

**Social Policy in Central and Eastern Europe.
The Emergence of a New European Model of Solidarity?**

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Abstract

This paper summarizes the results of the author's Ph.D. thesis defended at the University of Erfurt (Germany) in January 2005. The paper discusses the paths of transformation of post-communist welfare states, and reflects on how these social security systems will fit in the future EU welfare regime. The principal hypothesis of the research is that since there is now a significant agreement on the fact that different capitalist models may result in the formation of different welfare regimes, and that the development and creation of a determined welfare regime is strictly connected to the historical, institutional and cultural legacies of the countries in which welfare institutions grow, a common socio-political background will lead to the emergence of a common, unique welfare regime. Crucial questions that need to be addressed were whether the post-communist capitalism (or capitalisms) will: a) reproduce the welfare state already in place in Western Europe; b) result in a common peculiar Eastern welfare state; or c) create so many welfare states as many economies in transition. In other words, are we witnessing the emergence of a new European model(s) of solidarity. If yes, is this model in accordance with EU standards. This research has identified the emergence of a peculiar Eastern European model of solidarity coming from the fusion of pre-communist (Bismarck social insurance), communist (universalism, corporatism and egalitarianism) and post-communist features (market-based schemes), and is maintained by a strong support for redistributive policies.

Keywords: Central and Eastern Europe, comparative social policy, welfare states, transition economies, labour markets, pension, health care, family policies, social assistance, European Social Policy, European Social Model.

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Introduction

Over the last few years, a growing interest has characterized the study of post-

communist welfare states. Too many times, however, Central and Eastern European systems of social protection have been considered as a *tabula rasa*, in which welfare institutions could simply be introduced by design. If changes in social policy occurred, these changes were not the result of natural processes of transformation and evolution, but rather the result of a mere institutional transfer. What is clear is that social policy analysts have primarily looked at the Eastern European experience with Western eyes and this has excluded a correct understanding of the most recent developments in social policy. This study does not deal with the death or re-birth of old institutions, but rather with the emergence of new ones.

With the first introduction of market-oriented reforms, numerous observers affirmed that post-communist countries would finally converge on the Western model and that no clear differentiation would soon be possible. As a consequence, Burawoy (2001) has argued, that a new form of global capitalism is emerging. Other scholars, in sharp contrast, have pointed out that, due to national historical backgrounds, the study of capitalism means in reality the study of "comparative capitalisms" (Stark 1996; Stark and Bruszt 1998, 2001; Eyal *et al.* 2001, 2003; see also Albert 1993; Esping-Andersen 1990; Rhodes and van Apeldoorn 1997; Streeck 1997; Hall *et al.* 2001). Researchers should therefore focus their attention not on a single capitalist model, but on a variety of capitalisms. If this pattern is real, then comparative social policy should attempt to answer the question of whether the post-communist capitalism (or capitalisms) will: a) reproduce the welfare state already in place in Western Europe; b) result in a common peculiar Eastern welfare state; or c) create so many welfare states as many economies in transition. In other words, it has to be asked whether we are witnessing the emergence of a new European model(s) of solidarity² and, if yes, whether this model is in accordance to EU standards.

This paper is divided into three main parts. Part one provides a brief overview of path dependency theory and the most discussed approaches to institution building. This is meant to challenge the reader on the necessity to develop a new theoretical framework in comparative welfare state research. This is important as a couple of important issues here still require an adequate response: are contemporary theories in comparative welfare state research sufficient to explain the path of transformation of Central and Eastern European social policy? Are current models western-centric? Do we need a new

² 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

approach? Part two, on the other hand, is intended to summarize the most recent developments in the social policy sectors: pension, health care, protection against unemployment, social assistance and family policies. The aim here is not only to demonstrate that the transformation of these welfare states in transition has followed a different path from those claimed by other observers, but also to elucidate on the main characteristics that make these welfare states a unique welfare regime. Finally, part three discusses how the Central and Eastern European model of solidarity will fit in the future welfare regime.

1.1 Path-dependency Theory

The notion of path-dependent transformation has only recently come to the attention of social and political scientists. The path dependency theory grew in the field of technological development, economics and only recently has reached political and post-communist studies (Beyer and Wielgohs 2001). In its simplest sense, path dependent development means that the transformation in the technological, economic or political fields is highly dependent on the immediate environment in which conditions for change have been created. The classic statement of this theory is that small events produced in the past are likely to cause long-lasting consequences (Bianco *et al.* 1997; Pierson 2000).

With regard to post-communist studies, the leading proponents of path dependency theory have rejected the approach suggested by Karl and Schmitter (1991) who argued that the dissolution of the communist order resulted in a “political” or “institutional” vacuum in which new values could be easily implemented (Beyer and Wielgohs 2001). In Karl and Schmitter’s view once an important rupture with the past has begun new rules encourage some interests to enter the partisan political arena and discourage others (Karl and Schmitter 1991). In the case of Central and Eastern European societies, these new rules corresponded to neo-liberal values. According to path dependent theorists, however, neo-liberal principles recently introduced in post-communist societies have still to face the violent and long-lasting impact of historical legacies (Jowitt 1992; Offe 1996; Crawford and Lijphart 1997).

A substantially less deterministic conception of path dependency theory rejected the idea of a “political” or “institutional” vacuum as well as the notion that communist legacies might have produced negative effects in the process of transformation. Advocates of this view affirmed that even during the first years of transition there was still place for path-dependent and innovative decisions (Hausner *et al.* 1995; Stark 1992, 1995; Stark and Bruszt 1998, 2001). For Stark (1992), the variety of privatization strategies in Central and Eastern Europe indicated that politicians could still implement different policies in

accordance to the country's cultural and historical heritage. In his words (Stark 1992, p.20), "it is in the ruins of communism that these societies will find the materials with which to build a new order" and not out of it. Moreover, it is "not by design" that capitalism can be introduced in these societies, but the "path of extrication" from state-socialism will be the result of mutations, reconfigurations and "recombinations" of pre-existent features (Stark 1995; Stark and Bruszt 1998, 2001). In brief, path dependence means for these authors neither restoration of the previous structure nor incapacity to build new institutions.

Nonetheless, according to the most influential economists of this theory, the freedom of choice for innovative decisions tends to be confined (locked-in) in the early transitional period. In other words, once that a change has been made, all other possible solutions are automatically locked out from the early path of transformation (Arthur 1989; David 1985). The reasons why this happens are explained by the fact that each change imposes significant net costs and, as a consequence, the actors involved in such change may find transformation unattractive in comparison to the *status quo* (David 1985; North 1990; Pierson 1993, 2000).

