The New Politics of Welfare in Post-Socialist Central Eastern Europe

by

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ABSTRACT

This dissertation explores the evolution of welfare systems in post-socialist countries. Utilizing a range of data on social policy legislation and outcomes across countries, the author shows the extent to which post-socialist welfare systems vary in their design and effects. Variation is demonstrated using six indicators that measure: the extent of universality of social benefits, active policies, effective redistribution, wage-based financing of social programs, benefit levels and familization. Cross-country variation has occurred in spite of the common experiences of opening their economies to international competition and in spite of political pressure from international organizations and the European Union to adopt similar, pre-packaged policy agendas. To explain this variation, the author uses case studies of unemployment and family policies in the Czech Republic, Hungary and Poland, to argue that domestic policy actors in each country make the critical decisions about welfare reform. Comparative case analyses show that the direction of welfare reform in the post-communist countries was largely set in place during the few years following regime change in each of them. At this time, domestic institutions involved in policy formation were vested with particular inclinations regarding the objectives of state welfare, and certain capacities to implement social programs. Over time, the interaction between three domestic institutions – political parties, interest groups and welfare bureaucracies – has led to the perpetuation of unique policy arrays in each country. The development of welfare systems in the post-communist countries is therefore shown to be path-dependent, with the critical juncture occurring immediately after regime change, roughly between 1989 and 1993. The mechanism by which policy directions are perpetuated over time is the interaction between key domestic institutions, each of whose repertoires of potentially acceptable policies is delimited by its characteristic inclinations and capacities.

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Biographical Note

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Chapter 1
Diverse Policy Paths and New Welfare Politics in Post-Socialist Countries

Introduction

Regime change and economic opening in former Communist countries have prompted major reforms of their welfare policies. There is not a single country in the region where at least some restructuring of the extant welfare system has not been undertaken since the collapse of Communism fifteen years ago. Post-communist governments have largely eliminated price subsidies and enterprise-based social policies, which were central features of Communist-era welfare systems. And, all governments in the region have responded in some way to now visible problems of poverty and unemployment, and newly apparent pressures on systems of social security provision. The result has been a series of reforms, elimination of old programs and the introduction of new ones in all countries. Beyond these broad similarities, however, the particular responses of governments in the region to new welfare challenges and demands have varied tremendously. This dissertation focuses on that variation. It begins in Chapter 2 with a quantitative analysis of divergence in welfare policies across three countries that belong to a distinct sub-region of the former communist area. Using indicators that draw from the welfare state literature, I demonstrate the different ways that governments in the Czech Republic, Hungary and Poland have restructured their welfare systems. The remainder of the dissertation sets out to explain this variation. In this chapter, I lay out existing theories of variation and introduce an alternative framework. Chapters 3, 4, and 5 test this theoretical framework in comparative case studies that focus on unemployment and family policies in the three countries.

The alternative explanation that I develop in this dissertation focuses on the domestic political contexts in which policies are made. It argues that policy directions in each of the post-
communist countries were largely set in place during the years immediately following regime change. At this ‘critical juncture,’ views concerning the role of the state and the relationship between social and economic policy direction permeated key domestic institutions and shaped the way they subsequently responded to policy challenges. Early decisions regarding the structure of institutions, the policy process and policy designs have continued to affect decision-making in social policy, even as new challenges arise and new policy recommendations have been offered.

The mechanisms by which early decisions about welfare have been perpetuated are the distinct policy decisions of key domestic political actors in each country. The main actors in this policy realm are welfare bureaucracies, political parties and interest groups. Each of these groups bring a unique set of competencies and inclinations to the policymaking process. These competencies and inclinations are partly shaped in the period of regime change, but they also develop in response to the particular challenges that arise in contemporary socio-economic conditions. Therefore, the characteristics that might have determined welfare regime characteristics in the period of welfare state expansion in other parts of Europe are not the same as those that shape outcomes in the post-communist countries, which are building their welfare system in conditions of globalization and post-industrialism. What matters in these cases are the capacity of welfare bureaucracies to carry out particular types of reforms; the ideological base on which parties compete, whether it be socio-economic or moral/cultural; and the extent to which interest groups are independent from parties and given a formalized role in the policymaking process. My theory argues that it is the combined effects of these characteristics that explain the policy arrays emerging in each country.
The theoretical framework that I propose and test in this dissertation offers a new way of understanding policy divergence. First, it identifies the source of divergence to be the interactions between a distinct set of domestic political actors and shows that variation is not explained by external factors. Second, in contrast to most theories of path dependency, it does not view domestic actors to be functioning in a closed environment. It does not argue that unique features of the domestic policy context in each country simply perpetuate regardless of new challenges and demand that might arise. Rather, it contends that domestic actors do respond to changes in the broad socio-economic context over time. The characteristics that influence policy outcomes at one point in time may become less important at another point. Domestic policy actors must develop particular capacities and ground their decisions in particular ideologies in the current era of globalization and post-industrialism. The theory also identifies who the key actors in welfare policy in the post-communist countries have been, as well as the specific characteristics of these actors that have contributed to policy outcomes. It argues that there is a distinct dynamic among welfare bureaucracies, political parties and interest groups in each country that can explain the particular array of policies that distinguish it. The theoretical framework that I develop in the dissertation can be extended to explain why divergence in the face of common pressures occurs in other policy areas and other countries besides those explored here.

**Defining Variations in Post-Socialist Welfare Policy**

Chapter 2 of the dissertation develops a set of six indicators that measure welfare policy divergence across post-communist countries. These indicators draw upon the literature on
comparative welfare states and seek to provide a comprehensive measure of broad tendencies in the post-communist cases. The first indicator measures the extent of universal social policies in each country. Universal social policies offer benefits as a matter of right to all citizens regardless of their socio-economic or employment position; as opposed to benefits that are means-tested or employment related. The extent of universal policies in a country has several implications, including that these policy types tend to reinforce social solidarity and generate broad popular support for state welfare initiatives. The second indicator is the level of social benefits, meaning the degree to which benefits replace or compensate for lost income and the duration for which they are offered. High benefit levels can minimize inequality, but are also thought to potentially create dependence on state support. The third indicator used is the extent of active policy measures. Active policies place demands on recipients, for example to participate in retraining programs, public work or volunteer schemes and to actively seek paid employment. Active policies also include subsidies for businesses to create jobs or training schemes. In this sense, they represent a means of market intervention. Where passive policies are chosen instead, the state does nothing further than provide benefits to the unemployed, relying on the market to eventually absorb them. The fourth indicator is the extent to which social policies redistribute a country’s wealth. Where policies redistribute well, inequality and poverty tend to be lower. The fifth indicator is the degree of familization perpetuated by social policies, meaning the extent to which social policies discourage the participation of women in the labor force and encourage the expansion of traditional families. And, the sixth indicator measures the extent to which financing of social programs depends on wage-based taxation on employees.

Quantitative analysis measuring variation on these indicators in the Czech Republic, Hungary and Poland, illustrate substantial divergence across countries in terms of the types of
welfare systems they are developing. In Table 1 below, I summarize the findings of this analysis, which uses a range of data on various social programs and social outcomes to rank the three countries on each of the six indicators. The essential findings from these rankings can be summed up in terms of the overall tendencies in each country’s welfare system. The analysis shows that, looking at all major social reforms over the past fifteen years, the Czech Republic has developed a highly redistributive welfare system characterized by a range of universal policies and fairly high benefit levels. This is illustrated, for example, in the fact that the Czech Republic has the lowest levels of inequality and poverty in the region and has begun to offer a substantial number of old age and family benefits (birth grants and parental allowances) universally. What distinguishes Hungary’s welfare system are different characteristics; mainly the high extent and diverse range of active policies and the high degree of familization. In Hungary, spending on active measures has been consistently high, between 30 and 50% of total

Table 1: Summary of Rankings on Indicators of Welfare System Reform

<table>
<thead>
<tr>
<th></th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
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<tbody>
<tr>
<td>Extent of Universal Coverage</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Extent of Active Policies</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Benefit Levels</td>
<td>Medium-High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Effective Redistribution</td>
<td>High</td>
<td>Low-Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Familization</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Wage based financing (employee tax)</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
</tr>
</tbody>
</table>
spending on employment policy throughout the 1990s to the present, a diverse range of programs has been implemented and success rates have been among the best in the region. By contrast, spending on active measures in Poland in 2002 was about 5.4% of the total employment expenditure. Familization in Hungary is illustrated by the expansion of social and tax benefits for families with children at the same time that social benefits for other groups have been dramatically reduced. Female labor force participation in Hungary has decreased over the period since regime change more than anywhere else. Finally, Poland’s welfare system is characterized by its emphasis on passive, means-tested social supports, low degree of redistribution and high extent of wage-based financing.

The types of variations in the emerging post-communist welfare regimes that I find in my empirical analyses are puzzling. First, there is a legitimate question about why it is that even countries with as similar policy backgrounds and current levels of economic and political development as the Czech Republic, Hungary and Poland have not converged more on common paths of welfare restructuring. While convergence of policies across unique countries is not what a good political economist would expect, in these cases there has been such a high level of external pressure and expectation of convergence that it needs to be explained why it has not occurred. Moreover, it is increasingly clear that the divergence of welfare policies is not accounted for by factors generally used by scholars to differentiate them. Neither the geographic position of each country, its level of economic and political development, or its distinct legacies of welfare provision accounts for variations that have emerged after regime change.

Below, I review the literature that has sought to categorize and explain developments in post-socialist welfare states. This literature predicts either convergence or divergence of welfare reforms in former Communist countries depending upon the factors emphasized and range of
policies considered. Three sets of theories have been applied in these studies: economic constraints, external agency and path dependency theories. The first set of theories argues that economic constraints on post-socialist governments, resulting from the opening of economies and participation in global markets, severely restrict welfare possibilities and lead to retrenchment or minimization of state welfare policies. A second group of theories argues that international agencies and the European Union largely shape domestic agendas and welfare policy choices in the post-socialist countries. The result of this influence is either convergence toward predominant models pushed by international agencies, or divergence if different countries gravitate to models promoted by one or another particular agency. Finally, a third set of theories emphasizes path dependencies in welfare policy, arguing either that a common Communist past in all countries of the region leads to similar tendencies in welfare reforms or that somewhat different pasts dictate varied post-socialist reform paths. I argue that these existing theories fail to fully explain policy developments in the post-socialist countries.

Explaining Divergence in Post-Socialist Welfare States: A Review of the Literature

For a considerable period after the collapse of Communist regimes in Eastern Europe, researchers studying the region gave scant attention to the issue of welfare reform. Overwhelmingly, the literature through the late 1990s focused on questions about the economic and political dimensions of the post-communist transformation. Social policy was considered mainly insofar as it might impede or facilitate reform in other areas. On the one hand, there was widespread agreement among experts that the Soviet welfare state was inflated and would need to be radically cut back in order for countries in the region to compete as emerging capitalist
economies. On the other hand, social policy had a role to play in overcoming the dilemma of the ‘dual transition;’ economic reforms would cause social hardships while political opening required the same politicians implementing reforms to be subject to democratic competition. From this perspective, generous welfare policies or delayed cutbacks could soften the blow of harsh economic reforms and make it possible for reform leaders to remain in office.

Accompanying this was a view that any need for extensive social policies would be short-lived. In the long run “the best social policy is good economic policy” (Vaclav Klaus). According to Przeworski’s J-curve model, economic reforms would initially cause a severe decline in social well-being, but in the medium-term would lead to improved living standards (Przeworski 1991).

By the mid-1990s, it was becoming increasingly apparent that many of the predicted trends in social developments were not being realized. While populations in post-socialist countries suffered high social costs of reform as predicted, this did not result in widespread social upheaval, and competitive democratic elections went forward. Przeworski’s prediction of a short period of social hardship also proved to be incorrect. Achievements of economic growth in several post-communist countries did not automatically result in a reduction of unemployment, poverty and inequality. On the contrary, these trends persisted through the 1990s and usually worsened. Perhaps the least predicted tendency in the sphere of welfare reform in the post-communist countries, however, was the increase of overall social spending in many countries including those with the most liberal economic programs (See Chart 1 below). Trends in spending lent the appearance that the supposed economic constraints due to reforms and opening to global competition were not automatically leading to residualization of welfare. However, spending trends were mixed and increases were often attributable to larger demands for welfare rather than improved or expanded services. These various and unpredicted tendencies
led to renewed interest in the social dimension of the post-communist transformation. Hence, since the mid-1990s both the expert and academic literature on welfare reform has proliferated. This literature, however, is still in a preliminary stage.

**Chart 1 Social Expenditure in the Czech Republic and Poland 1990-1999**

*Social Expenditure as % GDP*  
*Social Expenditure as % of Total Expenditure*

*Source: OECD Statistical Database*

The emerging literature on post-communist welfare development can be sorted out along two dimensions: on the trends that it predicts or seeks to explain, and the factors it identifies as influencing particular policy developments. On the first dimension, either convergence or divergence of social policies across countries is predicted. Many experts perceive a predominant trend toward policy convergence either across all post-communist countries or specifically within certain sub-regions. Yet, convergence theorists do not all see the same trends emerging; while some contend that there is a overwhelming convergence toward minimizing the welfare state, others argue that the trend is toward overly generous social provision and still others see European-types of welfare policies dominating in the accession states. Other experts perceive
significant divergence in welfare policies across countries, even within certain sub-regions. Divergence is usually noted across countries in one or another policy area, such as pensions; there have been no real attempts to characterize overall country-specific developments. In general, these very different ideas in the literature point to the fact that there remains considerable disagreement on what it is about the post-communist welfare state that needs to be explained. The absence of a clear dependent variable, which is partially due to a relative paucity of comparable data, has complicated research in this area considerably.

Explanations for particular welfare developments across the post-communist countries also vary. There are three main groups of theories used to explain how social policies are evolving in these countries. The first group argues that social policy choices reflect economic constraints that emerge under conditions of globalization and post-communist economic reforms. It is usually argued that these constraints lead to welfare ‘liberalization’ or policy ‘retrenchment,’ meaning minimization of the state’s role and obligation in social provision. A second group of theories, and the most extensive, focuses on the role of external actors in shaping policy developments in post-communist countries. These theories argue that most policy choices can be explained by the influence and direct pressure of international agencies and the European Union. External actor theories are used to explain both convergence and divergence, depending on how one perceives agency agendas and influence in particular countries. Third, path-dependency theories argue that institutional and social legacies largely determine the course of welfare reform in post-communist countries. Theorists in this group also predict both convergence and

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1 In his dissertation, Andrew Roberts adds another group of theories, which he calls transition policy theories. These theories argue that either particular inheritances of Communism (Sztompka 1991) or the sheer complexity of the transition (Orenstein 2000) have so obscured the interests and abilities of policymakers that there can be no pattern to policymaking. In my opinion, this is not really a developed theory in the literature, but rather a default category for explaining what the preferred theory of the author cannot explain. Roberts test this theory and finds no confirmation of it.
divergence across cases, depending on which legacies are emphasized. Those who see more uniformity in the Communist welfare legacy predict convergence, while those who argue that there was more differentiation in these legacies predict divergence. Table 2, summarizes the main theories that have been used to explain welfare developments in post-communist cases. I evaluate each theory below.

**Table 2: Summary of Predictions about Post-Communist Social Policy Developments**

<table>
<thead>
<tr>
<th></th>
<th>Convergence Prediction</th>
<th>Divergence Prediction</th>
</tr>
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<tbody>
<tr>
<td><strong>Economic Constraints</strong></td>
<td>Budgetary constraints require lower social spending; hence retrenchment.</td>
<td>None made in the literature, but can expect that greater openness would lead to more liberalization.</td>
</tr>
<tr>
<td></td>
<td>International competition demands lower costs of employment; hence pressure on government for retrenchment.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Systemic mismatch between communist welfare system and market economy leads to common course of change in all</td>
<td></td>
</tr>
<tr>
<td><strong>External Pressure</strong></td>
<td>Supranational organizations including the EU, mainly push for welfare retrenchment and have the power to enforce their views; hence convergence</td>
<td>Supranational organizations have different agendas and varied influence across countries</td>
</tr>
<tr>
<td></td>
<td>The EU promotes a more generous ‘European model’ of social policy; hence the accession countries experience less retrenchment than others</td>
<td></td>
</tr>
<tr>
<td><strong>Path-Dependency</strong></td>
<td>Communist legacy of extensive social provisions leads to high expectations among voting publics, and pressure for generous benefits; hence welfare expansion or little change</td>
<td>Differences in Communist era welfare systems lead to different paths</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Unique pre-communist traditions in each country lead to diverse paths</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Where there is no legacy of a policy, residualization occurs more easily than where there is</td>
</tr>
</tbody>
</table>

Predictions that welfare policies in the post-socialist countries will be largely driven by economic constraints are the most prevalent in expert analyses of the region’s development. In
particular, one finds repeatedly in reports of international agencies, consultants and academics a strong recommendation that post-socialist countries cut back welfare expenditures in various ways. This recommendation is based on the assumption that the Soviet welfare state was over-inflated, ‘pre-mature’ (Kornai 1992; 1996) and incompatible with democratic capitalism. It is strengthened by the argument that cutbacks in spending, taxation and employers’ costs in the social sphere are universally necessary to achieve growth and competitiveness in the global economy. Experts have often predicted that the common pressures from globalization and transition in the post-socialist countries would push them toward a common path of policy liberalization (Frye 2001). This assumption is justified in the general literature on globalization, which predicts that the need to attract capital and remain competitive will have negative welfare effects (Rhodes 1996; Kapstein 1996; Scharpf 1998). Another way that economic constraints are perceived to drive convergence is through the necessity of systemic change from one type of economy to another. Representing this idea, Barr argues that the Communist welfare state is “systematically and predictably ill-suited to a market economy” (Barr 1999). Like theorists of the globalization effect, he also predicts retrenchment as a component of changes needed across post-communist countries to achieve systemic compatibility.

Predictions of policy convergence due to effects of globalization or systemic ‘transition’ from Communism have been largely discounted in the political economy literature. With regard to the welfare effects of globalization, there has been a wealth of evidence that these are minimal or varied across different countries (Pierson 2002). Likewise, the notion of a common, systemic transition occurring across all post-socialist countries has been discredited by evidence of variations in economic and political developments. This has been most notably articulated by David Stark, who advocates for a re-conceptualization of the process of change in the former
Communist countries as one of ‘transformation’ rather than ‘transition’ from and to coherent systems (Stark 1998). Despite the disproving of convergence theory by academic political economists, the idea that post-communist countries, particularly those at similar levels of economic development, are on common trajectories of change in the realm of welfare policies has not been broadly rejected. The fact that these countries are relatively small, highly exposed to competitive pressures in the global economy, and lacking in well entrenched welfare institutions are considered factors highly likely to contribute to convergence. The convergence hypothesis is not just a ‘straw man’ to be easily blown down by evidence of diversity in the post-communist cases. It is a thesis that is widely adhered to among experts and policymakers both within and outside these countries.

The theory that economic constraints lead to convergence toward welfare retrenchment appears to be supported by evidence of social cutbacks in almost all post-communist countries. After the fall of Communist regimes, most governments in the region quickly removed subsidies on prices and services such as housing. Health and other social benefits, such as childcare, provided by enterprises under Communist governments were also cut back rapidly. Furthermore, there have been several efforts at privatization in different countries, and a variety of social benefits once provided universally are now means-tested and offered at reduced levels. Policymakers usually attributed such cutbacks to budgetary constraints or pressures from investors and domestic businesses seeking to compete in the global economy on lower labor costs. Yet, there are a number of reasons to question the hypothesis that economic constraints necessarily lead to a uniform policy of retrenchment. As I show in Chapter 1 and will prove throughout the dissertation, policy responses have greatly varied in different countries. Thus, while all may be constrained to various degrees by reduced budgets and other pressures, what is
cut back and to what extent have clearly remained political choices. Moreover, variations in policy choices, including the retention and expansion of services in some areas, as well a widespread tendency in to increase payroll taxation and contributory insurance schemes (Deacon 2000: Manning and Davidova 1998: 21), disprove the thesis that retrenchment has become the only option for policymakers. Finally, some authors have shown low correlation between extent of openness and retrenchment of social policy in particular post-communist countries (Frye 2001; Orenstein and Haas 2001). Thus, while economic constraints are part of the context in which policy decisions are made, they are not a decisive factor.

External agency theories provide a different explanation for potential policy convergence across countries. Rather than attributing like policy choices to economic constraints, these theories argue that convergence is driven by political constraints that external actors impose. The external actors that are relevant in the post-communist cases are international agencies such as the World Bank, IMF, EBRD, ILO and OECD, as well as the European Union. These organizations are seen as influencing and constraining policy choices in the post-communist countries either through direct pressure, such as loan or membership stipulations, or indirect influence via research and the placement of advisors in the region. The theorists who emphasize the role of external agencies perceive an array of different trends. While some argue that the most influential agencies have touted a common line on social policies – a neo-liberal line (Ferge 1999; 2000; 2001; Standing 1997; 2002), others stress the different approaches of these agencies (Deacon 1998; 2000; Orenstein and Haas 2002) as well as differential influence across countries (World Bank 2000; Orenstein 2001; Boeri 2000). Therefore, assorted degrees of convergence are

2 If globalization does inspire governments toward “social dumping” in order to attract foreign capital, then one experts that policymakers would lower payroll and general taxation on employers and shift it to wage earners and consumers (Scharpf 1998 ADD REF). The very opposition has occurred in post-communist Europe. Payroll taxation has remained the same or increased in all of these countries.
predicted. While some analysts strongly contend that there has been a widespread push toward retrenchment across the entire region, others see more differentiation in the policies promoted to various countries.

Some theorists in the external agency group strongly contend that international agencies as well as the EU have overtly pushed a neo-liberal social policy agenda throughout the post-socialist countries. Their views are driven by concern about the social costs that have accompanied economic reforms in these countries and about the slow and uncertain pace of restructuring their welfare systems (Ferge 1997; 1999, Standing 1997; 2002). Like the theorists suggesting convergence toward retrenchment due to economic constraints, these authors can point to numerous policy developments to support their case. Each cites incidents of privatization, the introduction of means-testing and benefit reductions, which they link to the ideology and specific recommendations of various agencies. Nonetheless, these authors’ claims that there is a single and predominant trend toward welfare retrenchment in the region, driven by external pressures, needs to be reconsidered. One reason is that there has been more differentiation in policies than they contend. While retrenchment has been a big part of the story of welfare reform in the post-socialist countries, it has not been the only story. Policies in some areas have been expanded or substantively unchanged; and new forms of social provision have been added. Furthermore, not all cutbacks or forms of retrenchment are the same. The reduction of a social benefit can affect a broad or narrow constituency (for example the poor or the middle-class); or it may improve efficiency of social spending or delivery. Another reason to question the broad insinuations of these theories is that they neglect to consider whether pushes for certain policy changes also come from the domestic level. While these theorists legitimately critique international organizations and experts for pushing too hard to wipe out the foundations of social
support that existed upon regime change, they fail to distinguish when changes have been imposed by the international community and when they have been responsive to domestic interests. Economic liberalism has an independent history in the post-socialist countries, and policymakers might adhere to this philosophy for reasons of their own (Zubek 1997; Haney 1997). Moreover, various interests in these societies might advocate for particular reforms or accept trade-offs that lead to retrenchment in one area, but not others.

Deacon (1992; 1998; 2000) has also argued in several of his works that international and regional agencies significantly influence social policy developments in the post-socialist countries. His contention is that while economic globalization has had a minimal impact on social policy in the region, political globalization has had tremendous effects. By political globalization, he means “global actors (such as the World Bank) promulgating for ideological reasons a particular view of desirable social policy in the region (2000:156)”. While Deacon argues that policy liberalization has been one of the main outcomes of this pressure, he also sees some variations both in the agendas of particular agencies and their ability to push their agendas in particular places. For example, he characterizes IMF policy prescriptions for the post-socialist countries as decidedly liberal and market-oriented, those of the World Bank as leaning toward German type of conservative corporatism and the EU prescriptions as liberal, but promoting a “universal means tested safety net” model of welfare reform (Deacon 1998; 150). These agencies spread their agendas through loan conditionality, membership requirements and wide promulgation of their views through various channels. Based on a study of Bulgaria, Ukraine and Hungary, he concludes the main effect of these agencies’ efforts has been to persuade post-socialist governments to adopt policies that bring them closer to one or another Western welfare model (1998). At the same time, however, Deacon also contends that the influence of certain
agencies, especially the IMF and World Bank, has weakened over time, largely due to revelations about the high social costs accompanying economic developments in the region. Meanwhile, the influence of the EU is increasing in accession countries, although Deacon sees it as considerably weaker than other agencies overall (2000: 158).

Deacon’s work considerably refines thinking about how international and regional bodies shape social policies. An important contribution of his work is in pointing out the varied positions that these groups take on policies. Not only have organizations attempting to influence social developments in the post-socialist countries adopted various stances, but they have also changed their recommendations over time. The World Bank, for example, has moved slightly away from its early neo-liberal position on social reform, and the EU is gradually better defining the ‘social model’ it promotes. Overall, international organizations have tended to give more attention to social policy issues since 1995 (Orenstein and Haas 2002). In contrast to Deacon, some authors see this increased attention as leading to increased influence, especially by the World Bank (Orenstein and Haas 2002). The weakness of these claims, however, is that they give more attention to what different agencies say and do than to their actual effects on policies. While the importance of these agencies is indisputable, how much they actually determine policies and in what areas is not entirely known. Deacon and others who perceive a predominant role for external agencies often point to the example of pension reforms which were promoted by the World Bank and adopted in some post-socialist countries. But, pensions are only one component of a country’s welfare regime, and, besides promoting targeting in general, the World Bank’s efforts in other policy areas have been considerably less pronounced. Moreover, there is little evidence that any country in the region is decidedly moving toward one or the other of the ‘social models’ that Deacon presumes these agencies to be promoting. Finally, new research has
shown that even with pension reform, domestic factors have largely determined whether recommended programs have been adopted and to what extent (Müller 1999; Orenstein 2000; Inglot 2002).

The most recent work on the influence of external agencies has focused more on differential effects of these agencies across countries. Specifically, a strong argument is made in the literature that key differences between sub-regions of the post-socialist countries can be explained by the extent of influence of the European Union. In a comprehensive study of developments in the region, the World Bank divided post-socialist states into two categories: European and Eurasian. These categories were based on significant differences in the adjustment strategies of the two groups, which the report argues drove higher social expenditures in the European group than the Eurasian. Other authors have also pointed to higher levels of social expenditures as a percentage of GDP in ‘European’ post-socialist countries than in the Eurasian group (Boeri 2000; Orenstein and Haas 2002). Boeri argues that the relatively large social policy expenditures and significant redistribution occurring via non-employment benefits in the Visegrad countries (a subset of the European group) versus low expenditure and minimal state role in Russia is explained by the ‘return to Europe’ acting as an impulse driving policy choices in the former group (Boeri 2000; 165-6). “The very fact of having a chance one day to enter the European Union would seem to have led public authorities in the Visegrad group to adopt a reform strategy allowing for significant redistribution and relatively compressed earnings structures (174).” Orenstein and Haas (2002) argue that the effect of the EU has been varied.

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3 The European Group consisted of: East-Central European states – Czech Republic, Hungary, Poland and Slovakia; some Balkan and former Yugoslav republics – Bulgaria, Croatia, Macedonia, Romania and Slovenia; and the Baltic states – Latvia, Lithuania and Estonia. The Eurasian Group included: Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Kazakhstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, and Albania.

4 Mostly, the report looks at expenditures as a percentage of GDP on pensions, the level of unemployment benefits and minimum wages.
Potential membership has fostered more trade integration and higher levels of FDI, which gives potential accession states greater resources for higher social expenditures. Moreover, better prospects for membership encouraged more commitment to social welfare norms (33).

It is interesting to note how authors who agree that the role of international agencies has been critical still view developments in the region so differently. While one group perceives a mostly uniform tendency toward welfare residualization, the other argues that a subset of post-socialist countries is pursuing substantive reforms of social welfare. This difference is not due to studying different countries (Standing and Ferge mostly focus on the CEE countries, which Orenstein and Boeri see as minimizing their welfare policies the least), but rather to the selection of data. While those who see retrenchment generally point to particular policy developments, the argument about the ‘European’ effect relies mostly on spending data. It is difficult to say which of these analyses gives a more accurate depiction of developments in these countries because both are overly general. Spending data belies the real effects of policy changes. Social spending can increase because the number of beneficiaries increases, even if benefits per person have diminished. Nonetheless, the relatively higher levels of spending in the ‘European’ countries compared to the ‘Eurasian’ countries do correspond with more developed social protection systems in the former. Those who perceive a broader trend toward residualization, however, usually compare spending in the Central East European countries to those in Europe, and hence see a much less rosy picture. Whether such a comparison is justifiable given differences in the levels of development between West and Central East Europe is subject to debate. What is more problematic about the residualization argument is that it usually supported by focusing solely on one dimension of policy developments.
There is also a fundamental divide in the literature over what effect the EU really has on social policy. In a comprehensive study of reports of the European Commission, Ferge finds that very little attention is actually given to social protection issues and concludes that the EU agenda is not much different from that of the World Bank and IMF (Ferge 2000 quoted in Vaughan-Whitehead 2003: 156-7). Other authors in this camp contend that in essence the EU has arrived ‘too late’ in the area of social protection, and therefore has had little effect thus far other than to perpetuate the policies of other agencies (Vaughan-Whitehead 2003; Lourdelle 2003). These views strongly contrast with the idea discussed above that the ‘European effect’ has shaped a different type of social policy in particular countries. Again, it is difficult to assess which of these views better reflects reality without further study. The prospect of accession to the EU and more recently, the procedures toward accession, have certainly shaped policy developments. While there is little in the EU charters that compels convergence in social protection legislation, the required social criteria and methods of coordination push in this direction. The success of these pushes, however, still appear to depend on the capacities and inclinations of national governments.

In sum, theories about the effects of external agencies on social policy development in the post-socialist countries are inconclusive, hence this issue requires further research. Moreover, external agency theories do not explain policy differences across countries within any one of the various sub-regions that have been defined. Orenstein and Haas (2002) and Orenstein and Wilkens (2001) do attempt to explain the dual phenomena of similarities and differences in social policies within sub-regions, particularly within the CEE countries, but their conclusions are indecisive. They identify two separate dynamics. On the one hand, external pressure from the EU and an internal desire to join gave governments the resources and motivation to pursue
policy agendas broadly in line with the European model. Social policies in the CEECs fall into “broadly EU-acceptable policy range (2001: 23).” On the other hand, they argue that, “The continued diversity between EU candidate countries lends credence to the continued importance of domestic decision-making and policy-making autonomy (2001: 24).” These authors attribute the differences between countries to the difficult decisions that policy makers had to make, especially in the first years after regime change. They describe these decisions as idiosyncratic and predict a more coherent policy agenda unfolding in the region over time. Yet, they also contend that the effects of early decisions persist even as external pressure for coherence increases. Such conclusions are confusing. While these authors provide extensive evidence of distinct national tendencies in social policy, they write these off as inexplicable and hence less worthy of attention than indicators of sub-regional convergence.

The third group of theories in the literature emphasizes the role of distinct historical legacies in shaping social policy choices in the post-communist countries. Two arguments about path dependencies in social policies have been made. First, some authors have predicted general tendencies in the region that would result from the common legacy of the ‘Soviet welfare state’ (Cain and Surdej 1999). In the early literature on change in the region, for example, many experts predicted that the paternalistic state under Communism had created popular expectations, which would compel a large state role in social provision (i.e. Sachs 1995). Others argued that inheritances of the Soviet welfare state, including popular pressures and patterns of decision-making, would lead to slow and marginal social policy reforms (Inglot 1995; Götting 1998; Erdmann 1998). All of these generalized theories are weakened by the divergence of policies across countries and the tendency for significant reform in some areas. A second and more promising group of path-dependency theories has focused on the distinct legacies of particular
countries, rather than the region as a whole. These theories do not dismiss the uniform legacies of Communism in the region, but rather also emphasize distinct tendencies in social policies that emerged even under Communist regimes across countries.

Path dependency theories emphasize various aspects of the past that influence the present. Inglot, who has applied path dependency theories to cases of post-communist welfare states most comprehensively, points to several ways that historical factors can help to explain present policy paths. He suggests that among the legacies that matter in these countries are different types of social insurance administration, the kinds of social policy responses to political and economic crises and differences in the scope of coverage by certain programs (2002: 29). In each country, unique inheritances shape policy choices by structuring the methods and capacities of policymakers. In a study of Poland and Hungary, Inglot demonstrates how these factors help to explain divergences in the way that each country adapted the three-tier pension systems advocated by the World Bank. Inglot’s works make important contributions to the study of post-communist welfare states, especially in underscoring the various unique aspects of inherited welfare systems in different post-communist countries. However, the mechanisms by which these factors influence the present are not always clear, nor is it certain that policymakers will draw on past experiences as much in later stages in these countries as they did in the immediate post-communist period. Inglot himself admits that the rapidly changing political and socio-economic environment in these countries may render some legacies less relevant than he has found thus far (2003: 389).

One of the main difficulties of trying to apply path-dependency theories to the post-communist countries is the extent to which they have experienced discontinuity. Regime change in these countries automatically distinguishes them from the western experience. Since welfare
regime-types are closely linked to the economic and political system in all countries, it is
difficult to imagine how the very logic of welfare policymaking could not undergo significant
change in this period. This is not to say that either democracy or capitalism dictates a particular
form of welfare state; only that they change the context of decision-making so as to introduce
new ideas and challenges to the process. The factors that are often identified as creating
continuities in advanced industrial countries include the tight linkage between economic and
social spheres; popular opinion and existing investments (as in Pay As You Go (PAYG)
schemes). These factors do not work in the same way in the post-socialist cases. Even popular
opinion on welfare appears to change quite significantly in this period as a result of the
transformation (Lipsmeyer 2003). Inglot offers a unique perspective on the mechanisms by
which path-dependency is meant to be at work in his focus on the habits and predilections of
policymakers. This appears to be a more plausible means of understanding how past welfare
policies are influencing the present. Yet his focus is mainly on the first years after regime
change. As policymakers adjust to functioning in very changed circumstances, one can expect
that previous patterns will become less relevant. Policymakers in the post-communist countries
rarely have the luxury of defending the status-quo. Where the notion of a path dynamic may
work better is in identifying which patterns have survived in welfare institutions after regime
change and how these institutions might structure policy thinking even within a changing
context.
An Alternative Explanation

A better explanation of diverse social policy developments in the post-communist countries of Central Eastern Europe is needed. In order to explain this divergence, I propose hypotheses that focus on the domestic political context in which policies in each country have been debated and decided. I contend that changes in socio-economic conditions over time have re-shaped the interests and motivations of key domestic political actors in social policy, and structured reform possibilities in post-socialist countries. Economic developments attributable to globalization or post-industrialism define the context of policymaking in these countries, which is quite distinct from that in which the welfare state was expanded in the West. These developments have had similar effects across post-socialist countries in delimiting social reform possibilities in some ways and expanding them in others. At the same time, similar economic developments have not led to common paths of social policy reform. Rather, decisions made during the period immediately following regime change regarding the goals and capacities of domestic institutions involved in social policymaking have structured unique policy paths in each country and policy domain. The way that institutions and policies were reformed in this period, and the set of ideas that defined key policy decisions and debates, have continued to shape how decision-makers in different contexts respond to similar challenges and pressures of globalization.

I argue that three domestic institutions have been pivotal in determining social policy in the post-socialist countries: welfare bureaucracies, political parties and interest groups. They all shape policies in accordance with their own interests and capacities. In doing so, they override the recommendations of experts and external advisors and cope with the social challenges that arise from economic change in their own ways. My argument is that it is the interaction between
these three institutions that lead to particular outcomes in welfare policy. The idea is that 
countries have ended up with welfare systems characterized, for example, by passive or active 
policies, a low or high degree of redistribution, etc. because of the way that bureaucracies, 
parties and interest groups work together in the process of policymaking. I argue that all three are 
critical in the policy process, although welfare bureaucracies are often primary actors in setting 
policy agendas and implementing reforms. Particularly where policies demand complex 
implementation, the agendas of political parties and interest groups are unlikely to be 
successfully pursued in the absence of corresponding inclinations and capabilities of key 
bureaucracies. Yet for other policy dimensions, such as the tendency toward a more familist 
orientation or more universalist policies, party agendas may have more weight than bureaucratic 
capacity. To simplify this argument, I define critical characteristics of these institutions as 
dichotomous variables and argue that different combinations that exist in each country case 
explain overall divergence among welfare systems.

I define welfare bureaucracies in each country to be either high or low capacity institutions. 
Bureaucracies that are high capacity usually have a wide range of competencies, meaning that 
their responsibilities include insuring that economic, regional and industrial policies correspond 
with social objectives. High capacity bureaucracies also have well established channels for 
coordination between ministries, with local government, and with non-government 
organizations. Low capacity bureaucracies have the opposite characteristics: narrow 
competencies and limited channels for cooperative efforts. Political parties also shape social 
policy by pushing legislative agendas while in power. Party agendas are largely determined by 
their internal ideologies which reflect and define key cleavages in the political system. I contend 
that what critically determines where parties stand on social policy is whether they emphasize
economic or moral/cultural arguments in their agendas. Parties that have an economic-orientation base their policy choices on whether they correlate with a particular vision of economic reform. Right wing parties of this type usually embrace neo-liberal economic policies; left parties promote more social-democratic policies. Where parties have a moral-cultural orientation, they will seek to adjust social policies so that they serve social rather than economic ends. Left parties of this type often emphasize liberal social values such as equal opportunities for men and women, whereas right parties push more traditionalist agendas. Finally, I argue that what is most important about interest groups is the degree to which they have moved away from dependence on political parties. More independent interest groups tend to have loosened ties to political parties, defined a coherent agenda of their own, and established means of coordination with other interest groups, local and state governments. Contrarily, dependent interest groups retain strong party ties, have a fragmented agenda and limited capacity for coordination.

In sum, my hypotheses suggest that institutional factors have structured social policy debates and decision making in a variety of ways. As Hugh Heclo argues, institutions shape the way that policy actors “power and puzzle” over social issues. The institutions that have been most formative in the Central European cases are the very same ones that were critical in the formation of welfare states in the West. However, the mechanisms by which these institutions have structured outcomes have been very different in the post-socialist cases. In the West, the strength and ideology of key bureaucracies were the critical factors determining the ultimate shape of the welfare state. These factors are important in the CEE cases, but what is even more significant are the links that bureaucracies establish amongst themselves and with counterparts on the regional level. Political parties also play a very different role in the reform of welfare states in the CEECs than they did in the West. The kind of social policies that are developed are
in these cases are not so much a function of the strength of the left, nor can the direction of policies promoted on the left be assumed. Rather, the way that parties have restructured in terms of ideology and priorities shapes the particular policy types perceived as legitimate and possible. Both left and right parties have an important role in determining the contours of social policy. Finally, the role of interest groups in welfare politics is also different in the CEECs than during the period of the West European welfare expansion. Whereas a strong relationship between unions and the major left party in Western Europe was seen to be key to a more redistributive welfare state, in the CEECs, the opposite seems to be the case. Close ties to political parties have actually mitigated the social justice aims of unions and weakened their tendency to adapt to new challenges. Differences in the function of institutions in the CEECs and the West largely reflect the different contexts in which welfare states are being restructured. This shows how new challenges specific to the current period have shaped possibilities and tendencies of all actors involved in social policy decision-making.

_Welfare Policymaking in former Communist countries in a Context of Globalization_

As I argue above, constraints on policymakers that are typically attributed to globalization do not well explain welfare policy choices in the post-socialist cases. There is little evidence that the pressures of competition or budgetary limitations have uniformly pushed the CEECs toward a single model of welfare restructuring. While some liberalization of policies has occurred, this has not been a consistent trend and therefore cannot be attributed solely to economic globalization. This, however, does not mean that the context of global change has had no effect on welfare restructuring in these countries. The fact that post-socialist countries are
undertaking significant reforms of their welfare systems in this period does have a tremendous impact on the kind of policy choices that are made. It is for this reason that comparisons between their experience and that of expanding the welfare state in the West are difficult to defend. I contend that what we see in the post-socialist cases is a ‘new’ type of politics of welfare akin to politics of welfare change in advanced industrial countries today. To understand specifically how the context of globalization and post-industrial development shapes welfare politics, I propose several hypotheses, many of which drawn from the literature on contemporary welfare developments in Europe and America.

An important feature of the current context of welfare reform in many countries is the existence of real economic constraints on how much expansion of social provision can occur. One cause of these constraints is the structure of ‘post-industrial’ economies, mainly the shift from the majority of production in manufacturing to the service sector. The European Welfare State was supported by high productivity growth in manufacturing, which sustained economic growth over time, allowed for generalized wage increases and expansion of social protection. Because productivity growth is limited in the services sector where most jobs are being created in the CEECs and elsewhere today, the potential for similar expansion is limited. The growing significance of the service sector in the CEECs is shown in Chart 2 below. Macroeconomic constraints including budget deficit and inflation limitations imposed by the European Union Stability Act further limit possibilities for welfare expansion among all member and prospective member states. While these constraints are real, they have emphatically not led to convergence of policy across countries or uniform liberalization, as I explained above. Politicians and interest groups may have less ability to promote overall welfare expansion or to simultaneously pursue broad goals such as equality and employment growth as they did in the past (Iversen and Wren
1998). Yet, political actors still have scope to decide where to pursue trade-offs in specific welfare policies or goals. Economic constraints characteristic of the current period certainly change the role and agenda of policymakers, but do not restrict them to any single course of action.

**Chart 2: The Growth of Service Sector Employment in the CEECs**

![Chart 2: The Growth of Service Sector Employment in the CEECs](image)

*Source: The European Affairs Committee Conference Presentation (2002)*

Changing conditions of employment are also shaping the context of social policymaking in the post-socialist countries. In most of the former Communist countries, the employment situation has been greatly affected by the process of industrial restructuring. Although restructuring has occurred at various speeds and to different extents across countries, a common outcome is widespread job loss especially among manufacturing and agricultural workers. In Chart 3, unemployment rates in the CEECs since regime change are charted, showing how
significant the loss of employment in this period has been.\(^5\) Chart 4 illustrates another strong trend in the region – the incidence of long-term unemployment, a phenomenon that is fairly recent and worsening in advanced industrial economies as well. Equally important as the extent of employment loss is the broader context in which it has occurred. Post-socialist countries are restructuring in conditions of increasing trade openness and post-industrial changes in sectoral employment and production technologies, which are occurring globally. These conditions have a great impact on re-employment possibilities, and hence on the goals and potential of social policies. I propose five factors concerning the employment situation in post-socialist countries that have affected social policymaking: decreasing demand for low-skilled workers and the simultaneous rise in demand for skilled workers; lower wages; decreased job security; weakening of trade unions; and sharp regional variations in employment possibilities.

### Chart 3: Registered Unemployment Rates in the CEE Countries, 1991-2001

![Chart 3: Registered Unemployment Rates in the CEE Countries, 1991-2001](image)

Source: Biuletyn Statystyczny GUS (annual averages calculated); Czech Statistical Office (CSU); Fazekas and Koltay eds. 2002: 295.

\(^5\) Rates of labor participation are a far better measure of employment loss than unemployment rates in these cases. Many people of working age who no longer participate in the labor force are not counted in unemployment statistics, either because they were offered early retirement or do not qualify for unemployment benefits. Most people who are not on the retirement roles receive some form of state social support, either in the form of pensions, unemployment, family or social benefits.
In the CEE countries, decreasing overall demand for lower skilled workers is apparent in the higher levels of non-employment for this group. Likewise, the value of skill in the workforce is evident in higher employment rates and pay levels for more educated workers. In Chart 5, the differentials in participation rates for three skill groups are charted. Low-skilled workers in the CEECs fare slightly worse than in the EU and OECD countries overall, while more educated workers are even more likely to find employment in these countries. The differentials are even starker if we compare the CEECs to Western Europe exclusively, where an average of 72% of lower-skilled workers are active labor force participants (OECD 2003). Table 3 shows that the situation for lower-skilled workers in the CEECs has worsened over time.

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6 For more evidence of the skill gap in Poland, see: Andrew Newell, “Structural supply and demand factors in the regional distribution of unemployment in Poland,” University of Sussex Discussion Paper in Economics, No. 93, February 2003. Newell finds that the variations in skills explains some of the regional variation in employment in Poland, but most importantly provides evidence of the extent of the skill gap.

7 The exception seems to be Hungary, where unemployment rates among the unemployed have remained about the same, but the activity level for this group is the worse of the CEECs (See Chart B). Low-skilled workers have dropped out of the workforce, but are not counted among the unemployed for any number of reasons.
corollary outcome of the skill premium is a high level of unemployment among youth. The extent of this problem is illustrated in Chart 6, which shows unemployment rates among 15-24 years olds not in school in the CEECs compared to the OECD average. All of these developments change the context of social policymaking in important ways.
Table 3: Unemployment Rates by Educational Attainment

<table>
<thead>
<tr>
<th></th>
<th>Tertiary Education</th>
<th>1992</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic</td>
<td>Secondary Education</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Less than Secondary</td>
<td>4.5%</td>
<td>6.2%</td>
</tr>
<tr>
<td></td>
<td>Vocational</td>
<td>12%</td>
<td>19.2%</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>Tertiary Education</td>
<td>2%</td>
<td>1.2%</td>
</tr>
<tr>
<td></td>
<td>Secondary Education</td>
<td>2.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td></td>
<td>Less than Secondary</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Vocational</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>Tertiary Education</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Secondary Education</td>
<td>13%</td>
<td>15.9%</td>
</tr>
<tr>
<td></td>
<td>Less than Secondary</td>
<td>15%</td>
<td>22.6%</td>
</tr>
<tr>
<td></td>
<td>Vocational</td>
<td>12.5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Chart 6: Youth Unemployment Compared to Average Unemployment in the CEE Countries 2002
To address the particular problem of the skill premium in the labor market, retraining and job replacement need to become high policy priorities. These active measures require completely different roles for labor ministries and local labor offices than if their focus was on the passive distribution of benefits. Successful active policies demand high levels of coordination with businesses, trade unions and bureaucracies responsible for education and economic policies at both local and national levels. The policymaking landscape is also affected by the fact that low-skilled unemployed persons make up a constituency of voters that must somehow be included in political programs. Left parties, for example, which have traditionally defended workers and job protection may find themselves at cross-purposes with the unemployed, particularly if retaining job security in one area restricts possibilities for job creation in another. Finally, unions can find themselves in a similar situation. In order to retain or expand membership, unions may have to reach out to constituencies who prioritize more job creation over job security. What might also occur are cross-class coalitions, where representatives of service sector businesses have in common with displaced workers the goal of job creation; at the same time business and workers’ groups remaining in manufacturing are likely to mutually seek job retention. Such splits have been apparent, for example, in debates over labor code liberalization in the CEECs.

Increasing experiences of job instability and low wages are other characteristics of the current employment situation in the CEECs that are shaping the social policymaking context. Both tendencies relate to features of modern economies; for example, changing conditions of international competition require employers to adapt quickly, often by revising their labor needs. Low wages may also result from the demands of competition, as well as from lower productivity in the expanding service sector. In these conditions, employers in certain sectors are likely to support legislation that allows for flexibility in job protection and wage levels. Other effects on
the social protection system include demands for a more flexible labor force, which requires rethinking education and skill development. The fact of low wages and uncertain job tenures may also mean that workers need to tap into social support systems for subsistence. Low wages often result in the requirement of two earners per family, which consequently raises other welfare issues such as availability of child care. Job insecurity also requires rethinking about the provision of a host of benefits that in many societies have been employment related, including health care and pensions. Finally, even the perception of job instability among a population will affect attitudes toward social and employment policies, perhaps generating support for job protection at any cost among some groups and/or support for more flexible benefit systems.

