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In an era when the political and public discourse on the European integration is dominated by notions about the backlash of that process, and even "The End of Europe" has been hastily declared,[1] it is more important than ever to reflect on the commonalities and diversity of European societies. In fact, the discussion of these qualities can not be regarded as a novelty. In the last one and a half decades an intense discourse has emerged around the evolution and sustainability of the "European social model," stimulating both political and academic debates across Europe. On the one hand, the concept has appeared with a normative content, referring to the agenda of European integration. When Jacques Delors presented it as an alternative to the American social and economic development in the mid-1980s, it meant the preservation and even strengthening of the achievements of European welfare states, and, possibly that of the social dimension of European integration.[2] In fact, a continuing ambition of the European Union had been the promotion of social cohesion, and this objective was even formalized in Art. 2 of the Treaty on European Union. However, it has often been claimed lately that the emergence of new production technologies and globalization along with the establishment of the European Monetary Union have fundamentally changed the relationship between the European Union's economic and social objectives, and an extensive social policy is inconsistent with increased economic integration and global competitiveness. As opposed to this view, there is evidence of economic dividends of a Social Europe as well, in addition to the positive impact it has on the quality of life. Moreover, major social groups are interested in both the retrenchment and the protection of welfare programs, as a result of which the continuation of animated public debates can be expected.

On the other hand, the concept of the European social model has emerged in academic discussion as a realized social developmental path of post-war Western Europe. In its most inclusive sense, the European social model has been used to refer to specific shared institutional features of Western European societies in the post-war period. There is no commonly agreed definition, but the model is routinely characterized by the coexistence of robust economic development and social progress, and, more specifically, by a combination of an extensive welfare state and highly institutionalized and politicized labor relations.[3] The emergence of the model can be traced back to the "mid-century social compromise"[4] or to "Europe's social contract"[5] or, in some respects, even further back, to the first half of the 20th century,[6] and is often contrasted either to the "American" or the "Japanese model." There exists another line of argumentation maintaining that the European social model cannot be described by welfare and industrial relations alone. It has been suggested that the concept should be analytically broadened and include other aspects, such as the "institutionalization of social diversity" (coordination, corporatism, democratic procedures, subsidiarity) and "social equalization" (universalism, market regulation, redistribution, solidarity).[7] A closer look can also reveal intra-European diversity and several national or regional "Socio-economic models,"[8] or "Families of nations."[9] On the basis of this diversity, some observers even doubt the plausibility of the model.[10]

As seen above, despite the multitude of approaches, commonly applied definitions regard welfare as the core, though not the exclusive, component of the European social model. In fact, a closely related but narrower concept, the European social policy model, has also been proposed. Francis G. Castles has recently presented evidences for the existence of an emergent similarity of Western European social policies since the mid-1980s. Castles argues that from the 1980s, the convergence has been most pronounced between the Scandinavian and several continental countries—belonging to the social democratic and the conservative welfare regimes respectively and comprising a majority of the Western European societies.[11] In the language of the convergence theory these countries form a "convergence club" in Western Europe. Earlier studies have also argued that they converge on combining both elements of the social democratic and the conservative model, such as universal coverage and benefits based on work performance.[12] We can also refer to other relevant results that have shown convergent welfare development in Western Europe for the same or earlier periods of the 20th century. They maintain that there were significant differences between

Western European welfare systems in the first half of the 20th century, but diversity considerably decreased by the 1950s, and the tendency of convergence continued steadily in the next two decades. Subsequently, changes in variation between countries from the 1970s onwards displayed a somewhat less clear-cut pattern, but in several areas the convergence continued. As a result, in 1990 the differences between the Western European countries can be regarded as less significant in that respect than they were in the middle, and at the beginning of the 20th century.[13]

In sum, the European social model and the European social policy model are contested concepts; however, there is strong evidence for the convergence of the majority of Western European welfare systems and for the plausibility of these notions. In the following, we turn to the relationship of East Central Europe and the European social policy model, since not only globalization has been perceived as a threat to the European social policy model, but several observers have called attention to the risks "entailed by widening social and regional inequalities in the EU.[14] In a more explicit formulation some experts considered it a real danger that the "EU enlargement may take the EU further away from its common social and societal values" embodied in the European social model.[15] The assumptions about East Central European countries supporting not only the US in the international arena, but wishing to follow a US-type economic and social welfare system have received wide acclaim both in scholarly works and in the wider political and public discourse lately. Other observers have been more cautious about the prospects of "social dumping"[16] and more optimistic about the opportunities and chances of the enlargement process for proactive welfare policies.[17]

The assessment of the impact of the Eastern enlargement on the social policy of the EU-countries—and on the prospects of the social policy of the EU itself—greatly depends on the relationship of welfare development in Western and in East Central Europe—whether they have diverged from each other or, on the contrary, they have shown increasing similarities. In an attempt at finding answer to that question, we propose here a long-term view on differences between Western European and East Central European welfare. The analysis of the European social policy model gains considerably from the adoption of a long-run perspective. A historical analysis exploring the convergences and divergences might counterbalance a major drawback of the concept, namely, its static nature.[18] A long-run analysis of the welfare system of East Central Europe can also be beneficial, since the East Central European region underwent a quick transition process in the last one and a half decades, as a result of which the trends of that relatively short period can easily mislead the analyst.