In sharp contrast to the assumption that future changes will unlikely happen once that a path of transformation has been introduced, Beyer and Wielgohs (2001) argued that later changes in the political constellation were not irrelevant for the further course of privatization in East Central Europe. In the hands of these authors, path dependency theory would be abandoned, being at the moment "not more than a metaphorical formula that history matters and that there is continuity also in the process of social change" (Beyer and Wielgohs 2001, p. 387). According to their point of view, the process of transformation in Eastern Europe is still an on-going process, which does not allow stable observable outcomes. Thus, path dependency theory might be helpful only once that the "mode" of transition has been concluded.

Is path dependency theory, as expressed so far, sufficient to explain the "path of extrication" from state-socialist welfare states? Or is, fifteen years after the dissolution of communism, some modification required? To defend the importance of path dependency theory, this study will demonstrate that contemporary Eastern European welfare states were not introduced by design or by dictation, but have been built on communist and pre-communist ruins. As Stark (1992, 1995) has insisted, the communist and pre-communist heritage did not block, but created opportunities for great innovation. Interestingly, innovative decisions did not remain confined to the early transitional period, but were possible also in later stages of development. This last statement proves by no means the inconsistency of path dependency theory, but simply, as Di Palma

(1990, p.129) has emphasized, that “rules are adaptable to changes”. Indeed, each path dependent change cannot be simply explained in terms of stable transformation over time, but needs to be reconsidered in developmental terms. For this reason, the expression “developmental path dependence” will be used to define the multi-linear approach to transformation of post-communist societies, which is certainly characterized by legacies, but is also highly innovative and in continuous reconstruction.

Finally, this kind of definition allows us to introduce the concept of “path creation”, as coined by Garud and Karnøe (2001). According to this new version, path dependency must be reconciled with an actor-centred theory (Crouch and Farrel 2002; Crouch 2003), which includes the action of “institutional entrepreneurs” (Beckert 1999). In particular, as Lessenich (2003, p. 8) describes, social and institutional actors can succeed to create a new path (path creation) by “playing with the old one” or in other words, “using embeddedness to disembed”. It is thus evident that, through such a mechanism of institutional creation, path dependence, deviation from the early transitional logic, and innovation do not exclude each other, but are part of the same process.

1.2 New Institutionalism and Neoclassical Sociology

But how do we explain the relationships among the numerous actors involved in the process of transformation of Central and Eastern European societies? In fact, one of the main concerns of social observers of all epochs has always been the identification of actors able to shape the directions of change. The institutionalist, and later new-institutionalist, approach in sociology has focused on four important factors to improve the understanding of the development of modern societies: history, institutions, environment and social interactions. According to the (new) institutionalists, any analysis of societal change should consider the complex mediation among the historical background, institutional settings and social interactions of individuals and organizations. More precisely, it is argued that not only history matters, but also institutions and the social environment in which they are embedded (Brinton and Nee 1988).

The historical and comparative analysis of different forms of market organizations, pioneered by Weber ([1904-1905] 1958; ([1922] 1968), was later developed by Karl Polanyi in the *Great Transformation* ([1944] 1957). In his most famous and debated book, Polanyi attacked those theorists who portrayed the market as a self-regulating, self-sufficient organism, able to reproduce itself without intervention from outside. For Polanyi, a pure form of an unregulated market simply never existed. Rather, the institutional approach proposed identified the State as a crucial institution in limiting the satanic effects of uncontrolled market forces (Nee 1998). In a subsequent publication, Polanyi *et al.*(1957) expressed more clearly the relationships among market

development, institutions and social interaction. The economic outcomes depend not only on institutional settings, but also on how economic actions are embedded in social structures (Portes and Sensenbrenner 1998).

Granovetter (1985) and North (1981, 1990) provide a more recent contribution to this debate. According to Granovetter's institutional approach, social networks of interpersonal relationships highly influence economic behaviour and, thus, contribute to different outcomes, shaping directions of change. In particular, as North (1981, 1990, 1998) has pointed out, institutions are crucial to shape economic performance by: a) determining the structure of incentives; b) reducing uncertainty in human interactions; and c) helping to solve the problem of coordination (see also Ingram and Nee 1998). Moreover, North explains that ideas, ideologies, myths, dogmas and prejudices must not be separated by the historical context in which they are embedded and that the study of societal change is, in effect, the study of a learning process in which individuals' mental models do play a crucial role.

So, according to what pattern do history, institutions, norms and cultural beliefs shape societal change? For Parsons (1990), the institutional framework is an organized system of cultural beliefs and norms common to most individuals who are part of a determined society. This organized system of cultural beliefs develops according to an evolutionary mutation characterized by a continuous process of upgrading previous (sub)structures. As a result of the "adaptive upgrading" of past characteristics, differentiation and integration are synthesized in a new, more complex organism (Parsons 1966). Although Parsons understands evolution to be a continuous process of upgrading with relation to the survival of the strongest characteristics, he points out that even if forms of governments are eliminated their "future cultural contribution" are not (Parsons 1966, p.110). In other words, even if some elements may disappear as a result of "adaptive upgrading", this does not imply that other characteristics, such as cultural influences, do not continue to play an important role in future developments.

In a similar vein, neoclassical sociologists (Eyal *et al.* 2001, 2003) have moved the debate on new-institutionalism a step forward. Taking East Central Europe as a laboratory to test new sociological theories, Eyal *et al.* (2001, 2003) have argued that neither sociological theories of network and embeddedness, nor a rational choice explanation, can be exhaustive in understanding the path of state-socialist transformation. The main reason for this lies in the fact that these theories have assumed the existence of a single unifying form of capitalism (Burawoy 2001). By contrast, for these authors, social positions, points of view, identities and alliances of national and international actors, as well as habitus of individuals and existence of peculiar institutions, are decisive to the

development of new forms of capitalism in CEE (Eyal *et al.* 2001, 2003). As a consequence, neoclassical sociologists affirm that a variety of rationalities coming from different socio-cultural contexts will result in a variety of capitalism(s) in which the Eastern European might form a unique model. The authors, however, do not exclude that, in the long-term, post-socialist societies will converge to the neo-liberal capitalism, but this speculation seems to be more part of futurology rather than of social sciences, which must focus on observable empirical evidences.