The weakening of trades unions is a second characteristic trend of the post-industrial period that is evident in the CEECs. Unions in CEE countries are not in a similar position as unions were in the West during the period of welfare state expansion, and are considerably weaker than their western counterparts even today. Although there are significant variations across countries, unions in CEECs overall are weak both on measures of representative capacity and general strength. Experts have measured the representative capacities of unions in CEECs in various ways, including existing rules and rights governing unionization, institutionalized access to the political system, recognition by government and employers, and coverage of collective bargains (see Table 4). Overwhelmingly, the conclusions from such analyses are that unions in the CEECs have not effectively represented dependent employees in the economic and political system in the post-socialist period (Armingeon and Careja 2004; Crowley and Ost 2001).

Moreover, expert analysis finds that unions in CEECs are also weak in terms of their ability to organize contentious action when attempts at co-operative engagement fail. Two key measures of this type of strength are level of union membership (see Chart 7) and the number and impact
of strikes. Again, experts find that unions have been weakening over the post-socialist period on both counts.

**Table 4: Coverage of Collective Agreements as a % of Unionized Labour Rates for Selected CEECs and Western Countries 2000**

<table>
<thead>
<tr>
<th>Country</th>
<th>Coverage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>25-30%</td>
</tr>
<tr>
<td>Hungary</td>
<td>34%</td>
</tr>
<tr>
<td>Poland</td>
<td>40%</td>
</tr>
<tr>
<td>Sweden</td>
<td>94%</td>
</tr>
<tr>
<td>France</td>
<td>90%</td>
</tr>
<tr>
<td>Spain</td>
<td>81%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>78%</td>
</tr>
<tr>
<td>Germany</td>
<td>67%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>36%</td>
</tr>
</tbody>
</table>

Sources: Carley 2000, 6; adapted in Armingeon and Careja 2004.

**Chart 7: Union Density Levels in the CEECs**

Organizational decline of unions is a common trend across Western industrialized countries as well as the CEECs, and at least some of the causes are the same. Although strong empirical evidence has yet to be offered, there are definite indications that similar factors are at work. Union decline in both CEECs and Western countries is partly attributable to the shift over time from employment in manufacturing to services, the increase of private SMEs and foreign-owned firms, and the general environment of economic liberalization. At the same time, particular legacies of union roles in former communist countries also contribute to their current weaknesses, including their relation to politics, tendency to organize at the enterprise level and their general hierarchical structure (Kahmann 2003). The main point here is that the weakness of trade unions in the CEECs significantly differentiates the current context of social policymaking here from that which existed when the welfare state expanded in the west. Unions in the CEECs are largely incapable of acting as strong proponents for norms of social security and equality as they once did in the West. Rather, at this critical period of welfare restructuring, unions are attempting to redefine their roles. How they are doing so is unique in each country, but there are common effects on social policy. One is the lesser role of unions in CEECs than in the West in shaping policy to their interests. Another is the fragmentation of unions along ideological or sectoral lines in terms of their determination of self-interests and behavior vis-à-vis business and government. As has been observed in contemporary advanced industrial

8 Analyzing the causes of union decline in the CEECs is beyond the scope of this paper since my point is emphasize how this trend affects social policy. It is worth noting, however, some of the legacy factors that appear to contribute to union weakening. These include the political associations of unions with parties during transformation, which subordinated them to political goals associated with economic liberalization and often discredited them among workers and the population. Political affiliations also fragmented unions, thus weakening their collective voice. (Note that CMKOS in the Czech Republic is an exception among the CEECs in its political neutrality). Tendencies toward enterprise-level unionization which was prevalent under communism also has weakened national structures. The organizational structure of unions also seems in several incidences to reduce their ability to respond to employment crises on the regional level. These are only a few examples. For a more thorough discussion, see Kahman 2003 and Crowley and Ost 2001.
countries, unions in the CEECs sometimes find common cause with employers and non-leftist political parties on social issues.

The third trend in employment that shapes the social policymaking context in the CEECs is widening disparities in employment levels across regions within each country. Again, this is a trend that is also occurring in advanced industrial countries, yet is even more intense in the CEECs. Employment possibilities in these countries are largely concentrated in major metropolitan and port areas, while regions furthest from these centers suffer from low growth and high unemployment. This disparity is illustrated in the maps (Chart 8) below, which show unemployment rates in all major regions of each of three CEECs. Such variations occur for a variety of reasons that have to do both with the history and current development trends in each region. In the CEECs, there is tendency for unemployment to be highest where large industrial complexes or state farms that were supporting an entire community have closed down. Often, legacies of low or narrowly skilled populations, poor education systems and/or environmental degradation impede economic recovery. But, lack of employment in some regions is also due to low levels of investment in these areas since the fall of Communist regimes. New business development has been almost exclusively concentrated in metropolitan and port areas, corresponding to state investment in key infrastructure.

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9 See “Regional Unemployment rates ranged from 2.9% to 29.3% in the EU in 2002,” News Release Eurostat issue 131, 17 November 2003.

10 Unemployment rates are presented for what is essentially the county level in each country. Most discussions of regional variations focus on this level. In most cases, disparities are even greater at a more micro-level, but since counties are the administrative units where development issues are most likely to be addressed, it makes more sense to concentrate on these. Note that in Poland, there was a redistricting in 1998 that brought the number of voivodships (counties) from 49 to 16. For this reason, there are hardly any long time series for any aspect of regional development. See Polish Agency for Regional Development, “Regional Development in Poland: An Overview,” Warsaw 2001.
Chart 8: Regional Disparities in Unemployment: Maps

Czech Republic 2000

Source: OECD Economic Outlook 2001

Poland 2003

These regional variations shape the context of social policymaking in a number of ways. Above all, while employment and unemployment policies are normally developed at the national level, this “one size fits all” approach cannot address the particular challenges that each region confronts. Therefore, new policies and new divisions of labor in policy making and implementation are required. For example, since local actors are likely to have the most extensive knowledge of the particular employment issues in their area, it is prudent to give them a larger role in policy planning. This would require a coordinated devolution of authority on employment policy, which in most countries is concentrated at the national level. The regional employment issue poses other novel challenges as well. One is that an employment policy emphasizing GDP growth or even employment growth in general may fail to address particular regional problems. New and more coordinated regional policies that include targeted policies for
employment development and possible investment strategies focused on local infrastructure need to be considered. Regional employment disparities also require addressing issues of community and population relocation, and hence coordination with other policy areas such as housing and transportation. Again, these challenges are unique to the current period and hence differentiate the experience of welfare restructuring in the post-socialist countries from the experience of advanced industrial countries.

In addition to changes in the employment situation, demographic shifts also contribute to the unique context of social policymaking in the post-socialist countries. Demographic changes do not entirely parallel those in advanced industrial countries, but they are similar and are specific to the current period of policymaking. One trend that is common across countries is the aging of the population, or the growth of older cohorts simultaneous with slowing birth rates. This is illustrated statistically in Chart 9. As has been the case in advanced industrial countries as well, population aging poses specific welfare challenges. Because demand on the welfare system from older non-workers increases while the number of worker contributing to it decreases, the very basis of contributory social security is undermined. New ways of funding demands must be sought, and efforts may be undertaken to reverse birth rate decline through social policies. At the same time, the effects of potentially de-linking contributions and benefits across generations must be carefully considered. In some societies, the notion of reciprocity built into contributory welfare schemes underpins popular support for them. Consider, for example, how broad-based popular support for Social Security in America compares with weak attachment to programs such as AFDC (Aid to Families and Dependent Children, also known as ‘welfare’). If reciprocity is not built into social programs, politicians and supporting groups need to legitimize changes in
the organization of welfare policies in other ways. This is another factor specific to the current context of social policymaking.

**Chart 9: Declining Fertility Rates in the CEE Countries 1990-2002**

Source: World Development Indicators Database

A second demographic development that is affecting post-socialist countries is the gradual change in the structure of the family, specifically an increase in the number of single families. An increase in the number of single person and single parent families shapes the context of social policymaking in important ways. One way is that the rise of single adult families combined with the trend toward lower wages generates new demands on the social support system. Additionally, a new rift often emerges in welfare policy discussions over whether to focus on improving the situation of these family types or on discouraging their formation. Extending social support to individuals, increasing minimum wages, improving child care facilities and enforcing alimony and child support laws are some means of supporting smaller families. Contrarily, social policies can be designed to benefit ‘traditional’ or larger
families and can be reinforced by tax policies that do the same. Political parties and other actors in social policy debates often need to stake out one of these two positions.

The increase in single adult families is not just a demographic trend, but a reflection of cultural developments as well. New family structures are perhaps becoming more socially acceptable even if they create economic challenges. Cultural trends are more difficult to quantify than concrete economic or demographic changes, yet they too are shaping the context of social policymaking in the post-socialist countries. Evaluating the depth of cultural shifts is beyond the scope of this dissertation; however, what can be said is that tensions over values and beliefs have been central to welfare debates across the CEECs. For example, divides over the rights of women in the workforce has pitted defenders of ‘tradition’ against ‘modernists’, in some countries becoming a central political theme. It is worth noting that unlike the advanced industrial countries, there is no demand for the entry of women into the workforce in post-socialist countries since ‘equality’ on this level was fully accomplished under Communist regimes. Rather, discourse is focused on how to best balance work and family. The goal of achieving balance has gradually entered welfare discussions in the West, yet in the East it is something that must be resolved as welfare institutions are restructured. Thus, again, looking at the post-socialist cases can provide unique insight on how contemporary developments shape welfare policy directions.

To summarize, the current context in which the post-socialist countries of Central East Europe are restructuring their welfare systems is characterized by a number of trends unique to the period of ‘post-industrialism’ or globalization. These trends are giving rise to a ‘new’ type of welfare politics, similar to that which is observed in advanced industrial countries as well. What distinguishes the CEECs from the West, however, is that they have a greater imperative to
restructure welfare policies hence the effects of the contemporary context are more pronounced. I have hypothesized here and will prove in later chapters that the current socio-economic context structures welfare policymaking and distinguishes this period in four broad ways.

First, developments that define the current context have delimited the possible repertoire of leftist political parties. In contrast to the past, the left can no longer push an agenda of broad welfare expansion and must consider whether and how to appeal to increasing numbers of unemployed. As Levy contends with regard to Western conservative and social democratic welfare states (Levy 1999), left parties in CEECs are defining themselves by the trade-off in goals and policies they pursue. Second, the issues that arise in this context spawn new cleavages in the political system, and hence affect the position of right-wing parties on welfare as well as left. Debates over tradition versus modernity and how to address an emerging underclass reshape the agendas of all political parties and likely give rise to new forms of cross-class coalitions in political parties. Third, unions can no longer play as powerful a role as defenders of social protection for the majority of workers. Rather unions need to rethink where the interests of labor force participants and their members lie, as well as how to deal with increasing numbers of unemployed. Again, unions are likely to engage in cross-class or cross-sector alignments to accomplish their welfare objectives. Fourth, new issues on the social agenda demand an unprecedented degree of cooperation and coordination across different bureaucracies and between national and local political actors. Therefore, which policies are pursued will depend on where and to what extent coordination is possible. In these four ways, the scope of social policy choices are delimited, but not constrained to a single course of action. What determines particular policy directions across countries and policy domains is the subject of the next section.
The contextual factors described above help us to understand some of the constraints and influences that shape social policymakers’ approach to welfare policy. But, within the boundaries of what can and is likely to be accomplished in this context, political actors still have a considerable scope for choice. I hypothesize here several factors to explain why the mix of policies described in Chapter 2 has been pursued in each country. My main contention is that domestic politics and institutions matter a great deal in determining specific policy directions. In my analyses, the most important institutions in welfare politics are bureaucracies, political parties and interest groups representing labor and employers. I contend further that how these groups function in policymaking is to a large extent a product of decisions made during the period of regime change in former Communist countries. These decisions reflected the habits and values of the previous regime, as well as new ideas about the economy and society that defined regime change. Thus, there are continuities in each country’s social policy from the Communist period, but nowhere has there been a linear path from one period to another. The period of regime change was a critical juncture; although there was not a clear break from the past, important features of domestic institutions involved in welfare policymaking were at this time set in place.

Particular features of bureaucracies, political parties and interest groups in each country influence welfare policy reforms. In Chapter 2, I define the outcomes of these reforms using five criteria; the ratio of active to passive measures, extent of universal coverage, benefit levels, redistributive effects and familization. Here I theorize about the mechanisms by which each institution structures these outcomes. These mechanisms are best seen at the individual policy
level, where the decision-making process can be closely examined. The detailed studies of decisions in the areas of unemployment and family policies in the Czech Republic, Hungary and Poland in later chapters show how policymakers calculate and debate their options on social policy. In doing so, they consider both the broader socio-economic context as well as institutional conditions specific to the national and policy environments in which they function. By theorizing the mechanisms by which institutions structure choices within the socio-economic context defined about, I set up the framework here for more detailed analysis in the empirical chapters.

Bureaucracies have had a key role in shaping social policy outcomes in the post-socialist cases. In the literature on the welfare state, bureaucracies have long been considered vitally important policy actors (Heclo 1974; Rothstein 1996). At the same time, some experts have contended that bureaucracies may have little role to play in the ‘new politics’ of the welfare state (Pierson 1996; 153). This view is not at all universally shared (see Rothstein 1996 and Marier 2002); but what is certain is that the function of bureaucracies in this period needs to be further explored. In the post-socialist cases, I contend that bureaucracies have a critical role both in the formative stage of social policies and in their implementation. The factors I find important in shaping outcomes include, first, the general ideology of key bureaucracies, which is partly defined by personalities within it as well as its linkages to groups such as unions and policy think tanks. Additionally, the degree of centralization within bureaucracies, their key capacities and the existence of mechanisms for coordination between them are vital. These factors are slightly different from those that are emphasized in the literature on welfare state expansion.

As much of the literature on bureaucracies acknowledges, these institutions are at least to some degree distinct from government and possess their own organizational logic. Thus,
bureaucracies often develop an ideology of their own, which may or may not coincide with that of the government in office. In the post-socialist cases, the general ideology of key bureaucracies involved with policymaking was largely determined in the period of regime change. Although most of these bureaucracies existed in the Communist period, they were restructured in light of regime change. Restructuring involved not only the assignment of new capacities but also a necessary rethinking about their ideological stance. The key bureaucracies involved in social policy are the Ministries of Labor and Social Affairs, national and local labor offices and benefit distribution offices or funds. In all three the cases studied here, the general ideological stance of the relevant Ministries of Labor and Social Affairs can be defined as broadly social democratic. Yet, there are differences between the bureaucracies in each country. For one, the relationship between these bureaucracies and unions has been far stronger in the Czech Republic and Hungary than in Poland. In Hungary, the branch of the Ministry responsible for family policy (which became its own Ministry in the mid-1990s) had close ties to Conservatives in government. The Polish case is also distinct in the relationship of the Ministry and National Labor office with the liberal think tank CASE, and foreign advisors. These links have produced a liberal strand of thinking in the Polish ministry that is less pronounced in the other cases.

The critical bureaucracies in the three cases differ in other ways as well. Policy formation and implementation is highly centralized in the Czech case and more de-centralized in the others. The degree of centralization has provided a good opportunity for coordination on the one hand, but can undermine flexibility to respond to localized challenges on the other. Poland represents an extreme case of de-centralization of social and employment policy provision, which has weakened the ability to develop coordinated policies across localities. In Hungary, de-

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11 Labor and Social Affairs are two separate ministries in the Hungarian case. In all cases, the labor offices and funds are separate bureaucracies, but usually under the purview of the Ministries, hence I focus on the latter.
centralization and diversification of policy implementation has inherent to policies for a longer period and hence has been more successfully achieved. Even more significant differences between the ministries concern their capacities and ties to other bureaucracies. In the Polish case, responsibility for all aspects of social and employment policy was highly concentrated in the Ministry of Labor and Social Affairs during regime change. Because other ministries, such as Finance or Education, were not brought into the process of policy formation, there have been frequent clashes between their goals and that of Labor and Social Affairs. Almost no channels of communication or mechanisms for coordination were established between the ministries, which has consistently impeded cooperation between them. This contrasts with the Czech Republic, where such mechanisms were put in place from the outset and Hungary, where responsibilities for employment and social policy have been shared across a variety of ministries. In these cases as well, ministry capacities were largely determined during regime change and, as I argue later, reflected predominant thinking about the place of social policy in economic development at the time.

These differences in the key bureaucracies across countries have affected social policy outcomes in a variety of ways. One distinction lies in the types of policies that the ministries advocate and their flexibility on policy options. Ministry ideology largely influences whether there is a predilection for more universal or targeted policies or an acceptance of privatization, and whether proposed benefits tend to favor certain groups such as workers or larger families. In other words, ideological tendencies influence where there may be some openness to retrenchment, or what kind of trade-offs are proposed and accepted. This helps to explain differences in policy paths both across countries and across policy areas in which different bureaucracies are involved. Also, internal features of bureaucracies affect policy outcomes with
regard to ministries’ capacities to respond flexibly to emerging social challenges, to cooperate and coordinate with regional actors and other bureaucracies. The degree to which these capacities exist can explain whether active and coordinated policies are developed and effectively implemented. Findings in this study suggest that in Poland, for example, the insularity of the Ministry explains a lot about why there has been less of a tendency toward these types of policies than in other countries. Even policy actors outside of the Ministry in Poland perceive limited opportunities for effectively implementing more active and coordinated measures. As explained above, in the current socio-economic context, making trade-offs, maintaining flexibility and pursuing coordination are important elements of social policy. However, the predilections and abilities of policy actors to pursue these options in various areas differentiate the particular policy paths that are followed.

Political parties have also been important actors in the social policymaking process in CEECs. Members of political parties shape policy outcomes by bringing items to the public agenda and supporting or rejecting proposals in the parliament. How members ‘puzzle’ about policy is largely shaped by party views on social and economic issues. A party’s views reflect its ideology and place in the political system. In the post-socialist cases, party ideology and the key cleavages in the party system have largely shaped social policy directions. All parties in CEECs are either newly formed since regime change or reformed versions of Communist or pre-Communist predecessors. Regardless of whether they were new or reformed, both left and right parties went through a process of self-defining in the early 1990s. It is again interesting to contemplate how the timing of this process likely affected the outcomes.\(^\text{12}\) The 1980s and 90s

\(^\text{12}\) Grzymala-Busse shows that traditional socio-demographic factors have had little significance in explaining party support in the CEECs. Left parties have appealed broadly, gaining much support from professionals and middle class voters. Union support for left parties has also been low. She equates these tendencies with “New Left” cleavages in post-industrial societies (2002: 185-6).
were a time of critical restructuring for parties in advanced industrial countries, most notably for parties on the left. In the CEECs, political parties did not model themselves after the main parties in the West, but rather defined themselves uniquely depending on leaders’ preferences and imperatives of political competition at the time. As most experts on party systems agree, the essence of these parties as well as the main cleavages in the party systems were established in the early years after regime change (Agh 1998; Panków 1997 and Markus 1998).

The way that parties redefined themselves essentially gave them a repertoire of ideas and beliefs on which their proposed policies and reforms can be based. I contend that understanding what these repertoires consist of is important for explaining how policymakers perceive social challenges and their options for addressing them. This idea of party repertoires or cultures is developed in a small literature on party systems. Beers, for example, demonstrates how liberal individualism and more collectivist and conservative ideals both belong to the essential culture of the British Tories (Beer 1964; 197?). This insight provides a way of justifying shifts in the emphases of the party over time, and its unique possibilities and boundaries compared to right wing parities with different cultural backgrounds. By the same logic, the way that parties in the CEECs have redefined themselves provides a way of understanding what kind of policies they can legitimately pursue. Even though there is a large degree of instability and change in the party system in the CEECs, I contend that nonetheless, parties have bound policy discourse and decision-making to a certain extent.

Left parties in the Czech Republic, Hungary and Poland have developed quite differently and in ways that have had an effect on welfare policy debates. One important distinction is that the mainstream Polish and Hungarian left parties are successors to the Communist Party, while the Czech ČSSD (Social Democrats) is a new party that perceives itself as a successor to pre-
Communist Social Democrats.\textsuperscript{13} Being a successor party to the Communists has had a significant and similar impact on the Polish Social Democrats (SdRP)\textsuperscript{14} and Hungarian Socialist Party (MSzP). Both parties have restructured in ways that have distanced them as much as possible from Communist ideas. This has meant an absolute embrace of liberal economic reforms and an emphasis on ‘pragmatism’ over guiding ideas (Panków 1997; Grzymała-Busse 2002). These parties have also prioritized goals of secularism and modernization, distinguishing themselves from nationalist and traditionalist ideas. The Polish SdRP has gone quite far in excluding economic redistribution from its platform. Although it ran in the first elections as the party that would address the social costs of economic reform, by 1993 it has greatly reduced its emphasis on welfare state issues (Grzymała-Busse 2002; 166). Support for economic liberalization along with a voter base of mostly wealthier voters who have a concern, but not a high stake in welfare, has underpinned a platform favoring a ‘safety net’ model of welfare rather than redistribution. The Hungarian MSzP, although similar to the SdRP, has retained economic redistribution as a priority and has made a broader appeal to those left out of the benefits of economic reform. Although the party pursued an aggressive policy of retrenchment in the mid-1990s, its more socialist or social democratic ideas were retained and have been revitalized in the current government.

The Czech Social Democratic Party (CSSD) was founded in 1848 and continued in exile until the fall of Communist regimes. It is the only European-style Social Democratic party to emerge in the former Communist countries. The party’s ability to self-define as social democratic distinguishes it from the left in Hungary and Poland, and adds a dimension to its

\textsuperscript{13} The Communist successor party in the Czech Republic, the KSCM (Communist Party of Czech and Moravia), has never succeeded as a mainstream party. However, it occupies a place on the left, having gained about 10\% of the vote share in the most recent parliamentary elections.

\textsuperscript{14} In 2001 elections, the SdRP ran as the Union of the Democratic Left (SDL); this party is now disappearing and a new party calling itself Social Democrats is being created in its place.
repertoire that does not exist in the others. Its ability to retain and build this identity is due both to not having to renounce Communist ideas and to the comparatively long period that the party spent in opposition to the predominant party of Vaclav Klaus. Compared to the left in other countries, the ČSSD has retained a strong commitment to the creation of a ‘social market economy’ and building the welfare state. Although its electoral base has not been entirely stable, much of its support has come from the working class, public servants and trade union members. The ČSSD has by no means rejected economic reforms, but has largely called for taking a socially conscious approach. Similar to its counterparts in the other CEECs, the ČSSD presents itself as a ‘modernizing’ party and has been the only mainstream advocate of entry to the European Union. The main split in the party in the mid-1990s was between those who wish to push more in a liberal direction versus those who advocated adherence to the party’s more traditional social democratic values. In the recent government, the latter tendency in the party has prevailed.

Right wing parties in the three CEECs have also developed very differently from one another and to some extent from the right in Western countries as well. In Poland, the main rightist party Solidarity (later Solidarity Election Action – AWS) was comprised of various groupings and might be best described as a weakly defined party. Solidarity was the party that initially undertook liberal economic reforms, while at the same time retaining close association with one of the main trade unions and advocating for a welfare state. Thus, on economic issues the party combines left and right tendencies and is hardly distinguishable from its leftist counterpart. ¹⁵ Where the right does distinguish itself is on the issues of de-communization and nationalism. A strong strand in the party supports economic nationalism and social

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¹⁵ Some commentators describe Solidarity as a right wing party that is very similar to the ‘old left’ in Europe. More than likely, it is the strong association with the union that underpins this claim. See Jane L. Curry, “Which way is Right?” online at: http://archive.tol.cz/transitions/whicway1.html
traditionalism, the latter component being bolstered by support from the Catholic Church. On welfare issue, the traditionalist strand has often prevailed particularly on matters related to women and family. Yet, this has not defined the party’s welfare agenda exclusively. Ties to unions have also underpinned some of its social policy agenda. What is interesting is that Solidarity never found a place in its platform for supporting workers in agriculture, who comprise about a quarter of country’s total workforce. This and other gaps in what parties assert in their welfare agenda have been filled by extremist parties who are quickly becoming real contenders to the mainstream.

The Hungarian right, represented initially by the Hungarian Democratic Forum (MDF) and later by FIDESZ has developed differently from its Polish counterpart. Although FIDESZ began as a liberal-oriented youth party in 1987, when it reformulated to be a mainstream competitive party, it redefined itself as mainly conservative and nationalist. It is a pro-market party that is favorable to the European Union, however it has given more emphasis to nationalism and traditionalism, including a great emphasis on Christian values. Like the MDF before it, FIDESZ has taken a kind of mitigated position on economic liberalism, supporting a version that also emphasizes a limited state welfare role (Markus 2002). The voter base of FIDESZ is mostly young, urban, wealthy “winners” of economic reform, although a large percentage of unskilled workers were among its voter base in the 2002 parliamentary elections. Finally, the Czech right, represented mainly by the Civic Democratic Party (ODS) has formed in a way that is distinct way from right parties in other countries. A nationalist or traditionalist

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16 The MDF was the first ruling party in post-socialist Hungary, under the leadership of Joseph Antall. It is a populist-conservative party that once had a strong nationalism wing, which broke off to form the extreme right Justice and Life Party. Since the second elections in Hungary, the MDF has been a small partner of FIDESZ. 17 FIDESZ was a minority party until 1998 when it formed the majority with MDF as a minor partner. The 2002 elections were a close race between FIDESZ and the MSZP: neither party won a majority, but MSZP had more popular votes and formed a coalition majority. FIDESZ is a strong opposition party in this parliament.
element has not been a part of the party’s program and, unlike Solidarity it has no roots in the dissident movement or links to the union. The main element of the party has been support for neo-liberal economic policy, followed by an emphasis on ‘technocratic’ governance (Riishøj 2003) ODS has also been Euro-skeptic, but not for reasons of nationalism but rather opposition to the adjective ‘social’ in the EU’s conceptualization of a market economy. The voter base of the ODS is mostly younger, middle class and urban, and the party has had difficulty broadening the constituencies to which it appeals.

These features of political parties define what I have called their repertoires, which in many ways shape the contours of debate and discussion on social policy. This is reflected in the different policy agendas pursued by both left and right parties across the three countries. In the Czech Republic, the CSSD has been a stronger advocate for redistributive policies than left parties in the other two. Although cutbacks have been made in several areas of Czech social policy, the contributory base of most policies has been retained and reductions have tended to affect different groups more equally than has been the case in other countries. Policymakers from SLD in Poland, by contrast, have found it difficult to justify shifts to more equalizing social schemes or promotion of contributory policies. Reforms of social policy have often involved selective cutbacks of the most inefficient programs, such as the Alimony Fund in 2002, or small improvements in benefit levels for groups already covered in social policies. Even well conceived ideas for introducing contributory schemes such as the unemployment insurance scheme favored by the trade union OPZZ have not been taken up by policymakers in the SLD.

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18 Klaus is famous for pursuing a “market economy without adjectives.” He objects to the fundamental idea of a social market economy, as promoted by the EU.
19 Interview with Dr. Marek Rymsz, Polish Institute of Public Affairs, 29 October 2002. The Alimony Fund came from the state budget and paid delinquent alimony for people at all levels of income. It was a highly corrupted program and much of its expenses came from paying alimony for the wealthy. Rymsz sees the decision by the SLD to cut this program back first and foremost upon taking office as an example of the ‘vice to virtue’ strategy described by Jonah Levy (1999).
By closely examining the discourse and justifications of policymakers, it is possible to show that party repertoires structure these types of decisions. The liberal and pragmatic agenda of the SLD defines the way that party members’ see their possibilities, even when their objective is to improve social protection. In contrast to the ČSSD in the Czech Republic, the SLD has not defined itself as a party that values redistribution or a European-type of ‘social market economy’ and this constrains its approach to social reform. Even though both parties take actions on welfare that differentiate them from right-wing parties and even though both function under similar constraints, they differ in the particular types of policies they pursue.

Not only left, but also right parties in the three countries have differed in their social policy agendas. The Hungarian case is exemplary of how a traditionalist-nationalist focus can justify a very particular social policy agenda. FIDESZ most notably made expansion of welfare policies one of the key items on its agenda while leading the government. This expansion was highly selective, however, in that it expanded benefits for middle-income ‘traditional’ families often at the expense of the least well off (especially ethnic minorities). Policy changes that promoted the traditional family and claimed to be working against the trend of declining birth rates fit in well with the party’s conservative program. Likewise, the neglect of large minority groups who are among the poorest members of society in social policy fit in well with its nationalist tendencies. The Polish right also has a traditionalist and nationalist focus, which has at times been used to underpin particular policy changes, such as the expansion of maternity leave in 2000. Yet, there is a strand in the AWS ideology that supports a broader conception of social policy or acceptance of a kind of ‘social market’. Thus, the AWS has never gone as far in

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20 FIDESZ’s welfare policies were complex. On the one hand, they made family benefits universal and eliminated all targeted programs. Yet, simultaneous tax schemes for families benefited only the middle class and a variety of cutbacks in other social programs, such as unemployment, hurt other social groups. Ferge discusses the various policies of FIDESZ and their effects in Ferge 2001.
pursuing exclusionary policies as the right has in Hungary. In the Czech Republic, the rightist ODS has literally no welfare policy agenda of its own at all. The absence of both the traditionalist-nationalist element and support for some version of a social market economy leaves it with little basis for a welfare agenda. Rather what has happened in the Czech Republic is that very powerful Social Democrats in parliament and the ministries have managed to implement some of their agenda even during ODS rule.

The third institutional factor structuring welfare policies in the post-socialist CEECs is the organization of interest groups. Both the ability of interest groups to influence social policy and their inclinations on policy measures has shaped the scope and direction of welfare developments in each country. While many commentators write off the role of labor and employer organizations in the CEECs as being uniformly weak, a closer look shows variation in what they have been able to accomplish in social and labor policy. Variation has occurred with regard to union abilities to gain social policy concessions favorable to workers and/or certain subsets of the workforce, and the capacity and inclination of all social partners to achieve coordinated policy responses. The determinants of these variations appear to be the internal organization and ideological predilections of these organizations and their relationships to established political parties. To some extent, the effectiveness of unions in shaping social policy and the flexibility of both union and employer organizations in responding to new challenges are traceable to legacies from the period of regime change. Successors to Communist-era centralized unions restructured in very different ways, with regard to degree of centralization and internal channels of representation. Another important legacy from this period is the relationship between unions and political parties which have structured the strategic interactions of government with social partners as well as the ideological predilections of the unions.
In Poland, the major trade unions have made almost no effort at all to define a specific role for themselves in the post-communist economy. Strong legacies of ideological animosity between the two major unions, Solidarity (NSZZ) and the National Confederation of Trade Unions (OPZZ) and strong union involvement in parliamentary politics have minimized the ability of either to represent workers' interests in any sector.\textsuperscript{21} The two major unions have mostly been supporters of policies promoted the parties with which they are affiliated – Solidarity/AWS and the SLD respectively – including policies that have drastically weakened the position of workers. Often, union positions favor retention of privileges for large industries, sometimes to the benefit of both employers and employees within them. Thus, unions have often sought to obstruct restructuring and hence promote job retention. But, unions have made almost no effort to expand their influence into the private sector nor to decentralize in order to better represent workers at the regional or enterprise level.\textsuperscript{22} The unions have remained national level institutions that weakly represent workers facing unemployment, unstable job markets and decline of benefits. At the national level, they participate in social dialogue with three strong employers’ organizations, one of which represents industry (KPP - Confederation of Polish Employers) and two that represent the private sector (PKPP – Polish Confederation of Private Employers and BCC-Business Center Club). Employers’ organizations are also highly centralized, hence there is almost no mechanism for coordination at the regional or enterprise levels. With regard to national policy, where interest groups have the most influence, the key divide that has emerged is not workers versus business, but rather industrial versus private sector.

\textsuperscript{21} In a comparative study of trade unions in Poland, Hungary and the Czech Republic, Avdagic finds also that Polish trade unions have done the least to advance the interest of workers, not only with respect to social policy, but also on labor rights issues (Agdavic 2003).

\textsuperscript{22} One example of how little effort has been undertaken by unions to restructure and adapt is the lack of any program to recruit private sector workers. Ost reports that surveys of union leaders in the 1990s show that overwhelmingly they did not believe that unions were needed in private industry (Ost 2001). I also found in reading web sites of the major unions and an interview with the OPZZ that unionizing the private sector is still not among union priorities.
The situation in Hungary and the Czech Republic has been very different from that in Poland. Whereas in Poland, there has been significant continuity in trade union organizations, in these two countries successors to Communist era national trade union associations radically restructured after regime change. In the Czech Republic, a single, highly centralized union association ČMKOS (Confederation of Czech and Moravian Trade Unions) was the main successor to the Communist trade union. ČMKOS has modeled itself as a social-democratic union and has focused from the outset on developing strong regional and enterprise level associations (Kahancova 2003). The union has maintained complete independence from political parties, but its overall strength required that even the neo-liberal government of Klaus take it seriously. As a result of this, strong mechanisms for tripartite agreements were constructed in the early 1990s, and tripartite negotiations have been more important in the Czech transformation strategy than in the other countries. Tripartite consultation in the Czech Republic occurs on a range of issues including labor, social and economic policy. Both Czech unions and employers’ organizations have been consulted on all welfare policy developments, and were given key responsibility for implementing Active Labor Market Policies as early as 1991. Although private sector interests are poorly represented by unions and overrepresented in employers’ organizations, the function of the tripartite body means that both are actively involved in determining the direction of a broad array of social policies.

In Hungary, trade unions restructured very differently from the Czech Republic. From the single union association (SZOT) under Communism, six separate associations were formed. Three of these claim to be direct successors to SZOT while the other three are newly formed organizations.23 While there has been some infighting among the unions, the depth of their

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23 The largest successor union is MSZOSZ (Confederation of Hungarian Trade Unions) and the two others are SZEFSZEF (Forum for the Cooperation of Trade Unions), the main union organizing the public sector and ESZT (Confederation
animosity toward one another has not been nearly as great as in the case of Poland. Some of the unions had initially established ties to political parties, but these were weakened over time. Both factors have facilitated increased cooperation among the unions over time. Relations between unions and government have been mixed. Tripartite structures were established in the early 1990s, but consultation was mostly limited to labor-related issues such as wage structures. After 1994, two successive governments (one left, one right) chose to bypass the tripartite council in developing key social and economic policy changes. The fact that all social partners were left out of politics for such a long period in the post-Communist years seems to have led to significant restructuring in both unions and employers’ organizations. In both, one finds a strong focus on job creation including various measures toward updating training, participation in active employment programs and proposals for education reform. Evidence suggests that these groups have the potential and inclination to pursue more coordinated efforts on social policies concerning employment. The current government of the MSzP has reached an agreement to revitalize the tripartite National Reconciliation Council (ÉT) and give it wider competencies than previously, including over national economic policies, labor market development, tax and social security systems (EIRO 2002). The way that the social partners have rethought their roles in current economic conditions is likely to have a considerable impact on the Council’s priorities and positions.

The role and tendencies of unions and employers’ organizations in the CEECs have affected social policy outcomes in a variety of ways. On one level, the way that these organizations have formed or restructured in post-socialist period have considerable effects on the types of social policies they promote. In Poland, workers’ interests are poorly represented in

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of Union of Professionals), which mostly represents academics and teachers. The three new unions are ASZOK (Autonomous Trade Unions), LiGA (Democratic League of Free Trade Unions), and MOSZ (National Federation of Workers’ Councils).
social policy; more so for private sector workers. Unions’ close ties with parties have largely
determined their position on most social policies and the weakness of tripartite structures mean
that major social and economic policy developments have not been subject to any review by the
social partners. These factors might help to explain more widespread tendency for liberal policies
in Poland as well as the surprising tendency, in light of the strength of Solidarity in regime
overthrow, for social policies to give no particular benefits to workers. Opposite tendencies in
the Czech Republic helps to account for the redistributive nature of social policies there as well
as the strong position of workers versus others with regard to these policies. Social policy
outcomes in Hungary have been more mixed, which might partially reflect the differentiated role
of the tripartite structure. What is also notable about the Hungarian case has been the proclivity
toward more coordinated and cooperative social policies at the national and local levels, which
corresponds with the way that social partners have restructured. Additionally, on another level,
the extent to which mechanisms for cooperative policies exist in each country affects the way
that policymakers generally perceive possibilities for social policy reform.

Summary and Conclusions

The hypotheses I have presented here have two components. I argue that the way that
policy makers in post-communist countries ‘puzzle and power’ about welfare decisions are
affected both by the broader socio-context of globalization and post-industrialism as well as the
unique configuration of institutions in each country. To visualize this explanation, one can
imagine policymakers at the center of two concentric circles. The outer circle represents the
socio-economic context, the inner the more particular institutional context. When policymakers
decide on social policy, both sets of factors come into play. In some sense, the socio-economic context delimits the choices of welfare policy actors, although it is not entirely accurate to think of factors related to this context only as constraints. Policymakers and the institutions in which they function adapt to this changing context in ways that introduce novel possibilities for welfare as well. What I present is a way to understand how the broader context and specific domestic factors work together to structure a unique politics of welfare in the post-communist cases.

In the empirical chapters of the dissertation, I provide different types of evidence to support and further elaborate the theoretical outline developed here. Chapter 2 measures variation in welfare policy developments in the Czech Republic, Hungary and Poland using five indicators that commonly define different types of welfare states. The purpose of this chapter is to highlight the depth of differentiation between countries that have had very similar development experiences. Chapters 3, 4 and 5, aim to prove that these differences are rooted in specific combinations of the factors I identify in my theory. In Chapters 3 and 4, I look at the evolution of unemployment policies since regime change, first in Poland and then comparatively in the Czech Republic and Hungary. Chapter 5 compares family policies in the three countries, particularly those that structure the position of women in the labor force. These chapters show how key actors in policy decision-making have defined their role in and opinions on employment and social problems in a period of broad socio-economic and political change. Policy actors in bureaucracies, political parties and interest groups have been compelled to respond to challenges that are by definition unique to the current period in the global economy. This has rendered efforts to replicate Western institutional structures and policy models ineffective. At the same time, the absence of a roadmap for reform has not forced policymakers to choose lowest common denominator responses or to become pawns of supranational...
organizations and advisors. The empirical research I present shows that social policy choices in each country are rooted in the way that the key institutions reformed after regime change. These institutions have a unique role and perspective on welfare policy compared to their counterparts in the period of Western welfare state expansion. They are also just as different from one another, pointing to the continued significance of country-specific factors solidified during the period of regime change.
Chapter 2

Three Paths of Welfare Restructuring:
Policy Development in the Czech Republic, Hungary and Poland

Introduction

The welfare regimes established in the CEE countries during Communist rule were broadly similar to one another, incorporating elements of European-type social insurance programs as well as a uniquely Stalinist model of social policy. Nonetheless, subtle differences between countries and continual adjustments within them made it difficult to categorize the Communist welfare state as a distinct regime type (Inglot 2002 and 2003; Esping Andersen 1990). Even among the European countries of the Soviet bloc, there were differences in particular programmatic emphases and patterns of reform, especially beginning in the 1970s and 80s. Again, however, these differences were not great enough to argue that distinct types of welfare regimes had emerged across countries of the region. It is thus fair to begin an analysis of the post-communist welfare states by stating that the new governments inherited broadly similar welfare state structures, but not identical welfare systems. From this starting point, one cannot argue that the process of change is best conceptualized as a transition from one system to another. The process of change in these welfare states is far more complex, one that is perhaps best conceptualized as a ‘restructuring’ rather than a transition.

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24 Inglot provides a useful schema for understanding the similarities and differences across Soviet welfare states. He points to three basic components of the Central East European welfare state: a social insurance component, socialist programs and policies and the Stalinist model of social policy (2002: 9). Social insurance programs were in place in the CEE countries well before WWII, and were as central to their welfare regimes as they have been in much of Europe. Socialist policies and programs were partly modeled on Western concepts, and partly imported from the Soviet state. The Stalinist model was a unique import.

25 According to Inglot, the welfare regimes in Communist Europe were distinguished from the Soviet model by their continued emphasis on social insurance programs and a weaker adaptation of the latter two components than occurred in the Soviet Union.
All post-communist governments have undertaken some degree of restructuring the policies and programs they inherited. In all countries, the Stalinist model of monopolist control over policymaking has mostly been replaced by a more democratic, but still centralized process. Likewise, many of the socialist components of the welfare state such as the guarantees of full employment and affordable housing have been eliminated in the CEEs. Further, in all of these countries, the functions of the enterprise as a provider of benefits have largely shifted to the state, and many non-cash benefits have been replaced with more European-style cash allowances. Beyond these similarities, however, there have been important differences across countries. As I describe below, on many dimensions that define how the welfare state redistributes benefits to citizens and the types of benefits it provides, there have been significant variations.

Variations in the emerging welfare states of Central Eastern Europe have been discussed by a handful of regional experts (Orenstein and Haas 2002; Inglot 2003; Müller 2000; Roberts 2002). For the most part, these experts focus on one or a few dimensions of the welfare state (mostly on pension and health reform). They measure variations in a variety of ways, sometimes using spending data and sometimes looking closely at institutional and policy developments in a particular area. The goal of this chapter is to provide a more comprehensive assessment of variations among post-communist welfare states than has been offered to date. To do this, I look closely at policy developments and outcomes in the core areas of each country’s welfare state: pensions, unemployment provisions, family benefits, and work leave policies. To measure variations, I have selected six criteria that reflect developments in these policy areas; the extent of universal policies; wage-based financing of welfare (as a tax on employees specifically), benefit levels, redistributive effects, extent of familization and the ratio of active to passive measures. What these criteria measure are fundamental differences between welfare states,
including how much and to whom they redistribute and how great a role is assumed by the state itself. The measures reflect differences that have been important in distinguishing welfare regime types traditionally as well as how they have restructured in response to new challenges in recent decades. Thus, the criteria are drawn from two sets of welfare state literature; one concerning the expansion of welfare states in advanced industrial countries and the other the process of retrenchment or restructuring. Using these criteria permits a comprehensive assessment of where and to what extent significant differences have arisen among the welfare states of Central Eastern Europe since regime change.

Measuring Variations

In the following sections, I evaluate welfare policies in three CEE countries; the Czech Republic, Hungary and Poland in terms of the six criteria I have identified. To undertake the evaluations, I utilize as much data about relevant policy areas as is readily available. One set of data I use is comprised of legislative rules and regulations governing social welfare and certain aspects of taxation. These data reveal the intentions of policies in terms of redistributive effects and the relative responsibilities of the state and individuals for welfare. For example, a government that has put in place universal benefits for families has different intentions than one that has imposed strict means tests. This type of information about policy structure reveals much more than data on spending, which could be higher, for example, in a means-tested program than in a universal one simply by virtue of a higher number of recipients. Looking only at spending figures could therefore lead to a misinterpretation of the real intentions and outcomes of a social policy. While legislative data says a lot, however, the way that policies are implemented can also
deviate from stated intentions. Likewise, some policy designs can have unintended effects depending on the particular environment in which they are realized. For these reasons, my analysis also utilizes data on policy outcomes to the extent this is possible. In all cases, I look at data over the entire period from 1989 through 2004 in order to get a full picture of the general direction being pursued in particular policy areas. I rank the three CEE countries from high to low on each criterion, in terms of the degree to which they are moving toward the tendency described. The rankings reflect developments in each country relative to one another and, where possible, relative to other countries in Europe, including the other post-communist countries.

**Extent of Universal Policies**

The first criterion that I measure is the extent of universal social programs in each country. Universal programs entail a particular approach to providing coverage that is distinct both from employment-related and means-tested programs. In most welfare systems under Communism, social benefits were mainly employment-related, meaning that benefits were a right entitled to all workers. The policy of full employment under Communist regimes ensured broad coverage by these programs. In the section on wage-based financing, I consider the extent to which employment-related benefit schemes have been retained or revised in my three cases. Here, the main comparison is between universal and means-tested programs. A key distinction between these types of programs is whether benefits can be claimed as a matter of right. While universal programs provide coverage as a right of citizenship, in a means-tested approach, benefits are given in accordance with an individual’s resources compared to a standard measure. According to the International Social Security Agency, universal programs “provide flat-rate
cash benefits to residents or citizens, without consideration of income, employment or means (ISSA 2002: 2).” Universal programs can include pensions for the old-aged, disabled, widowed or orphaned and family allowances. These programs are usually financed through general revenues, but may also be partly financed through contributions from workers and may have a second tier earnings-related component. Means-tested programs determine benefit eligibility “by measuring individual or family resources against a calculated standard usually based on subsistence needs (ISSA 2002: 3).” These programs are usually funded through general revenues and administered at the local level.

There is considerable debate in the literature over the value and effects of universal versus means tested programs. Although universal policies are normally associated with a higher degree of social justice and are particularly prevalent in Social Democratic welfare states, many argue that these programs waste resources on middle and high income earners.26 Certainly in Liberal welfare regimes, the tendency has been to ‘target’ policies to the poor under the assumption that this provides an optimal way of minimizing poverty without wasting resources. As much research has shown, however, where means tested programs are predominant (particularly in the Liberal welfare states), poverty levels are often highest. One reason for this is that benefit levels in means-tested programs tend to be relatively low. This in turn is commonly attributed to the fact that beneficiaries usually have a weaker voice in politics than other groups. Another significant difference between universal and means-tested programs is that the latter defines the poor or needy as a distinct group in society. This can have a stigmatizing effect and underpins a particular conception of citizenship. Whereas universal policies have built in a notion of reciprocity among citizens, means-tested programs do not. Those citizens who do not

26 I use the terms “Social Democratic,” “Liberal,” and “Conservative” to describe welfare systems in the manner devised by Esping-Andersen (1990) in his classification of the ‘three worlds’ of welfare.
directly benefit from means-tested programs may in fact question the use of their taxes for this purpose, creating a rift among citizens rather than unifying them. Thus, the choice of universal versus means tested programs is a highly significant element of a welfare system for both economic and political reasons.

Universal programs comprise a greater part of the welfare system in the Czech Republic than in the other two countries. Here, universal coverage is offered for a subset of family and old-age benefits. In the area of family benefits, all three countries made a shift in the 1990s from an employment-related to either a universal or means-tested one. The Czech Republic introduced a universal system with means-testing for some family benefits in 1996. Income tests are applied in the case of per child benefits, but birth grants and parental allowances are universally offered. A recent study by the ILO found that among the CEE countries, means-testing was the least marked in the Czech Republic in that it was not applied as widely or as stringently as elsewhere (Fultz, et. al. 2003). As an example of the less stringent criteria, in Poland the cut off for benefits is an income of 50% of the social minimum, while in the Czech Republic it is 110%. Other studies have also found that means-testing for family benefits in the Czech Republic compared to other countries has affected a very limited group of recipients (Večerník 1995) and has resulted in higher amounts of funding for families the most in need (Fultz, et. al. 2003:125). With regard to old-age benefits, the Czech Republic has also uniquely retained an element of universal coverage. Reforms to old-age benefits in 1997 combined aspects of Beveridgean and Bismarkian welfare systems, and rejected the introduction of mandatory private coverage, which has been

27 The ILO study (1999) confirms Večerník’s study. It finds that in a two-parent family where both are economically active, the percentage of families receiving child benefits dropped from 84% to 76% between 1996 and 1999. For families with one economically active parent, the drop was only from 94% to 93% and there was no significant drop in the percentage of single parents receiving the allowance (121).
put in place in both Hungary and Poland. The Beveridgean aspect of the program provides minimum universal flat-rate benefits that are financed through general taxation.\textsuperscript{28}

Hungary and Poland have moved toward means-testing in social programs to a much greater extent than the Czech Republic. However, the degree and stringency of means-testing has been greater in Poland than Hungary. In both countries, income tests for all family benefits were introduced in the mid-1990s and spending on these benefits has declined over time. Moreover, in both the share of family benefits as a percentage of household income has also fallen (Fultz, et. al. 2003: 22-25).\textsuperscript{29} These trends have been far more continuous and the fall in benefits more steep in Poland. Income tests for child and family allowances were introduced during austerity measures in Hungary, but were revoked under the new government in 1999. All family benefits in Hungary are now universally offered. In Poland, highly restrictive means tests have been put in place at various times, and have consistently been accompanied by reductions in the amount and duration of benefits. This trend has continued in Poland, where the focus has been increasingly on targeting the poorest members of society. By contrast, family allowances were raised in Hungary in 2002 by 20% and the general emphasis in recent years has been on providing broader support for families at all income levels.\textsuperscript{30} With regard to old-age benefits, neither Hungary nor Poland has retained a universal guaranteed social minimum in their new systems.\textsuperscript{31}

It is clear that universal programs have become a much more significant part of the restructured welfare system in the Czech Republic than they have in Hungary and Poland. In

\textsuperscript{28} The Bismarkian component pays variable benefits according to rough insurance principles.