Based on the above considerations, in the analysis the following main questions will be addressed:

1) Was the *direction* of welfare development in East Central Europe similar to that in Western Europe in the post-WWII era, as a result of which East Central Europe was set on the road to become part of the European social policy model? Or, on the contrary, did the trajectory of East Central European welfare development diverge from Western Europe?

2) What was the *dynamics* of welfare development in East Central European countries compared to that of Western European societies? That is, in which specific spheres of welfare development and in what periods of time did convergence and/or divergence dominate?

3) Regarding the post-1990 period, the issue can also be raised whether the welfare systems of the East Central European transition countries moved towards an American type of residual welfare, or towards some of the welfare regimes more prevalent in Western Europe.

An important methodological problem, present in many comparative studies, is what is to be regarded as the unit of comparison. The European social policy model is obviously a moving target and apparently the development of East Central Europe has not been fully unified either. When selecting the countries into the Western European sample, an effort was made to include the ones that produced similar socio-economic and political development in the 20th century. Thus among the countries analyzed—beside Norway and Switzerland—the present European Union member states are included with the exception of Spain, Greece, Portugal, and Luxembourg. For space reasons we can not describe post-WWII Western European welfare convergences and divergences in detail here, but rather, we refer to another publication that focused on this problem.[19] As far as East Central Europe is concerned, we take Hungary as a case study and the other countries in the region will be dealt with in relation to that case.

In the paper, we first analyze East Central European welfare development with respect to the formation and persistence of the European social policy model in the decades prior to 1990. Another section will be devoted to recent changes, and in the final part of the paper we summarize the results along with putting forward some conclusions.

East Central European Welfare in a West European Context: Past Trends

To operationalize the research work on social welfare it is necessary to select some specific aspects for analysis. The variables singled out for comparison should reflect the main aspects of welfare identified in research on European welfare states, and the diversity of these states in areas outside welfare expenditures or any other single dimension should also be taken into consideration. At the same time, however, the variables have to make long-run historical comparison, as well as the assessment of the dynamics of changes in some form possible. Considering the above, the major variables of the present comparison are 1) welfare expenditures (the relative size of welfare expenditures based on different methods of calculations, and expressed as a percentage of the economic output); 2) relative importance of welfare institutions (the existence of programs; the process of expansion and the differentiation of the programs; the changes in the structure of expenditures); 3) characteristics of welfare rights (what percentage of the population receives benefits based on what principles; the level of benefits); and 4) control rights of welfare clients.[20]

The aspects selected cover important elements discussed in the literature, however, no attempts have been made to claim that other areas of welfare could not have been considered for inclusion, such as the role of state and public organizations in different areas of welfare, issues of legal regulation, the role of gender in welfare, and, even more importantly, the distributive outcomes of welfare regimes. In fact, the effective outcomes of welfare systems were among the most robust indicators of comparative analysis. However, the lack of relevant long-term data prevents us from an historical analysis of welfare outcomes. Other thematic limitations include that we compare the development of welfare states primarily through the evolution of social security, and first of all, through its major component, the social insurance system. This choice is supported by the significance of social insurance programs both in

Western and in East Central Europe in the whole welfare system.[21] In addition, among the East Central European countries, the focus is on Hungary, while we deal with other countries to a limited extent. These limitations can significantly reduce the validity of findings. Despite the constraints, however, we find that the areas examined are good indicators of major tendencies in the relationship of East Central European and Western European welfare development. Thus the approach might at least serve as a starting point for further, more comprehensive studies.

First, the interwar period will be the focus of attention. As to welfare spending, due to the lack of appropriate data and methodological problems both in the case of Hungary and Western Europe, considerable difficulties arise in the comparison of welfare expenditures in the first half of the 20th century. Still, based on the definitions of welfare services most often applied by international organizations (ILO and OECD) and in international research, it can be stated that although Hungary did lag behind most of the Western European countries in welfare expenditures relative to the GDP all through the period examined, the difference is smaller between the world wars—and greater in most of the Communist period—than has been suggested in the scarce literature on the subject. Furthermore, when also taking the benefits of those in public employment into account, social security expenditure levels appear considerable even in a Western European comparison in the interwar period.[22]

