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## Social Policy in East Central Europe: Major Trends in the Twentieth Century

*Dorottya Szikra and Béla Tomka*

### **Introduction**

East Central European countries and post-Soviet states have a common communist legacy, because of which they are looked at as countries with markedly different political and welfare cultures compared to 'Western' capitalist democracies.<sup>1</sup> The difference in the historical legacy has caused many authors to group these countries into one category of 'post-Soviet' or 'post-communist' states. The systematic analysis of the commonalities and differences of their welfare history has only started recently (Inglot, 2003, 2008; Tomka, 2003, 2005; Cerami, 2006), but these studies have mainly neglected the history of family policies in the region. Recent development of family policies and gender have attracted considerable attention (Pascall and Kwak, 2005, Fodor et al., 2002; Szelewa and Polakowski, 2008) but the historical roots of current family policies is a new field to be explored.

In this introductory chapter we argue that the similarities and differences that can be observed today lie partly in the historical legacies of these countries, dating back at least to the turn of the twentieth century. Peculiarities of pre- and post-war development and diverging political and economic arrangements under the transition period led to markedly different welfare outcomes in these new capitalist democracies. Still, we can observe some common features, both historically and today, and these make the label 'post-communist welfare' relevant. Besides arguing that social policies in the region are more mixed and volatile than in 'Western' capitalist democracies we point out the gendered nature of such policies. We argue that due to historical legacies and gendered political considerations, different forms of 'familialism' developed in the region, especially in the second half of the communist period, and despite the radical political and economic changes these patterns can still be grasped very well. Our argument will be underpinned with examples from the development of social insurance

systems and family policies in East Central Europe, thus the Czech Republic, Slovakia, Hungary and Poland.

We share the concern of both Eastern and Western scholars about the difficulties of analysing the welfare systems of East Central European countries with the help of already existing frameworks (Saxonberg, 2000; Tomka, 2003; Inglot, 2008). Some would even argue that communist countries are placed 'outside the scope of Esping-Andersen's typology as well as its feminist variants' (Michel, 2006, p. 146). Although there has been much criticism against the framework of power-resources analysts, some of their analytical dimensions could well be utilized in East Central European welfare research (Tomka, 2003; Inglot, 2008). New-institutionalism and the theory of path-dependency have also been relevant to much of the scholarship, although with certain modifications. From the standpoint of historical institutionalism Tomasz Inglot comes to the conclusion that although there are important differences between social policy decision-making processes and outcomes within East Central Europe, the common and distinguishing pattern is their 'emergency' decision-making manner that is strongly linked to economic and political crisis throughout history (Inglot, 2008, and this volume). Although we think that historical institutionalism and the theory of path-dependency are crucial, we also suggest that 'welfare culture' as a concept can provide us with useful tools to interpret the different levels of resistance to the repeated neo-liberal challenges in the post-communist world (Müller, 1999; Pfau-Effinger, 2005).

Gendered research focusing on the development of family policies shines a light on social policies affecting gendered relations, and influencing the welfare chances of women and children (Saxonberg, 2000; Fodor et al., 2002; Heinen, 2002; Pascall and Lewis, 2004; Fodor, 2006). These studies could utilize concepts of 'maternalism' and 'familialism', developed by North-American scholars (Haney and Pollard, 2003). Maternalism describes how women played a central role in the process of welfare state formation, and how women as mothers became subjects of social policy (Koven and Michel, 1993). Familialism builds on the evidence that throughout history 'states attempted to mobilize families and deploy familial images for a variety of political ends' (Haney and Pollard, 2003, pp. 1–14). In their recent attempt Szelewa and Polakowski describe East Central European family policies relying on the framework developed by Leitner (2003), and describe different forms of familialisms in East Central European countries (Szelewa and Polakowski, 2008). Our chapter goes beyond their analysis by highlighting the different and changing forms of familialisms under communism.

### **Early histories of social policy in East Central Europe**

Although there has been extensive research from the 1960s on the early years of the welfare states, East Central European countries were mainly

*Table 2.1* Introduction of compulsory social insurance schemes in East Central Europe

	Injuries	Sickness	Old age	Unemployment
Czech Republic	1887	1888	1924	1918
Slovakia	1907	1891	1924	1918
Hungary	1907	1891	1928	1991
Poland	1924	1920	1927	1924

*Source:* Darvas (2000) with modifications.

left out of the analysis. The main reason for this was the difficulty to gain information on Eastern development. Communist countries have had their own Marxist–Leninist welfare historiography, but research in the region was fairly unsystematic and produced studies that were often heavily ideological. This is why there has been a need for former state socialist countries to write or rewrite their welfare histories after the fall of communism.