To conclude, the previous sections aimed to clarify the relationship among social, political and historical forces in the making of welfare state transformation. As the following section will show, the path of extrication from state-socialism can be described as “developmental path dependent” in that it is certainly a process characterized by legacies, but it is also in continuous evolution. The concept of “embeddedness” reintroduced by the new-institutionalist and, more recently, by neoclassical sociology will be particularly helpful in elucidating the limits that external actors may face when influencing internal policy outcomes. These are strictly connected to the socio-political environment in which institution building takes place. If, on the one hand, it can be affirmed that a social policy vacuum (and not an institutional or political vacuum) facilitated the acceptance of the advice expressed by the international organizations³, then this does not automatically implied that a social policy transfer occurred. The variety of rationalities, which characterize these countries in transition, is the best vaccine for avoiding the introduction of a welfare state by design.

2. Social Security Systems in Transition

2.1 Pension

In studying Central and Eastern European pension reforms, scholars tend to agree on the huge role played by international organizations (such as the IMF, World Bank and OECD) in influencing the transition toward market-based pension schemes (Deacon 1992; Deacon *et al.* 1997; Orenstein 1998; Fultz 2002ab; Müller 1999, 2002, 2004; Ferge 2001; Ferge and Juhász 2004). The successful implementation of the three pillar scheme is

³ A comprehensive overview of the strategic interactions of economic, political and social actors as well as of the role played by international organizations in the making of post-communist social policy can be found in Deacon (1992); Deacon *et al.* (1997); De la Porte and Deacon (2002);

usually seen as the clearest example of how a welfare state transfer can be introduced by design. However, what is often neglected is precisely the historical background of these countries that facilitated the implementation of such reforms.

A brief overview of pre-communist Central and Eastern European pension systems shows that all countries had already established some form of Bismarck-style pension insurance, which linked the access to benefits to professional status. This link was particularly strong in Bulgaria, in the Czech and the now independent Slovak Republic, in Hungary, in Poland, in Romania and in Slovenia. In the years 1906 to 1928, the numerous funded pension schemes established were based on a corporatist vision of social solidarity, primarily aiming to secure occupational standards. As Baldwin (1990) would put it, the state made concessions to the industrial working class in the form of social policy with the aim of avoiding a possible victory for the Social Democrats, who might have pursued more ambitious plans. In other words, “pensions for empowerment”.

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 most drastic social policy re-organization. In almost all these countries, the universal and egalitarian principles spread by the communist regime were coupled to a corporatist vision of social solidarity. However, a differentiated access and privileges in pension (for professional groups such as police, miners and members of the armed forces) treatments survived the collapse of communism and are still particularly evident in Estonia, Latvia, Lithuania, Poland, Romania and Slovenia.

With the collapse of communism, Central and Eastern European pension systems required a drastic and fast re-organization as for almost forty years the communist regime was the main guarantor of the social security system. The state allocated the work force to the state-owned firms and these paid the contributions for their employees to a social security fund within the state budget (Evans and Sansier 1999). Workers did not need to transfer any money to the fund because their firms were already doing this. The communist pension scheme was highly centralized and essential part of the state apparatus. Retirement age was low, usually set at 60 years for men and 55 years for women, with approximately 25 years of service. There was also the possibility of early-retirement and, as a result, many “baby pensioners” kept on working while receiving benefits. Since the communist system was primarily aimed at redistribution, pension benefits were almost flat-rate and only based on a first pay-as-you-go component. In brief, public responsibility and a mix of corporatism and universalism characterized this

highly egalitarian pension scheme.

Needless to say, this kind of welfare arrangement was not able to survive to the increasing pressures coming from the shift to a market economy. Since the first years of transition, governments faced the problem in carrying out the transition to market-friendly schemes, whilst trying to avoid the collapse of the old system, and ensuring that the beneficiaries still gained access to decent benefits. It goes unsaid that economic and social priorities often went opposite directions. In almost all countries, the priorities, regarding the transition, were firstly to the economic development and, then only secondly to social protection and inclusion. This was a necessity. According to the point of view of numerous experts interviewed, it was impossible to ensure social inclusion without economic development (Interview no. 2; Interview no. 9; Interview no. 10; Interview no. 11). Some countries, such as Bulgaria and Romania, attempted to postpone reforms. This strategy lasted, however, only until the economic crisis became unsustainable and the requests for austerity measures coming from the international organizations turned out to be a fundamental pre-requisite for the continued existence of the country itself.

With regard to the most recent reforms, the first countries to implement the three pillar scheme of pension insurance (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 World Bank suggestions were Hungary and Poland. At present Bulgaria, Estonia, Latvia, Lithuania, Romania and Slovak Republic have also made clear steps towards its full implementation. Only in Czech Republic and Slovenia, resistance to reforms has been stronger primarily due to feasibility problems and a strong civic society opposition. In the near future, however, a greater role for private funds has to be expected.

Are we witnessing then a "pension scheme transfer" from the West to the East? In reality, this is not what is happening. Although it is true to affirm that the new EU Member States have clearly moved to a corporatist-style pension insurance system, they are adapting pre-existent features into a new organism. As Wagener (2002) has correctly affirmed, the presence in all countries of a strong link to social assistance provisions (old-age allowance, the so-called fourth-pillar available for those citizens whose pensions under the above scheme would not be sufficient) has made these pension systems in transition distant from the classical World Bank's three-pillar scheme (see World Bank 1994). What Wagener (2002) envisages is a new four-pillar model, which is becoming the blueprint for reforms in other European countries (e.g. in

Germany). Unquestionably, a path-dependent development has been the main characteristic in this sector. This evolution has included the adoption of already existing structures such as: a) pre-socialist Bismarck-features; b) reinforcement of work-orientation (Bismarck- and communist background); c) mix of universalism and corporatism (communist background) (see Ringold 1999); d) common attitudes towards solidarity values through the maintenance of significant levels of public responsibility⁴; as well as e) greater importance given to constitutional rights established according to egalitarian principles. The new Central and Eastern European constitutions have emerged as a mixture of old and new elements, in which past actors played a key role in defining the new rules (Elster 1993, Batt and Wolczuk 1998; von Beyme 2003). It is also noteworthy that many pension schemes have retained privileges (such as early-retirement or better pension formula) for certain professional groups established during the communist period or even prior to this period. These path-dependent features have not precluded, however, the introduction of highly innovative reforms, which did not remain "locked-in" in the early transitional period, but were possible also in later stages of development. The clearest examples are the introduction of the three-pillar scheme or the notional defined contribution (NDC) in Latvia and Poland.

2.2 Health Care

Until 1989, the dominant health care model in East Central Europe was the so-called Semashko system, which was a highly centralized scheme, an integrated part of the central planned economy. This organizational structure implied that decisions concerning health care planning were taken at the national level with little or no knowledge of local requests. The Semashko model was universal in scope and coverage, but high morbidity rates, inefficiency in the delivery of health care services and the systematic neglecting of building and medical equipment were the norm (Deacon 2000). Moreover, the number of medical personnel and hospital beds did not correspond to real local needs, but it was connected to the necessity of the state to allocate the work force. Since the scheme was tax-financed, payments for health care primarily depended on the budget available. As a consequence, health care expenditures were constantly below OECD and Western European average.