Nevertheless, due to the lack of reliable long-term data sets it is hard to make any definitive statements about the first half of the century regarding the convergence or divergence of Western European and Hungarian welfare expenditures. Considering trends in some Western European countries, such as Germany, intensifying Hungarian welfare legislation in the late 1920s and in the 1930s as well as the welfare programs launched in this period provide sufficient grounds only to formulate the hypothesis that social insurance and social security expenditures in Hungary converged to those of Western Europe in the 1930s.[23]

In the pre-Second World War period the developmental direction of Hungarian welfare institutions coincided with Western European trends. On the one hand, the early introduction of first social security programs (1892, 1907) in comparison with Western Europe and the timing of introduction in accordance with Western European trends made social security and the assimilated schemes the most important instrument of welfare policy in Hungary, too. In addition, convergence, but at least similarity can be seen in the differentiation of social security programs and in the structure of social security. Although the pace of differentiation is difficult to measure, the maturing of health insurance in Hungary in the first half of the century is obvious, which considerably expanded the types of services financed by social security even in a Western European comparison. Similarly to many countries in Western Europe, the growth of expenditures on pensions was the most rapid in Hungary, too, making it the most important among the programs.[24]

The comparison of the social security development of interwar Hungary and Western Europe in the area of social rights reveals a dichotomy. On the one hand, the available data indicate that the ratio of those covered by social security schemes was rather low in Hungary, and diverged from the Western European level. On the other hand, however, the relative level of benefits, especially as regards state employees largely approached the conditions in Western Europe and with the maturing of the generous 1928 pension insurance further convergence could be expected.[25] Interwar Western European trends were also reflected in the changes of the qualifying conditions for social security benefits. The means-test principle was assigned a secondary role behind the insurance principle and specific qualifying conditions such as the age limits and waiting period of pension insurance, or the waiting period of health insurance also approached Western European standards. At the same time, the pattern of coverage with high benefit levels conforms to the Bismarckian tradition, and constitutes the application of the Bismarckian principles to a dominantly agrarian society with a relatively small working class.[26]

Before the Second World War the organizational features of Hungarian social security programs resembled those of the countries following Bismarckian principles. Similarly to Germany and Austria, programs were introduced in the form of compulsory insurance.[27] The unique feature of Hungarian development is the centralization that took place within the framework of the system. Moreover, several types of schemes had self-governments before the First World War and in the 1930s, which operated just as democratically as many of their Western European counterparts.[28]

Turning to developments in the second half of the century, the most striking feature of the communist welfare regime just establishing itself was the relatively low level welfare expenditures, both compared to welfare efforts in Hungary in the interwar period and in an international context. In terms of social insurance expenditures, social security expenditures and social expenditures relative to the GDP, Hungary diverged from Western Europe until the end of the 1970s. Moreover, in 1980 Hungary was still more behind the West than in 1930.[29]

Regarding the relative levels of Western European and Hungarian welfare expenditures, the 1970s and the 1980s may be seen as the beginning of a new era. In terms of the relative ratio of social insurance and social security expenditures the gap was narrowing from the 1970s on, a process accelerating at the end of the 1980s. The latter process was due to, first, the recession in Hungary that was reflected in the stagnation of the GDP, and, secondly, to the relative stability of Western European spending. This dynamics does not hold for total social expenditures, as these also show divergence between Hungary and Western Europe in the 1970s and 1980s, with the exception of the last few years of the 1980s, mainly due to an increasing uniformity of the countries of Western Europe.

Institutional differences between Western Europe and Hungary began to increase as well from the middle of the century onwards. In communist Hungary, a specific structure of social rights emerged. As a major difference compared to Western Europe the basic institution of social security was full-employment—in fact, a compulsory or forced employed status of the working-age population—even if it did not always exist and not everywhere and implied low levels of income. Other important institutions of communist welfare included price subsidies for specific goods and services, and the system of social benefits offered by companies—both with altering significance over time. In addition, the changes in the functions of social security were specifically contradictory in communist Hungary. On the one hand, the elimination of traditional institutions of poor relief increased the significance of social security programs. On the other hand, the influence of social policy considerations in other areas, which enjoyed relative autonomy in Western European societies (such as price mechanisms or the labor market mentioned above), decreased the importance of social security within the whole welfare system. The differentiation of social security programs continued in Hungary but with priorities different from those in Western Europe, with its prime considerations related to the efficiency of production and the mobilization of the work force. The differences in the relative significance of institutions are also shown by the structure of expenditures. In the first two decades, the most important characteristic was the low ratio of pension-related expenditures and the relatively high ratio of health care spending compared to Western Europe. The changes observed between 1960 and 1980 signaled an advancement toward the Western European pattern only in terms of the growth in the proportions of pension expenditures. As regards other expenditure items, the trends were opposite. In contrast to Western Europe, the relative decrease in health expenditures and the opposite process in family benefits represent especially strong divergences. As a significant difference, it is also important to mention the complete lack of unemployment expenditures in Hungary.[30]