Authors dealing with the early years of social policy in East Central Europe stress their Bismarckian traditions (Szikra, 2000, 2004; Tomka, 2004; Cerami, 2006; Inglot, 2008). Indeed, the first compulsory social insurance schemes were introduced immediately following German and Austrian legislation in these countries. Austrian legislation applied directly to today's Czech Republic. Hungary (including what was later called Slovakia), being part of the Austro-Hungarian monarchy, closely followed this legislation. Poland's territory was divided between Germany, the Austro-Hungarian monarchy and Russia before its formation in 1919; thus the legislation of these countries were applied here before the First World War. Poland itself introduced compulsory social insurance legislation after its formation, in the 1920s. In Table 2.1, above, the years of the first social insurance legislations of East Central European countries are listed.

The table shows that the timing and sequence of social insurance legislation in East Central European countries was in line with Western European welfare history. The ambition of these countries to keep pace with social and economic development in Germany and Austria was a good reason to provide social insurance for workers at an early stage. This can be illustrated by the words of the Minister of Industrial Affairs in Hungary in 1891, referring to the economic environment of the country:

I kept in mind that Hungarian employers and workers should not be put in a less favourable position than their counterparts in the other countries and kingdoms of the council of the empire with which we form a united duty zone. It is also evident that the way in which sickness benefits are arranged in the German Empire affects us. Our industrial

conditions have a certain natural connection with these countries. (Indoklás, 1890, p. 168)

The constant incentives to adjust legislations within the Austro-Hungarian monarchy might be viewed as early examples of a 'harmonization process' within Europe. In addition to cultural and economic reasons, workers' demonstrations around the turn of the century made the leading elite believe that social insurance would pacify the working class. Peter Flora and Jens Alber are right when they argue that monarchies with limited suffrage, like Austria-Hungary, were more likely to introduce social insurance legislation at an early stage of development to secure the legitimacy of their ruling class. In the constitutional monarchies 'social welfare [is] an authoritarian defence against (full) political citizenship and [is] a consequence of competition for loyalty' (Flora and Alber, 1981, p. 46). This truly holds for the East Central European countries.

Early social insurance legislation clearly positions welfare regimes of East Central European countries in the typologies created by Richard Titmuss (1958) and Gøsta Esping-Andersen (1990). The emerging welfare systems before and immediately after the First World War were closest to what is often called 'conservative', 'etatist' or 'Bismarckian' welfare regimes. The most important characteristic here is the early introduction of workers' insurance schemes financed from contributions, with minimal or no state subsidy. Another important feature is the creation of separate schemes for civil servants, industrial workers and agricultural workers. Civil servants enjoyed favourable conditions in all of these countries and agricultural workers were mainly offered voluntary insurance with very poor conditions (Szikra, 2009). This is why a very low proportion of agricultural workers became covered by social insurance schemes before the Second World War. This, in itself, was not rare in Western Europe either. However, with the exception of Czechoslovakia, the agricultural sector dominated the economy in East Central European countries throughout the interwar period (Mitchell, 1980, pp. 162–8). Low coverage of the agricultural population, weak local administration and the relatively high number of small industries all contributed to the fact that the overall coverage of social insurance schemes remained lower than in most Western countries.

Austria-Hungary fell apart in 1918–1920 and several new successor states were created in the region. Social policy legislation constituted a significant element of the state formation process in all of these countries. In the newly created Czechoslovakia, sickness, disability and pension insurance for all employees except part-time workers was enacted in 1924 (Czech Social Security Administration, 2004). The first socialist government in Poland introduced compulsory social insurance, which soon became one of the most developed systems in East Central Europe (Inglot, 2008). Hungary lost two-thirds of the territories of the previous Hungarian kingdom. Here, legislation created a centralized body of social insurance, extended sickness

*Table 2.2* Introduction of paid maternity leave and family allowance in East Central European countries

	Maternity leave	Family allowance
Czech Republic	1888	1945
Slovakia	1884	1945
Hungary	1884	1938 (1912 for civil servants)
Poland	1933	1948

*Sources:* Ferge (1991); Darvas (2000); Szikra and Szelewa (2008).

and injuries insurance, as well as introducing a fairly generous old-age and disability pension system in 1928. Here, the fear from the ‘disappearance of the nation’ led to the emergence of maternalist policy measures in the 1930s and 1940s (Koven and Michel, 1993). Family allowance for factory workers was introduced as early as 1938, and an extensive, means- and behaviour-tested loan was provided for poor agricultural families with many children (Szikra, 2008). The 1930s saw the rapid development of kindergartens and afternoon services for children of factory workers. These measures paved the way to what later became an ‘optional familialistic’ or ‘public maternalist’ development in Hungary (Leitner, 2003; Fodor, 2007; Szikra and Szelewa, 2009).