\textsuperscript{29} Between 1990 and 2000, spending on family benefits fell from 3.8% GDP to 2% in Hungary and from 1.7% to 1.1% in Poland.

\textsuperscript{30} For example, tax credits for families with children that were re-introduced in Hungary in 1999 actually target middle-income families. A similar proposal for tax relief was vetoed in Poland in 2001 (Gazeta Wyborcza 29-08-01; 16).

\textsuperscript{31} However, because the new system is phased in gradually, participants in the old system in both countries still will receive the guaranteed minimum.
addition to the trends mentioned above, the Czech Republic is also distinct in the existence of a guaranteed Social Minimum, another universal guarantee. Reforms in the Czech Republic in 1997 obliged social assistance providers to compensate any gap between claimants’ incomes and this minimum threshold (Götting 1998 and Brusis 1998; 10). For these reasons, in the schema used here, the Czech Republic is given a rank of ‘high’ in the extent of universal programs.

Contrarily, Poland has pursued a path of social reform that emphasizes means-testing or targeted programs; virtually none of recent reforms in Poland have introduced or re-introduced universal programs. Thus, Poland is given a rank of ‘low’ on this measure. Hungary is more difficult to place. Because trends toward targeting have not been as long-standing or deep as they have in Poland and because most recent policies have re-introduced universal family benefits, Hungary is given a rank of medium in my assessment. These rankings are further justified in a brief comparison of these three CEE countries to others in the region. The comparison is summarized in Table 1 below.

Table 1: Comparison of Universal Benefits in CEEs and Baltics

<table>
<thead>
<tr>
<th>Country</th>
<th>Universal Family Benefits</th>
<th>Universal Old-Age Benefits</th>
<th>Guaranteed Social Minimum</th>
<th>Direction toward universal policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>Some</td>
<td>None</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Croatia</td>
<td>None</td>
<td>None</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Some</td>
<td>Some</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Estonia</td>
<td>All</td>
<td>Some</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Hungary</td>
<td>All</td>
<td>None</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Latvia</td>
<td>All *</td>
<td>Some</td>
<td>No *</td>
<td>Yes</td>
</tr>
<tr>
<td>Lithuania</td>
<td>None</td>
<td>None</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Poland</td>
<td>None</td>
<td>None</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Some</td>
<td>Some</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Some</td>
<td>Some</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>


* In Latvia, the number of benefits offered is limited to family allowances per child; there are no birth grants, child care grants or parental allowances as exist in other countries. The introduction of a guaranteed social minimum is currently on the government’s agenda.
On several variables, the Czech Republic ranks with Estonia, Slovenia and to some extent the Slovak Republic in having a relatively high extent of universal programs as part of their social security system. By contrast, Poland is similar only to Lithuania and Croatia in the degree to which means-tested programs have been pursued over universal policies. Hungary, with the rest of the countries, falls in the middle of these two extremes, offering universal benefits in some areas but not others.

**Extent of Wage-Based Financing as a Tax on Employees**

The second criterion I use to compare the Central Eastern European welfare states is the extent of wage-based financing of social policies. When social programs are financed by wages, either employers, employees or both contribute to the funding of a particular social program or group of programs through direct taxation. Where wage-based financing predominates in a system, it is usually the case that non-wage income such as earnings from capital and property are not similarly taxed. This type of financing has traditionally been characteristic of Conservative types of welfare states (Esping-Andersen 1990). Whether a country chooses to rely more or less on wage-based financing of welfare has a number of social, economic and political implications. First, wage-based taxation in the absence of similar taxes on capital and property is clearly regressive. Second, many argue that insofar as this type of financing increases costs for employers, it can reduce competitiveness on wage costs and slow down job creation. Evidence for this claim is mixed, however (ILO 1999). Third, if wages are taxed, this could affect whether workers, especially the lower skilled, will choose to engage in formal employment. This is not an insignificant consideration in the CEE cases, where the level of informal labor market
participation remains high. Fourth, wage-based financing can undermine social solidarity since collected funds are used to the benefit of all citizens regardless of their contributions. In the CEEs, the prevalence of informal sector employment makes the ‘free riders’ quite visible to those who do contribute hence the solidarity issue is significant.

For the purposes here, I evaluate the extent of wage-based financing in terms of the burden on the employee. This is because my main concern is to assess the degree to which social security taxation imposes on the worker vis-à-vis other members of society. Thus, if the burden is high, the wage-based financing ranking is also high. To measure the extent of wage based financing in the CEE countries, I first compare the total rates of social security taxation on employees in the three countries. These rates are compared to those in other OECD countries. Next, I compare the extent of employee financing of social programs with employer and government financing for the five core policy areas. Unfortunately, aggregate figures on these measures are not readily available. Hence I utilize legislative information on financing for each policy area. These qualitative data show whether the state covers all the costs of social programs, a certain percentage or deficits only. While this does not give us an actual ratio of the amount of government spending to payroll taxation spending, it does show how programs are designed and hence their intent. I first look at the directionality of financing tendencies in the Czech Republic, Hungary and Poland. This is done by looking at changes in financing structures between 1989 and the present. Finally, I compare data on these measures for all of the CEE countries and the Baltics to give a context to my rankings.

Table 2 below shows the total amount of social security contributions in 2002 for employees and employers. For the purposes of comparison, I show these figures for the three

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32 Give some figures
CEE countries and for a selection of countries from each of the traditional types of welfare state – the liberal, conservative and social democratic, as well as a Southern European example. I also provide low and high values and a calculated average for OECD countries as a whole.

### Table 2 % Wage-Based Social Security Contributions in Select Countries 2002

<table>
<thead>
<tr>
<th>Country</th>
<th>Employee Contribution</th>
<th>Employer Contribution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>9</td>
<td>26</td>
<td>35</td>
</tr>
<tr>
<td>Hungary</td>
<td>9</td>
<td>24</td>
<td>33</td>
</tr>
<tr>
<td>Poland</td>
<td>21</td>
<td>17</td>
<td>38</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>9</td>
<td>28</td>
<td>37</td>
</tr>
<tr>
<td>Germany</td>
<td>17</td>
<td>17</td>
<td>34</td>
</tr>
<tr>
<td>Sweden</td>
<td>5</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>7</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Spain</td>
<td>5</td>
<td>23</td>
<td>28</td>
</tr>
<tr>
<td>OECD average</td>
<td>8.4</td>
<td>15</td>
<td>23.5</td>
</tr>
<tr>
<td>OECD low-high*</td>
<td>0-21</td>
<td>0-29</td>
<td>0-38</td>
</tr>
</tbody>
</table>

Numbers in this table are for social insurance contributions excluding health care
*Lowest and highest % contributions for employees and employers. For employee contributions, Australia, New Zealand and Iceland have a contribution rate of 0 and Poland alone has a 21% contribution. For employer contributions, Australia and New Zealand have a rate of 0 and France has a rate of 29%. The total is highest in Poland and France.


According to this comparison, all of the CEEs are above average in terms of the overall level of wage-based financing of social security. Poland ranks with France as having the highest contribution level overall. What differs even more between the three countries, however, is the distribution of contributions. While the Czech Republic and Hungary (and the Slovak Republic) are about average in terms of the level of employee contribution, Poland ranks extraordinarily high on this measure. In fact, no other country in the OECD demands such high contributions from employees and only the traditional Conservative-type welfare states come close – the Netherlands with a 19% contribution and Germany 17%. Thus, according to this comparison, Poland ranks high on this measure as I have defined it.

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33 Many authors have argued that the Southern European welfare regime constitutes a fourth unique regime type in addition to the three identified by Esping-Andersen (1990), characterized primarily by familism, defined as a dependence on the family rather than the state. See Castles 1996 and Ferrara 1996.
A second way of looking at this criterion is to evaluate the relative levels of employee, employer and government contribution to the primary social programs. The next chart compares the extent to which government funds each program across all CEE and Baltic countries, and shows the total employer and employee contribution for the five programs combined. To evaluate the level of government funding, I use four terms: entire, partial, deficit, or none. By entire and none, I mean that the government covers either the entire cost of the program or makes no contribution at all (which means financing is entirely wage-based). I use the term partial to describe situations where the government covers contributions for particular groups, such as certain professions (often the military, police and sometimes categories of industrial workers) or the self-employed / unemployed / not employed. Note that when the government covers the latter group, the system in essence becomes more of a pure social insurance or contributory scheme since employees are not paying for the care of non-contributors. Also, the government can cover a percentage of total costs, which is also considered a partial contribution. When the government covers deficits, this means that it compensates when funding through contributions are insufficient.
Table 3: Funding Structure for Five Main Social Programs 2001

<table>
<thead>
<tr>
<th>Country</th>
<th>Government Funding</th>
<th>Total Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Old-Age</td>
<td>Health</td>
</tr>
<tr>
<td>BULG</td>
<td>Deficit</td>
<td>Partial</td>
</tr>
<tr>
<td>CROAT</td>
<td>Partial</td>
<td>Partial</td>
</tr>
<tr>
<td>CZECH</td>
<td>Deficit</td>
<td>Partial</td>
</tr>
<tr>
<td>EST</td>
<td>Partial</td>
<td>None</td>
</tr>
<tr>
<td>HUNG</td>
<td>Deficit</td>
<td>Deficit</td>
</tr>
<tr>
<td>LATVIA</td>
<td>Partial</td>
<td>Partial</td>
</tr>
<tr>
<td>LITH</td>
<td>Deficits</td>
<td>Partial</td>
</tr>
<tr>
<td>POL</td>
<td>Partial</td>
<td>Partial</td>
</tr>
<tr>
<td>SLOVAK</td>
<td>Partial</td>
<td>None</td>
</tr>
<tr>
<td>SLOVEN</td>
<td>Partial</td>
<td>Partial</td>
</tr>
</tbody>
</table>

*Employer and employee contributions are for regular full-time workers. The self-employed and certain other categories may pay more or less.

Table 3 indicates some key differences in the funding structures of social security among the CEE and Baltic countries. In those countries where the government is partially financing a number of social programs, there has been less of a shift toward social insurance or Bismarkian types of funding schemes. Wage-based financing is thus a less significant part of supporting social security programs than elsewhere. The Slovak Republic is an exception to others in this category in the sense that several of its programs are partially supported from general taxation, yet the rate of mandated contributions from employers is extraordinarily high. Of the three countries on which my rankings focus, the Czech Republic and Hungary are very similar. Both have largely adopted contributory social insurance schemes, with the government mostly funding deficits to these schemes only. This development is less apparent in Poland, although there is an emphasis on contributory systems here as well. Given the structure of government funding and

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34 The numbers for these five programs are different than the OECD numbers because the OECD did not include health contributions in its calculations. See country annexes for Czech Republic and Hungary. The numbers I have calculated above match exactly the calculations with health care provided in the country annexes (OECD 2003).

35 This is probably due to a low level of collection of contributions since there is a high level of informal employment and unemployment here. The highest contributions for employers and government are for pensions. In this case the government pays a percentage of the base for all pensions, not just for special groups. This is unique and suggests that there is a shortfall in other contributions.
total amount of wage-based financing for these countries compared to the others, it is fair to say that all three have a relatively high degree of wage-based financing. The key difference between them, reflected in both of the comparisons thus far, is the unusually heavy burden placed on employees in Poland. Even among the CEE and Baltic countries, Poland has the highest mandatory contribution level for workers, with only Bulgaria coming close. These contributions mainly pay for pensions, leave and health care; in the latter case benefits go not only to the insured, but to pensioners as well. In all of these programs, the self-employed do not pay higher contributions than others, a tendency that contrasts with most other countries.

Looking at developments in funding over time, a shift occurred in Poland toward greater contributions from workers in the late 1990s. A major component of this was the adoption of the new three-tiered pension program, which emphasizes individual contributions. Also in the areas of leave and health policies, contributions for employers were raised in 1997. Hungary also adopted a three-tiered pension model and individual contributions were raised, but to a lesser level than in Poland (Hungary mandates 8% contribution, while in Poland it is almost 10%). In Hungary and also in the Czech Republic, however, individual contributions have been mandatory since the early 1990s. The increase in individual contributions in Hungary after the pension reforms was only 1.5%, whereas in Poland the change was from total employer funding to the 10% employee contribution that exists currently. In other areas, such as leave policies and health, the trend in Hungary has been toward gradually reducing individual contributions while they have remained fairly stable through the 1990s in the Czech Republic. In conclusion, the comparative figures and tendencies over time provide a basis for ranking Poland as “high” in terms of wage-based financing from employees. Hungary and the Czech Republic are given a
relative ranking of “medium,” which reflects comparisons both with the OECD and other post-communist cases.

**Benefit Levels**

Another measure of a welfare system’s objectives is the extent to which social benefits compensate citizens whose incomes are lost due to unemployment, incapacity, parenting or age. There are two ways to evaluate the degree of compensation available in a welfare system. One is to assess how well income is redistributed in the system, which is the goal of the next indicator. Another is to look at the absolute level of social benefits offered. Although benefit levels on their own reveal nothing about the efficiency of a welfare system, they do indicate features of its logic and intentions. In the classical welfare state literature, high benefit levels are a key component of the Social Democratic regime, yet in these regimes benefits are also efficiently targeted. Thus, on their own, high benefit levels cannot be described as “social democratic” per say. Likewise, Conservative welfare regimes may also offer high benefits, although these are usually particularly targeted toward workers rather than non-earners. Overall high benefits without these corollaries indicate an intention to seriously address poverty and income loss specifically through cash transfers. Retaining high benefit levels is the opposite of what liberalizing welfare regimes do. The levels of benefits in the CEECs are evaluated here in two ways. First, income replacement rates in various benefit schemes provide information on the intended degree of compensation for income loss compared to wages. Replacement rates can be succinctly compared across countries. Second, the level of defined minimum social benefits, flat rate benefits and average benefits are calculated as a percentage of minimum wage and average
wage in each country. Using these two measures, a ranking of high is given where compensations are relatively generous and ranking of low where they only provide minimum possibility for subsistence to a non-earner.

Replacement rates in social benefit programs indicate the percentage of an individual’s previous income or percentage of the average national wage that the state provides when income is lost. These rates are stipulated by law, and may vary for different groups and/or over time. For example, an individual’s work history or age might determine the replacement rate, and this rate might decline as the period without income is extended. Replacement rates across countries can be fruitfully compared by an examination of legislative statutes. Additionally, some data has been compiled using household surveys on the actual average replacement rates for particular income and family-type subsets of the population. Here, I look at replacement rates for unemployment, sick leave and maternity leave.

Rates of replacement for unemployment vary across the Czech Republic, Hungary and Poland. Consistently through the last decade, Hungary has retained the most generous unemployment cash benefits. Figures in 2002 represent a legislative change during that year, reducing benefits from 70% of previous incomes and the total duration from two years to 9 months. Even with these changes, however, these rates are higher than the average for CEECs; only Slovenia and Croatia offer higher replacement rates and in these cases only for 3 months. Rates in the Czech Republic are about average for the region, but low in Europe overall. However, the Unemployment Bill passed by the Senate in May 2004 extends benefits in various ways. The new law allows for earnings up to one half minimum wage while collecting benefits; increases the second rate to 45% and extends the period of receipt to 9 or 12 months for older workers with an insurance record. In Poland, replacement rates are not related to an individual’s
previous wages, which is somewhat unique for the region and Europe as a whole. To put this in perspective, in the year 2000, the net unemployment cash benefit was about 75% of the net minimum wage, which is in turn about 35% of the average national wage (MPiPS 2001).

<table>
<thead>
<tr>
<th>Country</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>replacement</td>
<td>50% first 3</td>
<td>65% for 9</td>
<td>Base amount</td>
</tr>
<tr>
<td>rates</td>
<td>months, 40%</td>
<td>months</td>
<td></td>
</tr>
<tr>
<td>next 3 months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Duration</td>
<td>6 months</td>
<td>9 months</td>
<td>6-18 months depending on regional</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>unemployment rate</td>
</tr>
<tr>
<td>Special Rates</td>
<td>60% for retraining</td>
<td>Guaranteed</td>
<td>Higher or lower depending on length of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>minimum</td>
<td>previous employment</td>
</tr>
</tbody>
</table>

Sources: Legislative information, Social Security Throughout the World 2002

Charts 1 and 2 provide comparative information on the actual replacement rates for the unemployed by different income groups. The first month rates include unemployment benefits, family and housing benefits after taxes (OECD 2003: 143), while 60th month rates are mostly residual social benefits. From these results, we see that for the temporarily unemployed, the Czech Republic and Hungary both provide close to the average OECD amount for all income groups. Poland, however, lags behind in overall rates, although poorer sub-groups do proportionally better than in the other two countries. The figures are different for the long-term
Chart 1: Net Replacement Rates for the Unemployed for First Month of Unemployment

APW = Average Production Worker Wage

unemployed. For this group, the Czech Republic and Poland provide high benefits and Hungary exceptionally low benefits. These results point to some tendencies that are reinforced in other measures as well. There is a tendency in Poland, for example, to give relatively generous support to select groups in society, such as pensioners and the long term unemployed, as well as certain industry groups. One could argue that in Poland, there is some tendency to aim support at the least productive members of society, although this is not always the case. The opposite tendency occurs in Hungary, where redistribution among the unemployed aims more toward the middle or short-term unemployed than worst-off groups, such as the long-term unemployed. This goes hand in hand with minimal supports for the poor in general. The Czech Republic has relatively generous benefits for all groups of the unemployed.
If we look at statutory replacement rates for work leaves, Poland comes out ahead of both the Czech Republic and Hungary, as well as most of the other CEECs. These figures are summarized in Table 5. Although the duration of the maternity leave at 100% is fairly short (16 weeks is for a normal pregnancy (extensions are for single parents and multiple or problem births), a minimum benefit is offered for an additional 72 months. Only in Slovenia is leave paid

<table>
<thead>
<tr>
<th>Country</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
<th>Avg. CEECs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternity Rate</td>
<td>69%*</td>
<td>70% or min wage</td>
<td>100%, set amount</td>
<td>90%</td>
</tr>
<tr>
<td>Maternity Duration</td>
<td>28-37 weeks</td>
<td>24 weeks</td>
<td>16-26 wks, 72 months**</td>
<td>30 weeks ***</td>
</tr>
<tr>
<td>Sickness Rate</td>
<td>50%, 69% (w/max)*</td>
<td>60-70%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Sickness Duration</td>
<td>3 days, 1-2 years</td>
<td>1 year from day 15</td>
<td>1 year from day 1</td>
<td>1 year</td>
</tr>
</tbody>
</table>

*The replacement rate is a % of what is called a daily assessment base, which is 100% of gross wage for low income workers, but less for higher income workers. Maximum amounts are imposed.
**A set benefit is given for 72 months ***This is a calculation of the average length for 7 other CEECs
at 100% for a full year. Sickness benefits in Poland are average for the region in percentage terms and above average among the three CEECs, although Eurostat reported in 2001 that Poland had paid out the highest benefits for sickness leave in the entire CEE region (Gazeta Wyborcza 12 November 2003, 4). Leave benefits are actually the lowest in the Czech Republic overall although the durations are relatively generous.36

The second way to evaluate the level of benefits across countries is to compare actual benefit amounts to minimum wages and average wages. Using the percentage of benefits to wages allows for an equalized comparison of benefits, since raw amounts even in common currencies tell us little about their actual purchasing power in a given country. See Table 6. In the Czech Republic general indicators were about the same through the years 2001 and 2004. During 2003, the minimum wage in the Czech Republic was about 37% of the average wage. Minimum pensions and the defined subsistence minimum for individuals were approximately 60% of the minimum wage or 24% of the average wage. The average pension in the Czech Republic was about 42% of the average wage and the replacement rate for an average earner was 50%.37 By contrast, in Hungary, the minimum wage in 2003 was about 38% of the average wage. Average pensions were about equal to the minimum wage and hence also 38% of the average. The

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum Wage as % of Avg. wage</th>
<th>Minimum pension as % of minimum wage</th>
<th>Minimum pension as % of avg. wage</th>
<th>Avg pension as % of Avg. Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>37%</td>
<td>60%</td>
<td>24%</td>
<td>42%</td>
</tr>
<tr>
<td>Hungary</td>
<td>38%</td>
<td>43%</td>
<td>17%</td>
<td>38%</td>
</tr>
<tr>
<td>Poland</td>
<td>37%</td>
<td>60%</td>
<td>23%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Table 6: Summary of Relative Benefits

36 Average daily sickness benefits in 2001 were about 48% of the average daily wage. This number has declined from 67% in 1990 but increased slightly since the late 1990s (MPSV Statistics).

37 Calculations are based on data from the Czech Ministry of Labour and Social Protection (MPSV). Actual numbers: average wage 2003 was 16588 kc; minimum wage 6200 kc; average pension was 7000kc; minimum pension and social minimum 4000kc.
minimum pension\textsuperscript{38} was then about 43\% of the minimum wage or about 17\% of the average wage.\textsuperscript{39} In the case of Poland, minimum wages stand at about 37\% of the average wage in 2003. The average pension is about 53\% of the average wage or 142\% of the minimum. The statutory minimum pension rate is about 60\% of the minimum wage or 23\% of the average wage.\textsuperscript{40} In other terms, old-age pensioners receive on average 65\% of their previous income; disability pensioners 46\% and survivor pensioners 55\% (OECD 2002: 90). These statistics again show relatively high absolute benefits in Poland, a medium to high level in the Czech Republic and relatively low benefits in Hungary.

In sum, the figures above suggest that in terms of the absolute benefit levels for several groups excluding the newly unemployed Poland ranks high among the CEEC’s. This finding corresponds with spending levels on income transfers. During the year 2000, a total of 18.9\% of the state budget in Poland was dedicated to income transfers compared to about 13.6\% in the Czech Republic and 11.3\% in Hungary.\textsuperscript{41} Poland thus ranks on this measure well above the OECD average of 12.5\% and the EU average of 16.6\%. It is important to note as well that income transfers and replacement rates in the categories discussed here have been reduced in Poland only since the late 1990s. The overall tendency in Poland has been to keep benefit levels high in several categories. The Czech Republic is given a rating of medium-high on benefit levels because of the lower amounts of pensions and replacement rates despite high benefits for

\textsuperscript{38} The minimum pension in Hungary also serves as a quasi-formal subsistence minimum, or the basis of social benefits.
\textsuperscript{39} Calculations are based on data from the Hungarian Central Statistical Office, the OECD and the International Social Security Administration. Actual numbers: average wage 2003 is 130861 HUF; minimum wage 50000 HUF; average pension 50428 HUF; minimum pension 21800 HUF.
\textsuperscript{40} Calculations based on data from the Polish Ministry of Labour and Social Affairs (as of 2004, Ministry of Economy, Labour and Social Affairs). Actual numbers: Average wage in 2003 is 2228 zl; minimum wage is 824 zl; average pension is 1174 zl; minimum pension is 500 zl. Also note that until the pension reforms in 1999, minimum pension amounts were about 39\% of the average wage in Poland. It is also the case that the minimum pension often defines the amount of other benefits.
\textsuperscript{41} Yet, the overall percentage of GDP dedicated to social spending has actually been consistently lower in Poland than in the many of the other CEECs.
the unemployed.\textsuperscript{42} Hungary ranks low on absolute benefit levels almost across the board. As I discuss in the next section, however, the level of benefits does not necessarily translate into efficient or fair redistribution.

\textbf{Redistributive effects of Social Benefits}

An important indicator of a welfare system is the extent to which social benefits and programs redistribute income in a society. Social Democratic welfare states have traditionally achieved high levels of redistribution, resulting in low poverty rates and minimal inequality. Contrarily, high poverty and inequality are distinguishing features of the Liberal type of welfare regime. Since such associations are quite common, general indicators of poverty and inequality can provide some important insight on the nature of a welfare state. These measures in the CEECs are assessed below and contribute to the development of the current indicator. However, income inequality and poverty can have myriad causes beyond the purview of the welfare system. Differences in earnings opportunities, for example, structure both trends. For this reason, the question we want to ask is to what extent social transfers themselves level incomes and mitigate poverty. Data to conduct such analyses among the CEECs are limited; therefore, I piece together here available evidence to construct a somewhat provisional indicator. Using harmonized data from the Luxembourg Income Survey, it is possible to evaluate tendencies in the CEECs until about 1996. More recent household surveys and additional data are used to update information to whatever extent possible.

\textsuperscript{42} A 1998 study by Boeri and Edwards ranked the Czech Republic as by the most generous in social benefits, Hungary as the least generous and Poland in the middle, at about the OECD average. This assessment, however, was based solely on the unemployment benefit entitlement and replacement rates.
Inequality has risen in all of the former Soviet countries since the collapse of Communist regimes, but has reached very different levels among them. Chart 3 below illustrates the income quintile share ratios (S80/S20) of ten CEECs and the European Union as a whole. This measure indicates how much more total income is received by the top 20% compared to the bottom 20% of the population. On this measure, the Czech Republic and Hungary are ranked low and Poland distinctly in the middle of the CEECs and slightly above the EU average. If the Gini coefficient is used to measure inequality instead, then the Czech Republic and Hungary come out fairly low, while Poland ranks high. The coefficients in 2001 for the three countries were 25%, 23.1% and 30% respectively, compared with an EU and regional average of 28% (Eurostat 2002). Few studies have evaluated the direct effects of social transfers on inequality, which would provide a more precise indicator of how the welfare state specifically contributes to

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43 This includes income from all sources including earnings, social insurance and social transfers.
reducing or exacerbating income differentiation. To date, only one study, which uses data from the Luxembourg Income Survey, has developed such a direct measure.\textsuperscript{44} Förster and Tóth (1998: 17-18) show that public social transfers and social insurance together reduced inequality quite significantly in the Czech Republic and Hungary in the early 1990s, but much less so in Poland.\textsuperscript{45} A more recent comparative analysis by the OECD has confirmed this in its claim that despite having the highest level of cash transfers in the region, the Gini coefficient has continued to rise in Poland at about the same rate as in the other CEECs (OECD 2001). It is also interesting to note that the difference between the poverty rates of the elderly versus the young in Poland is considerably larger than in the other two countries, indicating the high degree of importance of pensions versus other transfers in the social system (Eurostat 2002).\textsuperscript{46}

Poverty rates across the CEECs also vary, although there is little knowledge about whether poverty has worsened or improved since the Communist era.\textsuperscript{47} At-risk poverty rates among the CEEC’s in 2001 ranged from about 7% in the Czech Republic to 20% in Slovakia, with an average of about 15% for this group and the EU as a whole (Eurostat 2002).\textsuperscript{48} On this measure, poverty in the Czech Republic at 7% and Hungary, at 10%, is below average, while Poland is just average with a 15% rate.\textsuperscript{49} When poverty is measured in terms of relative deprivation of basic goods, these rankings are about the same. For example, only 4% of households have been found to be lacking one or more basic housing facility in the Czech

\textsuperscript{44} The Luxembourg Income Survey has harmonized household budget information for the CEECs only up until 1996.
\textsuperscript{45} According to their figures, combined support reduced inequality about 40% in the Czech Republic, 34% in Hungary and 18% in Poland.
\textsuperscript{46} The difference in at risk poverty rates of children versus the elderly in Poland is about 20%; the poverty rate of the elderly is close to 5%. In the Czech Republic and Hungary, the difference between the two is about 10%.
\textsuperscript{47} This is because poverty was not measured by Communist regimes since in theory it did not exist. The lack of data has prompted considerable debate among scholars about effects of post-communist reforms.
\textsuperscript{48} The at-risk poverty rate measures the share of persons with a disposable income below 60% of the national medium income (all figures equilvalized across countries). It is one of the “Laeken indicators” used by the EU Council of Ministers to assess countries on their achievements of social inclusion.
\textsuperscript{49} In the cases of Poland and Hungary, poverty has declined since the early 1990s. It has increased slightly in the Czech Republic.
Republic; 11% are so deprived in Hungary and 18% in Poland (Eurostat 2002).\textsuperscript{50} Many studies have also shown that social transfers have had a significant effect in alleviating poverty incidence in all of the CEECs. In Poland and Hungary, the at-risk poverty rate is estimated to be reduced by about 33% by the combined effects of pensions and other social transfers. The equivalent figure is 27% in the Czech Republic (Eurostat 2002).\textsuperscript{51} However, Förster and Tóth found that when poverty was measured using the more complex Sen Index,\textsuperscript{52} reductions in social transfers were significantly lower in Poland than the other two countries in the early and mid-1990s (2000: 30-32).\textsuperscript{53} To evaluate the effects of transfers, it should also be kept in mind that Poland has also had the highest income levels in the region and spends the most on transfers, yet the poverty rate here has remained relatively high in comparison to the other countries.

A further measure of the redistributive effects of a welfare system is the extent to which social transfers are directed to different income groups. Using household income data from each country, an assessment of income distribution is possible.\textsuperscript{54} According to the 2002 Household Budget Survey in Poland, citizens in the lowest income decile receive about 50% of their income from social benefits and old-age benefits combined. What is interesting is that this figure does not decrease progressively for higher income groups. While those in the second, third and fourth income deciles receive a slightly lower percentage from social transfers, the 5\textsuperscript{th} through 8\textsuperscript{th} decile groups actually receive a higher percentage of their income from social transfers. The 9\textsuperscript{th} and 10\textsuperscript{th}

\begin{itemize}
\item \textsuperscript{50} By basic housing facility, what is meant is a shower, indoor toilet, or hot running water. Other measures of deprivation are also used such as the lack of certain goods; a car, television, washing machine, etc. It is also reported that about 63% of the population in Poland lives in overcrowded housing (defined as households with more than one person per room); compared with 53% in Hungary and 39% in the Czech Republic.
\item \textsuperscript{51} In all three cases, pensions reduce poverty more than other social transfers.
\item \textsuperscript{52} The Sen Index measures incidence, intensity and inequality among the poor.
\item \textsuperscript{53} According to this study, in the mid-1990s, transfers reduced the Sen Index by 67% in the Czech Republic, 69% in Hungary and 31% in Poland (see Table 4.3.1, page 31).
\item \textsuperscript{54} The data used here is not harmonized by the Luxembourg Income Survey as yet. However, it is used by the OECD and in some comparative studies. Since household surveys conducted in the three countries in the early 2000's are mostly equalized in terms of their set-up, it does not seem problematic to compare the data I use here.
\end{itemize}
decile groups, representing the wealthiest in Polish society receive 45% and 30% of their incomes from social transfers respectively.\textsuperscript{55} These figures indicate a remarkably regressive social transfer system, largely attributable to the key role of old-age pensions in supplementing income.\textsuperscript{56} By comparison, income surveys in the Czech Republic show a considerably more progressive redistribution. An OECD study based on the household survey shows that the average amount of social transfer income of the lowest decile group is about 33%. This declines to 10% for the second group and a mere 1.5% for the highest income group (OECD 2001). Similar figures are not available for Hungary.

While the data to measure the redistributive effects in the three countries is limited, it is possible to draw some basic conclusions. Given the overall rate of poverty, inequality and available studies on the income effects of social transfers, Poland appears to warrant a low rating in terms of effective redistribution. All of the same measures suggest a high rating for the Czech Republic. Hungary is more difficult to place especially since data on social transfer as a percent of income is not currently available. Förster and Tóth place Hungary directly between Poland and the Czech Republic in terms of redistributive effects of social transfers as of the mid to late 1990s (2000).

Familization of the Welfare State

In recent years, experts on the welfare state have given increasing emphasis to the fact that different social systems ‘de-familize’ or lessen the economic reliance of individuals on the family to very different extents. Responding to feminist critiques that he overlooked this aspect
of welfare systems in his seminal typologies, Esping-Andersen has recently defined a familistic welfare regime as “one that assigns a maximum of welfare obligation to a family (1999).”

Certain policy arrays might have a de-familizing effect; for example policies that support the equal participation of women in the labor force. In his revised typologies, de-familization occurs most notably in Social Democratic welfare states, while Conservative regimes are generally the most familistic. Liberal-type regimes are not characterized either as familistic or as de-familizing since they neither strongly support the type of ‘male bread winner’ model that prevails in the Conservative regimes nor include policies that assist a work-family balance. Other authors have revised Esping-Andersen’s typologies slightly, giving more attention to how states intervene in the family-employment relationship. Letablier (1998) defines four different models of such intervention within the European countries. The first makes family and employment more compatible by equalizing opportunities for women or improving the situation of women as mothers. A second group supports families with policies that encourage one parent, usually the mother, to remain at home. And a third group intervenes in the family-work relationship only when families fail, otherwise leaving families to their own devices. Finally, the state in the fourth group intervenes minimally, but family networks compensate for the lack of employment. These four groups only partly correlate with Esping-Andersen’s regime types and slightly change the meanings of familization and de-familization. 57

In this assessment of the Central European welfare states, I employ conceptualizations from the literature to measure the extent to which emerging regimes are ‘familizing’. The reason

57 For example, in Letablier, the first group where family and work are combined includes some Social Democratic regimes such as Sweden and Denmark, but also France and Belgium (which support the role of mothers more than equality). The second group mostly consists of the traditionally defined Conservative welfare states with the addition of the Netherlands and Norway. The third group seems to directly correspond with the Liberal welfare regime type and the fourth with Mediterranean welfare states (a category that has been added to Esping-Andersen’s three groups by a number of authors. With these categories, it seems that only the equalizing regimes of the first group can really be said to be de-familizing.
why familization is measured rather than de-familization has to do with the particular history of these welfare states. A common feature of the Communist welfare state was that it essentially de-familized, generally by creating (or compelling) equal opportunities for work. In some cases, motherhood was explicitly supported, but without breaking women's ties to the labor market. 58 Thus, it seems that Communist regimes would fall roughly in the first of Letablier’s categories. 59 Each country, however, has reshaped its family policies after Communism in a different way. I define a country to have a high level of familization when policies largely encourage women to withdraw from the labor force and remain at home for child rearing (roughly corresponding to Letablier’s group 2). A medium level of familization is defined where this occurs to a lesser extent, and where employment and family are in greater competition (a combination of group 2 and 4 in Letablier’s typologies). Finally, I define a welfare system as having a low level of familization where there are minimal policies to support families, either in the sense of allowing an employment-family balance or encouraging labor market withdrawal (similar to Letablier’s group 3 or the Liberal regime type). I do not find evidence in emerging Central European welfare states of policies that effectively promote the work-family balance nor of strong family networks supplementing for state support. 60

I measure the degree of familization in the CEECs in four ways. First, I look at family policy designs, which show what kinds of family supports are available and the extent of their coverage. Second, I compare across countries the level of benefits for families relative to average

58 Pro-natal policies were pursued in all three countries starting in the 1960s. These policies extended maternity leaves and benefits, and added incentives such as birth grants. It seems that these policies were perhaps more developed in Hungary than elsewhere.
59 With one difference being that it was the enterprise, not the state per se that provided services such as daycares and maternity benefits.
60 A common feature in all of these countries was the complete decimation of child-care networks after the collapse of Communism. Thousands of nurseries and kindergartens were closed under the assumption that ‘the market’ would effectively supplement for the loss. It was inconceivable at the time that enterprises could retain any social responsibilities if they were to effectively compete in the market. Ironically, the EU now encourages ‘socially responsible’ enterprises and calls for developing on-site childcare facilities.
and minimum wages and the degree to which family benefits supplement incomes. A familized welfare state should provide levels of support sufficient to encourage family extension. Third, I examine how the tax system treats families with children versus individuals. A high degree of tax support for families is indicative of familization, while little differentiation between families and individuals indicates a more neutral policy. Finally, I look at the rates of employment and unemployment among women in each country since the collapse of Communist regimes. Because all of these countries began the process of reform with a high degree of female labor force participation, it is possible to at least partially attribute changes in this level to post-Communist policies. Where labor participation among women is declining relative to men, this may be attributable to familizing policies as I have defined them here.

Family policy designs vary considerably across the CEECs. In the Czech Republic, Hungary and Poland, different arrays and patterns of reforms to family policies have been undertaken since regime change. It is fair to say that in Poland, family policies have consistently been the most neglected among these three countries. Reforms in this area have been sporadic and have almost uniformly entailed benefit reduction, coverage reduction or haphazard decentralization of provision. By contrast, family policy in the Czech Republic has been reformed in two stages and a third comprehensive rethinking is about to begin in 2004. Means testing has been introduced more selectively than in Poland, some new benefits have been added and others extended. Hungary has consistently given a high degree of attention to family policies. Reform during the 1990s involved quite radical shifts between significant residualization of benefits and significant expansion. In terms of policy types, reforms have been mixed. The fact that some benefits have lost value over time suggests liberal types of policies.

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61 A key distinguishing feature of family policy in Poland is the strictness of means tests. For some benefits, such as the child raising allowance, potential recipients can earn no more than 25% of the national average salary, which would be about equal to the minimum pension or 67% of the minimum wage.
Yet in 1997 universal coverage reinstated, a social-democratic type of change, and new tax allowances for large families introduced, a definitively conservative one. With the exception of a period in the mid-1990s, most family benefits have remained universal and the tendency has been toward increasing support especially for middle-income families. Table 7 below illustrates the mix of liberal and non-liberal reforms pursued in the three countries. What we can see generally is a tendency for fairly extensive residualization or liberalization of family policies in Poland, and more retention of benefits in this area in the other two countries. Other differences also exist.

Table 7: Reforms to Family Benefits between 1990 and 2003

<table>
<thead>
<tr>
<th>Liberal-type Reforms</th>
<th>Non-liberal Reforms</th>
</tr>
</thead>
<tbody>
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<td>Income-tests for child allowance</td>
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<td>Income-tests for family allowance</td>
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<td>Decentralization</td>
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<td>Benefit levels reduced</td>
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<td>Maternity replacement rate reduced</td>
<td>X</td>
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<td>Birth grant reduced/eliminated</td>
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Benefits to families need to be considered as part of an entire system in any country. Thus, not only are the types of policies important, but also their array. In Poland, all benefits for families are means-tested with the exception of the maternity leave. A woman in the labor force is able to take leave for 16 weeks and expect 100% remuneration; either parent may also take a leave up to 36 months. Only in households where income is less than social minimum or where

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62 Fathers can take two weeks of the mother’s leave.
63 Parents can also take a leave of up to 60 days per year up to age 8 for a healthy child in extenuating circumstances or age 14 for a sick child, with remuneration at 80% of the wage.
there are extenuating circumstances such as disability is the extended leave compensated at 60% minimum wage.\textsuperscript{64} Family allowances are available to all families living below the social minimum income until a child is 16. Additional support is available for low-income families in the form of pregnancy and early birth allowances and guaranteed periodic benefits for single parents. In Hungary, the system for families is very different. All families are entitled to a set family allowance, the amount of which increases for single parents and large families. Tax credits are also available to all working families and means-tested supplementary family benefits to those who would not qualify for the tax returns. A woman working can take a maternity leave of 24 weeks (no leave is available for men) and receive about 70% previous earnings. Either parent can also take additional leave and receive a flat-rate child care allowance for three years or an earnings-related child care fee at 70% previous income for two years. The stipulation for the allowance is that only part-time or at-home work is permitted\textsuperscript{65} and no other earnings are allowed to receive the child care fee. In the Czech Republic, maternity leave can be taken for up to 28 weeks or 37 weeks for a single parent and is remunerated at a flat rate of 67% average gross income for all earners. Following this, any parent can take a parental allowance with restrictions on income and will be compensated in an amount approximately 1.1% of the subsistence minimum. Child allowances and social allowances are available for parents in families where income is less than 3 times the subsistence minimum. Both can be collected until the child is 18 years of age at various remunerations of about 10-20% of the gross minimum wage. These very different systems in the three countries create different incentives for balancing work and family, which I discuss below.

\textsuperscript{64} Higher for single parents and families with 3+ children.

\textsuperscript{65} Very few opportunities actually exist to work part time or from home in Hungary.
The distinct array of benefits for families makes direct comparisons of actual benefit levels challenging. Nonetheless, it is possible to compare levels of the primary benefits in this category across countries. All three countries offer some form of a birth grant as a one time payment to mothers for each child. The amount of the grant in the Czech Republic is about 1.4 times the minimum wage (in 2000); about 65% of the minimum wage (150% of the minimum pension by statute) in Hungary in 2001 (Fultz, et. al. 2003); and about 25% of the minimum wage in Poland. A form of family or parental allowance is also offered in all three countries, payable usually up until the child is 16 as well as a basic child or child care allowance. All family benefits are means-tested in Poland, in the Czech Republic there is a mix, although means testing is not terribly strict here, and most benefits are now universal in Hungary. These two main benefits combined amounted to about 71% of the minimum wage in the Czech Republic in 2000 (Fultz, et. al. 2003) and in Hungary about 51% of the minimum wage for a single child. Additionally in Hungary, all earning families are granted a tax credit for each child as well as substantial additional benefits if there are three or more children in the family. Comparable figures for Poland are a combined amount of approximately 23% of the minimum wage for...

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66 This is not called a birth grant in Poland, but a child raising benefit. It is means tested, whereas the birth grant in the Czech Republic and Hungary is universal. However, on top of this another benefit is offered to pregnant women from month 8 of the pregnancy through age 4 months of the child. This is again means tested and cannot exceed 72% of the minimum wage.
67 Paid until age 26 if child is a student in the Czech Republic. Extended indefinitely if child is disabled in Poland, and for some period in Hungary if disabled.
68 Compare the percentage of families that receive this benefit in Poland and Czech Republic.
69 Combined amounts for one child of the parental allowance and the child allowance.
70 These figures are based on statutory amounts of the child care allowance and the family allowance.
71 The amount of the family allowance per child increases depending on the number children; by 28% per child for the second child and again by 25% for the third child. In the Czech Republic the amount per child remains the same regardless of the number of children and it increases for the third child by about 25% in Poland (but the amount for the other two children remains the same). Additionally, families with three or more children receive a child raising benefit equal to the child allowance in Hungary. Tax credits in 2001 were 3000 HUF for the first child, 4000 for the second and 10000 for the third. Those who cannot use a tax credit because their income is too low often receive a supplementary family allowance of about 4000 HUF per child.
nursing and family allowances.\textsuperscript{72} To put these numbers in a slightly clearer perspective, it should be noted that in the Czech Republic about 75% of two-parent families and 90% of single parents receive the child allowance and about 25% of all families also qualify for an additional social allowance. The value of benefits in the Czech Republic has been retained to a far greater extent because of statutory indexation to the defined minimum subsistence amount, which do not occur in the other two countries.

The relative amount of benefits for families can also be evaluated in terms of how much they contribute to total income. Not surprisingly, these figures are low in Poland. For the year 1999, a combination of the family allowance, nursing allowance, maternity benefit and pregnancy benefit amounted to only about 1.56% of the income of an average family (Fultz, et. al. 2003). This figure was down from about 5% of incomes in the early 1990s. Families who were living solely on social benefits received about 10% of their income from family benefits. These findings combined with those of high benefit levels for various social pensions, disability and sick leaves illustrate the low significance of family benefits in the social security system. By contrast, in Hungary the average family receives about 10-11% of income from family and child allowances combined (Fultz, et. al. 2003). Families with three or more children receive about 50% of their income from these benefits. Tax benefits for families increase these amounts considerably. In the Czech Republic, the parental allowance alone comprises about 10% of the income an average 2 person family or 35% of the average single parent. Social allowances, which are received by about a quarter of all families, increase the amount of total income to about 40%.

\textsuperscript{72} Combination of the family allowance and the nursing allowance. A child care allowance is also available at a rate of almost 50% of the minimum wage, but only about 150,000 families were eligible for it in 2002. These calculations are based on average amounts paid out recorded in the Ministry of Economy, Labor and Social Affairs Statistical Report in 2003.
The structure and amount of benefits for families are presumed to have considerable effects on the way that families choose to organize careers and child rearing. We can speculate about each country in turn. In the case of Poland, there is a combination of generous maternity leave replacement rates (100%), short durations of leave and extremely low additional family benefits. This combination would seem to encourage working women to remain in the workforce. The amount of benefits also means that even for women out of the workforce or for low-earners, there is not a difficult choice between working and child-rearing. At the same time, there appear to be few supports for balancing work and family, although the cost of daycare for younger children is fairly reasonable in Poland\textsuperscript{73} and the number of women in part-time employment relatively high (OECD Statistics)\textsuperscript{74}. In Hungary, women who have worked for some period have good incentives to take extended leaves beyond 28 weeks of maternity because of the child allowance system that remunerates in an amount of 70% previous income. The more children there are in a family, the longer these leaves can be taken. For poorer women, however, the benefits are not as enticing, thus the trade-off between work and child rearing might not be perceived as high for this group. The benefit system appears to be aimed mainly toward encouraging middle-class families to choose a single breadwinner type of arrangement and a large family. Interestingly, some studies have suggested that cost and availability of child care does not pose much of a barrier to balancing work and family in Hungary (Fultz, et. al. 2003: 65). Incentives in the Czech Republic are slightly different. The high level of benefits across the

\textsuperscript{73} Statistics available in the 2001 CSO Yearbook for Poland show that costs of nursery care for children age 0-3 were low enough to be affordable for a low-income earner, although the cost of kindergartens for children age 3-6 was more expensive. The costs for the year 2000 to have a child in a nursery were about 13% of the net minimum wage and for a kindergarten about 38% of the net minimum wage. For more than one child, there are discounts so the costs do not double. Also, many kindergartens seem to offer discounts to low-wage workers, but the number of them is not known exactly.

\textsuperscript{74} The existence of part-time employment opportunities are considered a key to encouraging labor force participation among women. During the late 1990s, between 15 and 20% of jobs held by women in Poland have been part-time. Only about 5% of women’s jobs in the Czech Republic and Hungary are part-time. The average for the EU is about 30%.
board might discourage looking for work while child rearing, especially for low income and poorer groups. However, in a society where the opportunity for well-paid work is fairly high for all but the very least skilled, employment is likely to be chosen instead of family rearing. There are little incentives built in to the system to balance work and family, thus there would appear to be some competition between these two paths.

To some extent, the effects of a welfare system’s family supports are reflected in the level of women’s participation in the labor force. Data from the OECD show that there are hardly any differences between the participation rates of men and women in most of the Scandinavian countries, moderate to high differences in the so-called liberal welfare states and the widest differentials in those countries usually labeled conservative. These trends are the most apparent in comparisons of men and women in the 25-54 age group (OECD data online). Chart 4 shows the differences between the labor force participation rates of men and women in this category in 2002. Among the CEECs, by far the largest differential is found in Hungary, lending support to the view that family policies here tend to dissuade labor force participation among

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75 This assessment is made by looking at statistics on labor force participation in the 1990s. The countries seem to fit better into Esping-Andersen’s scheme than Letablier’s on this measure. However, it is impossible to tell whether large differences in participation rates in the liberal welfare states are due to movement in and out of employment during the child birth years.
women of child-bearing age and possibly beyond. The differentials in the Czech Republic and Poland are about the same and roughly fall in the middle of the scale for the OECD countries considered here. This corresponds with the finding that family policies in neither country dissuade female participation, nor are there active supports to encourage a work-family balance either. A key difference between the Czech Republic and Poland, however, is that unemployment is extraordinarily high in Poland. This creates some expectation that if the welfare system supported child-rearing, more women might drop out of the labor force. A survey conducted across the OECD countries on popular perceptions of child rearing illustrates this point. Asked whether they felt that a pre-school child would suffer if the mother returned to work, about 75% answered ‘yes’ in Hungary, 70% in Poland and only 50% in the Czech Republic. For the most part, there is a strong correlation between the answer to this question and actual female labor force participation. Poland is an outlier, having both a high level of agreement with this and a relatively high female participation rate (OECD 2003: 131-132). Finally, the relatively high percentage of women in part-time employment in Poland (about 17% of female jobs compared to
4-5% in the other two) suggests that some form of work is absolute necessity during child-raising. None of the family policies in Poland distinctly dissuade part-time work, whereas they do in the Czech Republic and Hungary.

