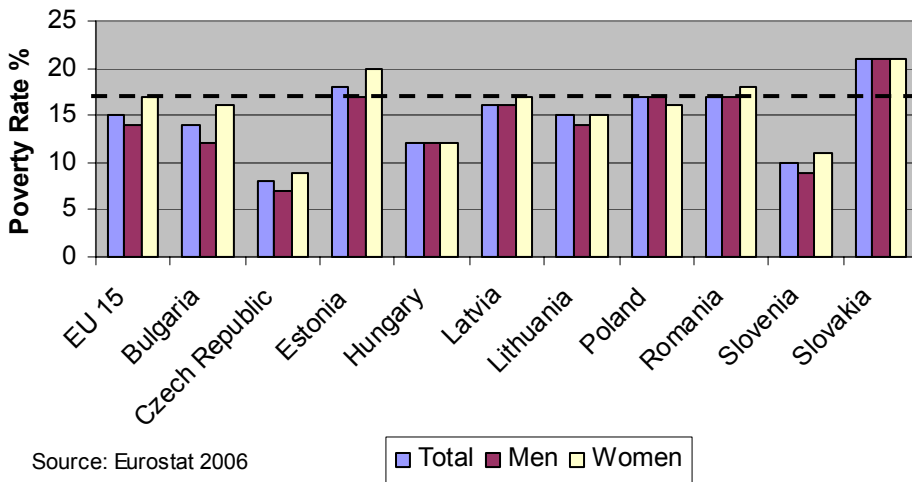
* Annual average number of employed as per cent of population aged 15-59

Fig. 1 Inequality of Income Distribution (2003)



Source: Eurostat 2006

Fig. 2 People at Risk of Poverty (2003), by Gender



Source: Eurostat 2006

Legend: Total (blue), Men (maroon), Women (yellow)