After the Second World War the degree of coverage increased at a significant pace in Hungary, with ratios close to the Western European average even in the first decades.[31] In contrast, the politically motivated discrimination of certain social groups, most of all, farmers, in the 1950s meant more of a divergence from Western Europe regarding qualifying conditions, even if these could not have been regarded unified for all types of social security in the given period either. The marked leveling off policy in the level of benefits, and even the elimination of rights obtained earlier, is another characteristic of the early communist welfare system that had no parallel phenomenon in the West.[32] The level of benefits relative to earnings was also low in comparison to Western Europe. However, the crudest forms of discrimination were eliminated in Hungary in the second half of the 1950s. The growing significance of the solidarity principle of the 1960s and 1970s in the area of qualifying conditions, paired with the rapid increase of the coverage, can be regarded as moves toward universality in accordance with Western European processes. Moreover, in Hungary the whole population was covered by social insurance sooner than it was in most Western European countries. The relative level of benefits does not turn out so favorably in a Western European comparison, although the ratio of pensions relative to earnings corresponded to the Western average in the early 1980s. By the 1980s in Hungary an increasing number of benefits were granted on the basis of citizenship, and from the mid 1970s all in kind benefits of health care belonged to this category, similarly to the British or Swedish systems. At the same time, other important social security services, e.g. pensions or sick pay were closely tied to the contributions paid, regarding both their qualifying conditions and their levels, which was similar to the Western European welfare type often called conservative or corporatist.[33] These similarities to different types of Western European welfare regimes suggest that by the 1980s the Hungarian social insurance system applied a combination of elements customary in Western Europe as qualifying conditions. Although this is not a distinct feature compared to the interwar period of Hungarian welfare, in this area it signals a new convergence to Western Europe in contrast to the 1950s.

At the same time, after the Second World War a strong divergence began to appear between Hungary and Western European welfare states with regards to organizational solutions in social security and such differences basically persisted all through the communist period. In most Western European countries the state commanded an increasing role in the operation of social security in the decades following the Second World War. However, the complete nationalization of social security in Hungary allowed considerably greater influence for the state than anywhere in Western Europe and resulted in an organizational construction unknown there.[34] Until the mid-1980s the operation of social security was in the hands of trade unions, themselves an organic part of the power structure of the party-state. In addition, there was no democratic control of any kind over social security schemes.[35] Elected self-governments did not exist and the lack of democratic control over the state administration made even indirect control impossible, thus turning this aspect of social security into the welfare area where divergence from Western Europe was of the greatest degree.

In the period between and especially after the two world wars, the two other countries under investigation, Poland and Czechoslovakia, show strong similarities with Hungary in welfare development. This is predominantly due to the fact that similar processes of transnational diffusion took place in all the three countries both at the time of passing the first acts of social security and in the subsequent post-WWII phase of welfare states.[36] At the beginning, diffusion was obviously reinforced by territorial overlaps specific to the region. The western part of Poland belonged to Germany up to the end of the First World War, and Galicia was part of Austria; the northern regions of Czechoslovakia also belonged to Austria, while its southern territories constituted part of Hungary. In addition, the legislation related to social issues in Hungary—the other half of the former Habsburg empire—was strongly influenced by Austrian legislation. Successor states adopted and enforced social security systems that had existed on their territory before and made efforts to integrate them. Thus, the impact of Austria and Germany, the two countries having an early and advanced social security system was direct. The uniformity of the region was later enhanced by the Soviet system and the communist ideology.

Consequently, Czechoslovakia and Poland—like Hungary—adopted the Bismarckian principles of social security at an early stage. There were different schemes applied to individual strata of society, with special emphasis on the inclusion of industrial workers and public employees. These schemes also show structural similarities at this early stage of development, even if not always in all three countries simultaneously. Some characteristics of the welfare system run parallel in Czechoslovakia and Poland. For example, unlike Hungary, Czechoslovakia and Poland had unemployment insurance introduced in 1921 and 1924, respectively. Moreover, the system of social security was more decentralized in these two countries than in Hungary. Decentralization also included a geographical aspect, as, for example, Slovakia had for some time social security regulations different from those in Czech and Moravian territories. Similarly, it took some time in Poland to integrate diverse welfare traditions.[37] However, both countries, as well as Hungary, show a tendency towards a more centralized organizational form as early as the interwar period, with the state acquiring a more dominant role.