In addition to direct state benefits to families, taxation policies can also encourage or discourage child rearing or certain family models. Comparisons of tax incentives for families in the three CEECs show considerable differences between them. The OECD provides a cross country comparison of the % of gross wage that is spent on income tax plus employee contributions less cash benefits for single earners and married one-earner couples with two children. The comparison is shown for the three countries and select OECD countries in Chart 5.

What this chart shows is a remarkable lack of difference in tax and other supports for families with children in Poland and fairly dramatic difference in the Czech Republic and Hungary. If we look at other categories of earners and family types, the trends are similar (OECD 2004: Table 4). There is little difference in support for any category of families with children compared to
childless families in Poland. The trends in the Czech Republic and Hungary are fairly similar to one another, although supports for families are more substantial in Hungary. For example, a married, two-child family with 167% of average income in Hungary pays out only ¼ of the income of a single person at the same level. The same family in the Czech Republic pays 68% the amount of the single earner and in Poland they pay just about the same amount. Another measure of the tax benefits is the estimated increase of the tax rate if provisions for families removed (OECD 2002: Table S. 4). There would be only a maximum 5% increase for any family type in Poland; in Hungary, taxes would increase between 10 and 26% for various family types. The increases in the Czech Republic would be 15-25% for the lowest earners and only 3-6% for the highest. These figures again indicate the preferential treatment of families per se in Hungary and the tendency for tax benefits to be more distributed to low-earner families particularly in the Czech Republic.

The measures presented here provide a justification for labeling the Hungarian welfare state as becoming highly familized. Both family benefit and taxation policies are directly geared toward encouraging larger, single earner families. Labor force statistics confirm that the benefit system is likely contributing to decreased labor participation among women. I rank the Czech Republic as having only a medium degree of familization because the welfare system here tends to be more geared toward social support than a particular outcome for women and families. Policies here benefit low-income citizens to a much greater extent than in Hungary, where the targets appear to be middle earners. It is the case that the processes of reforming welfare in these two countries have been guided by these intentions. Poland stands out clearly as a low familized welfare state. Very little support is offered to families at any income level. Female participation rates have remained fairly high despite soaring unemployment rates through the 90s to the
present. These three rankings actually correspond with the amount of spending on family policy as a percentage of GDP in the three countries; 2% in Hungary, 1.6% in the Czech Republic and .8% in Poland.

Extent of Active to Passive Social Policies

The final indicator that I use to illustrate the differences in emerging welfare systems across the CEECs is the ratio of active to passive social policy measures. This indicator mainly measures how different countries deal with labor market challenges. As was explained in Chapter 2, the challenges these countries face in this area are similar, such as rising rates of unemployment particularly among the low-skilled and in underdeveloped regions. Experts from a range of ideological perspectives tend to agree that these types of problems are best dealt with through active labor market policies. Active policies include a range of programs focused on creating jobs and/or matching jobs and skills in a particular context. These include retraining programs, public works schemes, wage subsidization and incentives for job creation. Above all, active policies are distinguished from passive social policies, which focus on provision of benefits leaving all other aspects of re-employment to the market. The two approaches are radically different. Implementing active policies requires a range of special capacities in social service provision as well as coordination among national and local policy makers, service providers, employers and workers. The European Union strongly promotes active policies to its new members in Central Europe, yet it is clear that such capacities will take a long time to build where they are not already developed. In this section, I rank the three countries from high to low based on the relative emphasis they have given to active measures thus far.
In the Czech Republic, Active Labor Market Policies (ALMPs) were highly utilized in the early 1990s, with more than two-thirds of the unemployed participating (ILO 1999: 50) and accounting for 55% of total expenditure on employment policy in 1992 (Potůček 2001: 91). Most of these measures were coordinated by a network of local Job Centers, which rapidly restructured after regime change. The application of active measures in Czechoslovakia between 1991 and 1993 was considered to highly successful – an “example of a properly designed employment promotion policy which was applied at the right time (ILO 1999).” Active policies were widely regarded to have contributed to low unemployment and labor force flexibility in the early 90s. In the mid-1990s, however, these programs were severely reduced in the Czech Republic. From that period until very recently, the Czech Republic actually gave the least attention to active measures of the three countries surveyed here. In 2000, only 12% of job seekers participated in active programs (ILO 2001). Spending on active measures dropped to as low as 18% of total employment policy expenditures in 1998 (Potůček 2001: 91) and was up to 43% in 2001 (MPSV 2003). There has been little evidence collected thus far with regard to the effectiveness of the recent efforts. Overall spending on employment policy has remained fairly low in the Czech Republic, even if the emphasis is changing.

In Poland, active measures were given very little attention in the early and mid-1990s, with about 4% of employment policy expenditures dedicated to them in 1992 and 13% in 1996.

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76 In many of the former communist countries, local labor office or job centers existed before regime change. Their tasks usually were to help employers identify skilled labor particularly in periods of shortage. Most experts agree that none of these offices were inherently prepared for dealing with unemployment. The change in their functions required active involvement of the state and often assistance from international groups. For example, the US Department of Labor sponsored a program to help local labor offices transform in Poland.

77 Unemployment was low in Czechoslovakia in the early 1990s because industry restructuring was undertaken at a slow pace. However, it was suggested to me in several interviews that it was also the case that when restructuring did occur, employment services were able to quickly find new jobs for the unemployed using active measures. This process also kept the official unemployment rates low. Although this is hardly ever mentioned in retrospectives on the ‘Czech miracle’ of the early, the figures for participation and jobs created through these programs suggest that they played a strong role. According to the MPSV, in 1992, over 100,000 job seekers were placed in new jobs through active programs and about 17,000 participated in retraining.
(Kabaj 1996: 31; MPiPS 2001: 77). Active measures became more prominent in Poland in the late 1990s, using as much as 28% of total employment expenditure in 1998, but accounted for only 16% in 2000 (MPiPS 2001: 77) about 5.4% in 2002 (MPiPS 2003: 31). Moreover, most studies have found that the effects of active policies in Poland have been minimal at best. Active programs tend to be poorly targeted in that the participants are usually those best prepared for the labor market already and who would have likely found a job regardless (Gora et al. 1996). Public works schemes and subsidized employment have been found to rarely improve the overall employability of participants (Kwiatkowski 1996; Puhani 1998). The Ministry of Economy, Labor and Social Affairs has reported in 1993 that although more people are participating in available active programs, over the last four years, the effectiveness of these programs has actually declined (MPiPS 2003: 28). The lack of success is likely due to problems at the level of service delivery and recent changes in the organization of labor offices. What is clear is that active policies have fairly consistently remained a low priority in Poland.

Hungary has consistently given the most attention to active employment measures of the three countries studied here, utilizing approximately 30% of employment policy expenditures in this area through the 1990s (Laky 2000: 42). The 1991 Employment Act, which has served as the basis of policy throughout the post-communist period, included a well-specified plan for using active employment measures in Hungary. Employment policy generally has remained a high priority and when passive supports were cut in the late 1990s, a renewed emphasis on active policies took their place. In 2001, spending on active measures in Hungary accounted for 44% of employment policy expenditures (Laky 2002: 57).

Although unemployment has dropped considerable in the past two years, the expansion of active programs continues. In 2002 and

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78 This includes expenditures from the Labour Market Fund and funds transferred to the Ministry of Economic Affairs for job-creating programs (which adds only about 1.5%).
2003, two new earnings subsidies were created to assist persons taking part in training (Laky 2003: 57). The Labor Market Fund covers national and municipal offices in active programs as well as the National Employment Foundation (OFA), which was established to specifically design unique active programs for populations with persistent employment problems; the disabled, the Roma and the young. Funding for OFA has been increasing over time. Active policies seem to be effective in Hungary; although the criteria of the EU are not yet met, Hungary seems more on its way than the other two countries. According to the Hungarian Employment Office, more than 40% of participants of programs were still in employment three months later; 44% of the unemployed including 30% of the long-term unemployed completed training and found work in 2002 (Laky 2003).

The Czech Republic, Poland and Hungary have also varied in the focus of their active employment programs. Since the early 1990s, the largest active labor market measures in the Czech Republic have been wage subsidy programs to stimulate job creation. Wage subsidization was used in about 85% of cases where active measures were applied in the early 1990s and still over 50% in recent years. Public works has been the second largest active measure in the Czech Republic, covering about 25% of participants by the late 1990s (Huitfelt 2001: 5 and MPSV). The type of active program that has received the least attention in the Czech Republic is job re-training; even in recent years, despite the European Commission’s strong recommendations to focus on this area, increased spending on active measures went almost entirely to wage subsidization and public works programs (Hravda 2002). In contrast, re-training programs accounted for about 50% of active measures in Hungary in the early 1990s and over 30% in recent years. Public works are the second largest measure in Hungary, and have increased in importance over time. Wage subsidization has been used far less than in the other countries and...
has almost exclusively focused on the long-term unemployed. Hungary also stands out for its experiments with different types of active programs, including encouragement of part-time work and telecommuting, and the creation of protected industries for the disabled. In Poland, the vast majority of participants in active programs are involved in the Intervention Works scheme, a wage subsidization program for youth and the long-term unemployed (MPiPS 2001). Re-training has been utilized only to a minimal extent in Poland and, unlike the other two countries, subsidized retraining prior to restructuring has not been utilized (O’Leary, et. al. 2001: 35).

Based on the prioritization of active measures and their relative success, Hungary is given a ranking of high in the extent of active versus passive policies. Although active policies are still less developed in Hungary than in some of the European countries, a structure for creating and delivering these measures is clearly in place and it has remained a priority of several actors to improve upon it. Declining unemployment rates in Hungary in recent years likely reflect some of these efforts. Poland clearly ranks low in the extent of active measures. Despite considerable international assistance and governments’ repeated affirmation of the need for more active measures, little has been accomplished. Not only do active policies appear be a low priority of the welfare state, but the infrastructure for delivering these types of programs is obviously underdeveloped. The Czech Republic is clearly somewhere between Poland and Hungary on this measure. A suitable ranking seems to be low/medium because of the wavering on the prioritization of active measures and recorded low levels of success. Unlike Poland, it seems that infrastructure for delivering programs is probably fairly developed, however the will and ability to actively coordinate on this among key actors are quite less apparent than in Hungary.

Information on active policies in Hungary is mainly taken from annual reports of the National Employment Foundation (Laky 1999, 2000, 2001, 2002).
Conclusions

The rankings I have ascribed to each country on the six indicators provide a means of summarizing the differences between the emerging welfare states of Central Eastern Europe described in the above text. These rankings, which are summarized in Table 8, permit us to begin

Table 8: Summary Rankings

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<th></th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Poland</th>
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<tr>
<td>Extent of Universal Coverage</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
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<tr>
<td>Extent of Active Policies</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
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<tr>
<td>Benefit Levels</td>
<td>Medium-High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Effective Redistribution</td>
<td>High</td>
<td>Low-Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Familization</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Wage based financing (employee tax)</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
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to draw some general conclusions about the process of restructuring and adaptation of these welfare systems that has been underway since the early 1990s. What is clear from the above analysis is that none of these three welfare systems strongly resembles the classical typologies of welfare regimes. In just about every policy area in each country, a mix of policy types – liberal, social democratic and conservative – have been pursued (Brown 2003). Moreover, with regard to the way the countries rank on the measures provided here, none of the patterns correspond with what we might expect of any one regime type. We would expect, for example, a social-democratic regime to rank high on universal policies, benefit levels, redistribution and active
policies; and low-medium on employee wage based financing and low of familization. A conservative-type regime would rank high on wage financing and familization and medium or medium/low on universal policies, active policies benefit levels and redistribution. And, a liberal regime would rank low on universal policies, benefit levels, redistribution, wage-based financing and active measures, low-medium on familization.

What is clear from the findings here is that the Czech Republic has restructured its welfare state to be overall more generous than the others. In many ways, it resembles the social-democratic type of regime, but with many qualifications. Comparatively, the welfare system is much smaller and welfare benefits are not nearly as extensive as those in traditionally defined social democratic welfare states. The low degree of active policy measures and supports for work-family balance also differentiate the Czech case from other social democratic countries. Nonetheless it is the generosity and comprehensiveness of the system relative to others in the region that make it stand out. Hungary mixes features of all three types of welfare regimes. It is characterized by the high degree of familization, attention to active measures and low benefit levels and redistribution. The recent privatization of pensions in Hungary add a liberal dimension to its welfare state, although, as we see in other areas this description does not fit at all. Attention to active measures as well as the systemized prioritization of families suggests a fair degree of coordination on welfare issues. Finally, Poland resembles the liberal welfare model in many ways, especially in the paucity of universal policies, low redistribution and reliance on passive social measures. Yet, benefits have remained high especially for the elderly and disabled, and leave policies are generous. There is to some extent a social-democratic undercurrent to policies in Poland in that the priority of supporting certain populations seems to persist. Even with the privatization of pensions in 1999, Poland differentiated itself from Hungary by retaining a
greater minimum guarantee funded by the government and regulating pensions more strictly.

What is also characteristic of Poland is the protracted pace of social policy reform compared to the other two countries and seeming ineptness at comprehensive and coordinated restructuring. Pension reform in Poland has been an exception rather than a rule.

The following two chapters seek to explain why each of the three welfare states has restructured in the particular ways described here. Differentiation among the countries strongly counters theories that all have been forced to pursue a common path either because of economic concerns, external political pressures or unalterable legacies. What I show in the following chapters is that variations across these countries have arisen because of unique features of their domestic contexts. Political parties, bureaucracies and interest groups in each country have been particularly important in structuring discourse and decision making on social policies. In each post-communist country, these institutions have evolved uniquely and hence bring to social policy decisions distinct capacities, concerns and intentions. To demonstrate that these institutions have been pivotal in social policymaking, I examine closely the evolution of post-communist reforms in two domains – unemployment/employment and family policy. For each domain, I compare and contrast the viewpoints and roles of key domestic institutions in policy discourse across the three CEE countries. I show that the tendencies in welfare systems described here are deeply rooted in the domestic contexts in each country and hence are likely to persist as social provision systems evolve further.
Chapter 3
Persistent Unemployment and Passive Policies:
A Case Study of Poland

Introduction

In this chapter, I trace the evolution of unemployment policies in Poland between 1989 and 2004. Following regime change, the new Polish government had to construct a system of unemployment benefits and programs almost from scratch. Although in doing so, it confronted similar challenges and pressures to governments in other post-socialist countries, the Polish approach has been unique. I showed in Chapter 2 that much more so than other countries in the region, Poland has relied on passive measures to cope with the unemployment problem. While unemployment benefits have been reduced and tightened on many occasions, comparatively substantive social transfers continue to be offered to the long-term unemployed, early retirees and certain categories of workers. At the same time, little progress has been made in adopting more comprehensive and coordinated policies, which contemporary employment problems appear to require. This is surprising because unemployment in Poland is the most severe of all countries in the region, and pressures to reform policies here have been the most intense. Both external and internal advisors have pushed Poland to cut back benefits and/or to reform its labour code, educational objectives and system of provision. Moreover, among experts of all persuasions there is a consensus that Poland would benefit from making employment a higher priority in its economic and investment policies. All of these types of reforms have entered policy discourse, yet the passive or ‘social safety net’ approach has remained dominant even as the unemployment problem has worsened.
Unemployment policies in Poland are not fully explained by any one of the main theories of the post-socialist welfare state described in Chapter 1. Economic constraints might explain benefit retrenchment and Labour Code deregulation in Poland were it not for the fact that these changes occurred slowly, marginally and in often in conjunction with policy expansions elsewhere. Moreover, this theory cannot account for the contraction of spending on unemployment during periods of highest growth and fewest budgetary constraints. External political pressures do not explain policy choices in Poland either. International agencies and the European Commission had little to say about unemployment in the early to mid-1990s, but have since provided extensive recommendations for reform. Yet, even at the height of external pressures, the Polish government has neither embraced a policy of thorough liberalization as advocated by the IMF, World Bank and OECD; nor has it moved in the direction of more coordinated and integrated policy as suggested by the ILO and EU. Finally, there is little evidence that Poland’s particular approach to unemployment is rooted in its Communist or pre-communist past. Institutionally, there was little to build on from this past especially given the particular nature of unemployment in the current period. In terms of public expectations, although unemployment has been a highly salient political issue, there have not been unmitigated calls for a strong state role in this area. On the contrary, many Poles have supported changes to unemployment policy that emphasize greater individual self-sufficiency, and trust in the state to resolve the problem has been weak and diminishing over time (Lipsmeyer 2002).

To explain the particular direction of unemployment policies in Poland, it is necessary to examine the domestic context in which they have been devised. I argue here that three domestic institutions have decisively influenced unemployment policy. Bureaucracies, political parties and interest groups have shaped policy by adapting available options to reflect their own inclinations.
and capacities. The significance of these institutions is shown by comparing the decisions of policy actors within them to the recommendations of experts, advisors and the press. Their particular impact on policy choices, however, cannot be deduced from the way these institutions structured industrial-era European welfare states. The ideologies and capacities of relevant institutions have been formed in unique global and domestic socio-economic contexts. Analyses here show that bureaucracies, parties and interest groups in Poland have struggled to create identities and policy stances that make sense under the limiting conditions of global economic competition and social change. At the same time, institutional identities reflect unique circumstances of the Polish post-communist transformation. The way that institutions restructured during the period of regime change has had a continual impact on their approaches to unemployment. This chapter aims to prove these points by focusing in depth on a single policy area in one country. In the following chapters, I argue that the same factors work to explain policy variations across countries and in different policy areas.

Unemployment Policy during Regime Change

From the early 1990s to the present, Poland has consistently had one of highest rates of unemployment in Central Eastern Europe. Official unemployment rose steadily in the early 1990s, reaching over 14% in 1994. In the mid-1990s the rate began to decline, dropping to a low of 10.2% in 1997, but has been increasing rapidly since. In 2002, the standardized official unemployment rate in Poland reached 19.9%. Almost half of this population was unemployed for more than 12 months (OECD 2003). The problem has been most acute for young people, especially recent graduates, regardless of their education level. Among the general population,
the lower-skilled suffer from unemployment disproportionately more than those with higher education. Unemployment has also been a far greater problem in regions furthest away from major urban and functioning industrial areas in Poland. As was argued in Chapter 2, these patterns are characteristic of contemporary economies. The causes of unemployment in Poland are myriad. Restructuring after regime change, the cutting off of the CMEA market and a high percentage of workers in agriculture have been major factors. But other dynamics are also at work, including changes in the composition of the economy due to competition and the introduction of new technologies, both of which have in turn led to a widening skill mismatch in the labor force. While the numbers of unemployed in Poland are uniquely high, the actual structure and causes of unemployment are quite common.

Because the Communist regime in Poland did not recognize unemployment, hardly any forms of assistance in this area existed before the undertaking of new economic policies in 1989. The lack of official recognition belied the real employment situation in the country on the eve of regime change; it is estimated that about 25% of the Polish labor force were excess or among the ‘hidden unemployed’ (Brada 1989; Rutkowski 1990) and some degree of real seasonal, frictional and structural unemployment occurred as well. Yet, even this latter group of unemployed were only occasionally covered by social assistance programs and were not at all helped by the so-called ‘job placement’ offices, which mainly moved reserve labor from agriculture to manufacturing. The first post-communist government under the leadership of Mazowiecki recognized the threat of mass unemployment as a result of economic opening. Fearing political instability, the Mazowiecki government included an unemployment policy in the ambitious economic reform program announced in December 1989.
Poland’s first unemployment policy after regime change was largely the brainchild of the popular Minister of Labour Jacek Kuroń. The design of the policy reflected two tendencies in thinking among members of the Solidarity government at the time. On the one hand, unemployment benefits were universal and generous, reflecting the social democratic leanings of many party leaders. Kuroń, a social activist and prominent figure in the Solidarity movement, especially emphasized prioritizing social protection during economic reforms. On the other hand, the design of the policy specifically reflected many party leaders’ embrace of neo-liberal economic ideas. Unemployment was treated as a residual problem or byproduct of economic reform; a problem to be dealt with on the side, allowing rapid reforms to be continued. Even Kuroń conceded at this time to prioritizing construction of a market economy or ‘primitive accumulation’ over social goals. Unemployment legislation in 1989 included practically no active measures at all and there was no corollary program of employment creation. The project of dealing with unemployment was completely disconnected from the project of reforming the economy. A strong belief that the market would resolve unemployment in the medium term lay behind these decisions. The two tendencies in thinking that underpinned the 1989 unemployment policy were also important in shaping the design of institutions responsible for its implemention and future reform.

The Act on Unemployment of 1989 was passed by the Polish Sejm as part of a larger package of constitutional and economic reforms under the Mazowiecki government. These reforms included a program for rapid liberalization of the economy, popularly known as ‘shock

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80 Benefits for the unemployed became known as “Kuroniowki”
81 Kuroń, who has later viewed his embrace of the reform package as a mistake, often explains that he felt at the time that he could be a good social democrat in a capitalist country only after capitalism itself was created (Kuron 1997; Kowalik 2000). In this, he essentially accepted the idea that there was one road to a market economy and that its construction must occur prior to and separately from other projects, such as the development of a welfare state. The concept ‘primitive accumulation’ expresses the idea behind the neo-liberal project that new capitalist economies must somehow go through the same stages of development as the industrialized world.
therapy.’ The Unemployment Act stipulated provisions for quite generous benefits to those who were expected to lose jobs as a result of economic reforms. An unemployed person would automatically begin to receive benefits seven days after registration with an employment office unless alternative employment or a place in a public work scheme was offered instead (which seems to have almost never occurred). There were no qualifying conditions for benefits beyond registration. The level of benefit started at 70% of the individual’s last remuneration up to the amount of the average national wage and not less than the minimum wage, decreasing after three months to 50% and then after another six months to 40%. There was no time limit on these benefits in the original act, so an individual could receive benefits until a new job was found or she reached retirement age. The Act also allowed individuals who had never worked to collect benefits at the level of the minimum wage. High school graduates who could not find work immediately were granted a benefit in the amount of 200% of the minimum wage, declining to 150% and then 100% after three months, with no time limit. In theory, unemployment benefits were to be discontinued if the recipient refused two offers of work, but in practice, the limitations of labor offices at the time effectively precluded implementation of this restriction.

In terms of financing, the 1989 Act created the Labor Fund, which received revenues from employers’ contributions in the amount of 2% of total wages and from supplements from the general budget. The Labor Fund was to pay for retraining, for programs to encourage entrepreneurship, early retirement and unemployment compensation. The Law on Mass Layoffs complemented the Unemployed Act, guaranteeing grants of non-taxable severance pay in the amount of one monthly pension payment, and supplements of lower salaries in new jobs (Gazeta Wyborcza 29-Dec-89). Administration of labor market policies was to be the purview of a centralized National Employment Office (KUP) housed in the Ministry of Labour and Social
Affairs. The KUP was to oversee a network of local employment service centers, which were to be built up from the former job placement offices. The United States Department of Labour was to provide the money and technical support to oversee the local office’s transition.

The initial unemployment policy in Poland was by any measure extremely generous. Undoubtedly, the extent of benefits was meant to quell concerns within the government and among the population about the cost of pursuing a program of rapid economic liberalization. But, these generous offers of assistance to the unemployed were made with two major assumptions in mind. First, it was thought that the period of social hardship resulting from economic reforms would be brief. The selling point of Finance Minister Balcerowicz’s ‘shock therapy’ reform program was that the harsh consequences from rapid liberalization would be compensated by a shorter period of transition. Second, most policymakers and experts at the time believed that the extent of unemployment would be limited. As most of those reformers admit today, estimates of unemployment were based on very little data on the conditions of the Polish labour market and a weak theoretical understanding of how labour markets work (Interview with Marek Góra 2002). A figure of 300-400,000 was generally agreed upon as a good estimate of the number of unemployed expected during the ‘shock.’

Predictions of a short period of limited unemployment were mainly based on the J-curve theory of reform, which promised that all ships would rise from economic recovery and growth after a short period of contraction. In this sense, decisions about unemployment policies were rooted in faith in the neo-liberal agenda.

\[82\] This was became the official government estimate after the reforms were passed. However, in late 1989, Gazeta Wyborcza ran a few articles in which much greater numbers were given. In mid-November, for example, Vice Minister Dąbrowski was quoted to estimate 30% unemployment, which proved in time to be a much more accurate number. (Gazeta Wyborcza 13-15 November 1989: 3). However, the initial announcement of the measures in Gazeta at the beginning of 1989 stated that the government was preparing for 400,000 unemployed (Gazeta Wyborcza 15 January 1989: 1). The discrepancies suggest that in the end, the more optimistic view of the economic reforms won out, at least in government. But concerns about the “social costs” of these reforms never stopped appearing on the front pages of daily newspapers.
The belief among policymakers that economic growth would ultimately create enough employment to compensate for losses in the period of restructuring and reform was reflected in a number of ways in the approach to unemployment taken. Rather than incorporating efforts to minimize job loss or facilitate re-employment in the main economic program, the 1989 reforms effectively treated unemployment as a residual social problem. Hence, only a few measures for fighting unemployment beyond social assistance were considered. Some programs were set up to give loans to entrepreneurs starting their own business. ‘Intervention work’ schemes, which essentially subsidized new employment opportunities, were also created at this time. However, the physical resources dedicated to these programs were minimal; meaning the main measure against unemployment was the social allowance. Although the National Labour Office (KUP) and local offices were created in 1990, their resources were extremely limited. According to Andrzej Pilat, director of KUP in the mid to late 1990s, the office hardly functioned during its first three years (interview with Pilat, 2002). There were practically no active employment measures put in place at this time and means of coordinating labour and education policies at a national or local level were not even considered.

83 In a 1995 study based on interviews with parliamentarians and ministry officials in Poland, Inglot found this to be the case with regard to many social policies. He calls the belief in the power of the economic reforms to resolve social problems “market optimism.” His study found that in the early 1990s, the Ministry of Labour and Social Affairs was proposing a number of different programs for comprehensive reforms of social policy. But, all of these proposals were rejected by parliament and the Ministry of Finance. Inglot’s interviews found that beliefs that social problems were temporary and could be mostly resolved through improved economic performance underpinned these decisions. My interviews, some conducted with the same people that Inglot met, discovered precisely the same attitude.
Domestic Institutions and Unemployment Policy after Regime Change

Bureaucracies

The Round Table social agreements and December 1989 reforms included a number of institutional as well as policy changes. Until this time, social policy making was centralized in the Council of Ministers’ Planning Commission, and employment issues were mostly dealt with by the Industry and Trade Ministry. The reforms shifted responsibilities for social provision to the Ministries of Labour and Social Affairs (MPiPS), and the Ministry of Health and Welfare, with the majority of functions going to the former. The MPiPS was made responsible for all aspects of employment and work conditions, social assistance, social security - old age and disability pensions, other individual and family benefits, labour relations and social dialogue (Boni 2002: 4). It was to oversee activities of the wieldy State Agency of Social Security (ZUS), the National Labour Office (KUP) and the Labour Fund.

The design of the Ministry system in 1989 both reflected and institutionalized neo-liberal ideals. This is illustrated by the delineation of tasks between the Ministries of Finance and Labour and Social Affairs. Liberal economic theory rejects the idea of an embedded economy, perceives the social and economic spheres as separate and gives primacy to the latter. The Ministry of Finance, headed by Leczek Balcerowicz, was given responsibility for all aspects of Poland’s economic reform program. Its dominance among the ministries was institutionalized in the joint appointment of the Finance Minister as Deputy Premier (Boni 2002: 16). As mentioned above, the MPiPS was given responsibility for most areas of social protection, as well as for all aspects of employment and labour policy. The responsibilities of the Ministry were specifically
to develop social policy to ‘fit’ the new economic reality. In this sense, it was decidedly a secondary player that would mainly react to, not influence, the policies of the Ministry of Finance. “The Ministry of Finance had its liberal way of thinking and understanding the problem of unemployment, and this way was not necessarily conducive to cooperative policy development (Interview with former Minister of Labour Michal Boni 2002).” Kabaj describes the ‘peculiar’ assignment of responsibilities for unemployment: “…the employment and unemployment consequences of plant shut-downs, restructuring and privatization were passed on to the MPiPS, rather than to those responsible for proposing and carrying out such programs (2002: 5).”

A combination of its prescribed role and the initial leadership of Kuroń created a certain culture within the Ministry of Labour and Social Affairs. The Ministry became a defender of the social safety net, reflecting Kuroń’s strong socialist ideals. To this day, employees in the MPiPS perceive the Finance Ministry as the main obstacle to fulfilling its goals of expanding provisions for the poor and unemployed. But what most employees in the Ministry lament is funding for larger social benefits. When they talk about future prospects, they almost exclusively mention increased funds from the European Union as the most important means of improving benefits in the future. What these bureaucrats rarely mention is the necessity to streamline and coordinate services, not even as a means of addressing the predominant problem of unemployment. Rather than focusing on comprehensive and coordinated methods for tackling unemployment and other social problems, the approach of the Ministry has mostly been one of ‘fire fighting’ or dealing with issues haphazardly (Interview with Director of Economic Analysis MPiPS, Chłon-Domińczak 2002). The mentality in the Ministry reflects a pervasive belief in the predominant role of the market in the sense that state social provision is perceived as
compensating for temporary market failures. An alternative perception, which one finds in other Central European countries, views market and state activities as more closely integrated.

Political Parties

Just as the structures of bureaucracies were shaped by decisions made in the early years of regime change, so were the roles and identities of political parties and interest groups. The first ‘party’ in the post-Communist government, the former opposition movement Solidarity, was more precisely a very loose confederation of interests with roots in the NSZZ trade union. The party by no means identified itself as liberal or neo-liberal. Within the party, there was actually very little history of or adherence to the principles of economic liberalism (Zubek 1997). On the contrary, through the mid-1980s, the very movement that was to implement radical economic reforms at the end of decade had been calling for a reform of socialism, not a systemic change. Even in the late 1980s, several Solidarity leaders and economists were looking to Sweden as a model economy best suited to social and ideological conditions of the country (Interview with Kowalik 2002). Yet, what united the members of Solidarity was their opposition to the Communist regime and a fervent belief in the need for democratic and economic reform. In 1989 a confluence of factors contributed to the embrace of liberal policies by the Solidarity government. These included the recent failed attempts at reformed socialism, pressures from the west, and the influence of liberal economists such as Leczek Balcerowicz and Stanisław Gomulka.
While the choice of liberal policies has had a long term effect in Poland, economic liberalism per se never became a deeply rooted element of Solidarity’s identity.\textsuperscript{84} In fact, it is fair to say that the movement/party has suffered an identity crisis since regime change. After its first term, in government, Solidarity fragmented into several diverse parties identifying themselves variously as liberals (such as Unia Wolnosci), christian democrats (ZChN) and far left social democrats (Unia Pracy). The reunited umbrella party that came to power in 1997 – Solidarity Electoral Action (AWS) – identified itself loosely as a centre-right conservative party. On welfare issues, the party has been able to draw upon numerous strands of its self-identity; anti-Communism, economic liberalism, Christian-conservatism and defence of workers and unions. Competition between these perspectives, however, has prevented Solidarity from forming a very comprehensive welfare agenda.

By far the most developed party in Poland is the post-communist Social Democratic Party (SdRP), now grouped with its allies in the SLD. As a successor party to the Communists that re-established itself under conditions of fervent anti-communism, the Social Democrats made social and economic liberalism a strong strand in their self re-definition (see Grzymala-Busse 2002). The socially liberal strand has ended up being one of the deepest elements of the party’s identity; distinguishing them from the conservative AWS.\textsuperscript{85} The embrace of economic liberalism has been more hesitant; it is a component of the party identity that is called upon sparingly with regard to welfare issues. At the same time, although they initially promoted themselves as a party that was pro-welfare, in fact this part of their identity has also been weak

\textsuperscript{84} It is true as well that economic liberalism does not have a long or deep intellectual history in Poland at all. Zubek (1997) makes this case quite strongly. It is thus hard to argue that economic reforms in Poland were part of a continuum. The embrace of neo-liberalism in 1989 was actually quite a dramatic break from the past.

\textsuperscript{85} This reflects the fact that moral-cultural issues as well as attitudes to the Communist past have been far more salient in the Polish party system after regime change than socio-economic divides (Pankow 2000; Wnuk-Lipinki 2000). Although 90\% of the Polish population are practicing Catholics, there remains a sharp divide among them with regard to the appropriate role of the church in politics. This division is what distinguishes the left from the right far more than socio-economic issues.
and has never included a comprehensive welfare vision. On many welfare issues, the party has been more a defender of the status quo than initiator of innovative policy.

The way that the party system developed in the early 1990s has significantly shaped the approach to unemployment in Poland. Fragmentation of the party system and weak party identities have contributed to the absence of a coherent social strategy for tackling this issue. While comprehensive plans for resolving unemployment have been suggested by various individuals, think tanks and external advisors, none have been adopted and promoted by a party with sufficient voice in the government. Although the laissez faire approach to unemployment – relying on growth and market forces as economic liberalism suggests – has largely won out, a pure liberal agenda on unemployment has not been pursued either. This reflects the mixed strands of thought that comprise the main parties’ self-identities. What has further shaped parties’ positions on unemployment in Poland is the discursive space created in the early 1990s. Early debates between parties on this issue mostly concerned giving more or less benefits to the unemployed. This has continued to be the crux of policy discussions, leaving little room for alternative conceptualizations of the problem and solution.

*Interest Groups*

Close ties between the first party in Poland’s post-communist government and the trade unions greatly shaped the latter’s influence over social policy. Solidarity’s decision to pursue neo-liberal economic reforms entailed a rejection of its former plans for a worker-friendly form of a privatized market economy.  

Waleśa was in fact known to have actively discouraged any increase in membership of the Solidarity union, arguing that a large union centre could hamper

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86 This vision included ideas about joint-management in companies and workers’ self-governments.
the party’s reform program. Independent union views were essentially overridden by the reform agenda and their close association with the party rendered it impossible for them to actively object. Unions were not given an official role in social policymaking until the establishment of the Tripartite Committee in 1993; however, the degree of their influence was already thwarted by the party’s sway over them. In contrast to in the Czech Republic and Hungary, the tripartite body in Poland has been given almost no rights of consultation on economic policy (Avdagic 2003), which severely limits the kind of action on unemployment that it can affect. Splits within the union movement in the 1980s also hampered labour’s ability to have a unified voice on social issues. There is little evidence that union interests particularly were considered in the design of initial unemployment policies.\(^{87}\) Subsequently, each of the major unions has taken positions on unemployment policy, but the voice of labour has been neither cohesive nor strong. Similar patterns of relations to government and internal fragmentation are seen with the employers’ interest groups as well.

Poland’s Path of Unemployment Policy Reform in the 1990s

1990-91: Consolidating Initial Reforms

By the end of 1990, many of the assumptions on which the first of the year unemployment law had been based had already been proved wrong. The official unemployment rate by December 1990 had reached 6.5% or 1 million people, already exceeding Balcerowicz’s

\(^{87}\) Reports on the unemployment policies in 1989 stated that in light of union protests, management would establish rules of dismissal taking into consideration the concern of unions “to the extent possible” (op.cit). Notice of dismissal had to be given 30 days in advance. Otherwise, there were few restrictions because it was clear that the priority of government was to quickly move forward with industry closings and restructurings in accordance with the economic reform plan.
prediction of 3%. Additionally, in the years 1990-91, about 2.3 million people took pensions, many of which were early retirements that had been promoted as an alternative employment policy. More dramatic losses of employment occurred in 1991-2; by the end of 1992, about 2.1 million people were officially registered as unemployed (Sztanderska and Piotrowski 1999) and by 1993 the number exceeded 3 million. There appears to have been some agreement within the various governments at the time that a good deal of the unemployment problem had to do with the design of policies decided in 1989.  

Generous replacement rates and durations of the benefits combined with minimal conditionality were believed to have actually prompted many people to cut their losses and leave jobs that seemed likely to disappear (Interview with Professor Marek Góra, Labour Consultant to the Government, 2002). About one fourth of all spending on unemployment was dedicated to loans for new entrepreneurs (Rzeczpospolita 29-30 May 1991: 2); this was thought to be a ‘cream-skimming’ program in that it encouraged the most skilled and motivated people in the population to leave employment for new ventures rather than helping the neediest of the unemployed. Moreover, loose restrictions were believed to be contributing to widespread abuse; local offices reported that wealthy farmers, their family members, pensioners and people working in the black market or over the border were all collecting benefits (Rzeczpospolita 29-30 May 1991: 2). These beliefs about the problems with the policy led to several major changes in the law on unemployment between 1990 and 1992.

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88 There were three governments between the 1991 and 1993 parliamentary elections. Each ruled over a wide and fairly shaky coalition; no single party had anything close to a majority in the 1991 elections and there was no threshold at the time for entrance into parliament.

89 Several experts concur that indeed the generous eligibility criteria likely did contribute to the incidence of registered unemployment in these years (Boeri and Keese 1992; Steiner and Kwiatkowski 1995). However, subsequent policy changes, such as truncating the period of benefits, appear to have had no effect on the incidence of unemployment (Puhani 2000). A variety of studies have concurred that tightening unemployment benefits in the CEE countries rarely affects the incidence and duration of unemployment (Micklewright and Nagy 1995; Hame, et. Al. 1998).
In late 1990 and again in November 1991, amendments were made to the Law on Work and Unemployment (Dziennik Ustaw 106/457). The main elements of the changes were inclusion of previous work requirements for the collection of benefits and limitations on benefit duration. Amendments in 1990 stipulated that a prior work history of 180 days in the past year was required for benefit receipt. The 1991 reforms introduced time limits on unemployment benefits; instead of being able to collect indefinitely, recipients would now only be able to receive benefits for a maximum of twelve months. New graduates would have a three month limit on benefits. Some variation in the length of benefits was allowed depending on the regional rate of unemployment.\textsuperscript{90} Further restrictions on unemployment benefits were introduced in revisions to the law in February and October 1992 (Dziennik Ustaw 21; Dziennik Ustaw 78/394). The February amendments replaced the generous income-related benefit amounts with a flat rate benefit of 36\% of average national earnings. Major changes were made to the law in October as well, including introducing a more precise definition of an unemployed person; as someone not in school, not working or earning in any capacity and not owning more than two hectares of land (Rzeczpospolita 04 Nov 1992). In sum, by 1992, the unrestricted and generous unemployment policy had been replaced by one that was far more stringent.

Reforms of unemployment policies in the early 1990s were clearly prompted by the rising rates of unemployment and consequent strains on the budget. These problems could have been addressed in a number of ways. For example, more attention could have been given to the relation between economic reforms and/or the pace of restructuring and the unemployment problem. Likewise, more active policies might have been attempted. At the time of the reforms, less than 1\% of the Labour Fund’s budget was being spent on retraining and only about 6\% was

\textsuperscript{90} The Act stipulates that where the unemployment rate is low compared to the national average, the time limit of benefits could be reduced to three months and where it was higher than average, extended to up to 18 months.
planned to be spent on all active measures in 1993. Through the early 1990s, the National Labour Office (KUP) and its local subsidiaries, although created, were under-funded and barely functioning (Interview with Andrzej Pilat, former Director of the KUP, 2002). The lack of attention to active measures was in spite of encouragement from the World Bank and funding from US Department of Labour, the British know-how fund and the ILO to develop just such programs. A push for a more comprehensive approach was coming from the domestic level as well. Solidarity member and deputy to Kuroń, Michal Boni (later Minister of Labour) strongly advocated increasing active measures or ‘giving people a fishing rod rather than a fish.’ As early as July 1990, he pleaded for a more comprehensive approach to the problem in an emergency session of the government and Solidarity on unemployment: “It seems to me that only the Ministry of Labour has pursued a policy of minimising the effects of unemployment so far while there have been no signals from the Ministries of Industry, Finance and others. Following today’s meeting, I believe we should move from approaching unemployment as an untamed, wild phenomenon … towards treating it as an element of the labour market (BBC 13 July 1990).” Journalists and political commentators also voiced criticism of the government’s passive approach. A 1993 article in the journal “Polityka,” for example, questioned the government’s reliance on Okun’s Law (that economic growth will result in decreasing unemployment) and its lack of investment in labour offices, educational and other active measures. The article points to the weakness in the government’s stated intention to more strictly monitor the receipt of benefits given that labour offices had only one employee per 320 unemployed and non-networked, antiquated computers (Polityka 5 July 1992).

Although the generous amounts and scope of unemployment benefits were cut back in the reforms of the early 1990s, the policy fundamentally remained the same. The government’s
approach to unemployment reform reflected attitudes that defined the initial arrangements for the unemployed. What lie behind the continued emphasis on the ‘social safety net’ approach in these reforms was an assumption that economic performance would resolve unemployment in the medium term. Thus, primacy continued to be given to economic policy. A survey of MP’s from Solidarity conducted in 1992 showed that they regarded unemployment and poverty as very low priority items compared to economic reform (Bialecki and Mach 1992). There was in fact a remarkable consensus among all left and right parties in the 1991-93 on the economic program; sticking to the IMF programs, prioritizing anti-inflationary policies and seeking to reduce unemployment through more investment and growth (Donosy 13-08-1993). Unions also were giving little attention to unemployment per se, instead internally focusing more on the protection of workers still employed (Interview with Ryszard Lepik, Deputy President OPZZ 2002). And, Boni contends that while some bureaucrats in the MPiPS perceived the need for a more comprehensive approach at the time, they saw little possibility for gaining cooperation from other Ministries (Interview with Boni 2002).

Kuroń played a considerable role in perpetuating the official line on unemployment. His views illustrate the extent to which approaches to the problem established in the early 1990s continued to overwhelm other ideas. As early as mid-1992, when Kuroń was re-appointed as Labour Minister in the Suchocka government, he reflected on the significance of his early decisions, arguing that the ‘great mistake’ of his first term was constraining social policy only to the areas within the competence of the Ministry of Labour: “It should be an active, global policy implemented by all the ministries and not only aimed at protecting the people against poverty (PNB 28 July 1992).” Where he put his efforts, however, was not in changing the broader approach but rather in trying to achieve buy-in on existing policies from a wider range of social
actors. This was the basis of his proposal for a ‘social pact’ among unions, employers and government. For this idea, Kuroń was harshly critiqued. His long-time colleague Karol Modzelewski gave the clearest elaboration of why the ‘pact’ idea was problematic. In a 1991 commentary, he contended that such a pact would essentially secure support for the Balcerowicz’s socio-economic policy and remove it from the realm of the electoral contest (PNB 10 April 1991). Despite his proclamations, Kuroń was continuing to play the role of Balcerowicz’s ‘anesthetist’; trying to mitigate the effects of an economic strategy, but never seriously questioning the strategy itself. Kuroń’s popularity and influence lent credence to this policy line.

1994-97: Policy Continuity during Leftist Rule

Increasing unemployment and other social costs of economic reform were the most salient issues in Poland’s 1993 parliamentary elections. Tapping into strong popular sentiments about these problems, the post-communist Social Democratic Party (SLD) ran a campaign promising to address worsening social problems and to put a more ‘human face’ on economic reforms. The SLD’s “Strategy for Poland,” (Kolodko 1993) laid out a series of objectives that included continuing economic reforms, resisting further privatization and unemployment benefit reductions, promoting active labour market policies and overhauling the existing social security system (Polish News Bulletin 23 November 1993). On this platform, the SLD in coalition with the leftist Peasant’s Party (PSL) gained support to form a solid majority in the Polish Sejm. The victory of the left in this election, was not quite as sweeping as it is often made out to be. In order to avoid the fragmentation of the 1991-93 parliament, a 5% threshold for representation had been introduced prior to the 1993 elections. This meant that the fragmented post-Solidarity right was excluded from parliament even though it gained

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91 Kuron has described himself as the “anesthetist of Balcerowicz’s skilled surgery.”
92 The victory of the left in this election, was not quite as sweeping as it is often made out to be. In order to avoid the fragmentation of the 1991-93 parliament, a 5% threshold for representation had been introduced prior to the 1993 elections. This meant that the fragmented post-Solidarity right was excluded from parliament even though it gained
was indeed during the period of the SLD-PSL government (1993-1997) that the most heated debates over unemployment in Poland occurred. International and domestic organizations heavily promoted a more active and integrated approach to tackling unemployment and a few efforts in this direction were made. Ultimately, however, domestic actors thwarted a significant policy shift. Despite gradual changes in their perspectives on the problem, key policy actors had neither the capacity nor the inclination to change courses.

The SLD’s victory in the September 1993 elections came in the midst of severe unemployment problems. By the end of the year, 3 million people were unemployed and already about 20% had lost the right to benefits due to the shortened time restrictions. Under Kuroń, the Ministry had channelled funding to regions with the highest level of unemployment for active measures such as public work schemes. However, funding was provided without developing supportive regional policies and disregarding the overall effects on the Labour Fund’s budgets. Prof. Janowska, the founder of several innovative employment programs for women, gave an example of how the lack of a concept for regional development thwarted progress in Łódz, a region that had received increased funding for active measures: “We don’t know what will appear here to replace the dying textile industry. Even though this sector is definitively collapsing, we continue to educate medium-level and senior textile personnel (PNB 29 July 1993).” By mid-1993, many of these programs had to be shut down for lack of funding and minimal progress. Yet, as Janowska’s comments indicate, a good understanding was being gained about the need for a more holistic approach to unemployment. Blueprints for such an approach were presented to the new SLD-PSL government on several occasions. Two renowned left wing economists, Mieczysław Kabaj and Ryszard Bugaj, presented the government with

about 30% of vote (this includes votes for the Christian National Union (ZChN), the Centre Agreement (PC), the Agrarian Populist Agreement (PL) and Solidarity-NSZZ.
programs that would tie together industrial, macroeconomic, regional and employment policies. These programs were supported by the ILO and the Polish Institute of Labour and Social Research (IPiSS). The new left in Poland, however, was unable to embrace as radical a change in socio-economic policy as these programs promoted.

The SLD and other left parties had succeeded in the Polish election at least partially because they advocated what appeared to be some traditional leftist ideals. Their agenda included a broad notion of a more socially-oriented market economy and promises of increased benefits to the poorest members of society. However, much like the left in the West, the SLD had to function in a context of specific competitive and budgetary constraints. The state-owned manufacturing sector in Poland was inefficient and bloated; no party in office could seriously advocate retention of this situation. This put the left in immediate conflict with the interests of labour, which was overwhelmingly represented in the manufacturing sector. Budgetary constraints in Poland were also more severe than in the West due to the smaller size of the economy and novelty of tax collection. This meant that no policy could include large increases in public spending. With regard to unemployment specifically, it was also the case that the SLD was deciding policy under historically unique conditions. Unemployment was proving not be transitory or merely structural, as rates of the long-term unemployed were soaring. Moreover, unemployment was clearly not a problem confined to the weakest members of society; it was already the case by 1993 that young, willing and moderately skilled workers were entering the ranks of the unemployed. These conditions meant that the left could not argue that simply enhancing the social safety net or even just expanding active measures alone would resolve unemployment. The SLD in office essentially needed to come up with a way of coping with
unemployment that at once distinguished it from the right and from the leftist vision that it had embraced in its election platform.