With the collapse of communism, the requests for reform increased. There were three main reasons why immediate action was required. Firstly, because citizens were unsatisfied with the quality of the services provided. Secondly, because health care expenditures as a percentage of GDP needed to be drastically increased in order to meet

⁴ 1. Pensions in CEE have a well-developed redistributive component; 2. The control of the state over the management of pension systems is still high. 3. Employers contributions are usually much higher than employees contributions; 4. Existence of a strong four pillar covered by the

with international standards. Thirdly, because the health care personnel openly showed its malcontent for the low salaries. The establishment of health insurance was the favourite choice in almost all countries⁵. The motives for this preference were largely dependant on the countries' historical background. CEECs had already established some form of Bismarck insurance during the pre-Soviet period. The Bismarck model was also not very far from the employment orientation of the communist system. A second motive was associated to the belief that the introduction of health insurance would have separated the source of funds from the state budget without any significant delay. The desired outcome was an immediate increase in health care expenditures without worsening the financial situation of the state budget. The third motive found its origins in the health care personnel, who expected more financial benefits from the health insurance rather than from a tax-financed system. Last, but not least, health insurance was supposed to facilitate the privatization of health care services, and this was, of course, the main requests coming from the international organizations.

The perspective that looks at Eastern societies as a *tabula rasa*, in which institutions can be introduced by design, shows all its weakness, when used to explain the transformation of the health care sector. Contemporary Eastern European health care systems did not only retain many of the characteristics established during their Bismarck period of social insurance, but also recombined these features with the egalitarian principles introduced by the communist regime. The persistence of strong universal aspirations in health protection is the most notable indicator that history matters. In spite of the enormous budgetary costs caused by raising unemployment, governments did not renounce the decisions taken in advance and the reform of the old health care organization through a shift to a health insurance model has been carried out as planned. This time, however, new policy priorities came to light. If during the first years of transition, privatization of provisions was chosen as a necessary step to improve the effectiveness of a highly inefficient and under financed health care system, the latest policy challenges concern the sustainability of the reforms already implemented. This has primarily involved the necessity to ensure the availability of sufficient services for the population. Recent studies have demonstrated that, despite the introduction of drastic reforms, health insurance in Eastern Europe still covers more than 90 per cent of the population (Bite and Zagorskis 2003; Dobravolskas and Buivydas 2003; Golinowska *et al.* 2003; Gál *et al.* 2003; Leppik and Kruuda 2003; Noncheva and Satcheva 2003; Stropnik *et al.* 2003; Tomeš *et al.* 2003; Vagac and Haulikova 2003; Vilnoiu and Abagiu 2003). This positive result, however,

State budget at disposal for all those citizens, who otherwise would remain unprotected.

⁵ During the first years of reforms, Estonia, Latvia and Lithuania preferred a Scandinavian tax-financed system.

has not been made possible thanks to a natural efficiency of health care systems fully based on market resources, which in reality have been demonstrated as being extremely vulnerable to economic cycles, but thanks to an active involvement of central governments that covered the financial deficits of the new health insurance funds.

2.3 Protection against Unemployment

The end of the Cold War and communism brought a free market economy, but also unemployment. This was not only the result of the change of economic alignment from the Soviet Union to Western Europe and consequent diminution in trading power, but also the outcome of years of industrial mismanagement. Central and Eastern European countries inherited an obsolete industrial structure, where workers were often trained accordingly (Interview no. 9). The extraction industry and the defense industry were the engine of the command economy, while the service sector was largely underdeveloped. Agriculture was managed by big state-owned enterprises, with the exception of Poland where it was based on small family farms. The private sector was only symbolic and almost limited to Hungary and Bulgaria (Nesporova 1999). According to the European Commission, employment in Central and Eastern Europe is still largely over-represented in agriculture and industry, to the detriment of the service sector (DG Employment and Social Affairs 2002).

Competition with Western European industries became a major problem immediately after the first years of transition. Unfair trade agreements⁶ accompanied by the necessary macroeconomic stabilization policies led to a cut in the domestic demand, in the end resulting in the bankruptcy of many Eastern companies (Stiglitz 2002). As a first response, numerous state-owned enterprises tried to reduce production costs, in many cases, by firing employees. At the political and managerial levels, it was hoped that most of these workers would be absorbed into the private sector (Nesporova 1999). Unfortunately, this did not happen. Data regarding employees insured by the Social Insurance Agency in Poland (ZUS), for example, show that during the period 1991-1998 approximately 1.3 million employees lost their jobs in the process of re-allocation from the public to the private sector⁷.

⁶ The EU Member States agreed to push for trade liberalization of CEE markets, while protecting those sectors in which competition from accession countries might have threatened their economies. The so-called "Strategy of Asymmetry" expressed by the Europe Agreements. See Stiglitz (2002).

⁷ The number of people insured in the public sector diminished from 12 397 thousand in 1991 to 5624 thousand in 1998 (-6773), while the insured in private sector increased from 1727 thousand in 1991 to 7112 thousand in 1998 (+5385) Source: ZUS web site: <http://www.zus.pl/english/chapter4.htm>. Last log-in: November 2003.

In practice, although the real GDP growth significantly improved after the first shock of transition, economic recovery was not followed by a proportional job creation. Identifying the reason for this imbalance in the labour market is extremely difficult, especially due to the fact that there are many possible responses to such an important issue. Perhaps, the most convincing explanation is provided by Nesporova (1999, 2002a, 2002b), who identifies as the main reason the necessity of enterprises to be competitive, by reducing labour costs and redundant labour, while simultaneously increasing production. This obviously involved a decrease in real wages and consequently poverty for workers.

An in-depth analysis of the systems of protection against unemployment in East Central Europe shows that they are not homogeneous since they differ according to entitlement criteria, duration and level of benefits. Minimum requirements for access to unemployment benefits (2003) range from 200 days of employment in the previous 4 years in Hungary to 24 months over the last three years in Lithuania and the Slovak Republic. The duration of benefits also greatly differ from country to country. In the Czech Republic, it cannot be longer than 6 months, while in Bulgaria, Estonia, Hungary, Romania and Slovenia unemployment benefits can last up to a maximum of nine or twelve 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 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, Romania and Slovenia, while a strong flat-rate component still exists in Lithuania, Poland and Slovakia.