Yet it was Poland and Hungary that took a most analogous course of development in the region, introducing individual programs almost simultaneously. A uniform old age pension insurance for white-collar workers was adopted in Poland in 1927, the same year as in Hungary, which was then extended to blue-collars with new terms in 1933.[38]

On the other hand, the social and economic disparities between the countries of East Central Europe manifested themselves in the welfare system as well. Despite several parallelisms, Czechoslovakia had a much more sophisticated welfare system than the other two countries. One of the most significant differences in the region was that Czechoslovakia introduced pension insurance for blue-collar workers as early as 1924, and, more specifically, that alongside with industrial workers, agricultural ones were also covered by the scheme. Moreover, in Czechoslovakia the state old age pension was a precursor of the Beveridge principles, as the payment of contributions was not a prerequisite to it. Not only was the standard of social security higher in Czechoslovakia both in terms of coverage and the conditions of the benefits, but the quality of social legislation beyond social security was also outstanding here in the region.[39]

The decades after the Second World War saw the uniformity of the region increase in terms of welfare policy. However, the extent of uniformity and the dynamics of convergence were not the same at different times in the examined period. The convergence of welfare accelerated in the region right after World War II, only to be followed by a halt of this process in the 1950s and 60s, which was followed again by a fast convergence in the last two decades of the communist regimes. Consequently, the pattern of development prevailing in Hungary applies to the whole region with the exception of the middle phase of the 1945-1990 period.

In the case of other East Central European countries it is not possible to measure convergences and divergences to each other and to Western Europe in such a detailed manner as it was discussed in an earlier study on Hungary.[40] However, internal uniformization also manifests itself in the level of social security expenditure. While in the first part of the discussed period Czechoslovakia had an exceptionally high expenditure/national income ratio (in 1965 the ratio in this country was almost double of that in either Poland or Hungary, the two countries already spending similarly at this stage), by 1980 differences mostly disappeared between the three countries.[41] This implies that while Czechoslovakia managed to keep up with the social security expenditure of Western European countries in the first part of the communist era, in the 1970s and 80s it was lagging well behind along with the other two countries.

The structural development of social security and other welfare institutions reflects the very same trend. The welfare system that emerged in Hungary and the other two countries after the communist takeover was embedded in the production process and relied on full employment and the security of the workplace. This was complemented by other specific features such as fringe benefits and an extensive system of price subsidies. Social security was integrated into this system, with its significance, generally speaking, rather diminishing than increasing. This structure was fundamentally different from the models of welfare emerging in Western Europe about this time. Despite the minor alterations made to this system, its basic elements persisted until the recession of the 1980s in all three countries, although in late communism the system disintegrated at a much higher rate in Poland and Hungary than in Czechoslovakia.

Legislation after World War II partly initiated by non-communist political forces focused on the extension of social rights in the region, which was shortly replaced by a policy rewarding 'merit,' a policy of particularities and privileges rather than that of universalism. In the 1950s, a differentiation of social security eligibility took place in all the East Central European countries, where industrial workers, the armed forces, party and state bureaucracy were privileged.[42] Moreover, there was a heavily work-related element in the benefit system: cash benefits (pension, sick leave) were not merely closely linked to employment but also determined by the level of income. This characteristic became even more pronounced in time. Alongside similarities there were significant differences between the three countries in terms of coverage. It was primarily Poland being different from the other two countries, due to the high number of private farmers, who were not eligible for pension insurance for quite a long time. By the 1980s universalism gained ground in all three countries, and the differences within the region were simultaneously decreasing. In Hungary as well as in Czechoslovakia, the 1970s were the turning point, when universalism became the underlying concept in social security (1975). In Poland this development took place somewhat later, at the end of the 1970s.[43]

There were some organizational differences as well but these did not actually affect the inner logic of the operation of social security systems. In Hungary the organizational and financial unification of social security took place earlier (1951), and Poland preserved the traditional organizational framework of its social security system to a larger extent. Unlike Hungary, in Czechoslovakia and Poland social security was not controlled by trade unions but by state administration directly. On the other hand, democratic control was lacking in all of these countries.

This development resulted in the simultaneous presence of the communist, social democratic and Bismarckian features and traditions in East Central European welfare. As far as the largest welfare scheme, the old age pension is concerned, the low relative significance of social security pensions within the welfare system in the 1980s due to the price subsidies mentioned above affecting pensioners can be regarded as a communist characteristic. Furthermore, similarly to social democratic regimes, coverage was of high level along with centralized management and the state playing a central role. The differing rights given to individual social groups and the income-related level of pensions are features of the conservative welfare system. However, in the case of health care, the basic principles of the social democratic system prevailed in the 1970s and 80s, such as providing free medical care based on the principle of citizenship. Similarities between the welfare systems of the three East Central European countries imply that Czechoslovakia and Poland related to the European social policy model analogously to Hungary.

Extending the analysis of the social security system of communist countries to their whole welfare system will affect the results in a contradictory way as far as the relationship to the European social policy model is concerned. On the one hand, the structural peculiarities of communist welfare systems widen the gap between these countries and Western Europe. As outlined above, social security played a central role in Western Europe, while it played a different, mostly subordinated one in communist welfare regimes, which can be regarded as their unique feature. On the other hand, including price subsidies and other welfare benefits into 'welfare efforts,' i.e. expenditure, the differences between Western and East Central Europe might diminish.