In Poland at this time, with its traditional commitment to Catholicism, family life was treated as ‘sacred’ and a private matter. This is the main reason why family policies played a marginal role in the newly formed state (Szikra and Szelewa, 2009). ‘Implicit familialism’, where the state does not create explicit family policies and puts the burden on families (Leitner, 2003), remained a long-lasting feature of the Polish state. At the same time, the rhetoric about the ‘mother Pole’ was very much present between the two World Wars, creating a paradox situation when the ‘saviors of the nation’ (Davis, 1997) were actually left alone with their caring tasks. In Czechoslovakia legislation of the Austro-Hungarian monarchy regarding childcare facilities and payments remained in place for a long time and the government refrained from extensive maternalist policies and concentrated more on the insurance of industrial workers than on their families (Haskova, 2007). Table 2.2 shows the dates of the introduction of paid maternity leave and family allowance in East Central Europe.

### Major features of communist welfare regimes in East Central Europe

The concept of welfare state is usually applied for parliamentary democracies and market economies but not for communist countries. However, in

communist societies the collective responsibility for the welfare of citizens also existed, and the relevant institutions were set up. The state was not the only agent taking responsibility for the well-being of citizens, but it had an exceptional significance in the welfare mix. Based on these considerations East Central European communist countries can plausibly be considered as welfare states as well (Haney, 2000, pp. 101–22). However, if we take the Marshallian perspective on the development of rights, according to which social rights are built upon civil and political rights, and these together form the basis of the welfare state, we can say that East Central European communist countries cannot be regarded welfare states (Marshall, 1950). For sure, with the banning of civil and political rights, these countries followed a different path to welfare, and if we take a broader view and consider ‘well-fare’ in the sense of ‘well-being’ we can say that the periods of massive political suppression in these countries do not call for the label ‘welfare state’, let alone ‘welfare society’.

But if we put these theoretical considerations aside, we can also observe that in communist East Central Europe a specific structure of social rights emerged. The role of welfare arrangements and the width and depth of social rights, however, substantially changed over time within the communist era. The lack of civil and political rights and the system of privileges coupled with mass poverty contributed to the 1956 uprising in Poland and the revolution in Hungary in the same year. The same reasons can be grasped in the 1968 events in Czechoslovakia. After the revolts, the East Central European communist regimes changed their welfare policies. An unspoken contract between the state and the citizens was created: social rights and welfare were provided *in return* for the lack of political and civil rights. Social spending rose and new institutions were created. Thus both in respect of social security arrangements and family policies, two periods can be distinguished within communism: The first period lasted from the early years of communism until the mid- or, in other countries, late 1960s, and the second period from the late 1960s until the fall of communism. A more universal set of welfare policies can be observed in the second period, and this is the time of the development of generous family policies as well. To this we return later.

The major difference compared to Western Europe is that the foundation of social welfare was a compulsory employed status of the working-age population, even if it implied low levels of income. Other specific 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. First we deal with these institutions, then we turn to the features and development of social security systems and family policies in the region.

The centrality of the right and obligation to work was guaranteed by the constitution in most cases. Working-age people out of employment,

especially males, were persecuted and often imprisoned. To accomplish *full employment* the centralized allocation of the working force was established. Social policy also became a means to drive people into the state-run industries as most of the transfer payments were tied to employment in the public sector. Economic incentives and regulations encouraged companies to employ even those people for whom they were not able to provide appropriate work, thus creating hidden unemployment. The position of employees was relatively favourable in the situation of shortage economy and labour law made it difficult to fire employees. At the same time, all of this had its price since it harmed efficient employment: the shift of the working force from less effective sectors to more successful ones ran into difficulties. This regime of employment could only be maintained in the long run while companies were protected from the consequences of low productivity by the centrally planned economy.

In the East Central European communist countries the system of *price subsidies* for basic consumer goods and services was a major tool of welfare policy. The explicit goal of these measures was not only the increase of purchasing power but also the support of inefficient firms and branches. At the same time they had a moderate impact on social inequality, primarily because better-off segments of the society had much better access to them than the less privileged ones. In certain areas, such as health care or consumption of basic foods, they resulted in large-scale waste of resources (Andorka and Tóth, 1992, p. 442). Price subsidies in East Central European never grew so much out of proportion as in the GDR in the 1980s, where the funds allocated for subsidies surpassed social security expenditures (Therborn, 1995, p. 95).

In the East Central European communist regimes the system of *fringe benefits* became much more diversified and extensive than in market economies. Factories often established – depending on their size – kindergartens, sport and cultural facilities, health-care institutions and holiday resorts. Companies even distributed a fair share of goods in short supply, most importantly flats, but they often also provided such necessities as basic foodstuffs for their employees. At the same time fringe benefits mainly benefited the higher ranks of industrial workers and they rarely reached unskilled labourers of state-run factories.