Although this may be debated, the programs advocated by the ILO and leftist economists in Poland did offer the SLD-PSL government some viable options for coping with unemployment. The most clearly elaborated program was designed by Kabaj and promoted by the ILO. Kabaj’s program called for an integrated approach to unemployment, also called ‘employment-oriented economic policy.’ The essential idea of the program was that all economic decisions would be made in light of consideration of their employment impact. Kabaj’s program has four components: macroeconomic policies and programmes including improving non-inflationary demand, improving the balance of trade and targeting investments; increased active labour market programs; deregulation of labour market and flexible employment; and institutional changes in the means of coordination between national ministries and regional economic actors (Kabaj 1993; 1996). A complete overview of the program is provided in Appendix 5. Ryszard Bugaj, a leading leftist economist from the Solidarity movement and founder of the Labour Party (UP), similarly advocated a shift in economic policy toward stimulating demand, lowering the trade deficit and creating incentives for employment growth (PNB 3 June 1993 and 8 October 1993). Other experts with a more neutral political perspective were also advocating similar plans; Jerzy Unolt published a book with assistance from the EU’s PHARE program advocating that an anti-employment program become an integral part of the state’s economic strategy (Unolt 1995). Although these programs were indeed a radical departure from the policy pursued in Poland from the early 1990s, they were at the same time an elaboration of a continuous strand in the discourse on unemployment. Starting in the early 1990s,
as the nature of the unemployment problem became clearer, a number of experts within and outside of government have advocated a more integrated approach.

While an integrated employment policy should have been well suited to a left-oriented government, the SLD did not embrace it, just as it also did not fulfil its election promise to overhaul the social insurance system. The reason for this was not that an alternative strategy had been selected. To the extent that the SLD was pulled in any other direction at the time, it was toward a more liberal approach to unemployment that would include reducing expenditures through further benefit cuts and increasing the flexibility of the Labour Code (Kodeks Pracy). This was the line largely promoted by the IMF and World Bank, although neither articulated a coherent program for coping with unemployment in Poland at that time. There also appears to have been no lack of social and political support for adopting a more comprehensive employment strategy of the type suggested by leftist economists. The balance in parliament was favourable to the parties in power and, in fact, some aspects of the plans suggested were incorporated into policy changes. Moreover, in light of hardships experienced during the depression of the early 1990s, social support very likely could have been rallied to major policy changes at the time. International support for a policy shift also existed, with the ILO, European Labour Commission and OECD all in favour of substantial reforms.

93 The failure to pursue promised reforms of social insurance and health policy at this time have been given much more attention than the government’s unemployment policies. This failure is often seen as one of the greatest missed opportunities in Poland because at this time both political and economic conditions were conducive to such changes. These reforms were supported by the majority in the Sejm and had backing from international organizations; economic growth had resumed at this time, thus budget tensions were less than usual. In my opinion, similar factors explain this failure and the inability to pursue a coherent strategy for fighting unemployment. The lack of a defined idea about social policy within the left parties and social partners as well as the institutional factors discussed above were critical.

94 Refer to reports; World Bank 1995 “Understanding Poverty in Poland.” IMF Representative Markus Rodlauer stated in an interview with Nowa Europe (02 November 1995) that the most dire problem facing Poland was the high expenditures on welfare. He supported the 1996 budget in which the total amount allocated for the Labour Fund was significantly reduced from the previous year. The reduction was based on estimates of the effects of growth on job creation. As it turned out, these estimates were too low and the Labour Fund ran out of money for benefits by the third quarter of 1996.
Many argue that economic constraints prevented the SLD from embracing a far reaching change in unemployment policy. In the years of the SLD-PSL government, the Labour Fund was often in deficit as the demand for unemployment benefits soared. This was the reason given at the time for the reduction of active employment measures; while the Labour Fund was mandated to pay benefits, funding for active measures was discretionary (Interview with the head of KUP in Nowe Zycia Gospodarcze 17 November 1996).\(^95\) However, this deficit had largely emerged because of reliance in budgetary plans on growth as a means of job creation (Henzler 1996). In any case, the alternative programs were designed specifically to address this bind by changing the sources and structure of funding. They called for new sources of funding such as insurance contributions, taxation on capital and privatization funds. Moreover, the main objective of alternative programs was to reduce pressure on the fund by increasing employment in the short to medium term. These objectives might have been easier to meet in this period than any other since between 1994 and 1997, Poland experienced its highest growth and job creation rates in the post-socialist period.

There were three main features of reforms undertaken in the period of SLD-PSL government. First, they focused mainly on adjustments of benefit levels and conditions. The government’s strategy was to tighten eligibility conditions while allowing slight benefit expansions. Major changes during this period included the replacement of benefits for new graduates with a continuing education grant; longer work requirements for benefit receipt and elimination of the right to additional income. The law on variation in benefit duration by region was adopted in 1996 and the lowest unemployment and pre-retirement benefits were increased. Second, reforms in this period made significant concessions to particular groups of workers,

\(^{95}\) The Labour Fund was allowed to spend up to 50\% of its budget on active measures. The highest percentage spent under the SLD-PSL government was 13.5\%.
indicating a highly fragmented yet “pragmatic” approach. The government oversaw a re-enforcement of perks for certain occupational groups including generous severance pay, early retirement schemes, job protection and specific retraining programs for miners, railroad workers, police and farmers.\footnote{The system of special privileges for certain occupations was quite extensive and entailed a considerable burden on the state budget. Monetary privileges and non—monetary privileges, such as supplements on transportation and goods (miners were entitled to an 8 ton coal quota, for example), were largely retained from the Communist period. Direct unemployment policies included special severance packages and pre-retirement benefit arrangements for certain occupational groups as well as targeted re-employment programs for farmers and certain industries. Social policy for farmers is dealt with in a separate institution from the main social insurance agency, ZUS. During the SLD-PSL government, farmers contributed less to this fund and received considerably more than the average worker. See Mariola Balicka and Piotr Gajdzinski “Poland’s Perks Map,” Polityka no 45, 11 November 1995 for more details. A special re-employment program for farmers was also arranged by the National Labour Office that included larger than average endowments going to rural areas for investment in jobs.} Third, the National Labour Office (KUP) was strengthened and helped to oversee a large influx of labour programs funded by international aid agencies. Starting in 1993, the World Bank, USAID, PHARE, the ILO, the British know-how fund and several NGOs invested in active labour market programs. The KUP did oversee these programs, but little was accomplished in terms of coordinating these programs and facilitating long-term gains from them. Within about five years, funds for these programs had dried up and most of them were abruptly shut down.\footnote{There are numerous examples of well-intentioned aid programs fizzling out after a few years. PHARE funds, for example were used to offer low-interest loans to small companies creating jobs. The idea was to establish local practices, but continuation after initial funding ran out was contingent on the participation of Polish banks; unfortunately banking law prohibited banks from accepting guarantees by non-banking institutions. Also, in conjunction with Ohio State University, a World Bank loan was used to establish 42 new Small Business Assistance Centers. The effects of these centers were limited, however, as very few were able to become financially independent after the withdraw of funds.} And despite strengthening its role, the KUP was nonetheless not involved in developing unemployment strategies or in coordinating with other parts of the government in strategic undertakings (Interview with Andrzej Pilat 17 November 1995 and personal interview November 2002). Finally, the SLD-PSL government increased benefit amounts for pre-retirement and extended benefit eligibility for families with children (Rzeczpospolita 7-8 December 1996, No. 285, p. 2 & 8).
Although many of the reforms during the period of the SLD-PSL government were positive from a social perspective, they did not amount to a fundamental shift in approach. There were no major changes in institutional arrangement of unemployment funding and provision, no serious efforts to improve efficiency or facilitate coordination among ministries and local and national actors. It was reported during a Sejm conference in 1996 that Poland had not undertaken any extensive studies on jobs and quality control in education. Moreover, the government had discontinued research on future labour market demand, which was absolutely necessary for the development of effective education and active labour market programs. Professor Janowska made the same assertion in 1997 at the end of the SLD-PSL period in government as she had at its beginning regarding the lack of any regional policy and knowledge of regional job market and social issues (Warsaw Voice 26 January 1997). Unemployment policy reforms during the SLD-PSL leadership by no means entailed a radical retrenchment or liberalization; yet in failing to do more than take a piecemeal approach to the issue, they complemented continuation of liberal economic policies.

In order to fully understand what was and was not changed in the employment policy during the period of the left government, it is necessary to look first to the parties themselves. The SLD is the most important since it controlled ministries concerned with economic and social policies. Although the SLD had campaigned on promises to address the social costs of economic reform, at no time had it defined itself in terms of a distinct or even very ‘social democratic’ socio-economic identity. The party had in essence defined itself as economically liberal, and embraced continued market economic reforms so as to break from identification with the Communist Party. Moreover, the SLD did not define itself as the representative of any particular socio-economic class. In the 1993 elections, the party sought broad support by presenting itself
as a pragmatic party that had the concerns of the “average Pole” in mind. These aspects of the party’s identity confined it to pursuing certain types of policies; those that at once would neither threaten liberal economic reforms nor be perceived as increasing social costs. For its part, the PSL had mainly defined itself as a representative of agricultural interests and a party that would seek to preserve certain social benefits and slow the pace of economic restructuring. But, like the SLD, the PSL did not offer a vision of an alternative socio-economic arrangement. The policies pursued fit with both parties’ programs in that they entailed concessions to certain groups, moderate retrenchment and minimal threat to economic reforms.

A second way of explaining the approach to unemployment in these years is to look to the organization of bureaucracies. Outside of the Ministry of Labour and Social Affairs, unemployment continued to be a low priority issue. All of the former government officials I interviewed in Poland in 2002 describe a constant battle with the Ministry of Finance for increased funding during these years. This was in spite of the government’s proclamations to be prioritizing unemployment and in spite of the prominence that society and the media gave to this issue. Moreover, the employees of MPiPS, party leaders and experts that I interviewed consistently emphasized the minimal degree of cooperation across ministries on unemployment issues. For example, Dr. Kabaj described his efforts to promote the ILO program at the Ministries of Industry and Trade, Education, and Finance; in all cases, he was re-directed to the MPiPS who were believed to be solely responsible for employment issues (Interview with Kabaj, November 2002). Media coverage from this period supports the idea that the Ministry itself continued to stress a narrow approach to unemployment. The first leadership team, Minister Leszek Miller and Deputy Macej Manicki from the union OPZZ, focused largely on increasing
benefit levels and directing funds to specific active programs. Both during Miller’s tenure (1994-96) and his successor Andrzej Bączkowski’s (96-97), the Ministry endorsed budget projections for the Labour Fund that had been based on an assumption that unemployment would be reduced as a result of economic growth. Finally, in this period, little was changed with regard to the relationship between national and regional actors dealing with unemployment policy. Largely because of funding shortages, the KUP encouraged local offices to reduce the number of registered unemployed (by 10%) through increased monitoring; yet, beyond a few foreign assistance schemes, there appears to have been no increase in resources to do so.

Continuities in a Period of Change: Unemployment Policy on the Eve of EU Accession

During the SLD-PSL period of governance there were several reasons to expect a shift in approach to unemployment; the salience of the unemployment problem, the broad support enjoyed by the leftist government, positive economic developments and openness of international agencies to substantial reforms. Yet, as I have argued above, domestic institutional factors curtailed other pressures for a policy shift. These same factors have continued to shape unemployment policy developments in the late 1990s and beyond. Continuity in policy has occurred despite intensification of debates and the influx of new ideas on unemployment, including recommendations from the European Union. As unemployment has continued to rise in spite of a solid growth record, many experts within and outside of the EU have advised Poland to adopt a more comprehensive employment strategy. Yet, debates and legislation in Poland have not substantially moved in that direction. Debates over unemployment have actually become narrower in this period, focusing mainly on Labour Code deregulation; macroeconomic policy

98 Decide on some evidence here – either quotes or some kind of content analysis.
and effects of Central Bank independence; and levels of spending. Under both the AWS and SLD governments in power between 1997 and the present, policy been liberalized in many respects but has also been characteristically fragmented, with a focus on specific groups or crisis issues more than on comprehensive approaches.

Since the late 1990s, the unemployment problem in Poland has worsened. After reaching its lowest point in 1997 (around 1%), the official unemployment rate has steadily risen to reach a national average of over 20% by 2004. Although the causes of this development are harshly debated, the nature of unemployment is clear. Unemployment predominantly affects the young, lower skilled and residents of agricultural and non-metropolitan industrial areas. Long-term unemployment is significant, leaving less than 20% of all registered unemployed eligible for benefits. Significantly, rising unemployment has occurred in spite of continued economic growth. Poland has had the highest growth rate in the region, as well as the highest level of unemployment. This fact has challenged policymakers and experts who have contended that high growth is the best remedy against unemployment to offer alternative solutions. Indeed, as the facts about unemployment have become more clear, public and political discourse on the issue has changed. Starting in the late 1990s, the government has increasingly asked experts from universities and national think tanks such as CASE and IPiSS to offer recommendations on unemployment. International organizations and especially the European Union also began to pay attention to this problem in the late 1990s. These developments have amounted to a range of new ideas becoming available to policymakers. Yet, policy directions in this period have reflected the

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99 The Central Statistical Office (GUS) announced a rate of 20.7% at the end of the first quarter 2004, based on the Labour Force Survey. Labor office records suggested a rate of 20.5%.
100 The number of registered unemployed eligible for benefits has decreased steadily from about 80% in the early 90s to less than 20% today. This is due to the benefit periods running out. It is worth noting here that long-term unemployment is a very specific problem since the chances of a person re-entering the labor market decrease the longer they are without employment and especially if skills are not updated in this period.
22 Centrum Analiz Społeczno-Ekonomicznych (Center for Social and Economic Research); a liberal think-tank founded by Leszek Balcerowicz.
predilections of key domestic policy actors rather than the preferences of any particular group of experts or external actors.

Policy recommendations to Poland can be broadly divided into two groups; liberal and non-liberal. More liberal ideas about unemployment have emanated from the Warsaw School of Economics, CASE as well as the OECD and World Bank. Although recommendations from these groups go beyond the strong growth proposal, this remains a key pillar of the liberal program. But, to explain why growth has not resulted in increased employment to date, liberal reform advocates rely on several key explanations. The first is the inflexibility of Poland’s Labour Code which is argued to restrict employers in hiring and firing and creating more flexible forms of employment. Second, the liberal view emphasizes individual motivations. Advocates of this view whom I interviewed in 2002 often described a culture of dependency in Poland and argued that attitudes toward work developed during Communism have been perpetuated by post-communist policies.\textsuperscript{102} From this perspective, the benefit system in Poland has been too generous and employment offices too lax in their monitoring of recipients. Two solutions are thus suggested: tightening benefit conditions and reforming labour offices. Third, liberal reformers argue that the tax wedge on labour retards job creation and should thus be reduced. While these are the most agreed upon elements of the liberal program, other reforms have also been suggested. The World Bank recommends differentiating regional minimum wage rates and more effectively targeting active employment programs to cover areas where skill mismatch is most profound (World Bank 2001).

\textsuperscript{102} This sentiment was expressed by Marek Góra of the Warsaw School of Economics, a leading economist and advisor to the government on unemployment; Elżbieta Kryńska of IPISS and Mateusz Walewski of CASE. These experts strongly advocate benefit reductions to stimulate employment searches and to reduce budgetary pressure. Walewski argued that while the skill mismatch in Poland was a significant part of the unemployment problem, he had doubts that training programs through labour offices would help much given the low motivation of the unemployed to participate and acquire new skills.
Alternative approaches to dealing with Poland’s unemployment problem have been put forth by other experts and external advisors. Kabaj’s program was rejuvenated in the early 2000s, receiving support from the UNDP and given increasing press coverage as the unemployment issue became more salient. Bugaj also published several editorials in leading papers calling for a more integrated approach to unemployment that included reducing the trade deficit, increasing demand, introducing tax incentives for employment and investing in housing and other infrastructure (PNB 26 November 1999 and 21 July 2000). Emphasizing the need for more coordinated macroeconomic and employment policies, Bugaj also has called for reducing the independence of the Central Bank’s Monetary Policy Board (RPP). Other experts have pointed to a link between unemployment and the RPP’s high interest rates and called for more checks on macroeconomic policymaking. Furthermore, many experts from the liberal perspective have also called on Polish governments to take a more comprehensive approach to unemployment. For example, Professor Golinowska from CASE argues that while growth should be the number one priority for combating unemployment, substantial educational reform and increased spending on employment programs are also needed at the present time (Golinowska 1999; PNB 14 July 2000). Analysts from Kredyt Bank also commented in one of Poland leading dailies that increased spending on training, tax breaks and investment was needed to adequately cope with Poland’s unemployment problem (PNB 24 July 2001).

Experts from the European Union have also injected non-liberal ideas about unemployment into Poland’s policy discussion. As the EU began to give attention to social issues in the late 1990s, the notion of a distinct “European Social Model” was suggested as the

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103 See comments by Professor Andrzej Sopocko, Warsaw University in PNB 24-04-2001.
basis for new policies in applicant countries.\textsuperscript{104} Although not specified in any single document, European social policy as defined in national and EU legislation does have some essential features. These include principles of universality, solidarity and a comprehensive approach to balancing economic and social objectives.\textsuperscript{105} The European approach emphasizes coordination of employment policy among national and regional governments, social partners and non-governmental organizations. Moreover, the European Council has recently set specific goals for member states with regard to active measures, requiring that all persons unemployed for a certain duration receive either training or job experience. While this social model is not mandated in any part of accession agreements, its language and key features have added a dimension to official thinking on the subject in the new member countries. However, it is worth noting that in very recent years the EC's specific policy recommendations for much of Eastern Europe have been far more oriented to the neo-liberal approach than policies embraced for existing members.\textsuperscript{106}

Neither of the two governments in power since the late 1990s has pursued a consistent agenda for fighting unemployment. While many of their policies have entailed retrenchment or liberalization, neither government has gone as far as neo-liberal experts on reform have suggested. At the same time, it would incorrect to argue that anything close to the type of multifaceted approach suggested by more left-oriented economists has been pursued either. The AWS-UW coalition in office between 1991 and 2001 made few changes to unemployment policy. In 1999, the government wrote the \textit{National Strategy for Increasing Employment and

\textsuperscript{104} Before the late 1990s, European Union organizations made hardly any reference to social issues in the applicant countries; there were hardly any reports or conferences on the subject of social protection. This was in spite of ongoing preparations for membership.

\textsuperscript{105} These objectives are found in the European Social Charter as well as the annual European Employment Strategy Guidelines and Recommendations. In these documents, employment is perceived as more central objective than it has been in Poland. Although the specifics vary by country, the idea in the European documents is that macroeconomic policy should incorporate employment objectives.

\textsuperscript{106} For example, the EU has pushed the CEE countries to pursue significant deregulation and social spending reductions even though in these areas the CEEs are already more liberal than their Western counterparts.
Developing Human Resources Between 2000 and 2006, which called for deregulation and broad improvements in education.\textsuperscript{107} But, the Sejm under AWS leadership did not ultimately pass any legislation to support this document. Proposals for deregulation and social tax reductions were ultimately outvoted. Small policy changes made by this government were mixed in nature and included: a radical decentralization of employment administration without additional funding; the extension of large severance packages to miners; shortening of the workweek; mandated registration at labour offices for receipt of healthcare and small benefit reductions. Under the SLD government in office since 2002, more changes have been made including some Labour Code deregulation, benefit reductions and the introduction of targeted re-employment programs for youth. However, intense debates within government have prevented substantial policy reforms.

Political Parties

To explain the lack of direction in coping with unemployment despite strong fiscal and external political pressure during this period in Poland, it is necessary to look first to political parties and the political system itself. By the late 1990s, the party system in Poland had largely solidified around the cleavages established in the early period of regime change. Divisions between parties were not primarily socio-economic in nature, but rather moralistic or cultural. Both the SLD and the rightist AWS appealed to economically diverse constituencies and both made adherence to liberal economic reforms a central part of their political platform. This has

\textsuperscript{107} This was the basis for the National Employment Plan submitted for the EU in 2000-2001. The intention was to begin to incorporate guidelines of the EU into labor legislation. Hence, a whole new language was introduced.
meant that neither party could legitimately advocate a radical change in socio-economic policy as a means of addressing unemployment. Yet, for different reasons, the main political parties have also not fully embraced the type of neo-liberal policies promoted by external and internal advisors. The AWS’ strong ties with the Solidarity union and even the Church have mitigated their policies in a number of ways, and have particularly geared them away from reforms that are potentially harmful to workers in unionized industries. The SLD, although tied to the alternative union OPZZ, has had more room to manoeuvre on issues affecting current employees. However, more so than the right, the SLD has tended to choose against a strategy of large benefit cuts to the poorest. The Social Democrats in Poland have distinguished their policies as ‘leftist’ by often leaving in place policies that target certain groups of the worst off.

Party platforms and policy statements reveal the bounds within which the main parties in Poland devised unemployment policy in the late 1990s and early 21st century. In the 1997 elections, the AWS ran on a platform that listed unemployment as a fairly low priority, behind reduction of inflation and continued economic restructuring. It put forth a very general plan for fighting unemployment, which prioritized growth and promised to increase jobs, invest in housing and improve job qualification systems. The only specific component of the AWS campaign proposal was the goal of introducing unemployment insurance, which had for some time been a priority of the Solidarity union. To achieve a majority in the Sejm, the AWS formed a coalition with Balcerowicz’s Freedom Union (UW), a small party that strictly identified with liberal economic policy. During the first two years of the coalition’s leadership, spending on unemployment was reduced, but no policy changes were made. This led to accusations from internal and external observers that the government was refusing to take the problem seriously (PNB 16 February 2001). As growth in the number of the unemployed resumed during the late
1990s, experts of various persuasions were called upon to draft programmes aimed at lowering unemployment. As I describe above, there was no lack of ideas, only an absence of will and agreement within government. One reason for this was that in its self-identity, the AWS had no space for a distinct stance on the unemployment issue. Potential solutions did not fit well its moral or anti-communist agenda, nor did they meld with the defence of workers in unionized sectors. Moreover, the composition of the AWS conglomerate, which had brought together a religious right, trade unions and liberal economists, left little scope for internal agreement on almost any issue.

In conjunction with employers’ organizations, the coalition partner UW proposed early in the administration an unemployment strategy that solely entailed deregulation of the Labour Code. The proposal was by most definitions quite radical, advocating eradication of most trade union rights in the workplace, extension of the average workday to 12 hours and reduction of overtime pay (PNB 29 March 2001; Kowalski 2000). Proponents of this strategy were inflexible, insisting that a complete overhaul of the Code was needed to effect change. Thus, although the government included some deregulation in its National Plan, the debate took on such an uncompromising tone that no agreement on the extent of change was ever reached. Both Solidarity and OPZZ argued that proposals put forth by the UW and employers violated EU directives and the Polish constitution, and would “take labour law back to the 19th century” (PNB 29 March 2001). Such resistance precluded support from AWS deputies in the Sejm, and only ‘cosmetic’ changes to the Code were ultimately made (Gazeta Wyborcza 13 July 2000). Instead of changing labour policy in the direction of the Plan, the government ended up shortening the
mandated workweek as the sole strategy for fighting unemployment. Another policy that reflected the government’s obligations to unionized workers was legislation granting large lump sum severance payments to miners affected by industrial restructuring. These payments were intended to give miners an opportunity to start new businesses, but by most accounts were ultimately used for consumption and did little to improve the employment situation in affected regions. Beyond these changes, no other steps toward reducing unemployment were taken during the AWS-UW led parliament.

*Interest Groups*

The lack of action on unemployment during this period had not only to do with the fragmentation of the leading party in office, but also the underdevelopment of channels for effective social dialogue and compromise. Although the AWS campaigned on promises to strengthen the role of the Tripartite Commission, this institution remained weak. The Commission could have been the place where at least a draft consensus plan for dealing with unemployment was decided. Having this plan as a basis would have broadened public dialogue on the issue and focused parliamentary debates. As it was, with only extreme proposals from both the UW/employers coalition and unions being put forth, debate in the Sejm was bound to be ineffectual. The critical role of the Commission in structuring the Sejm debates was advocated by Minister of Labour Komolowski at the time (PNB 11 April 2000). Consensus making was

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108 In an interview with Wprost 17 September 2000, President of the PZPP (Polish Confederation of Private Employers), Henryka Bochniarz, claimed that none of the 40 changes proposed by the Employers coalition were adopted.

11 We will see that similar commissions have had such a role in other CEE countries. The idea that the Commission could have really changed the tenor of debate at the time is one that I arrived at through interviews and readings. It was also expressed sometimes in the press. For example, Polityka commentator Janina Paradowska made this point in commentaries of April 2000.
precluded first by the absence of key actors in the Commission. Private employers did not have formal representation for most of the AWS period nor did local government (despite decentralization policies that had passed on much responsibility for unemployment to them), and the OPZZ refused to participate. Second, the government never formally solidified the Commission’s role or gave it an imperative to address the unemployment issue. Third, without a formal forum, the social partners themselves were ill prepared for effective dialogue on unemployment. Employers’ organizations such as the PKPP and Business Centre Club were only just beginning to define a role for themselves in national political debates. Their sharp position on the Labour Code probably emanated from a belief that they filled a critical gap in political debates. The idea that unions controlled politics because of their connections with political parties continues to be deeply held by leaders of employers’ organizations. On their part, unions had few ideas about unemployment beyond slowing the pace of restructuring, preserving jobs and privileges of the unemployed. The OPZZ refused to negotiate on the Labour Code issues and demanded a government proposal on unemployment before rejoining the Commission. As close partners of the government, Solidarity did not take a similar adversarial stance, but rejected Labour Code liberalization and called for increase funding of the Labour Fund.

**Bureaucracies**

Bureaucratic developments did nothing to generate substantive changes in unemployment policy either. The MPiPS authored the National Plan, which emphasized the priority of economic growth and advocated tax incentives for SMEs, improvements in education and deregulation. Although the implementation of these policies would have required cooperation with other
ministries, such as Industry and Trade and Education, there is nothing in MPiPS pronouncements from the time that indicate efforts to establish these ties. For example, in a long interview about unemployment with political journalist Irina Dryll, Deputy Labour Minister Kolodziejczyk emphasizes the critical role of improving labour force qualifications and general education in Poland, but makes no mention of bureaucratic efforts needed for this to occur (Nowe Zycie Gospodarcze 9 April 2000). The need for a broad government approach to unemployment, which had begun to be expressed under Kuron’s leadership of the Ministry, had all but disappeared from official discourse by the late 1990s. Nor did the Ministry give much attention to strengthening local actors in developing unemployment strategies. In 1999, major decentralizing administrative reforms were implemented. As a result, authority over labour offices was transferred from the National Labour Office (KUP) to the second lowest administrative unit in local government, the powiat. Soon thereafter the KUP was entirely dissolved. Such a move might have strengthened the capacity of local actors to address unemployment, but at the time, both the local labour offices themselves and local governments were in a weak position to do so. In the absence of a national strategy for fighting unemployment, dissolving the KUP left local offices with no source of guidelines and no voice in national policymaking at all. Previous efforts to network the local office system were undone, eliminating ties and communication between them (EIRO 2003). Administrative reform, moreover, did not include an increase in resources for the local offices or a program for their restructuring. Cuts in funding for unemployment under the AWS exacerbated this situation.
Unemployment Policy Under the New SLD Government

The lack of action on unemployment during the AWS period was a key issue in the 2001 parliamentary elections, particularly as unemployment was rising and the social consequences becoming clearer. The SLD ran on agenda that made reducing unemployment and expanding benefits for the poorest members of society a top priority. Results of the elections gave the AWS no seats in the new parliament and provided the SLD a sufficient percentage to form a new coalition government. These elections also gave significant representation to new populist and nationalist parties, who capitalized on social discontent and debates over EU entry. During this period of a leftist parliamentary majority, retrenchment in some areas has been accompanied by a surprising lack of reform and even expansion of benefits for certain groups in other areas. The new government has proven to not be as stymied by union connections as the AWS, meaning that it has been able to go further with certain types of reforms including deregulation of the Labour Code. At the same time, however, under pressure to reduce fiscal deficits, the SLD government has cut back programs for unemployment very selectively. Its policies have often involved trade offs among competing interests in areas where the AWS was stalemated. Yet unemployment policy has remained fragmented. Under pressure from the EU in the lead up to accession in May 2004, a number of legislative changes were hastily pushed through to appease demands for a more cohesive employment policy. But these reforms are thus far skin deep; no domestic group has shown either the willingness or capacity to pursue a broader approach.

One of the first actions of the new government was to address fiscal deficits through reductions in social spending. These cuts included elimination of pre-retirement allowances, reduction of pre-retirement benefit amounts with expansion of eligibility. While these moves
were justly criticized in light of the SLD’s campaign promises to prioritize social welfare, they represented only a partial retrenchment. In the context of fiscal constraint and strong pressure from international actors to radically reduce social spending, the cutbacks were less severe than they might have been. The 2002 budget eliminated the pre-retirement allowance, which had been offered to workers regardless of age who had spent 30/35 years (men/women) in employment or 15 years in special conditions. The allowance at a rate of 120 to 160% of the unemployment benefit would continue to be paid to current recipients, but no new offers were to be extended. At the same time the changes expanded eligibility for pre-retirement benefits, previously offered to workers at age 58/63 and now available at 50/55. The amount of the pre-retirement benefit was reduced from 90% to 80% of the regular pension (over 2 times the unemployment benefit).

At the time of these changes, pre-retirement had permanently removed thousands of people from the workforce and was a reasonably large budgetary expenditure. About 350,000 people were collecting allowances and another 140,000 benefits, with total expenditure reaching about 3.4bn zloty by the end of 2001 (EIRO 2002). These benefits had been intended to alleviate the problem of unemployment among older workers affected by restructuring in the early 1990s, but in 2001 a bigger issue facing Poland was an increase in youth unemployment. The fact that unemployment was continuing to rise even though about 75% of the workforce aged over 55 was no longer active was indicative that the policy or pre-retirement was not working to address the broader problem. The changes in 2002 thus entailed cuts to an ineffectual program without eliminating it altogether. By 2004, early retirement policies were still contributing to older workers dropping out of the labour force and still imposing a controversial burden on the budget (Gazeta Wyborcza 14 May 2004, p. 29). Not only were the cutbacks to pre-retirement in 2001
partial, but they were also accompanied by an increase in the amount of general unemployment benefits.

The cutbacks in pre-retirement benefits were the first of two measures that have been criticized as contradicting the SLD’s leftist credentials. By the end of 2003, the new government also managed to push through a series of amendments to the Labour Code that partially weakened employee protection. These changes, which had eluded the AWS, were possible primarily due a shift in strategy by the OPZZ union. The OPZZ had entered into private negotiations with the Polish Confederation of Private Employers (PKPP) over the Labour Code in 1999 after refusing to continue its participation in the Tripartite Committee. These negotiations led to an unusual compromise between a union and employers’ groups that matched the government’s interest in Labour Code changes. The shift in the OPZZ position on this issue had two explanations. First, according to OPZZ Vice President Lepik (Interview 23 October 2002), by the late 1990s, the union was agreeing internally on the need to move away from solely protecting the employed in certain industries to taking a stance on unemployment. Faced with a rapidly declining membership and hoping to increase its appeal to the young, women and private sector workers, the OPZZ would have to address the issue of unemployment among these groups. Talks with the PKPP resulted in new policies that would make possible more flexible employment contracts as well as cut back on provisions for sick leave and overtime. The compromise was not nearly as radical as the initial employers’ suggestions, but the general provisions were retained. It is possible that the OPZZ strategy can be explained by its relationship to the SLD as well. The SLD had not built its identity as much on its ties to unions as the AWS, meaning that it was more independent in taking the lead on policy issues. Labour Code deregulation did not contradict the SLD’s commitment to continued liberal economic
policy and was easily justified as a pragmatic response to the unemployment problem. For the AWS, which was more distinctly a party for workers, the same moves were harder to justify.

Selective benefit cutbacks and embrace of deregulation in many ways logically fit the SLD’s agenda. These reforms also received support from one of the two major unions, employers’ groups and the Ministry of Labour and Social Affairs. For the latter, these changes relieved them of some budgetary pressure without requiring much internal restructuring. But, again, a major shift in the strategic approach to unemployment has been difficult to accomplish.

During the SLD’s tenure, pressure to pursue a more comprehensive approach to unemployment has mounted. Impending entry to the EU has been one source of this pressure; the EU has pushed not only for deregulation and budget cuts, but also for more active employment measures, an integrated system of local social services and inter-ministerial cooperation on infrastructure and educational issues. Pressure has also come from new populist parties, such as Samoobrona (Self Defense), which has capitalized on mounting unemployment and by mid-2004 received a higher percentage of popular support than the SLD. Under these pressures, in mid-2004 the SLD government hastily passed several pieces of legislation, which set new goals for coping with unemployment. But, this legislation was put in place prior to the creation of a framework for its implementation. The conditions under which new measures were passed and the approaches to unemployment among key domestic actors leave doubts as to the ultimate effects of these changes.

At the end of April 2004, only days before the May 1\textsuperscript{st} date of EU accession, the Sejm passed a new Act on employment that is meant to fully supplant the 1994 law. The Act requires local labour offices to actively assist job seekers in obtaining training and work; requires consultation on employment between the social partners at the national and local level; reduces
unemployment durations for some workers and establishes a basis for public subsidisation of employment. The Act was conceptualized as part of Labour and Deputy Prime Minister Hausner’s austerity plan, which calls for a range measures to reduce social spending and meet EU directives. The employment package of the plan was first presented in early 2003, but never gained anywhere near majority support. It was ultimately passed by a parliament on the verge of collapse; Leszek Miller’s government resigned on May 1st and was not replaced until mid-June. The new government of former Finance Minister Marek Belka is comprised of a new, leftist offshoot of the SLD, the Polish Social Democracy (SdPl) in coalition with the Union of Labour. While it is too early to predict, there are signs that the new government, if able to act at all, will backtrack on many elements of the Hausner plan that were previously adopted, including parts of the Employment Act (EIRO 2004). The government has already signalled its rejection of some social cutbacks, particularly in family policy and pensions. Moreover, Belka has indicated his intention to reverse an earlier consolidation of the Ministry of Labour with the Ministries of Economy and Infrastructure, which had been intended as a gesture toward prioritization of employment issues (PNB 29 April 2004). These moves suggest a continued lack of consensus about the direction of unemployment policy.

In addition to the SLD and its offshoots, no political party in Poland appears to embrace a strategy for fighting unemployment as presented by internal and external advisors. And, without such support, even the best of plans are unlikely to be pursued. This includes programs for further deregulation and spending cuts promoted by the World Bank and IMF, as well as the multifaceted approach suggested by the EU and the integrated concepts of leftist economists. During interviews with parliamentary party leaders in 2002, I asked them how they prioritized unemployment and which policies for tackling the problem their party supported. Each had very
different and mixed views about appropriate policies. Former AWS parties on the right (League of Polish Families and the Christian Union) made unemployment a fairly low priority. The programs they did support emphasized patriotic principles, calling for restrictions on and taxation of imports as one of the main policies for fighting unemployment. These parties also opposed benefit retrenchment, were tepid on deregulation and advocated subsidies and tax support for small and medium sized businesses. The Labour Union, the party furthest to the left in Poland and a coalition partner of the SLD during part of its recent tenure, also rejected any benefit retrenchment but strongly supported deregulation. By contrast, the PSL, the other partner of the SLD, favoured benefit reductions and tighter restrictions, deregulation, and strict measures against illegal employment. The main strategy of the PSL, however, was a 5% import tax. Lepper’s Self-Defense Party (SO – Samoobrona) advocated a typically populist program, rejecting any form of benefit reduction or deregulation and favouring high import taxes. Lepper also argues that monetary policy is primary in fighting unemployment, echoing some of the sentiments of leftist economists. Diversity among political parties and fragmentation in the political system help to explain the lack of consensus and stagnation on the unemployment issue in Poland.

Policy change has also been stymied by attitudes and arrangements in the bureaucracies responsible for devising and implementing unemployment measures. Despite the deference to the language of more integrated and comprehensive policies in recent legislation, the government Ministries have tended to prioritize continued growth and EU funds as the mainstays of employment policy. Deputy Economy Minister Szczepanski of the MGPiPS expressed the prevailing sentiments precisely: "The labour market situation will improve as we expect GDP to rise and structural funds to flow from Brussels (PNB 30 January 2004).” Officials from the
MPiPS, both in my interviews and the press, tend to express a strong reliance on the EU to resolve Poland’s labour market problems. EU funding is seen as the key to overcoming budgetary as well as institutional restraints. The Undersecretary of State in the MPiPS Tokarska-Biernacik argued that benefits for the unemployed would not need to be lowered in the future since EU funds would supplement the budget, making it possible to spend up to three times as much as currently (Interview 22 January 2003). Deputy Labour Minister, Cezary Mijewski, pointed out that as of 2003, almost nothing had been accomplished in terms of building effective ties between the MPiPS and other Ministries. Yet, he believed that EU directives would in and of themselves reconcile these difficulties. Several officials repeated this belief that EU Social Funds and policy recommendations would provide the ultimate solution to unemployment. This attitude helps to explain why a more passive approach to financial and institutional reform has been taken in Poland than in the other CEE countries.

At the level of local government and employment services, few capacities to cope with the more extensive employment policies laid out in recent legislation have been developed. By most accounts, the 1999 administrative decentralization and dissolution of the KUP actually worsened the situation of local labour institutions and lessened possibilities of attaining national employment objectives. According to data from the MPiPS, the number of employees in labour offices dropped by about 2000 from 2000-2002 (Labour Market Department). This gives Poland one of the worst ratios of placement workers to unemployed in Europe, at 1:300. Decentralization is said to have caused a weakening of horizontal ties between social security and labour offices. According to one expert, “There is no institutional framework for cooperation between social aid centres and labour offices (Gardawski 2003).” Further, the lack of coordination in central government has made it difficult for best practices to be shared and
implemented more broadly (Interview with Kabaj 2002). This situation must be recognized in light of stated intentions in recent policies to rely more extensively on local labour offices and partnerships at the local level. After some debate, administrative reform was pushed through by the SLD government toward the end of 2003, permitting a partial re-centralization of authority over the local labour offices. While this could improve the situation, it is likely to do only if there is perseverance in overcoming local interests as well as substantial resources for developing infrastructure. According to some my interviews and information in the press, local officials had pushed hard for initial decentralization and have benefited from utilizing their control as means of assuring political appointees (Interviews with Pilat and Kakiet-Springer 2002 and 2003). Such entrenched attitudes will not be overcome by legislation alone.

Finally, the current situation in Poland also continues to be shaped by the attitudes and capacities of the social partners. The two major unions have increasingly entered the debate over unemployment, although neither has established a firm position. Like unions elsewhere, the OPZZ and Solidarity have found it difficult to ignore the problem of unemployment while claiming to be a voice for social justice. But, neither has quite established the extent to which it represents the unemployed. Since their members almost exclusively work in industrial jobs, the unions have focused on defending that sector as a whole. This has often been tantamount to defending the status quo in employment legislation. Unions frequently protest policy reforms of any kind and have been reluctant to negotiate even over minor policy changes. Meanwhile, employers’ groups have stepped in to strongly represent the emerging private sector. By arguing the need to create jobs in this sector through various forms of deregulation, employers’ groups have claimed the upper hand in offering a clear-cut solution to the unemployment problem.
Compromise between the social partners remains difficult because each has a strongly entrenched position in debates over employment and social issues. Unions’ historic role and relationship to parties in Poland reinforces their stance and appears to have slowed down internal restructuring, which could in turn open them to new ideas. In a similar way, legitimation from international and neo-liberal organizations bolsters the views of employers’ groups. The agreement reached between the OPZZ and PKPP might be indicative of increasing flexibility on both sides, but there remain real obstacles to effective negotiation on the unemployment issue. Beyond their entrenched positions on national-level issues, neither unions nor employers’ groups have put much effort into developing their local organizations. Cooperation among the social partners at the local level is a central component of the most recent unemployment legislation and is widely agreed among experts to be the key to effective change. The absence of solid organizations at this level is thus likely to impede effective change in the near future.

Conclusion

Poland’s approach to unemployment has been predominately passive in the sense that it relies on growth as the key solution and entails minimal investment in institutional restructuring. This approach can be characterized as liberal to the extent that market mechanisms are given primacy in resolving employment deficits. I have argued here that this design of unemployment policy strongly reflected thinking about economic and social policy at the time of regime change. Such thinking permeated key domestic institutions at a critical juncture in their development, and has thus continued to shape their attitudes toward and capacities for considering alternative approaches. The liberal approach to unemployment emphasizes the creation of a minimal ‘social
safety net’ for those unable to benefit from what market mechanisms make available. In Poland, the net has not been minimized to the full extent preferred by neo-liberals, as social transfers are offered broadly and the benefit system has been changed mostly at the margins. This is another dimension of the passive approach, which can also be explained by the way that domestic actors have shaped policy. Protection to certain groups represents a strong strain in institutional ideologies. By virtue of the way they have defined their own positions on welfare, the major political parties as well as the Ministry of Labour and trade unions are restricted in the extent to which they can embrace benefit reductions. Patching up the social safety net has become a habitual means of justifying other forms of policy liberalization or avoiding more comprehensive reform. In the following chapter, I argue that in other countries, domestic actors have operated on different terms, resulting in varied approaches to unemployment.
Chapter 4

Making Unemployment Policy in Post-Socialist Europe:
Comparative Case Studies

Introduction

In this chapter, I compare the evolution of unemployment policy in Poland with the Czech Republic and Hungary. Each country’s approach to unemployment is unique. It was shown in the first chapter that compared to Poland, Hungary and the Czech Republic have applied a more comprehensive array of strategies for coping with unemployment. These countries have tended to give greater emphasis to active measures and reforming institutions for provision while gradually reducing social benefits. In Hungary, the widest array of measures is applied, yet the benefits for those no longer in the labour market are minimal. On the contrary, in the Czech Republic, greater compensation is provided to those who fall out of the labour market while benefits for many groups of unemployed and re-employment measures have been cut back over time. These differences are substantial in that they indicate diverse priorities and varied institutional capacities. Particular policies in each country create a distinct set of winners and losers, and are likely to have long-term implications for labour market and economic development.

Similarly to Poland, unique approaches to unemployment in the Czech Republic and Hungary are explained by examining the particular domestic settings in which they have evolved. In all three countries, initial legislation during regime change set the tone for subsequent policy development. I show here that in each country very different policies and practices were established in the late 1980s and early 1990s. The way that three key institutions –
political parties, bureaucracies and interest groups - defined their roles and positions on
unemployment at this time has had a continual effect on policy choices. During the period
immediately following regime change, both left and right political parties began to structure their
identities in terms that were more or less conducive to particular positions on social and
employment policies. Party identity has subsequently shaped what party representatives and their
constituents consider to be legitimate stances on policy issues. Bureaucracies in each country
were organized after regime change in such a way as to reflect the initial approach to
unemployment in each country. Particularly important for later policy development was the
degree to which channels for cooperation were established between organizations with
responsibilities for the labour market, investment, infrastructure and social policies. Initial
investments in local labour and social provision offices and their relation to the national
bureaucracies have also influenced later policies. Finally, the degree to which labour and
employers - the social partners - were given a role in shaping unemployment policy also
influenced later outcomes. Whether these groups put a stamp on initial policy has proven to have
long-term implications for the unemployment strategy pursued. Equally important was the extent
to which they were required to develop a stance on labour market policies, which later influenced
the kind of policies they promoted.

Through structured comparisons of the three countries, I show why the identities and
capacities of the institutions I mention have been so crucial in shaping overall approaches to
unemployment. I emphasize that each country has pursued different policies despite facing
similar challenges and pressures. In this chapter, I also emphasize that while ‘traditional’
domestic institutions continue to shape policy in modern economies their roles have changed in
light of new socio-economic challenges. The influence of these institutions is often
underestimated when their actions are assumed to mimic those in the period of European welfare expansion. Left parties in Poland, for example, have not consistently promoted benefit expansion or defended the working class as we might expect. But, this does not mean that left parties are insignificant in shaping social policy. What the following comparative analysis shows is that policy outcomes in the post-socialist countries are in fact very much contingent upon the self-identities that left parties have fashioned. Similarly, the actions of bureaucracies and interest groups are structured in part by the current socio-economic context. Hence, in all countries, they are limited in what is legitimate and possible. Yet, within these limits, these institutions continue to have sufficient scope to shape policy in unique ways. By comparing policies and institutions in the Czech Republic, Hungary and Poland, I aim to prove the significance of these factors.

The Czech Republic and Hungary: Holistic Approaches and Halting Unemployment

In comparison to Poland, the unemployment problem in the Czech Republic and Hungary has been more controlled and the approaches more holistic and diverse. Unemployment policies in these cases have cohered to a greater extent with general economic policies and other aspects of the welfare system than in Poland. Yet, the emphases of unemployment policies in the two countries are distinct. The Czech case is distinguished by a minimalist and strictly enforced benefit system that is complemented by a generous system of welfare and social services for those no longer covered by employment policy. At the same time, a strong and centralized infrastructure for enacting labour market policies has been built and a continual emphasis placed on job creation through state subsidies. By contrast, the Hungarian system has provided stronger support to the short-term unemployed in the form of both passive and active measures than either
Poland or the Czech Republic. The emphasis of Hungarian policy has been on re-employment of
the active labour force complemented by a gradual diminishing of benefits for certain groups
such as the long-term unemployed. At the same time, its active measures have been more
diverse than the other two countries and have involved coordination among ministries, state and
local governments and non-state actors.

Unemployment trends in these countries have also varied. The Czech Republic
experienced notoriously low levels of unemployment in the early to mid-1990s, with rates rising
thereafter. At its peak, the unemployment rate reached almost 11% in 2002 and has hovered
around that level since. By most accounts, there is little prospect that this rate will decrease in the
near future. In Hungary, unemployment increased rapidly in the early 1990s reaching a peak
national average of about 13% in 1993. Since then, the rate of unemployment has declined
steadily; although through much of this period the overall participation rate also fell. In the past
few years, unemployment has been reduced to about 6% in Hungary without a significant decline
in the participation rate. Although different in degree, the nature of unemployment in the Czech
Republic and Hungary has been broadly similar to Poland. Unemployment has occurred as a
result of industrial restructuring and the increased development of the service sector. It has
tended to affect the lesser skilled and younger populations, and has been more intense in regions
furthest from metropolitan, developed areas. In none of these cases can unemployment be
described as frictional, but rather more closely resembles more the kind of unemployment
problem experienced in many industrialized countries.

Because they have faced similar challenges, governments in these three countries have
considered a similar array of policy measures. All of them have internally confronted budget
constraints that have made all social spending subject to debate. Moreover, as time has passed,
bureaucrats and policymakers in these countries have gained a better understanding of the employment situation. This has required them to address issues such as long-term unemployment, skill gaps and regional disparities in employment opportunities. These governments have also all been encouraged by one or more supranational organizations to reduce spending, cut back passive supports for the unemployed, and liberalize labour laws. Perhaps the most pressure in recent years has come from the European Union. As discussed in the previous chapter, the EU strongly emphasizes active employment measures and a coordinated, comprehensive employment approach. Each of the CEE countries has responded to these challenges and pressures differently especially in terms of where they choose to reduce expenditures and how much they expand active and coordinated measures.

The Development of Unemployment Policies during Regime Change

In the previous chapter, I argued that unemployment policies in Poland have largely reflected the thinking that went into their initial design. Neo-liberal economic policies called for a strict separation between economy and society and made growth the primary strategy for fighting unemployment. Reflecting this thinking, Poland’s approach to unemployment mainly entailed the construction of a social safety net that would compensate for delayed growth in the immediate term. Policymakers in the Czech Republic and Hungary approached the issue of unemployment from different perspectives. Policies in Czechoslovakia\(^\text{110}\) particularly reflected strong social democratic leanings of their designers. Employment policy was conceived as part

\(^{110}\) Between 1991 and 1993, the design of social policies was mostly the purview of the Federal Czechoslovak Ministry of Labour and Social Affairs. The Czech and Slovak Ministries respectively were responsible mainly for implementation. According to my interview sources, after 1993, many people from the Federal ministry moved to the Czech Ministry bringing their ideas with them. Mainly, the policies written in 1991 were continued after 1993 with reforms as noted in this paper.
of an overall economic and social strategy, which meant that employment considerations were incorporated into economic policy, and infrastructure for provision was built up from the outset. Full employment was an explicit goal of Czechoslovak policy, and the state was assumed to have a strong role in meeting this objective. The initial policies in Hungary were underpinned by a different set of attitudes. Unemployment featured less prominently as a central component of economic policy. Similarly to Poland, the focus in Hungary was more on managing the problem of unemployment than fighting it. But, unlike in Poland, management entailed a wide array of passive and active measures.