This diversity of arrangements seems to be the result of three main factors. The first is linked to the differences in economic development and in unemployment rates among Central and Eastern European countries, which require a different intensity of efforts. As outlined by Kuneva (2002), not all CEECs started the transition under the same economic conditions, and, thus, have not had the same policy success, or orientation as expected from more fortunate applicants. For example, in the cases of Bulgaria and Hungary, there can be little doubt that state intervention was required more in Bulgaria, where the financial situation was less favourable, than in Hungary, where labour market institutions could more easily be deregulated due to a better economic performance. In fact, although the rule of one-size-fits-all has too often been prescribed, the implementation of reforms has fortunately taken very diverse directions. In more than one case, countries have reacted in different ways to the existent pressures in the labour market recombining the suggestions received from the international institutions

to the needs originating from specific national circumstances. This has consequently resulted in a multitude of actions and of provisions.

A second important factor is the variety of privatization strategies implemented (Stark 1992; Stark and Bruszt 1998) that have led to different outcomes in terms of job losses and actions required. In Estonia, for example, privatization followed the German model where a “privatization agency” gained large responsibilities in the decision-making with regards to what kind of state assets could be sold, to whom and under what circumstances. In the Czech Republic, privatization was above all conducted through the use of vouchers, given to ordinary citizens to purchase shares of state property (Beyer and Wielgoch 2001). Unexpectedly, however, approximately 70 per cent of vouchers in the Czech Republic did not end up in the hands of citizens, but rather in those of large investment funds, the majority of which were still run by major state-owned banks (European Forum 1998). Despite the negative results of such dubious privatization programmes, citizens and employees of ex-state-owned enterprises in East Central Europe were to some extent repaid for the expropriation of property by the communists. As Beyer and Wielgoch (2001) have outlined, this has taken the form of a transfer of state property for special prices or free of charge in Poland; of special public loans or leasing opportunities in Hungary; of discounts on share prices of enterprises in Bulgaria and Romania; of acquisition of shares free of charge in Slovenia; of public bonds (used to buy not only state properties but also medical insurance and pension plans) in Slovakia; and of “citizens grants” in Lithuania. This variety of approaches resulted in different effects in the labour market and, consequently, in a multiplicity of schemes of protection against unemployment.

Finally, it is worth mentioning the diversity of attitudes towards the measures necessary to combat unemployment. During the first years of transition, neo-liberal supporters in the Czech Republic, for example, claimed that “healthy” unemployment would have been useful for a faster economic development of countries in transition, fostering competition and helping to reassess the normality of the market after so many years artificially falsified by the central planned economy (Consensus II, 1999, Czech Republic, part 4). Consequently, the use of active labour market policies was often limited and not coupled with a coherent strategy of employment promotion. Other countries, by contrast, were less enthusiastic in using these dubious economic theories and have developed more highly efficient provisions. Hungary has been, perhaps, one of the best examples of successful policy-making. The reasons for this success seem to be the broad use of active labour market policies (Interview no. 4), coupled with significant levels of state protection. Hungary has, indeed, one of the most comprehensive and generous systems of protection against unemployment in East Central Europe, which includes not only

active measures, but also well-developed unemployment compensation benefits.

To summarize, labour markets in Eastern Europe faced numerous, serious challenges. Dissolution of the pre-existent economic structure, establishment of a new market mechanism and dismissal of millions of workers are only few examples of the most pressing issues that needed an immediate response. Unquestionably, a variety of policy options characterized this sector of social security. The multiplicity of privatization strategies, already emphasized by Stark and Bruszt (1998), has resulted in a multitude of systems for protection against unemployment, which differ in terms of entitlement criteria, duration and amount of benefits. Moreover, countries in transition did not only implement different measures to fight the new plague of unemployment, but also reacted in different manners to the requests coming from the international organizations. The fundamentalist approach proposed by many financial institutions (such as the OECD), in which the market should be left alone to resolve the asymmetries between the offer and demand of labour, has only rarely been applied. This refusal provides further support for the thesis that any new institutional arrangement cannot so easily be implemented by dictation, but needs to find a mediation in the socio-political arena.

2.4 Social Assistance

Since the command economy regulated all prices of domestic goods in order to provide a minimum subsistence level to its citizens, state-socialist policy-makers did not give social assistance provisions the importance they deserved (Milanovic 1995). This does not mean that social assistance schemes were not necessary during communism. They were necessary, especially for the less integrated groups of the society, such as the Roma, and for people who were for some reason unable to work (for example, pensioners and people affected by disability or chronic illnesses). As Milanovic (1995) has emphasized, the extreme importance that the state-socialist society gave to work-performance as a mean of freedom from the capitalist oppression resulted in an implicit social stigma for all those citizens that in some way did not or could not conform to the idea of the perfect communist worker. Subsequently, merits acquired through a workaholic attitude had to be distinguished from the implicit reactionary threat of non-workers. The “good communist workers” often received medals as a symbol of their excellent work-performance, while the “bad communist workers” were usually the ones who lived at the expense of society. It goes unsaid that providing a comprehensive system of social assistance provisions to these people was something that contradicted the communist political aims (Milanovic 1995).

In more practical terms, social assistance during communism consisted of a series of

social services provided by local offices to people without stable jobs, vagabonds and the handicapped. These services could take the form of in-kind benefits (such as food, housing and so on) and/or income supplement in order to achieve a minimum level of consumption. Unfortunately, since economic planners set these minima on the basis of a supposedly perfect system, the benefits received only rarely corresponded to real needs and poverty continued to exist in state-socialist societies (Milanovic 1995).

With the fall of the communist command economy, new instruments to combat poverty were necessary. Regulation of prices could no longer be used to maintain the artificially low costs of foods. Ex-state owned enterprises now needed to cope with the concurrence of Western industries and could no longer be the source of social security. In brief, rationalization of production rather than full-employment were the new economic keywords. In order to cope with raising unemployment and inflation, most Central and Eastern European governments introduced generous social assistance schemes. Particularly during the first period of reforms, access to these benefits was relatively easy and used more as a means of compensation for the loss of job, brought about by the involuntary dissolution of the communist social contract. Strict means-testing was rarely applied, primarily because of feasibility problems.

One of the key features of Central and Eastern European social assistance schemes is the establishment of a Minimum, or Guaranteed, Income Level as a poverty threshold. All households and citizens that find themselves below the poverty line established by law have the right to social assistance benefits. These provisions can take the form of cash, in-kind benefits or services. The amount is calculated as the difference between the official subsistence level and the family or individual disposable income. 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, the Minimum Subsistence Level strictly regulates the access to social assistance provisions in Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia. Interestingly, this was not a new introduction. As mentioned, most communist regimes (Czechoslovakia, Hungary and the Soviet Union) had already established "socially desirable" levels of consumption for their citizens (Milanovic 1995) 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 absent).