The changes in the *functions of social security* were contradictory in communist East Central Europe. Alternative welfare systems, such as social assistance, sporadically existed on the local level but their role was marginal compared to capitalist democracies. This made the significance of social security programmes greater compared to capitalist democracies. Another special feature was that the earlier existing autonomy of social insurance administration was eliminated. The system was driven by direct political aims and became integrated into the complex system of the above-described fringe benefits and price subsidies.



Legislation in the aftermath of the Second World War, partly initiated by non-communist political forces, promoted the extension of social rights in East Central Europe. *Coverage* of the social security schemes continued to increase at a significant pace in the region after the communist takeover. At the same time, a policy of particularities and privileges rather than that of universalism emerged under early communism. The differentiation of social security eligibility remained long in place in all of the East Central European countries: industrial workers, members of the armed forces, the party and state bureaucracy were privileged (de Deken, 1994, p. 137). Parallel to this process was the politically motivated elimination of social rights obtained in the previous regime and the discrimination of certain social groups, most of all farmers (Minkoff and Turgeon, 1977, pp. 178–80). However, the crudest forms of class-based discrimination were abandoned by the early 1960s, not least due to the subsequent uprisings and revolutions in Poland and Hungary in 1956. The growing significance of the solidarity principle of the 1960s and 1970s in the area of qualifying conditions resulted in the rapid increase of the coverage, and can be regarded as a move toward universality. Solidarity had its limits: there was a heavily work-related element in the system. Cash benefits (pensions, sick leave, etc.) were not merely closely linked to employment but also determined by the level of income. This characteristic of social security arrangements became even more pronounced over time.

Alongside similarities there were significant differences between the East Central European countries in terms of coverage. It was primarily the Polish, being different from the other countries due to the high number of private farmers, who were not eligible for pension insurance until the late 1970s. However, 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 middle of 1970s was the turning point, when universalism became the underlying principle of social security. In Poland this development took place somewhat later, at the end of the 1970s (Okrasa, 1987, p. 14).

While social security coverage ratios in East Central Europe increased considerably in the post-war decades and soon became comparable to those of Austria or Germany, the absolute and even the relative *level of benefits* does not turn out so favourably in a Western European comparison. A striking feature of the communist welfare regimes just establishing themselves in Hungary and Poland was the relatively moderate level of *social security expenditures* both compared to welfare efforts in the interwar period and in a European context: In terms of social security expenditures relative to the GDP, Poland and Hungary diverged from Western Europe until the end of the 1970s. Moreover, in 1980 Hungary was still more behind the West than in 1930 (Hivatal, 1982, p. 387; Tomka, 2004, pp. 41–8). In contrast, Czechoslovakia had a high social security/GDP ratio in the first two

post-war decades. By 1980 differences mostly disappeared between the three countries (Castles, 1986, p. 217). Growth in the relative level of social security expenditures in the 1980s was due to the economic recession reflected in the stagnation of the GDP, and also the efforts of the regimes to buy the support of the population in a period when their legitimacy was eroding quickly.

The expansion of social security programmes took place in East Central Europe with priorities different from those in Western Europe, with its prime considerations related to the efficiency of production and the mobilization of the workforce. In the first two decades, the most important characteristic of *structure of expenditures* was the low ratio of pension-related expenditures and the relatively high ratio of health-care spending compared to Western Europe. Between the 1960s and 1980s the relative decrease in health expenditures and the increase in family benefits represented especially strong divergences from Western European trends. As a significant difference, it is also important to mention the complete lack of unemployment expenditures in East Central Europe (Andorka and Tóth, 1992, p. 413).

In most Western European countries the state had an increasing role in the *administration* of social security in the decades following the Second World War. However, the complete nationalization of social security could be observed in East Central Europe. In Hungary, from 1951 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 Czechoslovakia and Poland social security was controlled by the state administration directly. In addition, there was no democratic control of any kind over social security schemes (Deacon, 1983, p. 155; Tomka, 2004, pp. 90–5). Elected self-governments did not exist and the lack of democratic control over the state administration made even indirect control impossible, thus turning the organizational aspect of social security into the area where differences from Western Europe were of the greatest degree.

*Family policies* under communism served primarily pronatalist aims but at the same time were relatively successful in diminishing poverty among families with children (Darvas, 2000). Early communist family policies were restrictive in all countries, with low state subsidy for childcare institutions and restrictive legislation on abortion. Recent research shows how the communist state pushed the responsibility of building kindergartens onto local communities and factories, thus actually withdrawing itself from public provision, which was contrary to the state's self-image as carer for 'our greatest treasure, the child' (Bicskei, 2007). After the uprisings and revolutions in the region in 1956 and 1968 welfare policies and also family policies changed substantially and became part of the social compromise between the state and the citizens.