In sum, in the interwar period, the welfare systems of Poland and Hungary lagging considerably behind Czechoslovakia were less developed than most of the Western European national systems. However, the dynamics of development was considerable and the developmental direction of East Central European welfare coincided with Western European trends in several respects. After the Second World War differences between Western European and East Central European welfare states began to increase, first in all examined areas. Then, by the end of the 1980s, besides the distinctive features of communist welfare discussed earlier (for example, the relatively low level of expenditures, the peculiar structure of spending, the specific functions of social insurance, the different principles of qualification for benefits, and to the lack of control rights of clients) the East Central European welfare—and first of all, social security—system shared features both with the Scandinavian social democratic and the continental Western European conservative models.

It may be of interest to see what bearing this legacy—the development of welfare systems outlined above—had on East Central Europe when conforming to the European social model in the course of the political, social and economic transformation of the 1990s. From this aspect the similar scale of welfare efforts (including price subsidies and other welfare spending) to those in Western Europe can be regarded as dividend of the legacy. In addition, as shown above, there were several other identical features with the social democratic and conservative welfare systems dominant in Western Europe. Most of the former differences derived from the political system, thus its democratization could eliminate major divergences. The fact, however, that most of the welfare spending were interwoven with the communist economic system (price subsidies, fringe benefits in factories, the indirect and hidden costs of full employment) was a burden when adopting the European social policy model, because the fall of the regime jeopardized their survival. Consequently, whether the adoption of the European social model after the regime change would turn out to be feasible depended heavily on the success of transforming resources associated with the old system into a welfare system compatible with market economy.

Recent Changes in East Central European Welfare and the European Social Policy Model

At the beginning of the "triple" transformation in East Central Europe, there were diverse expectations by observers regarding the possible futures of the region's welfare systems. In the early 1990s, Bob Deacon, one of the experts most familiar with social policy in the region, expected a very heterogeneous, diverging welfare development there—three countries with three different paths. He also predicted the emergence of welfare regimes more or less consistent with the ones in Esping-Andersen's typology: "liberal-capitalist" welfare state regime in Hungary, "post-communist conservative corporatism" in Poland, and "social democratic" regime in Czechoslovakia.[44] Most experts, including Esping-Andersen, however, projected the dominance of liberal regimes in East Central Europe in the near future.[45] The latter expectations were based on two factors. On the one hand, there was the consideration that international agencies (such as the IMF and the World Bank) preferring liberal welfare policies might have a large impact on the transformation process, especially in countries with large foreign debts. In contrast, the international agencies, first of all the ILO and the EU, that might have been expected to support an anti-retrenchment policy of welfare states, were fairly passive. The passivity of the EU in that respect can be considered remarkable, since, contrary to the ILO, it had effective political and economic means to influence the governments in the region.[46] On the other hand, there was a line of political reasoning among experts, namely, that the "most articulate and politically best-organized social forces" give preference to the liberal model.[47] In the following, we describe the realization of these scenarios. As in the former section of the study, we take Hungary as a case study country and the development of other East Central European countries will be presented in relation to that case.

The post-communist transformation of economy deeply affected and challenged the Hungarian welfare system in the early 1990s. Not only the former system of guaranteed employment, subsidized prices on basic necessities diminished but the basis of a new social security system compatible with market economy was also shaken. First of all, the social costs of the transition increased demand for welfare services, while the number of contributors significantly decreased as a result of mass unemployment, growing informal economy, and the easy availability of early retirement and disability pension. Despite the economic recession—and the liberal scenarios described above—the first years of economic transition did not see a significant decrease in social expenditures. In relative terms the spending even increased, since the economic output decreased and the government(s) introduced costly programs, such as unemployment benefits and new social assistance schemes, to meet the social needs created by the emergence of mass unemployment and the rise in poverty. The entitlements for the already existing major social security benefits remained unchanged for several years, although coupled with an erosion of real values.[48]

1995 marked a watershed in the Hungarian social welfare system when a significant curtailment of social benefits was carried out, followed by similar measures in the next years. In the first two years of the new policy course (in 1995 and 1996) the loss in social expenditures totaled to 5% of the GDP—a fall from 29.5% to 24.3%. The major means of the retrenchment of welfare was a conscious policy of non-indexation of the benefits at a time when the inflation was galloping well over 20% annually again, but some entitlements were also cut back.[49]