Voluntarily or not, Central and Eastern European social assistance schemes became key players in the process of transformation from a central planned economy to a market economy, recombining the principles based on solidarity, in place during the communist period, with the new emergent needs caused by the deterioration of the economic situation. If during communism, state responsibility was the leading moral principle put

in place in order to ensure a basic subsistence level to all communist citizens, as well as promoting the leading communist ideology, then this conception has been re-implemented in the new post-communist environment. The existence of social assistance provisions established during the first years of transition has, in fact, played a dual role. On the one hand, it has fostered political support for economic reforms (Kramer 1997); whilst on the other, it has facilitated the stabilization of transition and the consolidation of democratic institutions. Interestingly, social assistance provisions are not a new introduction of reforms, but are part of the communist heritage. Social minimum lines already existed in the central planned economy as “socially desirable” levels of consumption. These minima now represent the most notable legacy of the past, but are also important elements of innovation and modernization in the present.

Further support to this thesis is provided by recent results of the EU sponsored public opinion survey “Eurobarometer” which clearly show that while the number of Central and Eastern European citizens, who feel unsatisfied with the way in which democracy works in their country, remains, in all social groups, much higher than those who are satisfied (especially if compared with the results of Western Europeans), this percentage becomes even higher among the retired, the unemployed, and people with limited education (European Commission 2003a, p.20). These unequivocally represent the groups that have less benefited from the economic transition of their countries. From this perspective, it is also hardly surprising to note how the “fight against unemployment” and “poverty” are the first two priorities among Eastern citizens, while the “principles of democracy” score only seventh in the scale of key issues (European Commission 2003b, p.5). Other studies on the attitudes of European citizens have also constantly shown that the support for a socially responsible welfare state is much higher in Eastern Europe than in Western Europe (Ash 1990; Slomczynski and Shabad 1997; Suhrcke 2001; Redmond *et al.*2002), and that the economic condition, work status and political orientation of respondents in the East does not drastically alter the support for a strong welfare state (Cerami 2005).

2.5 Family Policies

In attempting to define the main functions of welfare institutions, Esping-Andersen (1990) correctly outlined that the welfare state was a crucial institution in the reproduction of power relations. Nonetheless, the author has often been accused of paying little attention to the political role played by family policies as important elements in the transformation modern societies. For observers, an essential feature of different welfare states has been the variety of attitudes towards the preservation of traditional family patterns (Kammerman and Kahn 1978; Lewis 1992; Kaufmann 1993, 2002; Sainsbury 1994; Hantrais 1995; Lewis and Ostner 1995; Gauthier 1996; Orloff 1993,

2002). According to Kaufmann (1993, 2002; see also Lüscher 1985, 1989) the “family rhetoric” that characterizes different welfare state models is distinct to each country and influenced by cultural traditions and existing institutional arrangements. By pursuing different political, economic and social objectives, family policies also acted as important systems of social stratifications. During their history, they aimed, for example, to increase birth rates (pro-natalist approach), to ensure social stability by preventing poverty (social reproduction), to promote gender equality, and to enhance human capital by supporting the healthy development of the child (Kaufmann 2002). The attitudes towards a determined family logic, obviously, depended on the functional necessities of the state to build a peculiar typology of society.

As a result, the most common classifications identify four distinct welfare family regimes: 1) the Corporatist model which reproduces labour relations according to the traditional ideal of family (for example in German speaking countries); 2) the Anglo-Saxon model which emphasizes the role of the market in social protection, and thus neglecting the family; 3) the Scandinavian model which is supposed to promote gender equality through comprehensive family policies (Kammerman and Kahn 1978; Lewis 1992; Sainsbury 1994; Gauthier 1996); and 4) the Southern European model in which the family plays a vital role in replacing the deficit of state protection (Leibfried 1992; Ferrera 1996; Flaquer 2000). Needless to say, the classifications mentioned above do not consider the Central and Eastern European family regime. For Kaufmann (2002, p.439) “the experience with socialist family and population policies is now only of historical interest, and the actual process of transformation does not yet allow to draw conclusions about what finally their family policies will be”. In response to this rather provocative statement, which presupposes the Western family model(s) as the only one possible, there are now enough empirical evidence to trace some common characteristics in Eastern Central Europe.

After a short period, during which communist regimes strongly advocated the necessity to free the citizens from the reactionary influences of the family, family policies became a priority for ensuring social stability and also in enhancing the development of the socialist society. In almost all countries the first legislation was introduced in the early 1950s, but only in the 1970s was the family was openly seen as being functional to the development of state-socialism (Ferge 1978). Thus, the family was no more a reactionary force of capitalism, but could become a valuable source of innovation and modernization. But what kind of family was promoted and on what principles was it based? The communist conception of family advanced was based on egalitarian values in which men and women had the same rights. Furthermore, family policies should not pursue the reproduction of status differentials in labour force participation. The state-

socialist system did not see women simply as housewives, but rather as wives-mothers-workers⁸. Universal birth grants, extensive maternity leaves and generous child-care were the new political science tools used to continue the Cultural Revolution initiated by the Bolsheviks. In brief, the new communist society was building itself on the family and not out it.

After the end of the Cold War, the state shifted the emphasis of its family policies not to the development of the socialist society, but rather to the creation of the post-communist citizen. The dissolution of communism meant something more than simply the collapse of a political or economic order; it also meant the redefinition of values in force for many decades. The communist nomenklatura was the source of economic subsistence, but also of moral and familistic values. In brief, a negative form of state-paternalism characterized the socialist societies.

With the collapse of the communist order, new values had to be introduced. The state was no longer the only one responsible for the destiny of its citizens, and so new forms of protection were required. At the top of the political agenda was how to conduct the switch from public to private responsibility in a manner that did not catapult the citizens into the new risk society without substantial social protection. In other words, a way had to be found that made the communist citizens independent from the state and, finally, able to manage new risks without the help of a *visible hand*. The family was seen as the natural target for redistribution and the best way to increase individual responsibility. As a ministry official pointed out during an interview, for this research, in Budapest:

“during socialism, the state was responsible even if you had headache. What we’re trying to do now is to create a system - for example, like the Italian one, where the family will be able to increase the welfare of its members [...]. In our case, however, we’re trying to maintain a sufficient level of state protection” (Interview no. 2).