A very good example for this turn is the system of extended parental leave, introduced from the late 1960s in all East Central European countries.

This leave is called 'parental leave' in the English-speaking literature to distinguish it from the former systems of short maternity leave, although they were only paid to mothers at the outset of the schemes. Former 'short' maternity leave systems still remained in place after the introduction of the new extended schemes. In Czechoslovakia and in Hungary it was a paid leave and was provided for all working mothers for 2.5 and later 3 years. Long parental leave was unpaid in Poland until 1981, when it became paid. At the same time, contrary to the other two countries, parental leave was income-tested from the very beginning in Poland (Szikra and Szelewa, 2009). Income testing made Poland diverge from the other two countries as this was a rather uncommon means to define eligibility under communism.

Long parental leave schemes were also significant in the sense that they represented a slight change from the earlier policies of driving women into the labour market. Providing the leave only for mothers clearly shows that the regime wanted to stress the traditional roles of men and women within the family and broke with the initial Marxist idea of freeing women from domestic work. On the other hand, the fact that long maternity leave was an option and not an obligation created considerable freedom for women in this region, especially in those countries where childcare facilities became accessible. This can be called 'optional familialism', which developed in Hungary in its clearest form. Czechoslovakia also succeeded in providing kindergarten places for almost all families until the mid-1980s, but Poland still left caring tasks with family members to a great extent. In Poland the state did not provide financial support for mothers (long paid maternity leave) either. Using Leitner's classification we can say that Polish family policies represented the ideal-type of 'implicit familialism' already under communism, which means that here the state 'neither offers de-familialisation nor actively supports the caring function of the family through any kind of familialistic policy [and where] (...) the family will be the primary caretaker since there are no alternatives at hand' (Leitner, 2003, p. 359). This can be illustrated by the fact that, for instance, 85.7 per cent of 3 to 6-year-old Hungarian children attended kindergarten in 1989, compared to only 48.7 per cent of children in Poland (Szikra and Szelewa, 2008). The attendance in nursery schools was 12–13 per cent in Hungary and Czechoslovakia (not as high as state propaganda would have suggested), but in Poland it was just around 4 per cent in the same year (Darvas, 2000). A common feature in all the countries was that there was no possibility to stay at home or work part-time after children reached the age of 3. This means that women had to take on the double burden of full-time paid work in the state sector and unpaid care work at home.

It can be plausibly argued that the *communist*, *social democratic*, *conservative* and *familialist* features and traditions were simultaneously present in East Central European social security and family policy schemes even if with changing significance over time. By the 1980s increasing numbers of

benefits were granted universally, and from the late 1970s benefits of health care belonged to this category, similar to the British or Swedish systems. Furthermore, as with social democratic regimes, social security management was centralized and the state played a central role in administration. 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 (Sik and Svetlik, 1990, p. 276). Family policies in Czechoslovakia and Hungary bore the features of 'optional familialism' by the late 1960s (Leitner, 2003) with long maternity leave and growing access to childcare facilities. From another perspective it can be argued that in these countries family policies in this period served contradicting aims: They were promoting the employment of women and their caring tasks at the very same time (Szikra and Szelewa, 2009). The relative levels of maternity leave and family allowance were generous even as compared with Western countries (Kamerman and Kahn, 1978) which, together with full employment, prevented female and child poverty. An exception is Poland where the features of 'implicit familialism' were crystallized by the fall of the regime.

It is of interest to see what bearing this complex *legacy* had on East Central Europe during the course of the political, social and economic transformation of the 1990s. From this aspect the considerable scale of welfare efforts (including price subsidies and other welfare spending) can be regarded as a dividend of the legacy. Most of the differences compared to capitalist democracies can be derived from the political system, thus its democratization could eliminate major divergences. The fact, however, that welfare spending was connected to the communist economic system (price subsidies, fringe benefits in factories, the indirect and hidden costs of full employment) was a burden when transforming communist social policy, because the fall of the regime jeopardized their survival. Consequently, the fate of welfare arrangements after the regime change 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

At the beginning of the social, political and economic transformation process 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, predicted the emergence of welfare regimes more or less consistent with the ones in Gøsta Esping-Andersen's typology: 'liberal-capitalist' welfare system in Hungary; 'post-communist conservative corporatism' in Poland; and 'social democratic' regime in Czechoslovakia (Deacon, 1993,

p. 196). Most experts, including Esping-Andersen, however, projected the dominance of liberal regimes in East Central Europe in the near future (Ferge, 1992, p. 220; Esping-Andersen, 1996a, pp. 1–31). 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, other 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 it had effective political and economic means to influence government policies in the region (Deacon and Hulse, 1997, p. 60). 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 (Ferge, 1992, p. 219). In the following, we describe the realization of these scenarios.