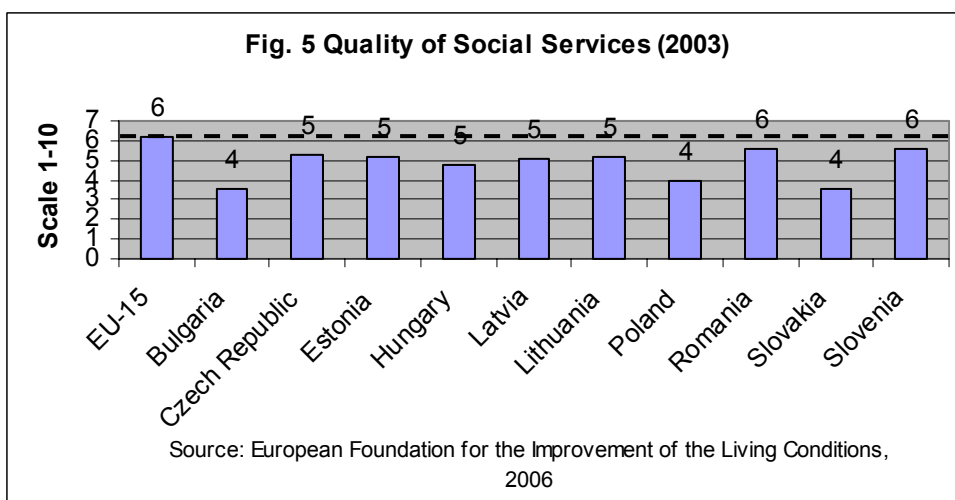
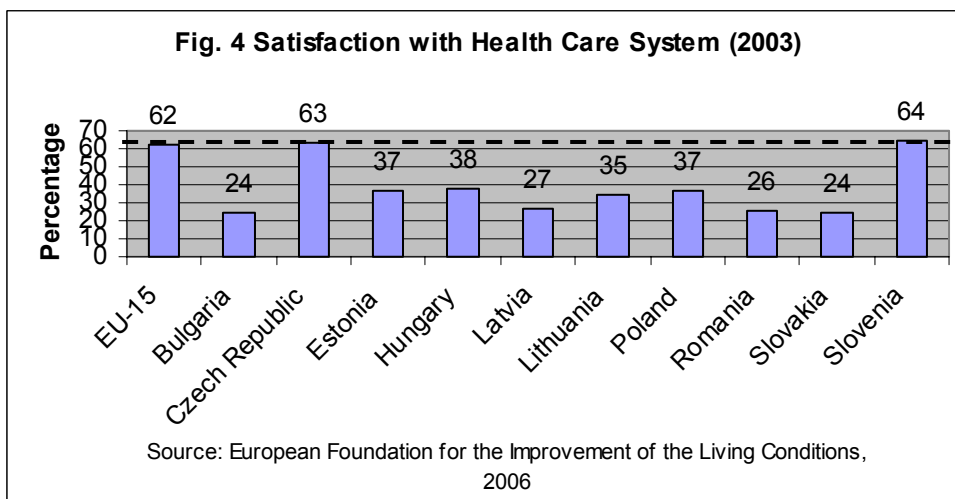
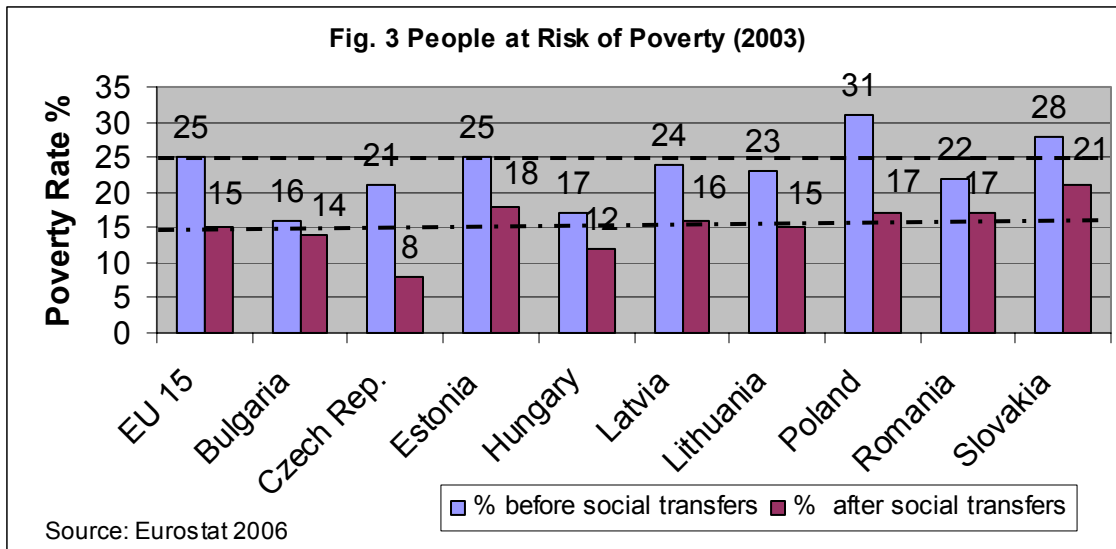
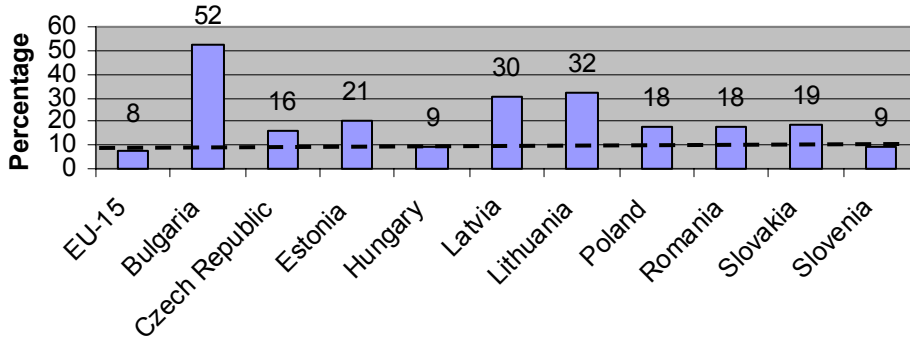
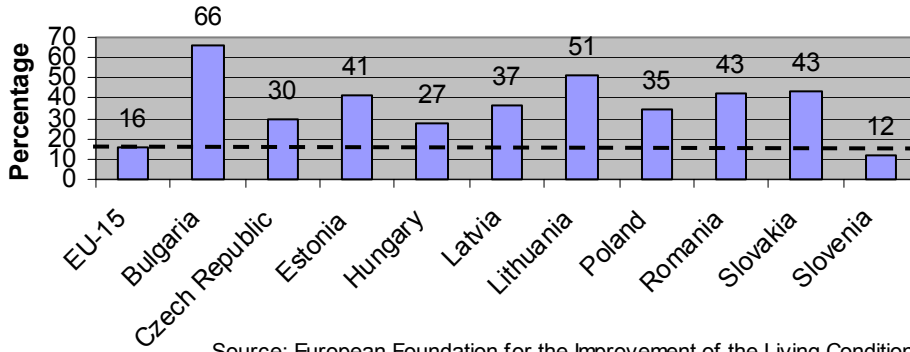


Fig. 6 Likelihood of Losing the Job (2003)



Source: European Foundation for the Improvement of the Living Conditions, 2006

Fig. 7 Risk of Falling into Poverty



Source: European Foundation for the Improvement of the Living Conditions, 2006