Both of the two biggest cash welfare schemes (pension and family allowance) were affected by liberal reforms. As to the pension system, the new ex-communist (socialist) government curtailed social rights in 1995, for example, by raising retirement ages from 55 and 60 years for women and men, respectively, to a uniform 62 years until 2009. However, the basic principles of the pay-as-you-go pension system remained unchanged until 1997, when much more comprehensive reforms were launched, followed by their actual introduction a year later. The new system was modeled after Latin-American (Chilean and Argentinean) precedents favored by international agencies, such as the IMF and the World Bank, and made up of three pillars: a basic state pension, a compulsory private pension, and a voluntary private pension. Joining the new pension scheme became compulsory for new entrants of social security, and optional for employees under 47. One fourth of the total contribution of employers and insured persons was scheduled to go to the second pillar, that is, to private pension funds.[50] In 1995/1997 the universality of family allowance, initiated quite recently, in 1990, was also abolished. A means-test procedure was introduced first for families with not more than two children, then for all families.[51]

However, there was no consensus about the direction of welfare reforms. After the 1998 elections, the new government, usually labeled as conservative, cancelled several aspects of the liberal measures and reintroduced solidaristic principles and universal entitlements. It revised the pension law and reset the contributions going to private insurance companies to a lower level to ensure more revenues for the public pension fund. This step could only partly counterbalance the introduction of the private insurance principle. With the maturing of private pensions, this pillar is expected to play a significant role in the Hungarian pension system. However, all in all, the pension system retained its predominantly public nature, with an almost universal coverage. The pensions are based on contributions, that is, on work performance. There is a solidaristic element as well, since a modest vertical redistribution among contributors also takes place. This latter characteristic of the public pension system has even been strengthened during the transformation years since indexation was often applied to pensions in a non-linear way, favoring lower pensions. The ratio of private pension spending to total pension expenditure was almost negligible in Hungary in the 1990s. The new government reintroduced the universal right based on citizenship for family allowance and maternity benefits as well. This turn meant a rehabilitation of the citizenship principle as a source of rights in the welfare system and the means-test principle was forced into the defensive.[52]

There is no indication of a liberal transformation in other major areas of welfare either. Other schemes of social security also remained universal, the most important of which are the cash and in-kind benefits of health insurance, even if widespread corruption institutionalized under communism in that sector hinder the effective realization of social rights to a considerable extent. The role of means-tested poor relief and other social assistance, often regarded as an indicator of the liberal regime, has remained subordinate in Hungary. The share of social assistance within social expenditures was well below the ratio of liberal regimes in Esping-Andersen's study—only 3.3% as opposed to 18% in the USA and 16% in Canada in 1980.[53] In this respect, the Hungarian welfare system would not qualify as a liberal regime either.

In sum, after a decade of reforms the Hungarian welfare system did not realize the liberal scenario proposed by many observers in the early 1990s and does not fit any of Esping-Andersen's regime types, either. Undoubtedly, there have been "liberal" tendencies, especially between 1995 and 1998, during the ex-communist socialist government: social expenditures were considerably decreased, in some programs the universal entitlements were transformed into means-tested benefits, and the privatization of public programs was carried out. However, in the 1990s most of the entitlements were retained and even new ones (unemployment, social assistance) introduced. The universality is still a major governing principle in Hungarian welfare. In addition, the partial liberal transformation of schemes proved not to be an irreversible process. From 1998 on, the new government has reintroduced solidaristic and universalistic principles both in the pension system and in other welfare schemes.

The welfare systems of the other two—or, rather three, subsequent to the partition of Czechoslovakia in 1992—East Central European countries developed in relation to the European social model in a manner similar to that of Hungary. This is not to say that the transition of the individual countries in the region did not show any unique features in terms of welfare. In Poland the economic shock therapy went in tandem with the slow transformation of the welfare system, but the pension reform received relatively extensive support from the political elite—

unlike in Hungary.[54] In the Czech Republic the prevailing liberal economic phraseology went alongside with a surprisingly solid subsidizing of social security in the first half of the 1990s. Here, the most profound reforms were made in the area of health care, where a system of competing public health insurance funds was established, while benefits based on the principle of citizenship and universalism remained intact.[55] What made Slovakia unique was the even slower speed of changes throughout the 1990s. Not only were there differences between the East Central European countries but the reforms in the individual fields of social security were not equally profound either: the least extensive changes took place in health care and the transformation went furthest the most profound in the area of unemployment and social assistance, while pension plans and family benefits were between the two.

As a result of this, the differences between the welfare systems of East Central European countries increased somewhat as compared to the 1980s.[56] Despite all the changes and differences, however, outside political agencies and observers were, depending on their ideals, either disillusioned (IMF, World Bank) or satisfied (EU) by the realization that the fast, liberal transformation of the welfare systems according to the US-model has not been carried out in the region. As an example, regarding the reforms of the region's health care system, EU publications declared that "all health care financing reforms are in the mainstream of Western European tradition."[57] This was quite unexpected because, unlike the World Bank and the IMF, the EU did not actually influenced the region in social policy issues or made even considerable attempts to do so. Research findings also emphasize the lack of liberal transformation not only in the early period[58] but at the end of the 1990s as well.[59] Thus, as far as its relationship to the European social model is concerned, the development of the welfare system in East Central European countries was resembling that of Hungary.