The *transition to market economy* deeply challenged the East Central European welfare systems in the early 1990s. Not only did the former practices of guaranteed employment and subsidized prices on basic necessities diminish, but the basis of a new social security structure 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 to social insurance budgets 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 dominant liberal scenarios – the first years of economic transition did not witness a significant decrease in social expenditures. In Poland and Hungary the spending even increased in relative terms, since governments introduced costly programmes, such as unemployment benefits and new social assistance schemes, in order to meet the social needs created by the rise in poverty. The entitlements for the already existing major social security benefits remained largely unchanged for several years, although coupled with the erosion of real values (Ferge and Tausz, 2002, pp. 178–95; Inglot, 2008, pp. 256, 279).

All in all, the welfare system retained its *mixed character* in East Central Europe, albeit with a different composition. The communist features disappeared quickly and the mix of social democratic and conservative principles has prevailed. These patterns were deeply rooted not only in institutions but also in public attitudes. According to polls, the majority of the electorate has favoured a combination of universalistic social welfare arrangements (especially in health care) and work-related benefits (cash benefits) (Ferge, 2001a, p. 151).

Despite the considerable path-dependency in welfare institutions and public attitudes supporting the full-scale welfare state, liberal reforms have

challenged the welfare status quo. These tendencies have led to a considerable degree of *volatility* of the systems. In Hungary, for instance, as a part of an austerity package a significant curtailment of social benefits was carried out by the new socialist-liberal coalition in the middle of the 1990s.<sup>2</sup> In the first two years of the socialist-liberal coalition (in 1995 and 1996) the loss in social expenditures totalled to 5 per cent of the GDP – a fall from 29.5 to 24.3 per cent. 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 per cent annually again, but some entitlements were also cut back (Lelkes, 2000, p. 94). The new pension system, introduced in 1997, was modelled after Latin-American (Chilean and Argentinean) precedents favoured by international agencies, such as the IMF and the World Bank. In 1995–1997 the universality of family allowance, initiated quite recently, in 1990, was also abolished. (Förster and Tóth, 1999, p. 26; Gábos, 2000, pp. 107–12). However, the new, conservative government after 1998 cancelled several aspects of the liberal measures. It reintroduced universal family allowance and revised the pension law to ensure more revenues for the public pension fund. This step could only partly counterbalance the introduction of private insurance schemes; however, all in all, the pension system has retained its predominantly public nature, with an almost universal coverage.

After 2002, the new socialist-liberal coalition stressed the need for a liberal transformation of the welfare sector but they only embarked on the implementation of minor liberal reforms. Although they moderately increased the social security contributions going to private insurance, they kept the universality of family allowance and maternity benefits and even significantly increased the real value of universal benefits. In 2006 the re-elected socialist-liberal coalition embarked on a neo-liberal transformation of the social security system. One of their greatest attempts, the abolition of free health care as a citizen's right was finally annulled by a referendum in 2008 which showed the popular dissatisfaction with neo-liberal politics. At the same time, a slight social-democratic turn in the family policy system was initiated in 2006 with the increased role of universal family allowances.

The case of Hungary can be regarded as typical of the region's rapidly changing and volatile welfare development. At the same time the transition of the individual countries showed some *unique features* in terms of social policy. 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 (Inglot, 2003, p. 243). In the Czech Republic, the prevailing liberal economic phraseology went alongside a surprisingly solid subsidizing of social security in the first half of the 1990s. Here, the most profound reforms were carried out 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 (Deacon, 2000, p. 151). What made Slovakia unique was the even slower pace of changes throughout the 1990s taking momentum in recent years (Hurčíková and Pekník, 2002, pp. 249–76).

In the early transformation period an explicit *maternalist* discourse was prevailing in all the four countries with the aim of withdrawing mothers from the labour market (Fodor et al., 2002). Later, a more diverse discourse evolved supported by the accession process to the EU which stressed gender mainstreaming and aimed at the increase of female employment. The tradition of ‘implicit familialism’ in Poland, where the state refrains from direct intervention into the families’ welfare has been continuing since the fall of communism (Szelewa and Polakowski, 2008). Here, most of the payments are restricted to the poorest families. Also, crèches are almost non-existent in Poland and only about half of the 3 to 6-year-old children are in kindergarten. The overall reliance on private familial care in Poland is called ‘private maternalism’ by other authors (Glass and Fodor, 2007). In contrast, in Hungary all children over 5 years of age attend kindergarten by law. At the same time only 10 per cent of children are in crèches, where long waiting lists demonstrate high demand. The complex system of long maternity leave, inherited from communism, and the relatively high level and availability of childcare institutions, has led to the name ‘optional familialism’ (Szelewa and Polakowski, 2008), the roots of which can be found in the late 1960s, as we pointed out above. At the same time, the discrimination of Roma and poor children in childcare institutions is striking, which leads to the situation where women with a good labour market position can benefit significantly more from the family policy system than women with bad employment records and prospects. This latter group includes Roma women disproportionately. Families in small villages in economically remote areas are also put in a disadvantaged position.