Initial unemployment policies in the Czech Republic reflected a ‘social-liberal’ compromise among post-communist reformers. The 1990 parliamentary elections were won by Václav Havel’s Civic Forum party and its sister association in Slovakia (Public against Violence). Future Prime Minister Václav Klaus and his deputy Vladimír Dlouhý designed the party’s economic policy. Klaus promoted a ‘radical’ strategy of economic transformation based on neo-liberal principles, winning over a strong contingent of Social Democratic advocates for a more gradual approach (Orenstein 2001). The economic reform program included plans for rapid price liberalization, macroeconomic stabilization, reduction of subsidies and privatization. Although similar to Poland in these respects, what distinguished the Czechoslovak approach was that it was integrated with a strongly social democratic social policy. By the time Klaus’ economic program won out, a powerful contingent of reformers in the party led by Labour Minister Peter Miller had drafted the basis of a comprehensive social policy including a program for mitigating unemployment (Vecerník 1995). The first government’s unemployment strategy did not just provide a cushion or safety net for the losers of economic reform. Rather than being
a residual component of the neo-liberal agenda, in the Czech case it was independently devised and became an integral part of the overall transformation agenda.

Klaus described the social policy he adopted as specifically intended to mitigate the problem of unemployment using “macroeconomic policies, labour market intervention and welfare policies designed to preserve a social minimum (Klaus and Dlouhý 1990 quoted in Orenstein 2001: 73-74). The unemployment strategy adopted contained several components. It included a policy of significant currency devaluation, well in excess of what occurred in Poland or Hungary, with the intention of keeping domestic prices low and demand high. Accompanying this were tripartite wage negotiations based on the German model in which wage restraint was exchanged for a low unemployment guarantee. Other components of the Czech strategy were generous early retirement offers paid from social insurance contributions, reform of secondary education and investment in a strong network of local employment offices. Active employment policies were emphasized from the outset, while passive support was relatively minimal in comparison to other countries. Initially, the replacement rate was 65% of previous wages available for six months and 60% for another six, with time limits strictly enforced.

The multifaceted nature of the Czech strategy contrasts with the basic and minimalist approach pursued in Poland. Indeed, it was underpinned by a different set of ideological principles. “From the very beginning employment policy has been conceived as part of an overall economic and social strategy regulating economic and social development, in accord with the process of transformation adopted. Employment policy influenced the choice of measures and instruments within the state monetary, fiscal, structural and wage policies. It was also reflected in the transformation of the social sphere and in the system of education (Nesporova and Uldrichova in Godfrey and Richards 1997).” An official publication of the Federal Ministry
of the Economy describes the gist of policy as such: “The crucial design is to preserve the creative potential of native manpower resources and entrepreneurial activities and preclude the rise of a situation which would overstep the conscionable limit of unemployment; the chief line of orientation to be pursued in the years ahead will be characterized by the endeavour to preclude the loss of jobs rather than a policy of passive care for those who have already lost their jobs (Federální shromáždení 1990: 31).” Czechoslovak reform included a commitment to full employment as a central element, representing a very different vision from the ‘liberal’ one pursued in Poland. Because the employment goal was so central in this initial policy, it not correct to argue that socially oriented policies were a mere appendage of neo-liberal economic reform program. The policies did not just temporarily buy Klaus the support needed to implement radical reforms, but rather remained an integral part of that reform program.

The initial strategy pursued in Hungary was different again from both Poland and the Czech Republic. Two factors appear to have influenced the Hungarian approach. First, in Hungary the problem of unemployment was officially recognized far earlier than in any other of the CEEs. An unemployment policy recognizing frictional unemployment and offering temporary but generous benefits was put in place as of the mid-1980s. One implication of establishing an early policy was that unemployment became a more acceptable and expected outcome of economic reform than elsewhere. Frey argues that the goal of full employment went by the wayside at this time and did not re-enter official policy after the fall of communism (Frey in Godfrey and Richards, 1997). Thus, although the first post-Communist government declared its objective to build a ‘social market economy,’ unlike in the Czech Republic, this did not entail prioritizing employment in economic reforms. Nor, however, did the Hungarian government sidestep the unemployment issue to the extent that occurred in Poland. In addition to earlier
policies, another factor that shaped the new government’s approach to unemployment was the active involvement of trade unions in designing legislation. Under Communism, the Hungarian trade unions had a level of control over the labour code and labour policies that was unique in Eastern Europe (Interview with former Labour Minister Kosa-Kovacs 2003). Union members with experience in labour market issues had the opportunity to be actively involved in writing the first Employment Act, which many have described as an exemplary ‘social democratic’ policy (Ferge 2001).

The Employment Act was written by a tripartite committee, largely dominated by former and current union members (Interviews with Kosa-Kovacs and Nagy 2003). It was passed with 90% of parliamentary votes and enacted into legislation in March 1991. Participants in designing the legislation describe the process as a successful collaboration between the social partners and as relatively non-contentious (Interviews with Kosa-Kovacs and Fazekas 2003). The legislation initially gave control over labour market policy and funds to the tripartite National Labour Market Board (NLMB). It made some changes to the unemployment benefit scheme enacted in 1989 and lay the basis for introducing active labour market programs. The duration of benefits for the unemployed was reduced at this time from a full two years to a maximum of eighteen months depending on work history. Benefit amounts were increased to 70% of previous income for the first one year of unemployment and 50% for the remaining period.111 These changes, even with the reduction of benefit periods, left Hungary with the most generous unemployment benefits of the former Communist countries. Comparative studies that looked at the structure of the benefit system, aggregate spending and micro-data on recipient incomes all ranked

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111 The amounts in the 1989 legislation were 70% for the first 6 months; 60% for the second 6 months and 45% for the remainder.
Hungary’s initial unemployment policies as extremely generous (Burda 1993; Blue Ribbon 1993; Bardasi, et.al. 2001).\textsuperscript{112}

The 1991 Employment Act created a role for the NLMB to oversee active labour market programs (ALMPs) and to develop a strategy for addressing regional disparities. ALMPs had been established in Hungary in the early 1980s and gradually expanded. Every type of active measure that is used in the West was put in place in Hungary; this included training schemes, wage subsidization, small business loans, public works, job creation investments and employment companies (O’Leary 1995)\textsuperscript{113}. The 1991 act expanded these measures added part-time employment (work sharing) and early retirement subsidies to this list. It also established a partly decentralized state system of public employment offices to administer active policies. Many experts questioned the efficiency of so much attention to active measure in the early 1990s, arguing that since unemployment was not structural but rather due to decreased demand, policies such as re-training schemes made no sense (Frey in Godfrey and Richards 1997; Timár 1993). While there were certainly flaws in this system, the fact that the infrastructure for active measures was put in place is significant and substantially differentiates the Hungarian case from the Polish one\textsuperscript{114}. Likewise, a means of coping with regional disparities was also established in 1991. Karoly Fazekas from the Hungarian Institute of Labour explained that the potential for regional crises was foreseen in the early 1990s, hence the NLMP was given authority to shift funds for regional policies as appropriate (Interview with Fazekas). Methods for coordination among ministries on regional issues were also put in place at the time.

\textsuperscript{112} On these measures, the Czech Republic is usually ranked low and Poland in the middle.

\textsuperscript{113} Hungary was the only country of the CEEs to attempt the development of employment companies, based on the German model. Two companies were set up in the early 1990s in Ödz and Miskolc, where closures of heavy industrial companies threatened 15,000 and 4,000 jobs respectively (Godfrey 1994: 8). As I discuss later, OFA has continued to use employment companies to offset unemployment among the disabled.

\textsuperscript{114} It is also worth noting that Hungary was the only CEE country where a systematic evaluation of training needs and programs was undertaken starting in 1991. This differentiates the Hungarian case from the Czech case as well (Godfrey 1994: 11).
Initial post-communist unemployment policies in each of the CEE countries were unique and based on very different understandings of the problem and potential solutions. In Poland and Hungary, the embrace of liberal economic policies dictated a distinction between economic and social policy. Unemployment was a problematic and short-term outcome of economic reform, to be ‘managed’ through social policies. In both cases, the Ministry of Finance was given a prime place in the administration (Henderson, et. Al. 2001; Boni 2001). Only in Czechoslovakia (then in the Czech Republic) were employment policies integrated into the broader reform program. Yet, in Hungary a very different means of managing unemployment was chosen than was the case in Poland. Although in both cases social reformers called for an expansive safety net, in Hungary past experience with unemployment as well as the involvement of unions and socialists in policy design led to a much more comprehensive approach. These choices set the tone for future debates over and reforms of unemployment policies. They did so by vesting key institutions with certain capacities and inclinations that would contribute to their later stance on the unemployment issue.

**Bureaucracies, Infrastructure and Unemployment Policy**

Unemployment policies devised in each country after regime change went hand-in-hand with infrastructures for their implementation and administration. In the Polish case, the Ministry structure both reflected and shaped unemployment policies. A strict separation of responsibilities between social and economic ministries, the predominance of the Finance Ministry, and the lack of bridges across ministries suited the policy line selected and in the long term created minimal potential for inter-Ministerial cooperation. Other factors that have influenced policy include the
failure to build an efficient administrative structure and to determine the allocation of responsibilities between national and local bodies. Likewise, in the Czech Republic and Hungary, the inclinations and ascribed influence of bureaucrats shaped initial policies. Subsequently, the capacities developed and tendency for state and local bureaucracies to embrace particular agendas have influenced the kinds of reforms to unemployment policies undertaken. Comparing the three cases illustrates the significance of these institutional differences by showing that different infrastructures have correlated with different policy outcomes. The causal link between these factors is seen in what is rejected and chosen by policymakers contemplating their potential options.

Unique features of the bureaucratic structure in Czechoslovakia distinguished its approach to unemployment and employment policy from the outset. While neo-liberal principles for economic reform were strongly embraced, there remained a large gap between doctrine and practice. Unlike in Poland, economic reforms did not dictate the design of social policy. Hence, in the area of unemployment policy, the goal of full employment was retained, employment retention was incorporated into economic reforms and an efficient system of labour market programs was rapidly implemented. This contrasts with the emphasis in Poland on a short-term social safety net and concomitant reliance on market forces to ultimately iron out transitional displacements. The Czechoslovak approach to unemployment is explained in part by the legacy of a highly efficient and centralized bureaucracy, which made it possible to implement a comprehensive approach (Kabele and Potůček 1995). It was also important that there existed a group of reformers, particularly within the Ministry of Labour, who valued the role of social policy and government intervention in social matters. A legacy in the Czech case of integrated social security system and Bismarkian insurance principles helped to specify and legitimate this
group’s goals. Perhaps more importantly, the idealization of the German ‘social market economy’ among Czechs justified these reformers’ claims for policies that departed from neo-liberal doctrine.

The early development of a coherent and effective system of active labour market programs is one of the most noted aspects of the Czech experience. By 1992, a system of active policies accompanied by strict criteria for benefit receipt had been put in place. Boeri and Burda (1996) noted that in this respect, the Czech Republic had managed to accomplish what all OECD countries had been attempting for years; a genuine move away from passive to active employment measures. Like many others, these authors evaluated the effectiveness of active measures and monitoring of benefit receipt very positively.\(^\text{115}\) A 1999 report by the ILO states that especially job creation schemes in the early 1990s stimulated a rapid redeployment of labour from closing state industries to the private sector (ILO 1999: 50). About two-thirds of all registered job seekers participated in one of these schemes in 1992-3 and the rate of job placement was usually assessed to be around 80-90% (ILO 1999; World Bank 1999). In a personal interview, former Deputy Minister of Social Policy Hejna argued that restructuring of employment services was highly significant; during the early 90s, she observed unemployment jumping in certain regions to 17-20% as industries closed and then dropping as workers were absorbed into new positions.\(^\text{116}\) Yet, despite the undoubted effectiveness of these measures, they

\(^{115}\) See, for example, ILO 1999, Gitter and Scheur 1998 and Potucek 2001. That the efficient operations of employment services helped to keep unemployment low in the early 1990s is a common view among Czech experts and officials. Also, almost every labour economist I spoke with in Poland and Hungary cited the Czech example as exemplary. Leftist economists emphasized the investment in labour offices and efficient use of active measures, while rightist economists praised restrictive benefit policies and the ability of labor offices to monitor recipients.

\(^{116}\) Statistics on month-to-month unemployment during this period are not readily available. Hence, it often generally claimed that active policies in the Czech Republic worked so well because unemployment was already low and manageable. The reports from the period that I site here as well as conversations during my interviews suggest that in reality, the measures had a great deal to do with keeping unemployment low.
were effectively eliminated by about 1994. By the late 1990s, when unemployment began to rise, the Czech approach was known more for being ‘welfare-oriented’ and passive than pro-active.

The change in the approach to employment in the Czech Republic was not as dramatic as it has appeared. Successful active employment measures in the early 1990s were mostly wage subsidization/job creation programs. About 80-85% of beneficiaries of active programs in the early 1990s participated in these types of schemes (Huitfield 2001: 5). Far fewer (10-15%) utilized public work schemes and even fewer still (2-4%) participated in re-training programs. Most retraining was also done in conjunction with a temporary employment contract (Boeri and Burda 1996). The structure of active measures used helps to explain the shift in policy and capacities developed. Spending on active policies was reduced significantly between 1994 and 1999, mainly because the utility of job creation programs had perceptively diminished (ILO 1999). Unemployment was low and was increasingly concentrated among harder-to-place constituencies; the lower-skilled, young and ethnic minorities.\(^{117}\) While overall spending decreased at this time, efforts were gradually transferred to public works, youth programs and training (Huitfield 2001: MPSV 2002). But, the change in emphasis has not occurred as swiftly as many international experts believe is necessary. Since the late 1990s, the ILO, European Commission and OECD have all recommended that the Czech Republic expand active employment measures oriented toward human resources development. Although total spending on active measures has increased significantly starting in 2000, only very small steps have been

\(^{117}\) Chart 1 in Appendix 3 shows trends in job seekers and vacancies in the Czech Republic between 1991 and 2002. The gap between the two was quite narrow in the mid-1990s, when decisions to minimize expenditures were made. After 1997, the number of job seekers increased dramatically and the number of vacancies decreased gradually. The larger gap suggests that job creation programs might again be effective, but changes in the nature of unemployed persons means that job seekers might not be suited to the jobs that new investors would create.
taken toward improving training programs. This is because such an expansion requires further capacity development in the job centres, which have been hitherto been only partly focused on the training issue. This also requires a thorough evaluation of job supply and demand, as well as consideration of the roles that employers and private providers can play in training provision.

Similarly to Poland and Hungary, the government in the Czech Republic has outlined a program for combating unemployment in its National Development Plan, National Employment Plan and Operational Programme for Human Resource Development in line with European Union requirements. This program demands a strong role for job centres as the facilitators of active measures, including expanded re-training programs. Although the ability to deliver training needs to be improved, the role that job centres have played throughout the 1990s undoubtedly makes the process of change much easier than is the case in Poland. Since their restructuring in the early 1990s, the centres have been the main point of call for the unemployed and have consistently focused a part of their efforts on re-employment for their constituencies. In an interview, the Director of the Prague District 3 Job Centre listed a range of active measures attempted for each and every constituency of the unemployed he served (Interview with Kuba, June 2004). Even during periods of low budgets, the centres have made available programs that teach basic work skills; have facilitated subsidization programs with various employers; have coordinated with non-profit and profit organizations offering skill training. Thus even a centre in a district where unemployment has been high and the constituencies among the hardest to place, paying benefits has not been considered the main task of the centre. This contrasts with Poland, where the benefit function of the centres appears to overwhelm the possibility of taking on new tasks.

118 The amount of all spending on active measures going toward training in 2002 was about 10%. The first steps toward evaluating job supply and demand for the purposes of targeting retraining appeared to be just underway in 2004.
The capacity of job centres to respond to recent government efforts that expand employment policy is rooted in the initial investment in centres after regime change and the nature of their roles since. An important factor in focusing the tasks of the centres is the role of municipal authorities as the providers of supplementary welfare benefits. The restrictive eligibility and duration of unemployment benefits has limited the tasks of the job centres. Although they may still serve the long-term unemployed through active measures, benefits and social services for this group are provided by municipalities. This division of labour has both advantages and costs; while it has allowed the job centres to develop key capacities for re-employment strategies, they have fewer facilities to deal with growing constituencies of long-term unemployed. The lack of coordination between job centres and municipalities in servicing these groups is often noted (Interview with Kupa; ILO 2001). Likewise, a slow pace of decentralization in the Czech Republic has also affected the current unemployment policies in both positive and negative ways. The type of radical decentralization that led to almost complete turnover of labour office personnel and a period of unclear directives in Poland has never occurred in the Czech Republic (O’Dwyer 2002). The administrative structure governing relations between the Ministry of Labour and Social Affairs and local job centres has remained the same since the period of regime change. This has the positive effect of experience and consistency in the offices, although it may also limit the centres’ flexibility in dealing with particular regional issues.\footnote{In the 2000 EU/Czech joint assessment of Czech employment policies, the Public Employment Services were praised for their efficiency and experience in providing services to the unemployed. However, its weakness was in incorporating tripartite decision-making and responding to unique regional issues.}

The functions and initial restructuring of the job centres help to explain how the Czech government has been able to continually monitor strict benefit provisions and fairly rapidly return to an emphasis on active measures in the early 2000’s. Trends in unemployment policy...
have also been shaped by other organizational and ideological tendencies in the Ministry of Labour and Social Affairs. Since the period of regime change, the Ministry has placed a strong emphasis on developing a welfare state partly modelled on the Bismarkian and Beveridgean principles of European counterparts. This led to early restructuring of the welfare system compared to other post-socialist countries and less organizational discontinuity. Employment policy was designed with a clear emphasis on re-employment, and an organizational structure within the Ministry was put in place to administer this type of policy (See Chart 1). Since this design never relied on benefits as the main form of support for the unemployed, cutting benefit levels has been less of a central issue in the Czech Republic than elsewhere. The first cut in benefits occurred in 1993, a time at which demand was low and it was easy to claim success of broader economic policies and active measures. Further cuts made in 1997-98 as a part of Klaus’ fiscal austerity plans were more contentious, but Ministry officials and the opposition at the time focused their critiques largely on the decline of active policies rather than the lowering of benefits. Re-instating the active measures used in the early 1990s and focusing on broader investment and education strategies henceforth became the predominant focus of the Ministry, a stance that fit in well with the objectives of the European Union. This focus represents continuity in the Ministry’s approach, which is facilitated by an entrenched organizational structure to support it.  

Fairly restrictive unemployment benefits in the Czech Republic are accompanied by a generous system of social benefits. Although income replacement rates for unemployment are low compared to other CEE and Western European countries, a relatively generous minimum subsistence amount is guaranteed. This makes the Czech Republic unique among the CEEs,
especially since the subsistence minimum has been retained and even increased during and after
the period of fiscal austerity.\textsuperscript{121} Again, this aspect of social provision fits in well with the concept
of welfare initially developed within the Ministry. Alongside a contributory social insurance
system, the Ministry conceived of programs for social protection based on Beveridgean ideals. In
addition to the subsistence minimum, a generous system of family support and social services is
also available to the unemployed.\textsuperscript{122} Together, these programs lie at the heart of critics’
arguments that the Czech approach to unemployment became 'welfare-oriented' from the mid-
1990s onward. Despite strong recommendations from international organizations and the liberal
orientation of the Klaus government, however, lowering minimum benefits has never been
strongly pursued by the Czech government.\textsuperscript{123} Rather, the focus has been oriented toward
widening “the gap” between the subsistence minimum and minimum wage by raising the latter.
The Ministry now includes this as a key component of new employment strategies; in 2004, the
minimum wage was increased with the objective of creating incentives for the long-term
unemployed to return to work (MPSV web site 2004).

Differences in the bureaucratic infrastructure in the Czech Republic and Hungary can
partly explain the different orientations of their employment policies. One of the key distinctions
between the two has been the far more de-centralized and diverse array of programs developed in
Hungary. While the administration of employment policy is concentrated in the Ministry of
Labour and Social Affairs in the Czech Republic (and also in Poland), in Hungary, employment
issues have been dealt with separately from other social policies and have involved a wider array

\textsuperscript{121} The real value of the subsistence minimum did fall during the Klaus government, but by less than 10% compared
to its 1991 value. Orenstein states, “This is a good example of the extent of Klaus’ neo-liberalism in the social
policy arena. State generosity was reduced slightly, but the program remained fundamentally unchanged (Orenstein
1995: 184).”

\textsuperscript{122} These are discussed further in the next chapter.

\textsuperscript{123} Moreover, as I also discuss in the next chapter, the introduction of some means testing and benefit restrictions in
the family benefit system has had minimal effect. Most of the initial system has been retained, which strongly
contrasts with the cases of Poland and Hungary.
of actors. During the Antall government in the early 1990s, the Prime Minister exerted direct authority over the Labour Ministry while the Ministry of Welfare was controlled by its coalition partner; indicating the relative importance of each sphere (Henderson, et. Al. 2001: 19). The 1991 Employment Act laid out an administrative structure that called for coordination among ministries, national and local governments and the social partners. As described above, a National Labour Market Board (NLMB) that consisted of representatives from several ministries (Interview with Fazekas April 2003) and was managed by a tripartite committee was responsible for the administration of labour market policy. Although it was brought more under the control of government during the Horn administration, the NLMB and its successor the National Employment Office were established as semi-autonomous supervisory agencies of public employment offices (1991 Act and Ministry of Employment and Labour, Public Employment Services web site 2004). The difference in organization is seen in comparing the organizational charts in Annex 2 with those from the Czech Republic above. Another important feature of the Hungarian structure is the separation of parts of employment policy across ministries. Initially, the Ministry of Labour coordinated most aspects of employment policy while the Ministry of Welfare oversaw distribution of long-term benefits. Subsequently, new governments have restructured ministries involved in employment policy in various ways. Another unique feature of the Hungarian system is the semi-autonomous National Employment Foundation (OFA) established in 1992 to target regional disparities.

The means by which employment policy is organized in Hungary has underpinned the direction of reforms and restructuring in the 1990s and early 2000s. The main features of policy in this period are the maintenance of relatively high unemployment benefits for middle earners.
facing short term unemployment, tightening of other benefits and a progressive increase in
diverse active employment measures. These reform directions represent continuities from the
initial conception of employment policy and are partly explained by the bureaucratic structure
put in place to implement that policy. In contrast to the Czech Republic but similarly to Poland,
generous benefits were a key means of managing the initial wave of unemployment in Hungary.
At the same time, the 1991 Act put in place an administrative structure for closely monitoring
benefit receipt and implementing active measures. While benefits for the initial period of
unemployment have remained high, other social supports have been subject to extreme cutbacks.
It is especially noteworthy that even in the period of austerity measures and vast reductions of
social programs under Finance Minister Bokros, unemployment benefits were mostly spared.
This is the opposite of the situation in the Czech Republic where unemployment benefits were
reduced while a generous social support system was retained. The Hungarian situation is also
different from Poland in that spending and effort has been successfully shifted to active
measures.

One explanation for the retention of relatively high benefits for the short-term
unemployed in Hungary is the division of responsibilities for employment policy. According to
the 1991 Employment Act, the Ministry of Labour was to oversee the management of
unemployment through both passive and active measures. A separate piece of legislation, the

125 Legal provisions for the denial of benefits were established in a special decree of 1988 and formalized in the
1991 Employment Act. Unemployed persons were required to report to job centers at appointed times monthly, to
accept all reasonable offers, and to participate in a job search or retraining. By most accounts, monitoring of benefit
receipt was efficient but perhaps overly stringent (Tardos 1994). The point here is that the capacity for monitoring
makes it more likely that tightening conditions of benefits will be more effective.
126 Most analysts have focused on the tightening of benefits for the long-term unemployed and the slight shortening
of the benefit duration period at this time. However, in the comparative perspective, the amount of the replacement
rate in Hungary remained quite high at 70% and 50% for the initial periods of unemployment. Also, unlike in other
countries, recipients of unemployment benefits were allowed other earnings in an amount up to 50% of the
minimum wage.
127 According to the Hungarian Ministry of Labour, the percentage of total spending on employment measures that
went specifically to active measures increased from 22% in 1992 to 58% in 2002. The increase has been gradual and
progressive through the 1990s and 2000s. There has been no notable shift from one administration to the other.
Social Act of 1993, established the basis of support for those ineligible or no longer eligible for unemployment compensation, placing responsibility for this with the Ministry of Welfare. As mentioned above, the authority and relative importance of the Labour Ministry was the greater of the two from the outset and was reinforced under the Horn administration. A further administrative detail was the separation of funds; the Solidarity Fund financed passive measures including Unemployment Assistance and the Employment Fund financed active measures. These divisions facilitated distinctions between constituencies of welfare support who could ultimately be slated as more and less deserving. Austerity measures under Horn’s Social Democratic government often targeted the very worse off among the unemployed by cutting back social supports including pre-retirement benefits and only nominally increasing the bases of minimum unemployment benefits. A possible exception was the elimination of generous stipends to high school graduates, which were cut on the basis of having mostly benefited the middle class. Yet, even this reform represented a shift from passive supports to active re-employment measures. These specific developments correspond to Henderson’s finding that, “With the application of the Bokros Package, the direct interests of the Ministry of Labour were protected... while those of the Ministry of Welfare become even more marginalized (Henderson, et. Al. 2001: 16).”

Victor Órban’s right-wing Fidesz government, which ruled parliament from 1998-2002 explicitly pursued reforms aimed at reducing unemployed persons’ dependence on state support.

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128 The 1993 Act established an Unemployment Assistance program for the long-term unemployed.
129 According to Henderson’s analysis, Horn made Labour a key agency of economic governance.
130 These stipends were eliminated in most of the CEEs by the mid-1990s. In Hungary, under the Career Beginners Assistance program, high school graduates could begin collecting full unemployment benefits three months after graduating and had 90% of all further education or retraining costs paid by the state. This was replaced by a program that focused on helping new graduates find jobs and requiring job searches for benefit collection. In a newspaper interview, the left-leaning Minister of Labour, Magda Kosa-Kovacs, who was responsible for the reform, emphasized the disincentive effects of the existing policy as a justification (Budapest Business Journal 17 March 1995).
During the Fidesz period, Unemployment Assistance was eliminated altogether and the value of benefits depleted. Only a small change was made to income replacement rates for unemployment, but the receipt of benefits was more strictly tied to active job searches and participation in various labour market schemes. The Fidesz government also made a major administrative change, eliminating the Ministry of Labour and shifting responsibility for creating and maintaining jobs through active measures to the Ministry of Economic Affairs (Fazekas and Koltay 2002: 168-9). While these changes have been interpreted as radical, they were actually in many ways a continuation of policies begun after regime change. Fidesz justified its policies as a means of invigorating the ‘middle class,’ a constituency neglected during Communist rule (Interview with former Minister of Family Affairs Peter Harrach, June 2003). Although loosely conceived, this ‘class’ of people were roughly those who could be best served by active employment measures or a ‘workfare’ approach to unemployment. The moderately skilled and willing to work could benefit from the system of programs established and gradually expanded in the 1990s. That this group became the focus of FIDESZ’s policies was facilitated by existing infrastructure and attitudes toward the deserving and undeserving among the unemployed that had been cultivated by previous governments as well.

Hungarian governments have been able to rely on a semi-autonomous and diverse network of programs and offices at the national and local levels when calling for a more active approach to the unemployment problem. More so than in the other two countries, Hungary’s

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131 The stated intention of this ministerial restructuring was to integrate employment issues more closely into economic policymaking. There is little evidence that this is what occurred. In fact, the Ministry of the Economy ended up having less influence on economic policymaking than the Prime Minister’s office. Centralization of policymaking was a key feature of the FIDESZ administration. The real effect of this change, in my opinion, was to complete the separation of sub-groups of the unemployed – those worth helping and those not – that previous institutional arrangements had encouraged.

132 Henderson (2001), who also argues that in Hungary, bureaucratic design has been a critical element of social policymaking, waives on the issue of continuity. While he argues that the ‘workfare approach’ of the Orban administration did not emerge in a vacuum, he does not pinpoint from where it emerges (31).
initial employment policies built in means for cooperation across ministries, among social
partners and even between the government and NGOs. All of these factors have contributed to
greater flexibility in the approach to addressing particular dimensions of unemployment through
active measures. The Public Employment Service (PES) in Hungary has consistently
implemented a wide array of measures included retraining; job-brokering; community works;
wage subsidies and youth programs. In 2002 about 20% of the unemployed were served by
these programs, which are generally considered a success (Ministry of Employment and Labour
Republic of Hungary 2003; 17-21). An example of a unique program in Hungary is the National
Employment Foundation (OFA), a government initiative to address regional employment
problems through coordination with local governments, social partners and NGOs. OFA was
established in 1992 and during its first 10 years of operation financed and/or supervised over
2000 projects with over 12 million forint of public money. Its activities include direct assistance
to local government offices and NGOs, funding labour research, the organization of employment
companies for groups facing redundancy and managing shareholder rights of the state in
employment agencies dedicated to employing the disabled (OFA website and interviews at OFA
June 2003). According to its directors, OFA has wide latitude over its agenda – about 90% of its
plans for 2003 were accepted by the National Labour Fund after review (Interview with Vice
President Gelenčšer, June 2003). Its programs, which involve the development of what they call
a ‘secondary economy’ or artificial employment companies, have been accepted by both left and
right governments alike (Interview with VP Gelenčšer and Dr. Rudolf Valenti, OFA, June 2003).

Governments in the Czech Republic, Hungary and Poland have all confronted the
challenge of restructuring their approach to employment and unemployment in the 1990s and

133 This compares to the limited types of programs that job centers implemented in the early 1990s in the Czech
Republic. See Appendix 2 for comparisons of the organization of Employment Services in the three countries.
2000s. On the one hand, pressure to do so has derived from the economic situation itself. As argued in Chapter 2, these countries have faced similar challenges to one another and increasingly to those in advanced industrial countries as well. On the other hand, pressures have also come from supranational organizations such as the IMF, World Bank, OECD and European Union, each of which prescribes a particular agenda for addressing contemporary employment issues in the post-socialist context. I argue here that one reason why these three CEE countries have responded differently to these common pressures has to do with the bureaucratic infrastructure for addressing unemployment that was developed immediately after regime change. Poland’s weak record on re-employment measures and continued reliance on passive benefits is attributable to the strict separation of employment and social policies in the ministries which resulted in a low level of attention to coordinated employment policies. In the Czech Republic, moderate success with re-employment policies and coordinated approaches combine with well-targeted welfare programs for the least well off. These tendencies reflect the prioritization of employment in initial policies and the strong role of the Ministry of Social Affairs in retaining a welfare state. Finally, in Hungary the tendency to minimize supports for the least well off among the unemployed while continually enhancing and diversifying active measures is linked to the approach to employment envisioned in the 1991 Employment Act. The following two sections consider how these outcomes have also been shaped by political parties’ and interest groups’ inputs on policy reforms.
Political Parties and Unemployment

Parties and party systems have evolved very differently across Central and Eastern European countries since the collapse of Communism. In the previous chapter, it was pointed out how the evolution of left and right parties in Poland, as well as the cleavages defining political debate, have shaped discussions on unemployment. Similarly, in the Czech Republic and Hungary, policy reforms in this area reflect party preferences and the discourse in which they choose to engage. In terms of ideology, organization and historical predecessors, left and right parties have created unique identities in each country. The Czech case is one where cleavages between the parties have been based on traditional socio-economic issues to a much greater extent than in either Hungary or Poland. Both parties have defined themselves as the bearers of distinct views on the role of the state in the economy and welfare, which brings issues such as employment well to the fore. The substance of debates between the parties has led to comprehensive state interventions in employment. Yet, there is evidence as well that strict self-definitions in these terms may also stymie the debate and ultimately slow down the process of adjustment to the nuanced problems in contemporary condition. Hungary resembles Poland in the sense that the left Social Democratic Party (HSP) is a post-communist party that has made liberal economic and social policies key components of its agenda. However, the HSP competes on different terrain. The right-wing opposition in Hungary is in many ways dissimilar from the Solidarity led party in Poland. FIDESZ evolved over the 1990s into a party that is mainly nationalist in its orientation. More so than in Poland, the right has adhered to a platform grounded in conservative moral principles and commitment to the average or ‘middle class’ Hungarian citizen. These divides have left little space for either party to commit to broad social
supports for the poorest members of society, many of whom are ethnic minorities. At the same
time, the main parties' agendas both support moving in a direction toward more active measures,
albeit for different reasons. These factors help to explain the direction of reforms described
above.

Since the original drafting of social policies by the Civic Forum, reforms in the Czech
Republic have been carried out under the leadership of two main parties. The Civic Democratic
Party (ODS) headed by Vaclav Klaus formed the parliamentary majority between 1992 and 1998. ODS is a right-wing party that has largely been defined by Klaus' strong adherence to neo-liberal economic policies. The political identity of the party is rooted in liberal economic
principles; minimal state intervention, low taxation and reduction of the bureaucracy. Following
from these principles, social policy has been a low priority for the ODS. The Czech Social
Democratic Party (ČSSD) has led parliamentary coalitions since 1998. Unlike the Social
Democratic parties in Poland and Hungary, the ČSSD is not a direct successor to the Communist
Party. The party traces its roots to one of the oldest Social Democratic Parities in Europe,
established in 1872. These roots have given the party a particularly strong social democratic
identity in the European sense and hence a clearer vision of the welfare state than its counterparts
elsewhere. Moreover, the fact that party has not had to focus as much on distancing itself from
the Communists has permitted a lesser emphasis on liberal ideas. Four other parties have been
junior partners in coalition governments. The Christian Democratic Union (KDU-CSL) is a
centrist party that has generally found common ground with the ČSSD on socio-economic issues,
although it also runs on a socially conservative agenda. Other parties include the Freedom Union

134 About 6% of the population in Hungary are Roma. I do not discuss the situation of the Roma in much depth in
the dissertation, but the fact that they are so prominent among the long-term unemployment and long-term
impoverished has certainly influenced political debate. A 2001 World Bank study showed that 53% of the Roma are
in long-term poverty compared with 7.5% of the population as a whole (4% of the non-Roma population). Labour
force participation rates among Roma men of prime working age are usually estimated to be in the 20% range.
(US-DEU) and Civic Democratic Alliance (ODA), both break-off parties of the ODS touting a strong neo-liberal economic policy and liberal social policy. Finally, the Communist Party of Bohemia and Moravia (KSČM) is a direct successor to the KSČ and holds a relatively unreformed platform, emphasizing strong state control of the economy.

A critical element in debates over unemployment policy in the Czech Republic has been the ability of the ČSSD to offer a legitimate agenda for restructuring the welfare state in light of economic developments. In contrast to their counterparts in Poland, Social Democrats put forth a comprehensive program for coping with unemployment at the very beginning of post-socialist reforms. This has set the tone for subsequent debates in the sense that they have not solely centred on the size and scope of benefits, but rather have focused on a broad array of policy measures. As mentioned above, Klaus’ right-wing government embraced the approach to employment that had been established in the early 1990s. This was surprising given the ODS’ stated commitment to minimum state intervention and the creation of a ‘market without adjectives.’ One reason for its acceptance may have been the strategic value of reducing social hardships while the ODS pursued harsh economic reforms, as Orenstein argues (Orenstein 2001). The problem with this argument is that the approach to employment was actually a component of the broader economic strategy in that it affected the pace of restructuring, currency values and wages. Klaus’ continuation of employment policies may have been strategic, but it is incorrect to perceive these policies as merely a backdrop to the economic reforms on his agenda. Rather, to understand the party’s continuation of the employment policy, it is necessary to recognize the significance of the policy’s comprehensive vision and solid support among a contingency of dedicated social democrats. The situation can be compared to that in Poland where similar ideas about employment were put forth in the period of regime change, but without the benefit of a
social democratic base behind them (Interviews with Profs. Kowalik and Bugaj October/November 2002). The fact that in the Czech Republic, social democrats could ground their ideas in an historically legitimate ideology and organization affected the completeness and influence of their vision a great deal.

Although the Klaus government did not pursue an alternative employment policy, it did introduce several reforms. Legislation in 1993 reduced unemployment benefit replacement rates and tightened restrictions for benefit receipt. These changes were implemented with minimal protest, at least partly because they did not affect the main thrust of the system in place. The crux of this system was the application of a broad array of measures and a central role for the state-run job centres. The ODS reforms were legitimated by the argument that benefit restrictions created an incentive for employment, which was readily offered by the job centres. Tightening conditions for benefits depended on the effectiveness of the job centres in monitoring benefits and relied on those centres to provide employment opportunities. At the same, these reforms were perceived by some as facilitating the central task of the centres to push people into re-employment. In these ways, the ODS reforms did not represent a radical departure from policies in place. Moreover, while replacement rates for the unemployed were reduced, minimum benefit amounts were increased and a guaranteed social minimum was retained. Other reforms by the ODS government included the extension of benefits to new groups of citizens who did not meet the previous requirement of 12 consecutive months in unemployment. This reform made benefits available to people who were studying, in military or civil service, caring for infants or looking after disabled family members. Again, these reforms fit in with the established policy line.

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135 Job centre directors were said at the time to have not objected to tightening benefits since one of their main problems was getting people motivated for job searches. This was reported to me anecdotally and is mentioned in a press release as well. See CTK Business News 1994-06-14.
The year 1997 was a watershed in the Czech Republic with the onset of a currency crisis, economic downturn and increased unemployment. These factors opened the country to greater scrutiny by supranational organizations and more critiques by domestic liberals on the extent of the welfare state. Parliamentary elections in 1996 had given the ODS a slim lead over the ČSSD. To form a government, Klaus’ party entered a coalition agreement with the Christian Democrats and ODA. The coalition pushed for austerity measures that included a further 10% decrease in unemployment benefits, lowered spending on unemployment and scaling back of other social supports. These changes represented the type of state withdraw that might be expected from neo-liberal and libertarian political parties. Several changes were pushed through in 1997, but not without considerable resistance and the rapid fall of the government. By 1998, Klaus’ government was replaced by a caretaker government under Josef Tosovsky, former head of the Central Bank. Tosovsky promised to halt further cutbacks and to focus on “where active government policy can effectively complement the work of market forces (BBC Monitoring 28 January 1998).” Additionally, Tosovsky committed to increasing the subsistence level and working with the social partners on a new employment law. Parliamentary elections later in 1998 were largely fought over the extent of the welfare state. The ČSSD gained a sufficient percentage to form a new government.

Political battles over social policy since the late 1990s have centred on whether the European-style welfare state that was partly fashioned in the years after regime change is sustainable in a contemporary economy. Supranational agencies have argued that reform of social policies is vital for the country’s economic future.\textsuperscript{136} The OECD, which has been among the most vocal commentators on the situation in the Czech Republic, suggests reducing the size

\textsuperscript{136} There are many examples. Czech A.M. reports in 2000 (07 April) that the World Bank issued a study stating that the criteria for receiving state support in the Czech Republic is too relaxed. The same year, the EBRD released a report calling for urgent reforms of welfare “which erred on the side of generosity (Prague Post 22 November 2000).
of the welfare state and lowering benefits, especially for unemployment, in order to prevent
social dependency. These sentiments are echoed in liberal newspapers (Hospodarske Noviny
among them) and by economists and right-wing politicians.\textsuperscript{137} The left has responded with a
defence of the ‘welfare state’ and since gaining the lead in parliament has consistently expanded
state-led and state-funded policies and programs. One result of this has been the preservation of
the basic elements of social policies implemented in the early 1990s. In the case of
unemployment policy specifically, the ČSSD-led government has revitalized many of the key
components of the policy promoted in the early 1990s, with its heavy emphasis on particular
active measures and a central role for the job centres. The National Employment Program (NPZ),
first proposed in 1998, has met with the approval of the European Union and is considered
among Czech officials to be a continuation rather than a departure from previous policies.\textsuperscript{138}
Where the Czech program is notably weak, however, is in decentralization and diversification of
labour policy and in coordinating with non-state actors such as the social partners and NGOs.\textsuperscript{139}
These weaknesses in many ways reflect the fairly rigid positions of the left and right in the
Czech Republic and the focus of debates specifically on the role of the state.

\textsuperscript{137} In recent parliaments, the ODS and often the ODA and US as well have pushed against efforts to increase
benefits and spending on unemployment. ODS politicians often make the argument that conditions in the Czech
Republic do not resemble those after WWII hence it is unrealistic to pursue a European-style welfare state (see, for
example, ODS Minister Martin Riman in Hospodarske Noviny 17 September 1999.

\textsuperscript{138} In my interviews with Czech officials and experts, a consistent statement was that the EU Social Charter and
social recommendations had little substantive impact on policy both because it did not mandate significant
legislative changes and because national social and employment policy already cohered with EU objectives. Upon
signing an agreement with the EU on employment policy (the Czech Republic was the first to do so in 200), Labour
Minister Spidla stated that the document did not require any change in “the current concept of employment and only
means further development of the orientation which the Czech Republic chose at the beginning of the 1990s (CTK
Daily 05 November 2000).”

\textsuperscript{139} By diversification of labour policy, I mean involving a wider range of actors within and outside government at
both the state and local levels. For example, educational institutions are often left out of the discussions on
unemployment; a full assessment of skill supply and demand to underpin more focused education policies has not
been undertaken; and regional development policies as means of addressing long-term employment issue have not
been emphasized. These observations about what is not occurring in discussions of unemployment come from
thorough reading of the press, interviews and discussions in the Czech Republic.
Czech policymakers began to confront the realities of contemporary unemployment only starting in the late 1990s. Pressures to do so came from circumstances such as rise in long-term unemployment and noted concentration of unemployment by age, region and skill.\textsuperscript{140} In this period as well the government confronted for the first time serious budgetary constraints as a result of increased demand for unemployment benefits.\textsuperscript{141} Accession to the European Union in 2004 has also forced the government to evaluate its employment policy during this period. The response to these pressures has been to fall back on familiar solutions; limited active employment measures, a strong role for state-run job centres and retention of generous social benefits. I argued above that these solutions are selected largely because the institutions that support them have been strong actors in the policy process. The choice of these solutions is also bolstered by the nature of party competition in the Czech Republic. Neither of the two main parties nor any of their coalition partners have an alternative vision for coping with unemployment. Other ideas such as increasing the focus on education and training, involving local governments or social partners in training and job creation measures, or working with NGOs have been posed but rarely pursued by political leaders.\textsuperscript{142} In fact, the debate between political parties in recent years has become even more poignantly focused on the central state

\textsuperscript{140} Not only do these conditions become more acute at this time, but they also feature more prominently in the press as matters of public concern especially starting in 2000.

\textsuperscript{141} In 1999 and 2001, spending on benefits exceeded the budgeted amount.

\textsuperscript{142} Some critiques of the government’s focus have been heard from within. For example, Tomas Spiroch, Head of Labour Affairs in the MPSV has criticized the government for its adherence to “the same old solutions of company subsidies, community work, business support and limited retraining (Prague Business Journal 18 March 2003)”. Suggestions for focusing in these areas are also often made by supranational organizations. For example, an OECD report in 2002 criticized the non-directed spending on education and imbalance of programs favoring the unemployed over the working poor (OECD 2002). Right-wing parties, in particular the Freedom Union (US), have proposed redirecting more funds allocated to active measures directly to universities and/or the Education Ministry. The idea would be to encourage educational institutions to take initiatives toward preparing students for the labour market on their own (CTK 13 March 2000). Such proposals rarely receive wide support in parliament. The government has also made a few small concessions to NGOs by setting aside funds to support their activities. It is difficult to find out much information about these funds. The fact that there has been little press coverage and few studies suggests that these funds may not be very significant or well utilized. During my interviews, no one mentioned working with NGOs as a priority and when asked about the funds usually had little information.
government as the key actor in employment policy. This is due largely to the leading role of the ČSSD as well as to the anti-state position staked out by the rightist opposition. Another factor is the popularity of the Communist Party, which holds 10% of seats in parliament and offers an alternative to voters in favour of preserving the ‘welfare state’ if Social Democrats fail.

The ability of social democrats to shape Czech policies on employment and unemployment in recent years has strongly affected the character of those policies. Reflecting the values that underpinned legislative changes during regime change, party leaders have made full employment an explicit policy goal and have argued in favour of making employment a central part of economic policy (CTK 04 May 1999). Discussing the first draft of the National Employment Plan, Labour Minister Vladimir Spidla explained that: “The goal of the national plan is to make employment policy one of the main issues of our economic long-term policy. We want the employment situation to be a determining factor in every decision made (Hospodarske Noviny 1998-12-03).” Party leaders have also emphasized the role of job centres in implementing an active employment policy and have achieved a significant increase in spending directed toward specific active measures. 143 To address regional employment problems, policy has focused on state-directed subsidies and targeting of funds, rather than enhancing local involvement and decision-making. 144 At the same time, the current government has pursued a

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143 While opposition right-wing parties have objected to increases in spending and increases and expansions of benefits pushed by the left, there continues to be agreement on reinforcing the role of active measures. A bill passed in May 2004, for example, included extending benefits for longer periods to older unemployed persons and permitting increased earnings while collecting benefits. The bill also gave job centers more leeway for denying benefits to those who refused to take up public work or sufficient employment offers.

144 Increasing subsidies to businesses for job creation has been a consistent theme of the CSSD government. In April 2004, for example, Labour Minister Schromach called for a 200,000 kc subsidy to firms located in high unemployment regions for each new job that they create. The extent to which the Czech government has relied on centralized state-run schemes to address regional unemployment was emphasized to me in an interview with Marek Jetmar at the Czech Ministry of Regional Development (7 June 2004). He provided a list of programs that applied uniform measures across regions despite significant differences in the types of problems that regions confront. Jetmar also mentioned that this uniformity and centralization has been an issue of contention with the EU.
steady increase and expansion of unemployment benefits.\textsuperscript{145} It has been with regard to this part of its policy that the most reference to ‘preserving the welfare state’ has been made. Thus, as a means of reducing the ‘gap’ between wages and benefits, which many experts perceived to be de-motivating the unemployed, the government increased wages as well as benefits rather than sacrificing the latter. The tendency of the current government to emphasize the ‘welfarist’ and ‘statist’ aspects of employment policy is met with calls from the right for retrenchment, reduced spending, lower taxes and a more flexible labour code.\textsuperscript{146} These two positions, which emanate from the central tenets of both parties, have resulted in a degree of stagnation in debates over unemployment that makes it difficult to bring in new policy ideas.

The political party system in Hungary has evolved differently than in either Poland or the Czech Republic. In the first multi-party elections of 1990, the Hungarian Democratic Forum (MDF), led by Josef Antall, emerged as the victor with 40% of the votes and formed a coalition with two small conservative parties. The MDF was a loose coalition of far and centre right parties that effectively disintegrated after Antall’s death in 1993. Since then, the political scene has been increasingly dominated by two major parties; the Hungarian Socialist Party (MSzP) on the left and the Federation of Young Democrats (FIDESZ) on the right. The MSzP formed the government in 1994 and again in 2002. Like the SLD in Poland, the MSzP is a successor party to the Communists and hence went through a similar process of rejecting past values and re-

\textsuperscript{145} Since 1998, the subsistence level has been raised five times, minimum wages were increased to above subsistence in 1999 and subsequently increased again (although they are still about 35% of the average wage compare to 68%, which the EU argues should be the norm), maximum unemployment benefits have been increased, durations have been expanded for people over 50 and permission for earnings simultaneous with benefit receipt has been extended. Notably, just as the heads of job centers supported benefit decreases under the ODS, they have tended to object to increases for the same reasons; they argue that it is difficult to persuade recipients of benefits to seek employment (comments from Zdenek Prouza, head of Ostrava job center and Petr Kutej, Mayor of Vitkovice in CTK 07 March 2000).