For the most part, the effectiveness of family policies depends on the amount of benefits granted. The economic performance of countries in transition is usually a good indicator of the efficiency in this sector. In Bulgaria and Romania, for instance, the dramatic economic crisis has negatively influenced the level of benefits at disposal for the

⁸ Nonetheless, Paci (2002) has emphasized that labour segregation persisted during communism, though in much lower percentages than in Western Europe. Women were much more concentrated in occupations such as teaching or medicine. The patriarchal role of the family was also never fully abolished and women were supposed to do both jobs: factory workers, and also mothers. During this period, however, the family benefit system was designed to compensate women for their activities as wives-mothers-workers (see also Pascall and Manning 2000; Fodor *et al.* 2002; Balcerzak-Paradowska *et al.* 2003; Fodor 2003; Fultz and Steinhilber 2003; Kotýnková *et al.*

population, which remains usually very low and does not permit sufficient protection. In Hungary, on the other hand, the situation seems to be slightly different with families having access to an extensive and relatively effective family benefit system.

Economic performance is the major indicator in predicting the effectiveness of family policies, but not the only one. Another potentially important element, in the understanding the family rhetoric proposed by a country, is the will of state to establish comprehensive and extensive benefits. In fact, if researchers simply analyse the impact of family policies in Eastern Europe without considering the dramatic economic crisis, which has resulted in an erosion of social benefits, they would probably conclude that family support in these countries is minimal. By contrast, in almost all Central and Eastern European countries numerous provisions are 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. In the second half of 1990s, however, a shift towards means-testing in almost all countries could be observed. This decision is undoubtedly controversial. Fultz and Steinhilber (2003, pp. 25-26) affirm, for example, that an increase in means-testing in relation to the access to family benefits has the undesired effect “to reduce the incentives for women to engage in economic activity, especially women with low skills [...] This change has shifted the nature of the support from wage replacement to poverty alleviation; and it has shifted the status of beneficiaries, mostly women, from holders of personal rights to petitioners of the state.” In some countries, such as Hungary, however, this kind of reform has been blocked and universal family benefits have been reintroduced.

Of course, there are intra-region differences. Fodor *et al.*(2002), for example, emphasize, that despite the persistence of national similarities due to the communist heritage, Hungary, Poland and Romania show differences in the way they handle parenthood and, thus, shape gender relations. Fodor *et al.*(2002) envisage, in conclusion, three different family regimes: one for each case study. In reality, the situation is more complex than this and cannot be explained by a method, which excessively emphasizes the technical differences in the nature of family provisions (such as entitlement criteria). In fact, if the number of countries used in the sample would have been twenty, the resulting family regimes would have probably been twenty⁹. By contrast, if it is possible to confirm that different family policies in the post-socialist

2003; Lukács and Frey 2003; Manning 2004).

⁹ Gough (2001) and Gough *et al.* (1997) have carried out a similar analysis on social assistance regimes using cluster analysis (indicators used in cluster analysis: Total SA Expenditures/GDP; SA Recipients/Total Population; Exclusion Index; Standardized Benefit Levels after housing costs; Relative Benefit Levels after Housing Costs). The results show the emergence of 8 (Gough *et al.* 1997) or 7 (Gough 2001) clusters comprising 20 Western European and non-European social assistance regimes. The main reason was due to the existence of numerous sub-regime

period have led to different “gendered” effects, then it can also be shown that these policies have not been systematically linked to a “breadwinner” ideology (Gal and Kligman 2000). It seems more plausible that different policy outcomes have been the result of the countries’ different economic performance, than the consequence of voluntary gender-segregating policy-making. What is certain, however, is that the (family) logic behind the post-communist policy-making is not dissimilar in Eastern Europe. The governments have clearly aimed to target the family in order to amortize the costs of transition, giving to this institution the important role of main engine of innovation.

In summary, family policies mediated the way in which individuals conceive the environment. Family support in East Central Europe is still driven by the socio-political communist heritage, but that, again, the legacies of the past have not precluded factors of innovation. The family rhetoric proposed by communist regimes and later by post-communist regimes has moved the tasks attributed to the family from an individual to a country logic. If during communism, family policies were functional to the development of the state-socialist societies, after the end of the Cold War, family support became crucial for the consolidation of transition. In order to amortize its dramatic costs, governments have given the family the role of main social safety net, often understood as complementary to social assistance provisions¹⁰. As a consequence, family policies have been useful both to the consolidation of the new political order, but also to the creation of the new “post-communist citizen”.

4. The Europeanization of National Social Policies

Since the Treaty of Rome, the process of European Integration is slowly revolutionizing the geographical map of Europe. In Rokkanian terms, this has been described as a process of unfreezing (Rokkan 1999), or unlocking (Bartolini 1998, 2000)¹¹, the boundaries of the old nation states. This “unfreezing”, or “unlocking”, of the borders, however, does not implicitly mean a complete removal of barriers. At the EU level, for instance, there is a process of removal associated to a process of redrawing in the political-institutional sphere. Furthermore, the EU seems to be building new barriers, namely outside the territorial borders of the member states, and re-assessing the

differences.

¹⁰ Of particular relevance is that family benefits and social assistance provisions in East Central Europe are frequently seen as complementary. This is particularly true for Latvia, where there is no single legislation on family benefits. No country, however, is an exception. The complementary orientation of family and social assistance provisions is not a surprise. As mentioned before, since the 1970s the family became the centre of a “second” society” (see Hankiss 1991), forming an additional scheme of protection within the communist system. As a consequence, in politicians’ mind these two provisions were not easily distinguishable.

¹¹ A similar analysis based on Rokkan’s theory on boundary building can also be found in Ferrera (2000, 2003).

relations between centre-periphery. What can be witnessed is the emergence of two separate forces acting at the EU level: a centrifugal force (mainly owned by the EU), which tends to push the countries out of the centre of the European decision-making; and a centripetal force (mainly owned by the member countries) tending to push the states toward the centre. The position achieved by a country in this peripheral-peripheral struggle clearly depends on the magnitude of the centripetal force owned, identified in terms of economic and political power for the biggest member states, but also of bargaining capacity for the smallest ones.