In the Czech Republic, although family allowance is bound by income tests, only the wealthiest families are excluded. Parental leave is provided for four years, and, just like in all the East Central European countries, can be used by fathers as well. At the same time, the ‘combination of a long leave period with low benefit rates constitutes an explicit re-familization policy, which promotes separate gender roles for men and women, since few men will be willing to utilize their right to parental leave under these conditions’ (Saxonberg and Sirovátka, 2006, p. 189). This ‘explicit familialism’ is most prevalent in the Czech Republic and Slovakia (Szelewa and Polakowski, 2008). This means that these two countries moved away from an ‘optional’ familialist system that was initiated under communism towards an explicit form of familialism in the 1990s. Here the state explicitly wants parents and not institutions to care for children and provides financial support for this. The common ‘familialist’ features of all East Central European countries means that, albeit in different ways and to a different extent, they

are putting most of the responsibility of care work on women. Policies to encourage the equal share of caring tasks between men and women cannot be observed in either of the countries.

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. For example, an EU publication declared that 'all health care financing reforms are in the mainstream of Western European tradition' (Consensus Programme, 1998). Important research findings also emphasize the lack of full-scale liberal transformation not only in the early period (Götting, 1998, pp. 261–84), but at the end of the 1990s and beyond as well (Deacon, 2000, p. 151).

Although the significance of private pensions has been growing in the region, there remained solidaristic elements in the multipillar pension system: a modest vertical redistribution among contributors still 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, favouring lower pensions. Pension reforms in Poland and Hungary project a growing significance of private pension schemes for young employees who are obliged to enter the new, mixed system. Other major schemes of social security remained more or less universal, the most important of which are the cash and in-kind benefits of health insurance. Still, widespread corruption in the health-care system hinders the effective realization of social rights. The role of means-tested poor relief and other social assistance, often regarded as an indicator of the liberal regime, has remained subordinate. As an example, in Hungary the share of social assistance within social expenditures was well below the ratio of liberal regimes in Esping-Andersen's study – in the late 1990s it was only 3.3 per cent as opposed to 18 per cent in the USA and 16 per cent in Canada (Lelkes, 2000, pp. 101–2). In this respect, neither of the East Central European welfare systems would qualify as a liberal regime. However moderate the liberal tendencies were, they further strengthened the mixed character of the welfare systems.

Since popular attitudes have favoured an extensive welfare state in the East Central European countries, even moderate *liberal reforms* and tendencies call for some explanation. They can partly be elucidated by the pressures of international agencies with a liberal agenda (IMF, World Bank) and real or perceived pressures coming from the global economy (Horstmann and Schmähl, 2002, pp. 63–81). However, these can only be partial explanations. From the mid-1990s onwards especially, the activity and influence of these international institutions have considerably declined. Because of low labour costs the region has benefited from the growing internationalization of the economy so far, as a result of which globalization cannot be considered as a major explanatory variable either.



The deficiencies of social capital might serve as a partial interpretation for the lack of resistance against neo-liberal efforts in the region. Communist politics was built upon previous undemocratic regimes impregnated with feudal relationships (Ferge, 2008). Suppression of civil and political rights continued under communism and successfully prevented the evolution of civil society and traditional communities (Uslaner, 2003, pp. 81–94). This massive social decapitalization has lasting effects: the level of social capital is expressed in trust and group membership far lower in the former communist countries than in the West (Gabriel, 2002, p. 58). This may contribute to low levels of social solidarity and to difficulties of people in cooperating effectively within or among groups. The resulting organizational weakness and decreasing influence of welfare recipients vis-à-vis other groups interested in the retrenchment of the welfare state – coupled with the mixed features of welfare institutions – is a vital factor in explaining why external and internal pressures for the residualization of the welfare state can persistently challenge the welfare status quo since 1990 causing considerable unsteadiness of the welfare arrangements (Offe, 1993, pp. 649–85). At the same time, the resistance against the influence of the World Bank and internal forces of neo-liberal welfare retrenchment took place to a different degree in the East Central European countries and thus led to a divergent scope of privatization in specific fields of social policy (Müller, 1999). To grasp the complexity of cultural factors in welfare state development in East Central Europe would need further research, which might connect to the promising new direction of research on Western Europe (Pfau-Effinger, 2005, pp. 3–20).