\textsuperscript{146} Debates over unemployment have become more heated in 2004 than ever before. Increasingly, the ODS has pitted itself against the entire approach of the CSSD, blaming the party for the continued high unemployment rate. In 2004, the ODS has emphasized lower taxes as its central policy for reducing unemployment.
establishing itself as a liberal, pragmatic and modern party. As Grzymała-Busse points out in her research on parties, however, the MSzP paid more attention to the ill effects of the market economy, at least partly because it was functioning in an environment of high public support for redistributive efforts (2002: 172). Moreover, because parties on the right were identifying with strongly nationalist and traditionalist values, the MSzP could fashion itself largely as a modernizing party. In this way, it has appealed to both the ‘losers’ and ‘winners’ of economic reform. FIDESZ, which formed the majority in parliament after the 1998 elections, started out as a liberal party but rapidly shifted to a more conservative and nationalist position. Doing so has brought it tremendous popularity and it continues to be a strong opposition in parliament. The evolving tendencies of these main parties has given rise to a cleavage in the political system that is focused on values more so than socio-economic issues. The fact that both parties have appealed to voters from a broad economic spectrum is indicative of this emphasis.

Two features of the political party system in Hungary appear to have strongly underpinned the direction of unemployment policies. First, the identification of the MSzP from the outset with a solid defence of the welfare state meant that there existed a coherent force for designing socially-oriented policies in the early years after regime change. Like the Czech case, Hungary can be contrasted to Poland in that the existence of a political grouping with an ideological basis for restructuring welfare led to a more focused approach to some welfare issues early on. Yet, the Hungarian case is distinguished from the Czech one in its orientation toward the Bismarkian rather than Beveridgean traditions of the European welfare state. The Bismarkian emphasis on contributory social insurance and support for members of society regularly in employment resonates with the conservative values adopted by the right. It also fits with the agenda of the Social Democrats, which have sought to at once show a commitment to
redistribution and valuation of liberal principles such as a reduced state role. Hence what have survived as consistent elements of employment policy in Hungary are reasonable temporary benefits for the unemployed and a negotiated and inclusive approach to policy implementation.

It is frequently argued that social policy in Hungary has been extraordinarily influenced by international agencies, especially the World Bank and IMF (Borbély 2001; Ferge 2001). Both of these organizations called in the early 1990s for broad-based cuts to social programs including unemployment benefits, and neither emphasized institution building.\textsuperscript{147} Yet, it is important to note the World Bank was actually tepid about the extent of retrenchment to social policies pursued at the time and these were fervently opposed by the EU and UNICEF (World Bank 1996, xv; UNICEF 1997, 100; Brusis 1998). Moreover, claims that the interests of these organizations overwhelmed domestic factors have mostly focused on the period between 1994 and 1998, when the MSzP led government of Gyula Horn implemented fiscal austerity measures. As I argue above, however, the social reforms that were made as a part of these measures were not as discontinuous as is often assumed. I showed above that the institutional design of policies facilitated the specific reforms selected. Those choices were also underpinned by the predilections of the MSzP itself. The argument that international agencies had undue influence over policy rests on the notion that the reforms superseded party interests and values. But Horn’s party had restructured not only as a party of redistribution, but also as one that would pursue liberal economic principles. The MSzP had a strong liberal wing that was strengthened by the party’s junior coalition partner, the Alliance of Free Democrats. In this sense, recommendations from the IMF and World Bank resonated and reinforced values that were already a part of the party platform. Furthermore, the essence of employment policies that MSzP members had helped

\textsuperscript{147} The World Bank’s policies changed in the late 1990s after intense criticisms of the Washington Consensus. A report of the World Bank in 2000 called on Hungary to focus on poverty and criticized shortened unemployment benefit periods.
to build in the early 1990s were not undermined by the measures proposed. The cuts to regular unemployment benefits at the time were minimal and the emphasis on a diverse active approach was continued.\footnote{This is not to say that party members were complacent about the cutbacks to social policy. By most accounts, the reactions were mixed, with many members finding these cuts unpalatable. But, with regard to unemployment policies, there was reasonable support for the agenda pursued. The Labour Minister at the time, Magda Kosa-Kovacs said during an interview that further cuts to unemployment benefits were suggested but rejected by the party. Policies such as reducing benefits for school leavers had her strong support (Interview with Kosa-Kovacs June 2003).}

The most significant changes to unemployment policies occurred under the FIDESZ government between 1998 and 2002. As described above, reforms involved cutbacks to unemployment benefits, elimination of Unemployment Assistance that had once been offered after benefits were expired, and increased requirements for participation in public or other work schemes for benefit recipients. These reforms on the one hand were a response to specific problems that this government confronted; low participation rates; pressures to reduce social expenditures and a growing problem of long-term unemployment. On the other hand, the particular emphases of these reforms clearly reflected party values. It is incorrect to interpret FIDESZ’s reforms as economically necessary or forced by external agencies. Overall, social policies under FIDESZ were a mix of expansions, revisions and cutbacks; this diversity becomes more clear in the following chapter on family policies. Rather, the party’s reforms to unemployment specifically reflected its emphasis on promoting the interests of working Hungarian families or the ‘middle class.’\footnote{These phrases were party mantras used to justify both the expansion of supports to traditional families as well as the cutbacks to unemployment mentioned here. The significance of party ideology as a driving force behind its social policy decisions is emphasized in many party statements and was laid out clearly to me in an interview with former Minister of Social and Family Affairs Peter Harrach (June 2003).} By most accounts, FIDESZ’s shift away from passive support to the unemployed hurt the poorest members of society, including the impoverished communities of Roma (Ferge 2001). Yet, its reforms cannot be pigeon-holed as following a broader ‘neo-liberal’ agenda because they were clearly based on different principles.
and did not entail a withdraw of the state in the sense that institutions for implementing active measures were enhanced. Nor did reforms blindly follow the recommendations of external agencies. By the late 1990s, the EU was the most influential of these agencies. Yet, when the FIDESZ government ratified the Social Charter, it refused to sign the chapter on social security because it called for continual increases in unemployment benefits (statement by Csaba Öry, State Secretary of Social and Family Affairs, BBC News 01 July 1999).

In the 2002 parliamentary elections, the MSzP won the majority of seats by a narrow margin and formed a coalition government again with the Alliance Free Democrats (now a much less influential party). The elections did not see the type of divide between left and right on welfare issues that one might expect. On the contrary both major parties, FIDESZ and the MSzP campaigned on fears that the other would diminish social benefits. FIDESZ roused fears that family and housing supports as well as tuition fees would be terminated by a Socialist government. On its part, the MSzP argued that FIDESZ had ignored the poor and promised an expanded welfare state. With regard to unemployment, the MSzP in office has yet to make any major policy changes. Although the ministry system was re-arranged with the Ministry of Labour re-established, the basic elements of the system have remained the same. The emphasis of policy continues to be on diverse active measures that involve a wide range of actors, with less attention to social supports to those who fall out of the unemployment benefit system. In 2004, the MSzP has announced that it is drafting a ‘new social democratic strategy’ (BBC 2 March 2004; BBC 6 July 2004). The strategy appears to revive many of the ideas that underpinned the Employment Act of 1991. It includes ‘the principle of fostering work’ as a primary element and also calls for the introduction of a guaranteed social minimum. A wide range of methods for fostering work

150 There was in fact a slight re-centralization of state control over employment policies under FIDESZ. However, decentralization was not reversed and the partly independent organizations discussed above were retained.
are envisioned including incentives to businesses, targeted retraining and supplements to newly employed persons to help with transition expenses such as housing, clothing and transportation. Again, this approach builds on and reflects the specific values of the restructured socialist party.

In sum, the way that political parties in the CEE countries have refashioned themselves in the post-socialist period has significantly contributed to the direction of unemployment policies. Party ideology has been an important determinant of whether and to what extent a country pursues recommendations from various supranational agencies. The Czech Republic, for example, embraced the EU’s employment approach early and with little hassle because this approach already reflected the values of the Social Democratic party in office during the accession period. Likewise, the specific nature of parties and party competition in each country has shaped their responses to the similar challenges arising in contemporary economies. The claim that the left and right are becoming increasingly undifferentiated and hostage to uniform solutions to policy challenges does not hold in the cases examined here. Left parties in all of these countries have defined their aims and agendas in an era when the ‘traditional’ bases of left parties everywhere are in question. For different reasons, including whether they were successor parties to the Communists and/or had an historical tradition to build on, left parties in the CEEs have chosen different bases of their identity and social strategy. How they have addressed the issue of unemployment reflects these differences; specifically with regard to the balance between active and passive measures, supports for the long-term unemployed, the role of the state and the range of actors involved in designing and implementing policy. The way that parties on the right have redefined has also been significant. Right parties that have made socio-economic values central in their platform, such as the ODS in the Czech Republic, have pushed for minimizing benefits where possible, although they have also made social policy a lower priority than
economic issues. For right parties that identify more on values, social policy is central. Thus, FIDESZ promotes an approach that looks partially like retrenchment, but in many ways increases the state’s commitment to the welfare of certain constituencies.

Interest Groups and Unemployment Policy

Interest groups representing workers and employers in the CEE countries have struggled both to stake out positions on unemployment policy and to assert their authority in the policymaking process. Neither unions nor employers’ groups can look to their counterparts in Europe for a clear model of a position to take on this issue. Unions in the post-socialist countries have confronted a double challenge of figuring out their role in a capitalist economy (see Pollert 2001) and doing so in a period of unprecedented labour conditions. For unions in these and other countries, unemployment affects constituencies that have not traditionally been their focus. Addressing the unemployment problems in contemporary economies entails not only providing adequate insurance to help workers through temporary periods of joblessness, but a range of social supports and re-activation measures. Moreover, advocating for the unemployed might create contradictions for unions that mostly represent workers in the industrial sector. This occurs when job creation involves labour code or wages reforms that conflict with the interests of protecting existing jobs or when state resources must be allocated either toward preserving existing jobs or encouraging new ones. Employers also cannot rely on historical precedents to guide their approach. On the one hand, the relative weakness and quiescence of modern unions gives employers much less incentive to negotiate on social issues than was the case in previous periods. From this perspective, employers might take the view that the optimal unemployment
policy is the pursuit of economic growth and minimization of state intervention. On the other hand, employers have good reasons to support unemployment policies that involve loosening labour regulations, improving the skill level and adaptability of the labour force or providing state subsidies for job creation. Across the CEE countries, interest groups have responded to the unemployment problem in very different ways.

In the previous chapter, I argued that the direction of unemployment policies in Poland is partially explained by the limited scope of tripartite consultation with the social partners. Additionally, unions’ slow pace of internal reform, close ties to political parties and the unyielding positions taken by employers’ groups have reinforced tendencies established in the early 1990s. The stances of interest groups have shaped the debate over unemployment and the degree of centralization in these groups has reduced prospects for cooperation on employment issues at the local level. In the Czech Republic and Hungary, interest groups had different roles in regime change and have taken unique paths of restructuring during the post-socialist period. In both cases, tripartite consultation covered general economic policy and broader socio-economic issues, which was not the case in Poland (Avdagic 2003; Hausner 1996; Orenstein and Hale 2001). This has especially been true in the Czech Republic, where a strong role for the tripartite body was established during the period of regime change and re-established again after 1998. The Czech case is also distinguished by the relative strength of unions versus employers’ groups, a fact that can help to explain the higher level of welfare provision in general. Unions have also been highly involved in the design of unemployment policy and the implementation of active labour market policies in the job centres (Nesporova 1999). In Hungary, although tripartite consultations were considerable during the period of regime change, governments since have tended to minimize the role of the social partners in national policymaking. It seems, however,
that being pushed out of central decision-making has compelled both unions and employers’
groups to focus on internally restructuring to meet current challenges more so than in the other
two countries. This has contributed to the coordinated and diverse approach to resolving
unemployment observed above.

Trade unions played a crucial role in policy reform in the Czech Republic. The most
important organization was the successor to the Communist era union confederation Revoluční
odborové hnutí (ROH), the Czech and Slovak Confederation of Trade Unions (ČSKOS). In
1993, the Confederation of Czech and Moravian Trade Unions (ČMKOS) was established as the
successor to ČSKOS in the Czech Republic. From the outset, the trade union movement avoided
fragmentation and focused on establishing a role for itself in the post-socialist context. Unions
also held firm to a position of neutrality toward political parties, in stark contrast to Poland.
ČMKOS has remained the strongest organization in the Czech Republic’s highly centralized
union structure, representing 80% of all unionized employees. As of 2004, ČMKOS was an
umbrella organization comprised of 34 member unions. Its primary activity has been
participation in national tripartite consultations and hence it has retained a strong central
administration to work with government on a range of issues. ČMKOS has made promoting
social partnership a key feature of its post-socialist identity (Kahancová 2003: 7, Casale, et.al.
2001). Although the union movement has remained unified at the national level, steps have also
been taken to decentralize. As early as 1991, ČSKOS established regional representative
organizations, which have recently been strengthened in efforts to focus specifically on the issue
of unemployment (Casale, et.al. 2001).

The ability of the unions to remain strongly unified and neutral towards all political
parties has likely contributed to the government’s reaction to them (Avdagic 2003). In the first
years after regime change, the conservative government chose to give unions a significant role in determining the overall direction of socio-economic transformation. As explained above, in exchange for wage restraint, unions received concessions in social policy that have defined the welfare system in the Czech Republic ever since. Although membership in unions has declined considerably in the Czech Republic, ČMKOS has retained strength from establishing its position in national policymaking early on. Consultations in the tripartite body continued even through the period of Klaus’ liberal government, although their impact was slightly weakened. During the period of austerity measures following the currency crisis of 1997, the government turned back to unions for support in the belief that union approval was necessary to ensure social peace (Casale, et.al. 2001). Since 1998, the role of the tripartite has been considerably strengthened. Yet, despite the fact that a presumably labour-friendly Social Democratic government has been in power, the unions have retained their distance from the party. Specifically on the issue of unemployment in recent years, the unions have often been critical of government proposals and have pushed for specific policies.

The continued ability of unions to influence government policymaking does help to explain the comparatively generous welfare benefits that have been retained in the Czech Republic. Throughout the 1990s and 2000s, unions have pushed against benefit declines, often threatening and sometimes carrying out significant strike action. They have repeatedly called for increased state action on the unemployment issue; in the current debate, their demands have included offering transportation and housing subsidies, increased spending on employment policy, and improved legislation to crack down on illegal employment (ČMKOS website and Interview at ČMKOS June 2004). This orientation of the unions and their focus on national-level policymaking appears to support the tendency toward state-led initiatives in unemployment.
policy. At the same time, another element of union strategy has been to strengthen their regional organizations and to support active measures through advisory councils in the job centres. By most accounts, unions have had some influence via these efforts. But again, the focus of their activities has been on strengthening the role of government institutions as the chief provider of supports for the unemployed. Where the unions appear not to have ventured is in evaluating potential of their own role in training and re-employment efforts. Nor is there evidence of any effective coordination with employers at either the national or regional level on evaluating training needs and strategies. In this sense, the orientation and emphasis of unions has been quite different than in the case of Hungary.

Employers’ organizations in the Czech Republic have been notably weaker than unions and highly centralized. The largest of them, the Confederation of Industry and Transport (SPCR) was formally established in 1992 and represents about 1600 mostly small (under 199 employees) manufacturing concerns. One other organization participates in the national tripartism, the Confederation of Employer and Entrepreneur Associations, which again represents mostly smaller firms. Their focus of these organizations has been almost exclusively on participation in national level social dialogue. Consequently, services to members are underdeveloped and regional representation is weak. The direct influence of employers’ organizations on unemployment policy has been minimal, although their passivity and overall weakness compared to unions likely helps to explain the more gradual process of labour code adjustment and minimal benefit and spending reductions.\(^{151}\) Interestingly, based on press reports and interviews

\(^{151}\) That employers’ organizations have been passive in the area of unemployment policy is based on both what I have heard and what I have read. Unlike in Poland, where the ferocity of employers’ groups in pushing for minimum labour standards and social support was mentioned repeatedly in interviews, their positions were hardly mentioned in discussions in the Czech Republic. Also, a review of press reports on debates over unemployment found very few statements about unemployment policy from these groups. There is also a general sense in the literature referred to in this section of a general weakness of employers’ organizations in the Czech Republic. Weakness is a difficult concept to quantify but low membership and low visibility in policymaking are indicative.
with SPCR, it appears that in responses to government proposals for combating unemployment, they have emphasized giving subsidies to businesses for job creation and retraining.

Commenting on the state budget for 2003, Director General of SPCR Liska complained that the budget lacked more money to support small and medium sized businesses, formulas for an active employment policy, support for research, and advocated that the budget give bigger support to exports and provide investment incentives (CTK Daily 14 October 2004). In an interview with the SPCR Director of Labour Relations, concern was expressed about the government’s tendency to overlook the needs of businesses for state support. Specifically, she spoke of enhancing employers’ ‘social responsibility’ by giving them the right tools to support employee training and development (Interview with Dr. Hejduková June 2004). These emphases are quite different from the strong push for state withdraw that was heard in Poland.

In Hungary, the post-socialist history of unions and employers’ organizations has unfolded quite differently than in either the Czech Republic or Poland. The Hungarian government was lauded in the early 1990s for developing a strong institutional framework for tripartite consultation (Ladó 1996; Tóth 1998). Although the scope of consultations has been narrowed and weakened over time, this framework has not been insignificant as it continues to provide a forum for social partners’ input on employment policy and labour codes issues. What never did occur in Hungary was a grander pact on socio-economic issues. Avdagic observes that agreements reached in tripartite negotiations in Hungary “are in essence income policy packages (2003: 11),” and have not touched on fundamental socio-economic policy as has been the case in the Czech Republic. Indications in the early 1990s and again after the election of Socialists in 1994 and 2002 that a broader social pact would be pursued have failed to materialize. In my conversation with former union leader and Minister of Labour (and current EU parliament member) Magda Kosa-Kovacs, it became clear that in the late 1980s all parties were ready to reach a broader agreement on
government completely bypassed unions when implementing its austerity measures and social cuts. Nonetheless, this government also retained the structures of tripartite body (the Reconciliation Council – ÉT). The FIDESZ government that followed took several measures to weaken unions’ role in national policymaking by reducing the functions of national forums. The current Socialist government has promised to restore the role of the social partners in policymaking but has not yet many any significant moves to facilitate broader input and agreements. However, to declare the social partners as ‘weak’ because of these exclusions overlooks the roles that they have played. While unions have accepted economic and social reforms that appear to be hostile to workers’ interests, they have mitigated these reforms, for example, by protecting social insurance for the unemployed and retaining certain protections in the Labour Code. Neither unions nor employers’ groups have been absent from political debate at any time in the period of post-socialist adjustment. And, to some extent, the result of their exclusion from some areas of national policymaking has been internal restructuring allowing them to shift their focus toward other efforts at mitigating unemployment.

After the collapse of Communism, the trade union organization in Hungary split such that six distinct groups have represented labour in tripartite and bipartite negotiations. Three of these are generally considered ‘successors’ to the Communist-era National Council of Trade Unions (SZOT) in that they were built up from organizations that belonged to it. They are the largest of the current organizations; the National Confederation of Hungarian Trade Unions (MSZOSZ), representing public and private sector workers; the Trade Union Co-operation Forum (SZEF) comprised of civil servants; and the Confederation of Autonomous Trade Unions (ASZSZ), representing chemical and public utility workers. Three other newly formed unions each have economic and social policy. Indeed, such an agreement fit into the conceptualization of gradual transition and the development of a ‘social-market economy’ that leaders were emphasizing.
less than 100,000 members; the National Association of Workers’ Councils (MOSZ); the Democratic League of Independent Trade Unions (LIGA) and the Confederation of Professionals’ Unions (ÉSZT), mostly representing higher education workers. The ‘fragmentation’ of the trade unions is commonly assumed to be a sign of their weakness. Avdagic argues, for example, that this fragmentation and infighting between the unions in the early and mid-1990s led successive governments to conclude that the movement was weak and hence could be excluded from policymaking (Avdagic 2001). Yet, the disagreements among the unions have mostly been with regard to organizational issues, such as the distribution of inherited funds from SZOT. On matters of national policy, the unions have often cooperated. At the same time, each organization has focused on matters of specific concern to its membership, much more so than has been the case in either Poland or the Czech Republic. With regard to unemployment, one upshot of this has been a focus on the re-education needs of employees in each sector. On this issue, the unions have also found a basis for cooperation with employers’ organizations.

As described above, the trade union movement in the Czech Republic in some ways adapted to post-socialist and post-industrial economic conditions by staking out a role for itself in national level policymaking. In Hungary, trade unions have not had as much of an opportunity to affect national policymaking, especially on broad socio-economic issues. To explain this, most analysts focus on government steps to exclude unions and conclude that the result has been a very ‘weak’ role for unions in Hungary’s economy. Another perspective, however, is that unions are adapting to circumstances in Hungary in a different way. Unions have not rejected the general path of economic reform nor have they pushed hard against social policy changes that have limited supports to the poorest. At the same time, they have also deliberately backed away
from close ties with political parties, allowing them to retain an independent position.\footnote{The independence of some of the Hungarian unions from political parties is occasionally debated. As discussed below, three of the six trade unions are direct successors of the Communist-era National Council of Trade Unions (SZOT). The largest of these successors, the National Confederation of Hungarian Trade Unions (MSZOSZ) appeared to have capitulated to the Socialist Party during the period of austerity measures especially when its notorious president Sandor Nagy sided with the government on the need for these measures and resigned to become a member of parliament. However, this is superficial evidence of union-party relations. Experts point out that unions began to restructure as early as the 1970s, orienting their activities toward representing workers interests in the national economy. This has served as a basis for the independence of unions since the collapse of Communism. \textup{Professor Lajos Hethy, a leading expert on trade unions and labour relations in Hungary argues that during the Socialist government between 1994-98, "...various ‘experts’ oriented by ideological bias accused trade unions of playing a “transmission belt” role, handing down the government’s political will to workers and so representing government policies at the expense of worker interests. In reality, Hungarian trade unions had abandoned this role as early as the 1970s (Hethy 1999: 8).}"

Throughout the post-socialist period, unions have focused on mitigating reforms on labour policy, especially those affecting work times and conditions, and availability of unemployment insurance. There is evidence as well that unions are orienting their organizations toward measures that help workers to adapt to current conditions of the labour market rather than toward protecting them from those changes. Because changes in the unions are ongoing and separate from one another, it is difficult to conclude decisively that this has been crux of union policy in the post-socialist period. Suggestions to this effect come from stated goals of the unions and their leaders, in personal interviews with the author and in the orientation of collective agreements. It is also not clear that unions have pursued a deliberate strategy of focusing on the activation rather than protection of workers. What is more likely is that this orientation has emerged as a matter of circumstance over time, with contributing factors being the fragmentation of the union movement and the failure of successive governments to give the social partners a broader role.

During discussions of austerity measures in 1995, unions led by the largest of them, MSzOSz, reached an agreement with the Horn government accepting that “in the current economy, there was little scope for increasing social spending or redistributing income (ILO 1995).” This marked a turning point in industrial relations in Hungary and on one level a dramatic weakening of union influence over the direction of socio-economic policy. Although
this event is often interpreted as a capitulation of unions to the demands of government and forceful international agencies, it also suggests that union leaders may have already been incorporating different ideas about their stance on social policy. In the discussion above, the position of the union-friendly Labour Minister Kovacs on the reform of programs for youth reveals her position at the time that a policy orientation toward activating employment rather than simply protecting the unemployed was necessary. In a personal interview with Sandor Nagy, the former head of MSzOSz who ‘defected’ to the government in 1995, he discussed the difficulties that unions confronted with regard to defending unemployment benefits as the numbers of people dropping out of the labour force increased dramatically in the early 1990s. Simply pushing for increased state benefits may have been ideologically appealing, but not necessarily pragmatic. The fact that unions were in fierce competition at the time could have conceivably contributed to some of them reassessing their approach. Also, the Employment Act itself, which was written with extensive input from the unions, incorporated both passive and active measures, recognizing the structural factors that would contribute to unemployment. The Act established tripartite control over the National Training Council, which until 1995 made all decisions about the allocation of funds for worker retraining. The fact that active approaches have been more emphasized in Hungary over time might be partially attributed to the prioritization of such measures, especially retraining, by many of the unions.

In a 2003 interview with Istvan Benkő at MSzOSz, he emphasized that dealing with unemployment was his union’s number one priority. But, he also stressed that their goal was explicitly not to do so by slowing down privatization, restructuring or the closure of factories. Rather, the goal was to make workers more prepared to work elsewhere and giving employers support to facilitate this (Interview with Benkő 2003). The interest of MSzOSz in retraining
policies has also been emphasized in a recent union congress (EIRO 2002), and in negotiations with the Interest Reconciliation Council over human resources reform. The theme that adequate retraining for union members had to be a focus of their approach to unemployment was heard during interviews with SZEF, ÉSZT and ASzSz as well. SZEF, which represents public sector workers has focused much of its energy on professional development for this group. President of SZEF Endre Szabó described various initiatives of the union to assess the skill base of their members compared to demand, and to focus on re-skilling groups as necessary (Interview with Szabó 2003). He gave one example of Russian teachers who were in abundance after the collapse of the Communist regime. During its recent congress, SZEF urged the government to involve unions more in schemes that facilitated life-long learning in the workplace and to ensure public funding to allow unions to further develop their own training capacities (EIRO 2003; SZEF website). The Secretary General of ÉSZT have refocused their efforts from national policy to thinking through the broader effects of economic change for their members, most of whom work in research and higher education (Interview with Bank 2003). This is not to say that union leaders have put aside the goal of gaining greater say in broader socio-economic policy. However, the emphasis of the unions on retooling workers and dealing with new labour demands is indicative of a re-thinking of their role that is not nearly as evident in either the Czech Republic or Poland.

Another factor that distinguishes Hungary in debates over unemployment is the structure and role of employers’ organizations. In contrast with the Czech Republic, these organizations have been strong players in tripartite consultations and debates over employment policy generally. Their positions on key issues have in many ways paralleled those of employers’ groups in Poland. This has been especially been the case with regard to the Labour Code, where
they have pushed hard for deregulation and on the issue of social taxes. However, the system of employers’ organizations is far more fragmented than is the case in Poland with X employers’ organizations formally participating in social dialogue. And the fact that, like the unions, their role in policymaking was diminished over the 1990s, also appears to have contributed to a degree of internal restructuring and introspection. In interviews with employers’ organizations in Hungary, a persistent theme was assessing the supply and demand of labour, and working with other social partners on retraining. Another theme was reviewing Hungary’s capacity for research and development. Both of these themes were heard from representatives of the largest employers’ group, the Confederation of Hungarian Employers and Industrialists (MGYOSZ). Early in 2003, MGYOSZ presented the findings of an evaluation of employers’ needs to Labour Minister Peter Kiss in an effort to influence government retraining policy. Unlike in the Czech Republic, their demands have not focused on government supplements to employers, but rather to generally coordinating reforms in vocational and professional education. The Managing Director of the National Confederation of Hungarian Contractors (EVOSZ) also pressed on the issue of training. Not only does EVOSZ want better coordination of vocational preparation for workers in the areas of concern to employer-members (construction and contracting firms), but they have also initiated many such schemes on their own accord (Interview with Janos Nagy April 2003). The President of the Hungarian Association of IT Companies (IVSZ), which represents about 85% of the IT sector, also mentioned skill development of middle level technicians as one of the most pressing matters with which the organization attempts to work with government (Interview with Ákos Reszler June 2003). What these concerns reflect is rather a broader rethinking of employers’ long-term position in the economy. This is different from Poland, where employers have given far greater emphasis to
issues which can be interpreted as affecting their immediate bottom line – deregulation of the labour code and reducing taxation and expenditure.

The way that interest groups have restructured internally and their influence in policymaking has underpinned distinct unemployment strategies in each of the three CEE countries considered here. In Poland, the close ties between unions and parties have in many ways stymied internal restructuring and hence creative thinking about unemployment policy. Unions and employers’ groups have held firm to black and white views on how to best deal with the unemployment situation. Unions push for protection of workers and minimizing social supports, but their influence has often been diminished because of close ties to political parties promoting neo-liberal economic reforms. Employers’ groups focus their energy on policies believed to facilitate economic growth and minimal state interference with business operations. These stances have supported a liberal approach to unemployment focused mainly on benefits. The social partners have had more influence over policies generally in both the Czech Republic and Hungary. A revitalized trade union organization in the Czech Republic has pushed for greater state intervention and both unions and employers’ groups have tended to emphasize state-led employment initiatives. These tendencies appear to support the ‘welfarist’ orientation of social policies in the Czech Republic, as well as the lesser focus on issues such as retraining, research and development. In Hungary, the exclusion of the social partners from discussions of broader socio-economic strategy can perhaps help to explain why employment policies have been focused on reacting to rather than preventing unemployment trends. Yet, the lesser scope of involvement on behalf of the social partners has not entailed their exclusion altogether. Employment policy in Hungary reflects pressures from unions especially on areas such as the labour code, interest reconciliation and maintenance of reasonable replacement rates for those
who have unemployment insurance. Moreover, the distance of interest groups from the government and political parties may help to explain why they focused more so than other places on the interests of their members, the result of which are more directed and coherent policies in retraining and other active supports.

Conclusions

Data in Chapter 1 of the dissertation showed that the social protection systems put in place in CEE countries since the collapse of Communism have very varied characteristics. Chapter 3 and the current chapter have reinforced those observations by looking closely at a single policy domain – unemployment policy. In this area, Poland has mainly relied on policies that are passive and nominally targeted; that is focused on providing benefits for the poorest. Corresponding to the general data in Chapter 1, the study of unemployment policy in Poland showed that although the legislated amount of benefits are relatively high, the system is not very redistributive, a phenomenon likely explained by inefficiencies in provision. Comparatively, the Czech Republic and Hungary have implemented broader policies for unemployment than Poland. The Czech case is one where unemployment policy has been an integral part of the general economic development strategy, resulting in an emphasis on a strong role for the state. Policies have been a mix of limited active measures coordinated by state institutions, and minimal and tightly regulated benefits backed up by a broad range of supports for the long-term unemployed. As was shown in Chapter 1, the system is generally efficient and redistributive although increasingly relying on passive supports for the poorest. Finally, in Hungary, unemployment policy has been consistently focused on active measures. A diverse array of active policies is
implemented by state and local governments, semi-autonomous groups and non-governmental organizations. These policies are geared toward the most employable groups in the labour force, while supports for the long-term unemployed and poorest have been minimized. Chart 1 below summarizes key differences in approaches to unemployment in Poland, the Czech Republic and Hungary.

The different approaches to unemployment in these three countries have been pursued despite very similar conditions in all of them. Post-socialist governments in all three countries had to devise strategies for coping with unemployment mostly from scratch. This required that they come to an understanding about the causes of unemployment, its likely nature and extent. Policymakers in Poland and Hungary tended to perceive unemployment as an inevitable but temporary outcome of economic reform and hence focused their efforts on controlling it in the short-term. The difference between the two was that in Hungary, a group of leftist policymakers and union members were given more opportunity to write legislation. With some foresight and understanding of the nature of unemployment, this group incorporated a system for devising re-
employment measures into general policy. Polish policymakers tended to rely to a greater extent on economic growth as the ultimate resolution to unemployment, reflecting more widespread concessions to neo-liberal ideas. Although both the Hungarian and Polish governments mostly used passive and de-activating measures in the early 1990s, the existence of a system for implementing active policies in Hungary facilitated the increasing emphasis on re-employment for ‘employable’ populations over the long-term. Contrarily, the absence of similar institutions in Poland has led to a perpetuation of the passive approach established in the early 1990s. In the Czech Republic, unemployment was generally understood as a problem that resulted from and was dealt with through economic policy. This understanding survived even the neo-liberal agenda of the Klaus regime, which adapted its economic program to employment considerations. The result in the longer-term has been greater dependence on state-led initiatives for coping with unemployment.

Since the period of regime change, CEE countries have been subject to an unprecedented degree of pressure from supranational organizations to adapt their policies in particular ways. In the early 1990s, the IMF and World Bank dominated the scene and mostly pushed the post-socialist governments to reduce the role of the state in welfare provision and minimize social spending. It has been argued that one reason why policies in the Czech Republic least resemble these recommendations is that it was the only one of the three with no inherited debts to international lending organizations (Müller 1999). However, several academics as well as persons involved in these organizations agree that a more important determinant of these agencies’ influence was the receptivity of domestic policymakers (Inglot 2003: Interviews with the World Bank 2002). In the Czech Republic, advice from these organizations was often rebuffed. It is also the case that policies here have not even fully reflected the advice of
organizations that have been very active, especially the OECD. The role of international organizations does not explain the differences between policies for unemployment pursued in Hungary and Poland either. Despite the large presence of the World Bank and IMF in both of them, neither has fully adhered to their recommendations. The design of re-employment measures in Hungary was entirely driven by domestic policymakers. In Poland, liberalization never went as far as many international advisors promoted (Sachs 1995) and they continue to critique the benefit-orientation of unemployment policy (World Bank 2001).

Starting in the late 1990s, the most important supranational organization in all three countries has been the European Union. Accession to the EU in 2004 required governments to adjust legislation and policy procedures in several areas. In the area of social policy, agreements have focused on goals and outcomes rather than specific legislative adjustments. The CEE countries must submit National Employment Plans and related strategic programs, which demonstrate the efforts being made to bring policy closer to EU defined norms. These norms include coordination of employment and economic strategies, diversification and decentralization in implementation, and increased emphasis on active measures. The Social Charter also emphasizes fair redistribution, protection from poverty and minority rights to social benefits. These goals are met to very different degrees across the CEE countries. While the EU accession has undoubtedly changed the policymaking process in these countries, certain elements of the European agenda resonate more in one country than another. Pressure from the EU does not appear to have overwhelmed predominant tendencies in policies, which I argue were established during regime change and reinforced by domestic actors since.\textsuperscript{154}

\textsuperscript{154} In addition to the evidence of this presented in the current chapter, my interviews in the three countries also revealed genuine differences in attitudes toward the EU. Interviews with policymakers in Poland consistently ended with the interviewee pointing out that the unemployment problem would likely be resolved after EU accession as new sources of funding would resolve policy deadlock. This was never heard in Hungary or the Czech Republic.
Just as there has been no uniform outcome from international political pressures in the CEECs, economic pressures have also failed to result in a singular policy. As discussed in depth in Chapter 2, social policy reform in these countries has been taking place in an economic context that is changing the dynamics of welfare state politics everywhere. The diversity of measures to address unemployment in the CEECs quells any notion that this context inevitably pushes countries on a single path of liberalization or minimization of state social support. Nonetheless, the discussion above has shown that domestic politics are shaped by this context in various ways. Domestic policy actors who devise and influence social reforms in the CEECs have at hand a different array of options than their predecessors who built European welfare states. Left-wing political parties and trade unions, for example, need to determine who among the unemployed they wish to defend and how policies aimed toward these groups might undermine or support efforts to broaden their constituencies. Bureaucracies also face unique challenges as contemporary unemployment demands diverse measures and complex implementation to resolve. The politics behind unemployment policy reform in the CEECs illustrates elements of the ‘new’ politics of welfare shaping policies in industrialized and developing countries alike. Domestic policy actor who have traditionally shaped welfare continue to be at the centre of these politics, even as their approach and options have changed.

Differences in the way that the CEECs have devised unemployment policy are largely explained by the power and preferences of domestic political actors. To some extent, policy outcomes have reflected the degree of influence that certain bureaucracies, political parties and interest groups have in the policymaking process. In the CEECs, it has mattered whether left or right parties are in office and whether or not unions have a strong say in policymaking. This

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Policymakers in these countries were much more skeptical about the implications of EU aid. In the Czech Republic, the overwhelming theme of discussions on the EU was the idea that Czech policies were already well in line with EU norms and prescriptions.
finding defies the notion that ideological differences are unimportant in current welfare politics. At the same time, the particular identities of these institutions in each country has also been an important determinant of policy choices. Leftist ‘successor’ parties in Hungary and Poland, for example, base their policy preferences on a different set of ideas than the reformed Social Democrats in the Czech Republic. Likewise, right wing parties have more or less incorporated economic liberalism, Christian conservatism or nationalist tendencies in their political programs, again shaping how they approach social issues. Unions and employers’ groups in the three countries have formed unique identities in the post-socialist period, which have again determined what kinds of policies they pursue. The policies that are emphasized by national and local bureaucracies also reflects the way they have organized and their particular internal cultures. Recent studies of Western Europe also suggest that the unique features of domestic institutions and politics continue to shape welfare policy in the period of globalization and post-industrialism. This finding applies to the CEECs as well; yet, here I have argued that the roots of unique institutional identities are not found mainly in the long historical past, but in the way that institutions restructured during the period of regime change.

In sum, I have found in this chapter that the same factors that shaped unemployment policy in Poland were also at work in the Czech Republic and Hungary. The more comprehensive approaches to unemployment in these two countries had a great deal to do with the way that initial policies were designed after regime change. Policy designs required particular infrastructures and capacities, which were reinforced over time. The fact that both countries have been more oriented toward re-employment measures than Poland reflects the fact that institutions to implement such measures were built up from the outset. Preferences for state-led initiatives in the Czech Republic partly reflect the tendency to concentrate policy implementation
in state organizations from the outset. The far more decentralized and diverse approach to
unemployment in Hungary has it origins in the initial design of policy, which diversified control
over implementation and created semi-autonomous institutions to deal with employment issues.
The general tendencies in policy have been reinforced over time by domestic political actors. In
the Czech Republic, leftist Social Democrats and unions have been able to influence policy and
have pushed for broad social protection and substantive state role. That these institutions have
chosen to push these agendas reflects the way they have individually restructured in the post-
socialist period. Unemployment policies in Hungary are at least partly explained by the
confluence of agendas on the right and left. The re-employment orientation of policy suits both
the social-liberal agenda of the HSP and the targeting of the ‘middle-class’ by FIDESZ. Unions
and employers’ groups in Hungary are also focusing on re-employment measures for their own
reasons, and their efforts contribute to the diversity of these measures. Domestic politics are thus
the key to understanding diverse approaches to unemployment that different national
governments in the CEE region have pursued.
Chapter 5
Making Family Policy in Post-Socialist Europe:
Comparative Case Studies

Introduction

Similarly to policies for the unemployed, assistance to families can take various forms. Included in the array of measures that comprise a nation’s family policies are direct supports for families and children, birth grants, tax benefits and parental leaves. Governments have the option of making family benefits universal, offering them as a right of citizenship, or targeting them to the poorest. Family policies can contribute more or less to effective redistribution in a welfare state. Additionally, as I explained in Chapter 2, family policies can be designed in ways to meet particular goals relating to population growth or the composition of the labour force. Welfare states that are more familistic are those that have family policies aimed at increasing the native population birth rate and/or discouraging widespread female participation in the labour force. Less familistic welfare states may have policies aimed more toward encouraging work/family balance, especially for women. Alternatively, they may have far more limited goals for their family policy, using benefits in this area instead an anti-poverty measure. In the Czech Republic, Hungary and Poland, governments have designed and supported very different family policy arrays. This has occurred in the face of real budgetary and external pressures to minimize family supports and especially to cut back on benefits that add direct costs for business. In this chapter, I ask whether the same factors that explain the path of unemployment policy reform in post-Communist Central Eastern European countries can also explain developments in family policy.
Chapter 2 provided an overview of family policies in Central European countries with regard to the degrees of universality, redistributive effects and familization characterizing their welfare states. Poland was shown to be a case where the degree of universality in family policy is low; most family benefits are now means tested and taken up by only a small portion of the population. Family benefits have not been shown to effective redistribution in Poland. Additionally, the Polish case is one where the extent of familization is also particularly low. Generous maternity benefits have been retained, which might encourage more work-family balance but discourages withdrawal from the workforce for childrearing for those who have jobs. Neither the meager level of family benefits nor the tax system in Poland supports labour force withdraw for childrearing. In Hungary, some opposite tendencies are apparent. Most family benefits in Hungary are now offered universally and, for some, are enhanced by extensive tax benefits for child rearing. The Hungarian welfare state was shown in Chapter 2 to have a high degree of familization in the sense that policies are explicitly geared toward promoting an increase in the birth rate and have likely contributed to comparatively low levels of female labour force participation. Yet, like Poland, family policies in Hungary do not positively affect redistribution but for different reasons. Whereas in Poland, the problem is very restrictive and poorly implemented targeting, in Hungary, policies have deliberately benefited mainly ‘middle income’ groups at the expense of the poor. Finally, the Czech Republic falls somewhere between Poland and Hungary, closer to the latter on measures of universality and familization. Most family benefits are offered universally in the Czech Republic, but a handful are means-tested. Benefit and tax policies in the Czech Republic are also supportive of families but in a way that contributes more to effective redistribution than familization, compared to Hungary. Finally, policies in the Czech Republic are mixed between those that could support female labour force
participation and generous benefits that might encourage withdraw. In fact, however, the Czech Republic has one of the highest levels of female labour force participation in the region.

Divergence across the three countries in the family policy domain is puzzling, for one reason because there have been distinct pressures for residualization of family benefits in all three countries. In spite of this, each country has retained or expanded family policies to some extent and with very different emphases. Divergence is also puzzling if one looks to the particular histories in each country. Unlike the case with unemployment policies, family benefits and parental leaves were components of the Soviet-era welfare state. In all three countries I study here, these policies were re-evaluated and extended during periods of reform in the 1970s and 80s. Yet, I will argue that the choices made in this period in each country have not dictated policy paths in the post-socialist period. Rather, the critical decisions made after regime change regarding policy and institutional design are what have subsequently governed choices in the domain of family policy. As I showed in the case of unemployment policy, decisions regarding family benefits and parental leave reflect interactions between major political parties, interest groups and bureaucracies. The same characteristics of these institutions that were critical for explaining unemployment policy also explain developments in family policy. That is, the ideological tendencies of political parties formed after regime change, the extent of interest group ties to these parties and the key capacities assumed by welfare bureaucracies have structured debate and decision making in this policy area.
Three Paths of Family Policy Reform

As I explained in Chapter 2, the fact that family policy encompasses a range and variety of programs in different countries, complicates comparative analyses. In Table 1 below, the benefits in each country that are considered as family policies in this study are summarized. The indicators that I devised in that chapter to compare welfare states help to overcome this challenge. Both the design and effects of a country’s array of family policies are key to distinguishing welfare states, particularly in terms of their extent of universality, redistributive effects and degree of familization. It is true as well that family policies can be more or less active or passive, in that they can emphasize benefits and hence potentially increase dependence on state support; or they can include programs that in one way or another encourage the reduction of family problems through self-help. Rymsza, in his discussion of family policies, refers to them as ‘motivation-oriented’ or ‘protection-oriented.’ Since the degree to which family policies are more or less active or passive is difficult to measure, however, I consider it here only tangentially as a comparative indicator.\textsuperscript{155} Rather, I argue that key differences in family policies across countries have to do with whether they are universal or means tested; the extent to which they contribute to even redistribution and the degree to which they support what I have defined as ‘familistic’ goals (high birth rates, low female labour force participation).

\textsuperscript{155} The difficulty arises from the fact that whether family policies as a whole are more passive or active depends on their implementation, which in the CEE cases is usually done at the local level. Since the evidence on implementation is scanty, a full comparison on this measure is not possible. Nonetheless, I will refer to evidence on this measure where it is available.
Table 1: Components of Family Policy in CEE Countries

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<thead>
<tr>
<th>Poland</th>
<th>Hungary</th>
<th>Czech Republic</th>
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<tbody>
<tr>
<td>Maternity benefit</td>
<td>Maternity Benefit</td>
<td>Maternity Benefit</td>
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<tr>
<td>Child care benefit</td>
<td>Child care grant (GYES)</td>
<td>Parental Allowance</td>
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<tr>
<td>Family Allowance</td>
<td>Child care allowance (GYED)</td>
<td>Child Allowance</td>
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<tr>
<td>Child raising allowance</td>
<td>Child raising benefit (GYET)</td>
<td>Social Allowance</td>
</tr>
<tr>
<td>Pregnancy benefit</td>
<td>Family Allowance</td>
<td>Child birth grant</td>
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<td></td>
<td>Child protection benefits</td>
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<td></td>
<td>Tax benefits</td>
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Poland is a case where the extent of means testing in family policies is particularly high. Means tests for most benefits were introduced soon after regime change and have become more stringent over time. As many authors claim and I will discuss later, the tendency for policy makers to focus on the criteria of means tests has allowed them to avoid a radical overhaul of family policies and is indicative of a passive approach to the problem of poverty, as was the case with unemployment. Additionally, despite the focus on targeting, evidence suggests that family and child allowances have contributed very little to redistribution in Poland. Just as was the case with unemployment policies, it appears that redistributive efforts have failed because of a fragmented system of implementation. Attempts at decentralizing family benefit distribution, beginning in the early 1990s and accelerating in the latter part of the decade, appear to have worsened the distribution problem. Finally, a third characteristic of family policies in Poland is a low degree of ‘familization’ as I have defined this in Chapter 2. Maternity leave policies are fairly generous and are complemented by optional child care leave for parents with sick children. The short maternity leave combined with a generous replacement rate would appear to encourage take up of leave and return to employment, whether this was the intention or not. Family policies in Poland in general tend not to encourage labour force withdraw or large families. Tax policies
do not benefit families particularly as I illustrated in Chapter 2, nor does the system of allowances favor any particular family type (Rymsza, et.al. 2001). These policies appear to have very limited ‘results’; that is, there appears to be neither a flocking of women away from paid employment nor specific encouragement of a work-family balance. Nonetheless, women’s relative labor force participation rate has recovered from a plummet in the early 1990s, placing Poland between Hungary and the Czech Republic on this measure.

Family policies in Hungary differ from those in Poland along two of the three measures used here. First, most benefits for families are universal benefits. In the mid-1990s, there was a shift to more means tested policies during the period of austerity measures, but this was one area where benefits were quickly restored. Second, a defining feature of the Hungarian welfare state is the extent to which policies are familistic in orientation. Unlike in Poland, most family policies are deliberately geared to support pro-natal goals, especially among middle income Hungarians. Comparatively generous benefits for child-rearing and birth are complemented by a pro-family tax policy, which mainly benefits middle earners. Maternity leave support is moderate and there have been very limited opportunities in Hungary for flexible or part-time work opportunities. Hungary has the lowest rate of female labour force participation in post-socialist Europe. On the third measure, extent of redistribution, Hungary compares with Poland in that family policies appear to have very minimal redistributive effects. This has partly to due with their orientation and the fact that tax allowances are unavailable to the lowest earners. Additionally, family allowances, while universally offered, are notably low in amount. In this sense, they offer a subsidy but not a replacement of income, leaving those without an alternative source of earning not much better off.
The Czech Republic offers a very different case from either Hungary or Poland. Here, one of the main orientations of family policies have been supports for the worst off, and redistribution has been achieved to a greater extent than in the other two cases. Some programs for families are means tested while others are offered universally. Even where means tests are applied, however, they are far less stringent than in Poland and have left the vast majority of families eligible. Similarly to Hungary, the tax system in the Czech Republic is pro-family in its orientation, but this goal has been less explicit in the design of social and tax policies. Whereas benefits in Hungary are mostly oriented to large families, they are more evenly distributed in the Czech Republic. The difference between male and female labour force participation in the Czech Republic has been much lower than in Hungary or Poland. This is indicative of the fact that, although family benefits are generous in the Czech Republic, they compete with opportunities for employment, at least for middle earners. As I argue in Chapter 2, because family policies in the Czech Republic are generally geared more toward social support than a particular outcome for women and families, it can be defined as having a low to moderate degree of familization.