Opinions in the literature are quite varied about the future of the welfare systems of East Central Europe ranging from the ones predicting a liberal transformation[60] and the ones reluctant take sides[61] to those highlighting the slow speed of transformation.[62] However, the countries of the region have passed the stage when the fast residualization of welfare systems was urged by budgetary crises and demanded by international monetary institutions as well as facilitated by high inflation and a non-transparent, volatile political situation. According to the findings of several opinion polls "the majority of Central and Eastern European citizens are indeed very much in favor of the fully-fledged 'European Model',"[63] which suggests that the liberalization of welfare systems would clash with the will of voters. The more so, because democratic institutions now operate more transparently and reliably and reflect the preferences of voters to a greater degree than in the first stage of transition, and the political environment in Central East European countries has became highly competitive. The EU accession of the countries in the region also encourages the adoption and sustenance of the institutions of conservative and social democratic welfare systems dominant in the EU. At the same time, due to the organizational weakness of social groups interested in the preservation of extensive welfare systems,[64] those advocating the residualization of welfare systems stand chances of realizing their programs when repeatedly challenging the status quo.

Summary and Conclusions

In this paper we examined the development of post-WWII welfare systems in East Central Europe in the context of the formation and persistence of the European social policy model. An effort was made to incorporate important characteristics besides the changes in expenditures most frequently analyzed in the literature and to focus on aspects of analysis allowing for long term investigations as well as the assessment of the dynamics of changes. Accordingly, the most important areas under investigation included the relative levels of social expenditures, the basic structural characteristics of welfare institutions, social rights, and control rights of welfare clients.

There have been various criticisms against the concept of the European social and social policy model. There are obvious dangers in using the concept, such as neglecting the internal diversity of Western Europe or applying a static approach to social development. However, if handled with care, the notion may have its advantages as a heuristic tool. It emphasizes some of the major structural commonalities of post-WWII (West) European societies that might constitute the prerequisites of European political and economic integration.

In the interwar period the welfare systems of Poland and Hungary lagged considerably behind not only most of the Western European national systems but also Czechoslovakia. However, the dynamics of development in East Central Europe was substantial and the developmental direction coincided with Western European trends in several respects. After the Second World War differences between Western European and East Central European welfare states began to increase, first in all examined areas. Then, by the end of the 1980s, despite the distinctive features of communist welfare (for example with regard to the relatively low level of expenditures, the peculiar structure of spending, the specific functions of social insurance, the different principles of qualification for benefits, and to the lack of control rights of clients) the welfare—and first of all, social security—system of the region shared features both with the Scandinavian social democratic and the continental Western European conservative models.

As to the changes of the 1990s, after a decade of reforms the Hungarian welfare system did not realize the liberal scenario proposed by many observers in the early 1990s and does not fit any of Esping-Andersen's regime types. Undoubtedly, there have been liberal tendencies—especially between 1995 and 1998, during the ex-communist socialist government: social expenditures were decreased, in some programs the universal entitlements were transformed into means-tested benefits, and privatization of some of the public programs was carried out. However, in the 1990s most of the entitlements were retained and even new ones (unemployment, social assistance) introduced. The universality is still a major governing principle in Hungarian welfare. In addition, it is remarkable that the partial liberal transformation of welfare schemes proved not to be an irreversible process: from 1998 on the new government has reintroduced universalistic and solidaristic principles in the pension system as well as in other welfare schemes.

Despite all national variations, the development of the welfare systems of the other East Central European countries has proceeded in the 1990s in a similar way as in Hungary. Research has usually emphasized the absence of a liberal transformation not only regarding the earlier period but also as far as the late-1990s is concerned. External factors and observers were, depending on their ideals and preferences, either disillusioned (IMF, World Bank) or satisfied (EU) by the realization that the fast and profound liberal conversion of the welfare systems into a US-type residual system has not been carried out in the region.

The different welfare programs had their own specific dynamics in the first decade of post-communist transformation not only in Hungary but also in other East Central European countries. Some of them have been transformed, others remained intact, and totally new ones were also created. The newly emerging welfare regimes in East Central Europe do not conform with any of the regime types in Esping-Andersen's typology. Rather, the new welfare systems are a mixture of different elements of these regimes, or, as an analyst the Hungarian system described, they are "faceless."[65] As a result, there has been no marked convergence to the residual US-type welfare model. The East Central European welfare systems of the 1990s are not close relatives of any Western European welfare regime, either. Rather, they mostly mix elements of the social democratic and the conservative regimes. Since there are signs indicating that the future European social model will be based on a merge of the social democratic and conservative welfare models, the welfare development of East Central Europe in the 1990s suggests that the welfare states of the region will converge on that newly formed European social policy model.

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