The question of whether EU institutions are acquiring enough political power to efficiently reduce national sovereignty is one of the most controversial issues encountered in comparative European politics. According to the "multi-level governance" approach, European institutions are succeeding in overlapping national autonomy through a form of "multi-level governance", in which sovereignty is shared by national and supranational actors (Marks 1992, 1993; Hooghe 1996; Marks *et al.* 1996a, b; Hooghe and Marks 1997, 2001; Benz and Eberlein 1999; Graziano 2003). As Stone Sweet and Sandholtz (1998) have correctly pointed out, the European Union is, in effect, increasing its influences in different policy areas through the emanation of binding directives (see also Peterson and Bomberg 1999; Stone Sweet *et al.* 2001). In the area of cohesion policy, Conzelmann (1995) states, for instance, that the European Commission has direct influence on policy formulation and implementation, while others scholars have focused their attention on the crucial role played by the Commission in the stages of agenda-setting and management (Allen 1996; Pollack 1995, 2003). Other examples of external pressures can be seen by the activities of the European Court of Justice (ECJ), one of the most crucial actors in the EU decision-making process, which blocks those national laws that are not in line with the rules established at the EU level (Weiler 1994; Alter 1999; Mattli and Slaughter 1995; Peterson and Bomberg 1999; Leibfried and Pierson 2000; Pollack 2003).

In a similar multi-level pattern, Leibfried and Pierson (1995) have shown that the current "European" welfare state can be understood in terms of a "multi-tiered" system with a shared responsibility for individual social policies. Unquestionably, the idea of a "European" welfare state has attracted many supporters, but also numerous enemies. Europe does not constitute a "single political community", but "many political communities" with different strategic interests. The emergence of a common European welfare state might therefore be in contrast to national legislations, as well as to national political objectives. At the moment, however, there seems to be no clear consensus among scholars on this issue. Ferrera (2000), for instance, has argued that the member states are still able to manipulate the normative of minimum requirements

of access to welfare benefits. According to Ferrera (2000), this is a clear example of how nations still make the major decisions on questions related to the implementation of their own social policies. Similarly, Hantrais (1995) has emphasized how the problem of harmonization of EU social policy has been effectively abandoned, at least temporarily, in favour of the principle of “convergence” expressed in the 1994 White Paper, which sought to affirm that future developments on EU social policy should be premised on respect of national differences.

The most recent debate on the “open method of coordination”, has shown that EU institutions will be able, in the near future, to increase their role in coordinating national social policies (Begg and Berghman 2002; Carmel 2003; De la Porte and Pochet 2002, 2004; Ferrera *et al.*). At this stage, it seems plausible that a new form of supra-national organization is increasing its importance over the existing national welfare states that would leave, however, a decent level of freedom for national decision-making. According to Scharpf (2002), national welfare states are “constitutionally constrained by the “supremacy” of all European rules of economic integration, liberalization, and competition law, and they must operate under the fiscal rules of the Monetary Union”. Nonetheless, he does not forget to outline that the attempts to “Europeanize” national welfare systems “are politically constrained by the diversity of national welfare states, differing not only in levels of economic development and hence in their ability to pay for social transfers and services but, even more significantly, in their normative aspirations and institutional structures” (Scharpf 2002, §6). As a consequence, the emergence of a two-tier system can be proposed: 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 1).

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 so-called “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 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.

As far as the role of the EU in reforming Central and European welfare states is concerned, there can be little doubt that, despite the existence of serious ambiguities in

the EU policy-making, due to the incapacity of proposing a clear agenda different from that proposed by the most influential international financial institutions, the prospects of enlargement and the existence of numerous financial assistance programmes (such as PHARE) have reinforced values based on solidarity, which otherwise would have been sacrificed to the reasons of the market¹². To this extent, the reforms' objectives proposed at national level on the basis of the requests coming from international organizations were forced to find a compromise to the reforms' objectives and priorities relevant at EU level, resulting in hybrid social policies.

Conclusion

Eastern European welfare states have developed in a specific industrialized context, adapting to the characteristics of the environment in which they were growing. The characteristics acquired by these early systems of social protection predisposed them to future developments, involving almost all welfare state sectors. Pension, health care, protection against unemployment, social assistance and family policies grew not only out of the ruins of the past, but also became key institutions in the establishment of a new social order in the future. They promoted Bismarckian societies based on differentiation of provisions according to the professional activity, as well as the communist egalitarianism through the introduction of universal benefits. Hence, welfare state sectors acted both as policy-takers, and also as policy-makers.

An important point that still needs to be elucidated is which pattern of transformation are Central and Eastern European welfare states really following. Are they silently acquiring the characteristics in force in the West? Or, are they successfully adapting and recombining characters valid during communism with the new emergent requirements of post-communist societies? The analysis of five welfare state sectors (pension, health care, protection against unemployment, social assistance and family support) has demonstrated that governments implemented the welfare system already in place during the pre-Soviet period (Bismarck social insurance), tried to maintain most of the values in force during communism (universalism, corporatism and egalitarianism) and re-adjusted it to the new post-communist consensus (market-based schemes). Contrary to the classical assumption of path dependency theory, however, it has been proven that Central and Eastern European welfare states remained by no means locked-in in their path of extrication from state-socialism, but were capable of highly innovative reforms, which took place also in later stages of development.

¹² For a recent debate on the role played by the EU "soft regulation" in influencing Eastern European social policies see Ferge (2001), Ferge and Juhász (2004) and Lendvai (2004). For more information on the concept of "cognitive Europeanization" see Guillén and Álvarez (2004).

As mentioned, the three-pillar scheme of pension insurance has turned into a four-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 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 analysed 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.

This statement, which above all concerns the emergence of a new and distinct model, is clearly in contrast to the common assumption that Central and Eastern European welfare states as inexorably doomed to disappear under the pressures of globalizing forces. The fact that these welfare systems in transition are assuming some characteristics of the new environment (western world) is not a sufficient indicator to affirm that a “welfare state transfer” is occurring. Sharing similarities with the western world (for example, the privatization of provisions) by no means implies being identical. Rather, a more important observation involves the issue of whether Central and Eastern European welfare states are successfully recombining old and current adaptive radiations into a new organism. As Parsons (1966) would put it, this continuous process of upgrading previous sub-structures, in which differentiation and integration are synthesized in a new, more complex scheme, has been at the heart of the creation of a unique Central and Eastern European model of solidarity.

One last important point in making such a claim needs to be made and that is in which manner will this new European model of solidarity fit into the future EU welfare regime (assuming it will take the form illustrated). In recalling the term “divergence convergence” introduced by Laszlo Bruszt (2002) to define the transformation of Eastern European markets, it is argued that although these welfare states in transition display substantial variations within the region, this does not preclude the alignment towards a common, European-friendly welfare system. The “path of creation” allows East Central Europe to resist the unifying forces of a single, Europeanized welfare regime, and maintain most of its characteristics, even with increasing requests coming from EU institutions. The final version might take the form of, as illustrated above, a two-tier

model, where a “single market-oriented welfare regime” is placed side by side to a “unique” Eastern European model.

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<http://www.db-thueringen.de/servlets/DerivateServlet/Derivate-4495/cerami.pdf>

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