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 (Ferge, 2001a, p. 151) and the ones reluctant take sides (Deacon, 2000, p. 152) to those highlighting the slow speed of change (Consensus Programme, 1998). According to the findings of several opinion polls, ‘the majority of Central and Eastern European citizens are indeed very much in favour of the fully-fledged “European Model”’ (Ferge, 2001a, p. 151), 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 East Central European countries has become 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 (Tomka, 2006, pp. 135–59). At the same time, due to the organizational weakness of social groups interested in the preservation of extensive welfare systems (Offe, 1993, pp. 649–85), those advocating the residualization of welfare systems stand the chance of realizing their programmes when repeatedly challenging the status quo.

## Summary

The origins of the welfare development of East Central Europe can be found in their early Bismarckian legislation, part of which was enacted within the Austro-Hungarian monarchy. After the First World War, the state formation processes clearly elevated social legislation in the region. Social insurance schemes attracted increasing support. However, they solely focused on industrial workers. With the exception of Czechoslovakia, the dominantly agrarian character of these countries and the lack of insurance for agricultural workers, along with the often weak implementation of existing schemes, resulted in a relatively moderate coverage of the population by social insurance programmes. At the same time, strong and centralized social insurance institutions were created by the 1940s constituting the bases of further institutional development throughout the communist period. Significant maternalist family policies developed in Hungary from the 1930s but not in the other two countries.

The special characteristics of communist welfare policies included the lack of democratic control over social insurance, the elimination of civil society, (forced) full employment and the high employment rate of women within this, and, finally, centrally set prices and wages, and thus price subsidies for most basic goods. Very importantly, the Bismarckian tradition of linking social rights to full-time employment was in line with communist political and economic aims. Thus communist welfare 'rights' were strongly linked to employment. Alongside this, social assistance became almost non-existent. Growing legitimacy deficits of the regimes led to more inclusive welfare policies and by the end of the 1970s there was a definite move towards universalism. Poland was an exception to this, where certain social rights became linked both to employment and to income tests. A common feature of communist welfare was familialism: despite propaganda most of the care work was to be done by the families and, within that, women. In the second half of the 1960s, family policies became more extensive and, due to the gendered political considerations of political elites, long parental leave schemes were introduced alongside the increase in access to kindergartens and crèches. Here again, the Polish state remained the most reluctant to provide universal coverage for childcare services, and placed most of this burden on mothers. In the other two countries, limited but still existing options were provided for mothers with small children that enabled them to choose between employment and care work in the first three years of their children's lives.

The merging traditions of pre-war development and state-socialism have made East Central European welfare systems more diverse and mixed than their Western counterparts. This makes it difficult to place them into the categories of 'conservative-corporatist', 'liberal' and 'social democratic'. The constantly changing nature of the East Central European welfare regimes

led some authors to describe the systems as 'faceless' (Lelkes, 2000), 'mixed' (Szikra, 2005) or 'institutionally volatile' (Tomka, 2005). At the same time welfare policies of East Central European countries were important in cushioning the effects of the transformation crises. The neo-liberal transformation of the welfare system did not take place anywhere in the region, although welfare policies diverged in several respects. Poland took a more radical way, while the Czech Republic applied a gradualist approach without an attempt at shock-therapy in welfare. In Hungary, no specific character of the welfare reforms can be grasped as succeeding governments have tried to undo with their predecessors' social policies. Slovakia seems to have become successful economically by the mid-2000s, although this is partly at the expense of social cohesion, with cuts in welfare rights and the introduction of privatization in major areas of welfare. Family policies in the region did not break with the tradition of familialism: they explicitly (Czech Republic and Slovakia) or implicitly (Poland) support the care work of families and, within that, women. The state still provides long parental leave to fulfil this aim in the Czech Republic, Slovakia and Hungary. In Hungary a wider option of facilities and payments is available for better-off families (optional familialism) but poor and Roma children are often excluded from quality childcare institutions. The state refrains from wider support in Poland, where the Catholic Church remained a major influence in family policies. Nowhere in these countries have successful programmes supporting the care work of fathers and the employment of mothers developed.

The social and political legacies of the communist regimes fostered the emergence of volatile welfare policies. On the one hand, we can see the high popular acceptance of the states' welfare activities and in traditional gender roles. On the other hand, we can find that the low levels of social capital and capabilities among worse-off welfare recipients and feminist organizations are especially weak. The weakness of such stakeholders leads to a situation where universal welfare institutions that could potentially foster class, gender and ethnic equalities are constantly challenged.