Key differences and similarities between family policies in the three CEE countries are summarized in Chart 1 below. Since direct comparisons of family policy across countries are hard to make, comparisons are made in terms of broad tendencies in the design and outcome of an array of benefits, programs and tax allowances in the three countries. The particular characteristics of each country’s family policies are the dependent variables of the analysis in this chapter. Chart 1 illustrates that, on the one hand, each country’s family policy is unique in
the way that it combines redistributive and familistic goals, and in the constituencies it targets. On the other hand, the three countries share some characteristics of their family policies. For example, in both Hungary and Poland, family policy does not serve a redistributive function; and in both Hungary and the Czech Republic, universal family policies prevail. The following sections argue that both the distinct and similar characteristics in the three countries’ family policies can be explained in terms of the unique features of their domestic political arenas. That is, the distinct array of characteristics of each country’s family policy is explained as resulting from the unique combination of tendencies among political parties, interest groups and bureaucracies, which were established in immediate aftermath of regime change. Additionally, these same factors can also help to explain why some similar tendencies emerge across cases.
Policy and Institutional Developments during Regime Change

Background

New regimes in Poland, Hungary and the Czech Republic all inherited some similar policies and social dynamics related to family policy. In all three countries, family policy had been re-articulated and expanded beginning in the late 1960s, and reformed periodically through the mid-1980s. These reforms were largely motivated by pro-natal objectives in all countries. Population decline was a particular concern for socialist governments interested in retaining a steady supply of labour. At the same time, however, pro-natal considerations had to be balanced with more immediate labour force concerns; mainly that women remain nominally employed even while taking on the role of motherhood. Nonetheless, these policies may have at times also been geared toward temporarily removing women from an over-supplied labour force. Finally, in all three countries, new family policies entailed an expanded role for the state. In the 1980s, as privatization efforts began to different degrees in each country, the state stepped in where enterprises had once provided services such as daycare. By most accounts, family policies devised in this period rarely strived to achieve nor actually achieved allowing women more options for balancing work and family. While new family policies devised beginning in the 1960s proclaimed a high value for motherhood, in essence these policies encouraged women to start families without relieving them from employment responsibilities. Moreover, policies such as extensive leaves, which temporarily removed women from the labour force, often resulted in women being permanently set back in their careers (Interview with Ferge 2002). Thus, while new family policies had pro-natal intentions, they did not imply or make possible the emergence
of a ‘male breadwinner’ welfare model. Nor did these policies represent an emancipation or equalization of opportunity for women. That is, family policy under Communist regimes did not fit neatly in the categories we have used to analyze them in the western world.

In Poland, the state began to create a comprehensive family policy starting in the mid to late 1960s. At this time, a variety of state supports including benefits and leaves for motherhood were introduced. The motivations for the expansion of policy in this area were varied. A central participant in the process of designing those policies contends that without a doubt, traditional, Catholic values on family and women lie behind these policies (Interview with Golinowska 2002). She argues that it was for this reason that Poland was the slowest of the CEE countries to develop a system of nurseries and kindergartens as a part of their family policies. There was little notion of helping working women; policies such as birth grants, etc. were rather geared toward inspiring women to take on the role of motherhood regardless of the fact that this essentially meant having two jobs. Ingham (2001) agrees that the new policies essentially forced women into a two-job role and also made them completely dependent on the state. Family policies were again extended in the 1980s as a result of privatization and this included the further development of childcare facilities. While all of these policies did make the accomplishment of work and family possible, they did not necessarily facilitate ‘balance.’ Women were assumed to take on full responsibility for parenthood while at the same time have very limited choice with regard to part-time careers or when they could re-enter the labour market.

It seems that family policies in Poland in many ways combined both traditional values that derived from the Catholic faith with the objectives of the Communist state. Proponents of policy expansion could purport to be promoting motherhood, a value that would likely resonate with many Poles. The motto used to promote a newly instituted leave policy in 1981 proclaimed
that “Children Need their Vitamin ‘M’,” with M standing for matka or mother (Interview with Golinowska). Golinowska claims that the belief in women’s role as a mother was predominant among policymakers designing these policies as well. Thus, while policies looked as through they were aimed toward ‘gender equality’ in the workplace, this was not always the key motivation behind them. What is certain is that by the 1980s, Solidarity was pushing against Communist policies that affected the family. This movement aimed to get away from the ‘excessive equality of genders’ promoted by the Communist regime, to revive notions of the ‘traditional family’ in Poland and to devise policies in its support. What I will show later is that throughout the 1990s, Solidarity and affiliated right wing parties have continued to promote this idea, yet they have mostly failed to gain significant policy changes toward this end.

Family policies began to be developed in Hungary during roughly the same period and for the same reasons. Here, the motivation for policies was a combination of concern about population decline, labour market issues and poverty. Just as traditional family values were an incentive to devise family policies in Poland, it was a more nationalistic concern with fertility rates that appears to have been the key complement to labour force concerns in Hungary. Similarly to Poland, the expansion of family policies in the 60s and 70s included benefits and leave policies. In 1967, GYES, child care leave, was introduced, which offered women three years of leave in exchange for a flat rate salary. Ferge argues that this policy was at least partly motivated by fears of real and visible unemployment; hence women could be temporarily removed from the labour force without sacrificing nominal full employment (Interview 2002). Nationalist movements in the 70s appear to lie behind the introduction of GYED, an earnings-related leave benefit, which offered women compensation in the amount of 75% of their previous salary. This would have been most appealing to more educated and higher earning women than
the flat benefit offered through GYES. Both policies, however, were policies for working women only. Neither provided any guarantees to women that their jobs would be preserved or their careers kept on track during the leave period.

Policies for families were expanded again in Hungary in the 1980s. Family care centers were established in the mid-1980s and new benefits and childcare allowances were offered. By most accounts, these policies were to some extent motivated by concerns about impending poverty as a result of Hungary’s debt crisis (Zoldy-Szita 2000; 88; Interview with Ferge 2002). Also at this time some discussion of family ‘values’ entered into policy debates. The system of family policies was by any estimation, generous, and was argued by some experts to reflect the key priority of family and children in Hungarian society. Although the policies in Hungary were very similar to those established in the other CEECs, Hungary was often in the lead in developing these policies. Moreover, in terms of spending for family supports, Hungary tended to be the leader in the region. Förster and Tóth provide estimates of spending on transfers and in-kind benefits for families per GDP in the Czech Republic, Hungary and Poland as of 1989. These figures show the highest spending in Hungary at 6.4% and the lowest in Poland at 3%.

Finally, in the Czech Republic, there was a similar pattern of expansion of family policies starting in the 1960s. A family support system was introduced during this decade, largely in response to declining birth rates. New policies included extended paid maternity leave, family allowances and the establishment of nurseries and kindergartens. Again, the main motivations behind these policies were to enhance the birth rate while at the same time promoting full employment for women. Unlike in Poland and Hungary, there was no major effort at expanding policies in the 1980s, perhaps because these were already well developed and because the Czech Republic did not experience either a debt crisis or extensive privatization as was the case.
respectively in Hungary and Poland. But, starting in the 1960s family policies were decidedly pro-family while at the same time, women worked even longer hours than in other CEECs.

On the eve regime change, the three CEECs had largely similar family policies in place. These policies were, again, functionally universal since they applied to all working women in a context where there was close to full employment. Moreover, family allowances in all three countries comprised a considerable social expenditure, the highest after pensions and disability leaves (Kamerman and Kahn 1993). Maternity and child care leaves were generous in their length and income replacements. In Poland and Hungary, leaves were extended to 3 years starting in the 1980s. And, finally, there existed in all three countries a fairly comprehensive, state-run network of childcare services, which was especially developed for children aged 3-6.

Slight differences across the three cases largely relate to policy motivations. In Poland, Catholic notions of the traditional family appear to have served as a complementary motivation to labour market concerns for family policy expansion that started in the 1960s. This was less evident in either Hungary or the Czech Republic. Hungarian policymakers might have been more motivated by pro-natal concerns and appear to have recognized and sought to address a potential poverty problem. In the Czech Republic, the primary motivation for policy also appears to have been evidence of a declining birth rate. Differences across countries during the Communist period seem to only partly explain developments in family policies after regime change. For example, traditional family values have not largely defined developments in Poland in that family supports have actually been eroded to the greatest extent of the three countries explored here. In Hungary, although one can argue that the value of the family and pro-natal concerns have continued to drive policy, concern over poverty has largely dropped out of policy design. And, in the Czech Republic, pro-natal policies have been mostly abandoned, and poverty considerations have
become more central. Evidence of a break with the past at the period of regime change also is suggested by the way that these policies were debated during this period.

Poland during the period after regime change

Regime change in Poland inspired a re-evaluation of existing family policies. As I argued in Chapter 3, the period between 1989 and 1993 was largely characterized by the winning out of neo-liberal ideas. Just as these ideas shaped the agenda on unemployment, they also influenced legislative initiatives and institutions relating to family policy. Although few policy changes were actually implemented in this period, some basic reforms were undertaken and, more significantly, debates and tendencies that were to shape future reforms begun. Significantly, family policy reform was a low priority in the early 1990s. This reflected the overarching prioritization of economic over social policy, which I described in Chapter 3 to be a direct outcome of neo-liberal thinking. Thus, a characteristic of family policy reform in Poland was that no comprehensive approach to dealing with families was decided during regime change. That is, during this period, no consensus was reached on a guiding objective for family policies. Given the strong stance of Solidarity on the family and traditional family values, it might have been expected that what I describe as ‘familistic’ intentions would be incorporated into policy from the outset. In this scenario, family policies would have been designed with the goal of enhancing women’s freedom to withdraw from the labour force. These policies might have included an expansion of assistance for families, benefits based on family size, and tax and wage policies favorable to families. At the same time, this objective would have likely inspired a shift away from employment-related policies and possibly an effort to focus cutbacks on leave policies and
child care supports. In fact, however, family policymaking in Poland had nothing close to this kind of coherent focus.

Although family benefits and maternity leave policies were consistently debated after regime change, only a handful of minor reforms were actually implemented in this period. Changes to family policy that were made between 1990 and 1993 included the introduction of a strict means test for one allowance – child raising benefits. To be eligible, families had to earn less than 25% of the average wage, a criteria that very few could meet. This, combined with budgetary constraints faced by local governments, led to the rapid closure of day care facilities. Almost 60% had closed by 1992 (USAID 1991). Another change that came about through a vote in the Council of Ministers in 1990, revoked the guarantee that a women who took maternity or child care leave would get her job back. Third, a change was made in 1992 reducing the maximum age for which a family could receive parental allowances from 25 to 20 when a child was in school. All of these changes were contested in government and by Solidarity. The change to eligibility for the child care allowance was actually revoked after a review of the Ombudsman and Kuroń’s appointment to the Minister of Labour position under the Suchocka government.

These reforms, taken together, did not amount to a substantive restructuring of the family benefit system. Leave policies continued to vary by profession as the only change in the law was a revocation of rights to re-employment, as described above (Topińska 1992). A consistent set of family benefits continued to be provided as part of a social insurance system and hence eligibility was based on previous employment. More significant changes came later with the introduction of across-the-board means testing and decentralization of service provision. Even then, however, there was little discussion about how the system might be rationalized through restructuring of the delivery system. Later changes to family policy reflected decisions and
debates made during regime change. First, the decision by new governments to postpone reform to family policies was significant. This decision was made in spite of the fact that family benefits and maternity leaves comprised a significant budgetary expense at a time of severe budget constraints.

Again and again, governments in the early 1990s considered cutting expenditures on family benefits, but never implemented substantive reforms to do so (Förster and Tóth 2000). This must have been due to the way that the expenditure problem was debated. Calls for reducing expenditures were made by liberal reformers who insisted that this be done either by cutting back the benefits for each recipient or cutting back the number of recipients. Opponents could point to the deepening problems of poverty and unemployment and the need for the ‘safety net’ that family benefits offered. In this situation, no government seeking to be re-elected could embrace severe benefit reductions. Yet, neither side put forth proposals for restructuring what was actually a very fragmented and multifarious system of benefits and supports. Moreover, there was no real debate about how family policy could serve any social objective besides temporarily assuaging citizens hurt by economic reforms.

What is particularly surprising about discussions of family policy in the early 1990s is the position that Solidarity took in them. The Solidarity movement had traditional family values and the need for reform of Communist era family policies as central elements of its agenda. Yet, once in the new government, Solidarity appears to have been fairly silent about promoting a pro-family social policy agenda. As was the case with unemployment policy, the rationale for this lies in the overwhelming prioritization of economic reform and the separation of economic and social policy objectives that was inherent to neo-liberal thinking. A thorough restructuring of family policy would have entailed envisioning a pro-active role for the state in redistribution.
Fundamentally, the embrace of neo-liberal principles could not possible cohere with promotion of an activist state role. Thus, it is not until after the period of initial reforms that the Solidarity and the AWS begin to promote a distinct pro-family social policy agenda. And, even then, on their watch, family benefits were sharply reduced and no family-friendly tax policies were introduced. Similarly, there was no real ‘leftist’ welfare agenda being promoted by any side in Poland during this period. Hence, no pro-poor policy was put forth either.

Debates over family policy in post-regime change Poland entailed a constant back and forth over the size and scope of family benefits and, to a lesser degree, a discussion about the economic benefit of maternity and child care leave policies. The terms of the debate illustrate how the bounds of possibility were conceived at the time. In the Round Table discussions of 1989, it was agreed that family benefits would be increased in line with price adjustments, but that further reform of the welfare system would be deferred to the future. Subsequently, the size of benefits rather than the nature of the system became the central issue in public debate. When he assumed the position of Labour Minister in mid-1989, Kuroń argued that family allowances would be raised in the short term, but also warned that this would not be sustainable for long. A few months later, Kuroń registered his objection to indexation of family benefits with price rises on the basis that it would cause too much stress on the budget (BBC 18 October 1989). Several proposals were put forth in 1990-1991 to cut back the amount of family benefits as a key way of reducing overspending in the budget. Repeatedly, these proposals were thwarted, largely by the opposition of the two major unions, the OPZZ and Solidarity. But, besides leaving current policies in place, the unions appear to have offered very little in terms of concrete suggestions to this debate. In 1992, Labour Minister Kropiwnicki, later the head of ZChN, a pro-family Christian National Union, put forward to the Sejm a proposal for reforming family benefits that
was meant to ‘gear the Polish system to the needs of the future (PNB 8 May 1992).’ The proposal consisted of replacing the insurance principle with means testing and the earnings-related benefit with a flat rate benefit both for farmers and non-farmers. Moreover, the proposal was meant to ‘rationalize’ the system of benefit distribution. Kropiwnicki admitted, however, that a key motivation for his proposal was the immediate budget concern. Within days of this proposal, it was discovered that projected savings would be much less than the government had claimed. This was because at the same time that the government was proposing to overhaul the system, it decreed an increase in the benefit stipend, which in essence sanctioned the existing system. Ultimately, the Sejm rejected the government’s proposal, which it described as haphazard and not contributing sufficiently to budgetary savings (PNB 20 May 1992). Indeed, one reason why savings could not be realized had to do with pressure from both Solidarity and the OPZZ to keep family benefits at a steady level. Nonetheless, the unions do not appear to have come out as fervently against the proposal for means testing at this time.

As a result of the inertia over family policy reform in the early 1990s, almost no institutional restructuring in this area occurred at this time. Delivery of benefits was handled by the Social Insurance Fund (ZUS) under the auspices of the Ministry of Labour and Social Affairs (MPiPS). Since the main objective of family policy was the provision of benefits for the insured, there was little need to invest in social service reform in this area. Family benefits also at this time remained distinct from social benefits for the poor, which were organized at a local level. Thus, while family benefits became a means of assuaging the growing ranks of poorer persons, they were not conceived as part of pro-active anti-poverty strategy. Maternity and child care leave policies were also largely untouched with the exception of removing the right for women to regain their job upon return from the leave. This latter reform was a concession to employers
citing losses from the policy. But, again, there appears to have been little substantive discussion about how leave policies could fit in with broader labour market objectives. With regard to both sets of policies, unions pushed against reductions of benefits and leave times, contributing to the slow pace of change in both areas. But, unions did little to contribute to discussions about alternatives. All of these factors left benefits for families vulnerable to expenditure cuts in the later 1990s and beyond.

_Hungary in the period after regime change_

Reforms of and debates over family policies in Hungary after regime change took a different form than in Poland. Because it is the case that means testing was introduced in Hungary during the same year as in Poland (1995), many authors have concluded that reform in this area followed a similar logic in the two countries (CITE). But, a closer look reveals a very different dynamic in the first years after regime change in Poland and Hungary. I argue that the shift to means testing, while the culmination of debates that focused on expenditures in Poland, was actually more anomalous in Hungary. By later in the decade, the universality of most family benefits had been restored. This was not the result of extraordinary politics in this period, but was rather a continuity of policy directions determined in the early 1990s.

In contrast to Poland, where the amount of family benefits was the main subject of controversy in budgetary debates, in Hungary, benefit levels remained in the background. At issue instead was, first, the eligibility for benefits; that is whether benefits would be paid only to insured employees and whether they would be means-tested. The result of this focus was that eligibility for family benefits was extended to a larger and larger segment of the population,
starting in 1989 and through the early 1990s. At the same time, however, the value of these benefits were gradually depleted. This was how Hungary, in contrast to Poland, dealt with its budgetary crisis. The results of this were dire for the poorest families in Hungary. Ferge pointed in 1992 that family allowances constituted 41.5% of the cost of providing minimum subsistence for a child in 1989, this number was 29.7% already in 1991 (Yeates 1992). However, regardless of how individual recipients fare when benefit values are reduced, the expansion of eligibility is a much more substantive reform in the long term. Expanding eligibility entails a commitment and sends a message about the relationship between the state and society. The fact that the Hungarian government chose this direction of reform had significance down the line because commitments of eligibility are harder to reverse than promises of a certain amount of benefit, the value of which can fluctuate for a variety of reasons. A second dimension of family policy debates after regime change in Hungary was their focus on population decline and the infusion of conservative values into policy design.

Just prior to the first free elections in April 1990, the family allowance was changed from being an employment-related scheme to a universal one. After this date, family allowances were offered as a right of citizenship. This change was more technical than substantive because under conditions of full employment, most people were eligible for the allowance already. Ferge points out that the numbers of recipients did not increase despite the introduction of universality in the early 1990s (Interview with Ferge 2002). Concurrently with this change, the benefit was fixed by regulation and would vary according to the number of children and whether parents were married or single (Förster and Tóth 2000). This concept came up for debate in 1991 when budgetary considerations and the growing poverty situation led to calls for targeting family benefits to those most in need. It was decided in these debates, however, that since the number of children to
some extent correlated with the income situation of families, existing bases for benefits would be retained (BBC 19 January 1991). In 1992, funding for family benefits was fully transferred from social insurance to the central budget, a change that went hand-in-hand with the move away from employment-related eligibility. The clientele of family policies in Hungary was further expanded in 1993 with the introduction of a new benefit for parents with children. GYET was an insurance based, means-tested benefit that was offered to families with children between the ages of 3 and 8. Until 1995, no reductions of eligibility were made to other benefits, including the wage-related benefit GYED and the fixed benefit GYES. Debates over the level of these benefits were common, with unions calling for strict indexation of benefits to inflation. However, increases were made by bi-annual parliamentary review instead, which allowed the real value of benefits to gradually decline.

Expanded eligibility for family supports was one indication of the greater extent of attention to this policy area during the immediate period after regime change in Hungary than Poland. Additionally, the conservative Antall government lent support to other familist measures. For example, after significant debate, tax reforms in Hungary did not include the elimination of deductions for families based on the number of children (BBC 7 December 1991; Tardos 1993). It should be pointed out, however, that tax policies only benefited large families in the middle income range; this was not a pro-poor policy, but a familist one, as I described in Chapter 2. Other measures taken by the Antall government included the abolishment of public funding of daycares and nurseries, the number of which dropped dramatically between 1990 and 1992.¹⁵⁶

Ferge argues that this was due to the conservative government’s disapproval of group care arrangements and desire to encourage women to stay at home and rear children. (Interview with

¹⁵⁶ While a decrease in the number of nurseries and kindergartens occurred in all of the post-socialist countries, Hungary had started out with more of them. According to Ferge (2001), 95% of children attended kindergartens as of 1989. These were abolished under the Antall government.
It was also the case during the early 1990s that the problem of declining birth rates was receiving a great deal of attention in Hungary, certainly more so than in Poland. This and other aspects of the conservative agenda likely inspired the institution of a new program in 1992, offering pregnancy benefits in an amount equal to the family allowance and available to all women as of the 13th week of gestation. Finally, the first post-socialist government also tied together the system of unemployment and family benefits by making the latter available to the long-term unemployed after their eligibility for unemployment benefits expired. This was made possible by the earlier de-linking of benefits from employment.

In pursuing its agenda on family policy, the Antall government in many ways supported ideas that had underpinned this policy area under the late Communist regime. The pro-natal agenda was a distinct carry over between the two periods. One key difference after regime change was that the Antall government could make explicit and expand on a more traditionally conservative family agenda than the Communists ever could. This agenda was pursued despite the fact that it entailed some budgetary expansions just as the most pressure was coming from within and from the World Bank and IMF to contract social spending and pursue a policy of targeting. What was most significant in the Hungarian case, therefore, was the fact that conservatives did pursue a distinct social agenda while at the same time committing to liberal economic reforms. This distinguishes this case from Poland where neo-liberal principles trumped other agendas in both left and right political parties. Thus, while parties split along moral-cultural lines in both countries, in Hungary, conservative policies defined the party’s agenda to a greater extent in this early period. What was lost from the agenda

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157 This replaced a lump sum maternity aid, which was available later and was less money. The pregnancy benefit was introduced as part of the Abortion Act in 1992.
of the late 1980s, however, was a distinct focus in family policy on poverty alleviation. This was to become more evident down the line.

The place of family policy in the new government’s agenda was institutionalized in the design and mission of the relevant bureaucracies. In the 1980s, the Ministry of Health was renamed the Ministry of Health and Social Services, giving recognition to a state role in providing social welfare. Family policies were organized under this ministry. After regime change, the ministries were re-organized again. The Ministry of Health was separated from the new Ministry of Welfare, reflecting arrangements prior to WWII (Tardos 1993). The Ministry of Welfare was also notably separated from the Ministry of Labor, in contrast to both Poland and the Czech Republic. The purview of the Ministry was to deal with unemployment, family and social policies. After the elections in 1990, Antall gave control of the Ministry to his party’s coalition partner, the Christian Democrats (KDNP). This move has been interpreted in different ways. On the one hand, relinquishing the Ministry can be read as reflecting Antall’s low prioritization of welfare issues (Henderson, et.al. 2001). But this view does not quite accord with this government’s attention to and support of family policies. Rather, giving the Ministry to the KDNP would appear to coincide with Antall’s own conservative tendencies in this area. What mattered most was that the family focus of policies gave the Ministry a mission and infused it with a distinct ethos. Family policies in this early period had a target constituency and an objective, both of which could serve at litmus tests for policy proposals being debated in the ministry. This was to become a very central goal of the Ministry later on.

Under the Antall regime, unions were given a fairly extensive role in social policy, reflecting the Prime Minister’s interest in the German model. Unions were thus offered a controlling share in two major Social Security Boards, the Health Fund and the Pension Fund.
While neither of these directly related to family policy, this fact illustrates the role of unions in defining and approving social agendas in this period. Debates over family policies took place within the Interest Reconciliation Committee, the recommendations of which were taken seriously by the government at the time. The Committee in general lent support to any extensions of family supports and was a force behind every increase in benefits that was implemented during this period. But, it is important to recognize that unions would have had different motivations in this area than those in Poland. This was because, in Hungary, family benefits had already been made universal and leave policies made uniform across all professions. Thus, unions were not defending a benefit that belonged exclusively to employees. Their role was much wider in that they were given a role in influencing overall national social policy. Unions therefore did not focus only on increasing benefits for recipients, but also on strengthening the system of support more generally. Since family policies were also full funded from the central budget, employer interests might have been more neutral toward this area than others, but there is no evidence of a distinct viewpoint from this group at the time.

**Czech Republic in the period after regime change**

Family policy in Czechoslovakia after regime change in many ways combined the interests of minor conservative forces in government on the right and social liberals on the left. Initial reforms to family policy included the extension of benefits to mothers under the assumption that women should have greater opportunities to remain at home with their children than they did under the Communist regime. At the same time, reforms in the early 1990s extended family benefits to a broader range of constituents and also expanded the generosity of
these benefits. Family policy to a great extent was originally conceived as a part of a poverty prevention strategy and reforms were undertaken to move in this direction. As was the case in other countries, social benefits in the Czech Republic did gradually lose their value as prices increased in the early 1990s. But the effects of this were mitigated to a greater extent here by the range of social benefits available. Moreover, the goals of family policies in the early 1990s, which included the elimination of poverty, were institutionalized in reforms and perpetuated by key domestic actors whose later positions on family policies were established at this time.

Between 1990 and 1992, family benefits were functionally made universal, although the entire system of family benefits was not changed from being employment-related and was not fully funded from the state budget until 1996 (Förster and Tóth 2000; ISSA 1993, 1997). What did occur immediately was the removal of all special privileges for different working groups and all variations of benefits. In 1990, a state compensatory allowance was created and paid out to all children until 1995 (Fultz, et. al. 2003, 117). Another important change in 1991 was the introduction of a household subsistence minimum which became a benchmark minimum income for Czech society. The introduction of the subsistence minimum was unique to Czechoslovakia and then to the Czech Republic. Another change in the early 1990s was the extension of maternity leave from three years to four years, which was a distinct goal of conservative elements in the new government. In 1992, a substantive restructuring of the social benefit system was undertaken in the Czech Republic. This introduced a three pillar system which included a tier of means-tested family benefits for families with incomes no higher than three times the poverty line. With this reform, a new benefit called a ‘social premium’ was introduced for families with an income less than 1.6 times the poverty line or greater for certain family types, such as single parent families ((Förster and Tóth 2000; UNICEF 1997).
The restructuring of family policies in the early 1990s went much further in the Czech Republic than in any of the other CEE countries. As was the case with unemployment policy, this was due to the presence and strong influence of Social Democrats in the Ministry of Labour and Social Affairs. While liberal reformers in government concentrated on economic reforms, the Ministry group developed a comprehensive social policy to cope with their potential consequences. In the realm of family benefits, new policies largely reflected social democratic values of equality and broad state support. Family policies were part of a broader strategy to address poverty and to assist families more generally. The introduction of a guaranteed subsistence minimum gave the Czech Republic a tool for addressing poverty that was not available in the other countries of the region. Moreover, the incorporation of family benefits into the three-tiered social security scheme institutionalized them and streamlined the process of determining eligibility and distributing benefits. Family policies became an integral part of the Ministry’s approach to employment and social problems.

Another strand of thinking that underpinned family policy in the early 1990s came from conservatives in various political parties competing in the first elections. While the predominant goal of family policy reform at this time was poverty reduction, pro-family ideas and language were also heard in policy discourse. Government pronouncements on reform plans in the early 1990s consistently included reference to adjusting family policies such that women could have a greater choice between working and staying at home. Federal Premier Marian Calfa stated the government’s position in a speech in July 1990, “Proceeding from the knowledge that mother’s care is irreplaceable for very small children, the government wants to make it easier this way for a mother to choose more freely between the personal care for her child and a job,” (BBC 6 July 1990). This sentiment was repeated in subsequent government statements. Petr Miller, Civic
Forum candidate and first post-Communist Labour Minister, was a proponent of extending maternity allowances and reducing state support for child care. Miller argued that he supported these policies, “...because we do not think that the system of kindergartens and crèches is right – the mother should have the opportunity to spend as long as possible with the child,” (BBC 29 May 1990). Views such as this did indeed underpin policy changes, but pro-family goals did not become the focus of policies to the extent that they did in other places, such as Hungary. Family policy was thus from the outset somewhat mixed in the Czech Republic, including both redistributive goals and some distinctly familist ones as well.

**Domestic Institutions and the Evolution of Post-Socialist Family Policy**

In Poland, Hungary and the Czech Republic, family policy reform has been at the center of debate on several occasions since the initial period after regime change. The year 1995 was a critical period in the history of family policy development in all of the CEE countries studied here. At this time pressures from external agencies, specifically the IMF and World Bank, to minimize social budget expenses were intensified. Governments in the region did respond to this pressure, but to differing extents and with more or less lasting consequences. A review of this period and beyond shows that early tendencies have indeed persisted in the long term. Family policies were debated again in the late 1990s and 2000s in all three countries. In this period, debates were partially spurred by impending entrance to the European Union, but more so by movements in all three countries favoring a central focus on the family. The extent to which pressure from these groups to make the family the focal ‘unit’ of social policy took hold depended a great deal on the domestic political situation in each country. As I will show below,
the case of family policy restructuring illustrates how the interaction between key domestic actors in each country ultimately has kept policy developments on the path established after regime change.

By the mid-1990s, governments in the region were confronting large budget deficits. External agencies that monitored and lent to these governments honed in on social expenditures as the culprit of budgetary problems. Spending on family benefits was often targeted in the recommendations of organizations such as the OECD, IMF and World Bank. A 1995 World Bank Report on poverty in Poland argued that the resolution to this growing problem lie in continued economic growth rather than redistribution. The report critiqued Poland’s welfare system, which it argued allowed 68% of all families to receive some form of state assistance, consuming 19% of GNP in 1993 (World Bank 1995). Key recommendations in the report included more targeting of family benefits, taxation of family benefits, a doubling of benefits for large families and new time limits on benefits for families with two unemployed persons. In two separate reports on Hungarian social policy issued in 1991 and then in 1995, the World Bank argued that continued high expenditures were due to a too low degree of targeting. The IMF made similar recommendations (Szalai 1995; Borbély 2001). Both organizations recommended reductions in spending as well as deep reform of conditions for benefit receipt (Szalai 1995; SAPRI 2000). The World Bank and IMF were more involved in and hence made more extensive recommendations for Hungary and Poland than the Czech Republic. Nonetheless, the line of critique was largely the same for the Czech Republic. The viewpoint that social expenditures needed to be reigned in was reinforced by the OECD and by the EU, which at the time was beginning to define criteria for accession.
Internal discussions about reform of family social supports followed from the observations and recommendations of external organizations. In 1995-1996, governments in the three CEE countries all implemented policy reforms that introduced some degree of means testing into the system of family supports. New means tests that went in effect in March 1995 in Poland made all family supports available only to families with less than 50% of average income. In Hungary, the Act on Stabilization passed by the Horn administration during the period of austerity measures included strict means tests for family allowances and the complete discontinuation of the child care fee, child care aid and pregnancy allowances. As part of the state social support scheme introduced in the Czech Republic in 1995, a new means-tested social allowance was added to the array of family benefits and child allowances were also means tested.

The facts of the identical timing and similarity in the nature of reforms in the CEEs around 1995 appear to lend to a conclusion that either international agencies were having a terrific influence over social policy decision making or that ‘transition’ governments had reached a critical period when cutbacks in certain social policy areas had become inevitable. However, these explanations fail when the reforms are examined more closely and when one tracks their evolution over time. In Poland, the means tests introduced in 1995 were particularly strict (Fultz, et. al. 2003). Means tests also became a permanent and defining feature of family policies in Poland whereas they did not in either Hungary or the Czech Republic. Most of the means tests for family benefits that were introduced during austerity measures in Hungary were actually reversed either upon Constitutional Court review in 1996 or in the late 1990s under a new government. In the Czech Republic, the means tests that were put in place in 1995 were far less stringent than those in either Poland or Hungary. Rather than ‘targeting the poor,’ these policies more accurately ‘excluded the rich’ (Förster and Tóth 2000: 19), as it was found that the means
tests only resulted in about a 5-10% drop in recipients. Moreover, the means tests did not apply to all family benefits. Parental allowances and birth grants continued to be offered universally. These differences reflect some of the key elements of each country’s welfare system.

The reforms affecting family policies that were implemented in Poland in the mid-1990s followed a trajectory of progressive tightening of eligibility for these types of benefits. While this was occurring, benefit levels were often raised by decree. These trends reflect the debates going on at the time and the options that policymakers perceived to be viable. By 1993-94, the problem of severe poverty in the country was receiving greater recognition and had become a subject of repeated parliamentary debate. This occurred in the context of increasing social expenditures and internal and external concerns about them. To resolve the poverty and budgetary problems, many members of the government called for an overhaul or substantive reform of the social security system. Ultimately, however, substantive reform was rejected in favor of incremental changes that began with the introduction of means tests. The nominal objective of the means test, which was put in place by left government then in office, was the reduction of poverty. Marek Rymsza, a close observer of family policy debates in the 1990s, contends that means testing was perceived to fit the leftist agenda and promises to address the social costs of economic reform quite well. While the right might argue that the reason to have means testing is to cut expenditures, Rymsza contends that the left was arguing that means testing could serve as an equalizer in Polish society by targeting assistance to the victims of transformation (Interview with Rymsza 2002).

The choice of a stringent means test in response to the challenges confronting Poland was in many ways unsurprising. While calls were heard for a substantive review and overhaul of the social security system, there were few ideas coming either from parliament or the government
ministries about how to achieve this. The Ministry of Labour and Social Affairs, designed to be the distributor of benefits rather than the initiator of social programs and reforms, was ill equipped to revamp its social policies. As for political parties, the left government found it expedient to introduce means testing while retaining benefit levels (without ever changing the basis on which benefits were decided). This offered a way of addressing the poverty issue as it had promised in the 1993 electoral campaign while at the same time taking steps that were also meant to result in reduced expenditures. Solidarity objected to this policy, but failed to offer a comprehensive alternative. Instead, Solidarity called for tax exemptions for low income groups, a minimum income guarantee and higher income limits for the means tests (Warsaw Business Journal 30 March 1995). At this time, Solidarity was advocating a conservative family policy but its vision of this was focused more on laws on divorce, contraception and abortion than on social supports. As for the OPZZ, the union aligned with the leftist SdRP, it appears that it added very little to the debate over family benefits at this time.

While the Polish government at the time tended to implement some of the recommendations of the World Bank in addressing poverty, it is by no means certain that this policy was a result of World Bank influence. Rather, the introduction of means tests in 1995 continued policies that had been put in place in the early 1990s and fit in with the main ideological principles of the ruling party. In the absence of an alternative approach, which was itself a function of the Ministry’s design and the relationship of unions to the main political parties, this step was in many ways a logical continuity of past policies. Some employees at MPiPS who were involved in discussions about poverty relief at the time argue that the World Bank's initial policies were rejected by the Minister of Labour (Interview with Małecka 2002) or
that World Bank ultimately had little influence over policy decisions (Interview with Chłon-
Domińczak 2002).

The case is often made that the 1995 reforms in Hungary were also the result of pressures
from international organizations, particularly the IMF and World Bank (Borbély and Ferge make
this case most fervently). The extent to which the Horn government, particularly Finance
Minister Bokros, was influenced by these organizations is something that is difficult to
accurately measure, however. What is verifiable is that the policies ultimately pursued were a
watered down version of what these organizations recommended. Proposed measures to
drastically reduce and eliminate many supports for families incited a debate both in parliament
and on the streets that was not matched elsewhere. Opposition parties in parliament, including
FIDESZ (the Young Democrats), the Free Democrats and the Christian Democrats united in their
objection to the reduction of family supports and called instead for new tax policies and a
restoration of entitlement based family policies. Organizations such as the National Association
for Large Families (NALF) joined unions in protesting the Bokros reforms, bringing more than
10000 to the streets and organizing a massive petition of the government (Interviews with Marki
and Benkő 2003). Ultimately, the Constitutional Court reviewed the reforms and ruled several of
them to be unconstitutional. The President of NALF, Laszlo Marki, estimated that only about
50% of the original proposed changes to family policy were actually implemented at the time
(Interview with Marki 2003).

The reforms to family policies pursued by the Horn administration might be best
described an anomaly, the result of the extreme ambitions of Finance Minister Bokros.
Alternatively, these policies can be seen as a logical, if excessive, response from a left wing,
liberal-oriented government to genuine fiscal challenges. Regardless of one’s interpretation of
the motives for these policies, the interesting part of the story in Hungary is that they were fundamentally unsustainable. The revision of family policies that followed the period of austerity measures was not simply a reaction of the conservative government that came into office in the term that followed. Rather, one sees the roots of such a reversal at the very time when these reforms were taking place. In response to Bokros’ announcement in March 1995, then Welfare Minister Pal Kovacs resigned in protest. This followed an attempt by State Secretary of Welfare and other members of the Ministry to propose an alternative to radical cutbacks in family policy, by seeking savings through reforms of health care (MTI 16 March 1995). This to some extent reflected the design and capacity of the bureaucracies. Family policy was central to the Welfare Ministry in Hungary as opposed to the case in Poland where the MPiPS had a much wider range of responsibilities. In many ways, the conservative family policy that had been in place since regime change defined the Ministry, making it much harder to get their support for it. It is also the case that in Hungary, trade unions initially lined up against the proposed reforms. These conditions made it possible for the case of rightist political parties and supportive organizations such as NALF to resonate and have an effect.

Marki, the President of NALF, underscored that the ambition of all parties opposing the government’s proposals was to encourage a view of family policy that did not see it as a response to poverty but rather as a pro-active means of supporting families in general and particularly those in ‘middle’ class (Interview with Marki 2003). NALF also strongly promotes childbirth and policies that would encourage women to take on a primary role as mothers. This view reflected the initial design of family policy in Hungary. It is also telling about what opponents of the Horn government’s family policy felt they were up against. The debate in
Hungary was not about finding the optimal means of resolving poverty through family policy, but fundamentally about what policy in this area should aim to achieve.

The introduction of the state social support scheme in the Czech Republic in 1995-1996 was essentially a continuation of reforms begun in the early 1990s. This scheme introduced a new benefit, the social allowance, which was targeted toward the poorest families. It also made the child allowance a means-tested benefit, but, again, the means test was far less stringent than was the case in either Poland or Hungary. The new scheme left the parental allowances and birth grants as universal benefits. No changes were made to maternity or childcare leave policies at this time. Ultimately, the reforms undertaken were the result of a compromise between the ruling coalition led by Klaus’ ODS and Social Democrats. The right wing government that introduced the call for means testing argued on the basis of the need for reductions in social expenditure. The left CSSD in opposition and the main trade union CMKOS pushed against the initial design of the policy, which ultimately resulted in the high thresholds and minimal means testing that made it in to the 1995 Social Support Act.

The public debate over the 1995 reforms in the Czech Republic was different from that in Poland and Hungary. Reflecting the fundamental divide between left and right in this country, the debate focused on the very nature of the welfare state. By opposing the means tests, the left took the position that maximum state intervention and universal access to state programs were desirable goals. On the other side, the right was arguing for a reduction of state intervention. With the exception of a few Christian Democrats who were junior partners in the coalition, no one was pushing for a family policy that would serve ends other than economic ones. In fact, there was a sense that the design of new policies aimed explicitly to move away from the
paternalistic family policy of the Communist regime. A government report issued by the Ministry of Labour and Social Affairs made this point when it argued that:

“This [the Communist] “family policy” of the state, one of the many signs of state paternalism, was guided by the false impression that the number of children in the family is the business of the society and that the state is therefore responsible for the economic situation of families with more children....After the change in the political and economic systems at the turn of the eighties and nineties we are gradually moving away from this policy, because a child is first and foremost the wealth of the family and the number of children is primarily the affair of the family itself....The “family policy” of blanket support for all families with children is therefore gradually being replaced by a social policy aimed at low income families (CTK 8 March 1995).”

As this statement indicates and the policy changes themselves support, the goal of family policy in the Czech Republic was to support lower income members of the population through effective redistribution. This was the essence of policy developments starting in the period after regime change. Political parties, with the support of unions and the Ministry, perpetuated this general policy tendency.

The aims and design of family policy continued to be contended in all three of the CEE countries in this study through the late 1990s and 2000s. While the issue of budgetary constraints remained a component of these debates, another main focus became what family policies should try to achieve. Prospective membership in the European Union to some extent injected new issues into debates over family policies in all accession countries. While the EU did not advocate a uniform family policy, its social objectives included the elimination of poverty as well as equality for women and men. These objectives were meant to be reflected in policy choices. At the same time, various civic organizations in all countries entered debates over family policy mainly through advocating a conservative or pro-family agenda. The Catholic Church has been a key advocate this view, particularly in Poland and Hungary. Associations such as NALF in Hungary have sprouted up in many CEE countries, including the Czech Republic (the
Organization for Living Families) but not, apparently in Poland. Women’s organizations also entered this debate as did newly formed government divisions tasked with revising laws to promote gender equality. Notably, women’s organizations in CEE countries have been divided into two camps; those that embrace Western feminist ideals and those that explicitly reject them. Those who belong to the later group contend that the equalizing of the sexes under Communism in its own way repressed women by minimizing the significance of their role as mothers. Equal opportunity in the workplace is therefore not what women in post-Communist countries desire, but rather more support for childrearing. All of these interests have put new ideas about family policy on political and public agendas in the CEE countries.

In Poland, proponents of a more ‘familist’ approach to policy have found support among the right wing parties, which have largely defined themselves in terms of conservative family values. Yet, as I showed in Chapter 2 and reviewed above, the familist agenda has never been accomplished in policy. The AWS, which ruled the governing coalition in parliament between 1998 and 2002, pushed a pro-family agenda on many fronts. In its election platform, the AWS/UW coalition committed to improving the situation of families by giving greater support to families and mothers raising young children and additional support to large families. While in office, however, the coalition was often divided on family policies. This was to some extent because the UW, led by Finance Minister and economic reformer Balcerowicz, continued to prioritize economic reform. This highlights a tension in way that the ‘right’ in Poland has defined its agenda since regime change, as accepting liberal economic principles while at the same time differentiating itself from the left on social matters. The coalition in office ultimately failed to push any major benefit changes or pro-family tax reforms. Nonetheless, it did accomplish an
extension of maternity leave from 16 to 26 weeks as well as some increases in benefits for large families. These measures were, however, later reversed.

Even during the tenure of the AWS as the ruling party in the Sejm, policy changes often moved in the opposite direction of a familist agenda. Although concessions were made for large families, what was achieved were benefit increases rather than the expansion of benefits universally, which is what the right (with support of the Solidarity union) desired. Tax reforms implemented in this period offered no concessions to families, despite the AWS push for tax relief to large families. Additionally, amendments to leave policies were passed making it possible for men to take leaves as well and also making maternity leave a right rather than a duty. This latter change made it possible for women to return to work sooner than their maximum leave would permit, which would seem to have the opposite effect of what a pro-familist political party would desire.

To some extent, the failure of a familist agenda to take hold in Poland had to do with the tension within the right wing coalition. The objective of strict budgetary reductions consistently overrode attempts at expanding family benefits in any way. At the same time, Finance Minster Balcerowicz pushed tax reforms that were ideologically suited to the goal of letting the market prevail. But, ultimately, it is necessary to look outside of the party to understand the failure of the right’s agenda on family policy. A pro-family policy in many ways conflicted with the capacities and tendencies established in the Ministry of Labour and Social Affairs. To contest the AWS pro-family tax policy, Balcerowicz argued that this would be too complicated for the bureaucracy to implement (Interview with Rymsza 2002). Indeed, when the left regained the parliament in 2001, it advocated for a more streamlined means testing system that would further simplify finance and administration. Also, bureaucrats within the MPiPS embrace means testing
as an efficient way of addressing poverty, and do not at all promote a pro-family agenda (Interview with Malecka 2002).

It is also the case that a pro-family agenda has been thwarted by decentralization, a process that is widely supported at the MPiPS and that largely defines its organization of social supports. Studies on the way that decentralization has affected family policy suggest how the organization of social support in Poland complicates any attempts at pro-active or agenda driven family policy. In perhaps two of the most comprehensive research projects on local family policy developments, Hrynkiewicz (2000) and Rymsza, et. al. (2001) find that decentralization has actually had the opposite effect than what was nominally intended. Hrynkiewicz argues that:

“According to official statements, the original intention was to create a social policy, the focus of which would be the family, and this policy was supposed to concentrate on efforts that would support all the functions of the families: economic, social, caring, education and procreative. It was supposed to help all families, not just those which had become dysfunctional (2000, 12).”

Instead, as both authors point out, decentralization has functionally resulted in local offices handing out benefits at their discretion mostly to those most in need. This distinctly clashes with the objective a familist family policy which requires far greater strategizing and, to a great extent, more centralized guiding principles. Rymsza and Hrynkiewicz argue that decentralization has ultimately thwarted the process of achieving any broad goals in family policy because of demands on local offices to both strategize and implement policies as well as a lack of resources.

The success of familist policies in Hungary, particularly since the late 1990s, provides an instructive comparison to Poland. Here, the structure of political parties is similar to Poland as is the pattern of their rise and fall during the post-Communist period. Elections in 1998 gave a parliamentary majority to FIDESZ, the successor party of the Young Democrats. Much like the
AWS/UW coalition, FIDESZ combined a commitment to liberal economic principles with social objectives that focused on familist outcomes. While ruling parliament between 1998 and 2001, the FIDESZ government oversaw a complete reversal of the family policy reforms enacted under Horn. More to the point, FIDESZ made family policy central to its agenda and put Hungary decidedly back on a path of familist policy. As described in Chapter 2, the policy changes implemented during this period included the extension of all family benefits universally, an increase in benefits for large families and the introduction of a tax system that decidedly favored middle income traditional families. In pursuing its agenda, the government did not ignore fiscal constraints nor did it moderate its commitment to liberal economic principles. It did not implement a generous or highly redistributive social policy, but rather one that was targeted distinctly to conservative social ends.

While many observers as well as members of FIDESZ itself attribute family policy reforms to the coherence of the party’s agenda and strength of its arguments, the story is more complex. The family policies that FIDESZ implemented were in many ways a continuation of what was put in place after regime change. Not only did these policies pick up many of the themes that underpinned reforms of the first post-Communist government, but they were also continuing a line of policy changes that occurred during the Horn government as well. Resistance to family policy reforms in Bokros’ austerity package indicated a line of thinking among government and civic actors that was particularly strong. In the late Horn period, the government also began to revive attention to the problem of population decline, which has consistently been a key motivator of familist policies in Hungary. The press in 1997 reported the attendance of Democratic Forum (MDF) Minister Lezak at a conference called “Now for Tomorrow,” which detailed population decline and advocated for family support. Reports at the
time also cited studies that found Hungary to be particularly ‘children oriented’ in comparison to other countries. Moreover, in 1997, an important piece of legislation was passed. The Child Protection Act of 1997 guaranteed regular supports to families with children, effectively reversing many of the changes that had been attempted during austerity measures. And, in 1997, before FIDESZ was elected, spending on family allowances actually increased by 3.5% (MTI 1997-10-07).

The implementation of FIDESZ’ family policy concept was in many ways facilitated by cooperation from the Ministry of Welfare. Familist objectives had served as the organizing principles of family policy in the Ministry for a considerable period of time. In 1998, the part of the Ministry concerned with Health policy split off and a Ministry of Social and Family Affairs was created. Peter Harrach, Minister of Social and Family Affairs during the FIDESZ government, described a long term relationship (15 years) of the Ministry with the Association for Large Families (NALF). And, NALF leaders, in turn, argued in their interviews that they consistently received cooperation from and worked closely with Ministry members in asserting their familist objectives (Interviews with Harrach, Benkő and Marki 2003). Harrach in many ways led the initiatives on family policy, although they were strongly supported by the dynamic leader of FIDESZ, Viktor Orban. In 1999, Harrach commissioned the writing of a long-term National Family Policy Concept that would be designed to “restore social respect for families and encourage young people to marry and have children (HATC 01 July 1997). The Concept was ultimately accepted by a broad array of ministries and offered guidelines for economic and social policies alike. Inter-ministerial cooperation was an essential part of implementing the family policy concept. Moreover, unlike the Polish Ministry, this one was willing to accept the
complexities of implementing a broad concept as well as to re-centralize elements of social policy as needed (SAPRI 2000).

In both Hungary and Poland, the period of right wing government was followed by the re-election of the left to parliamentary leadership. This was not the end of debates over family policy. While the AWS was functionally dissolved in Poland, successor parties have taken up the mantle of its conservative agenda. The League of Polish Families (LPR) achieved about 8% of seats in the 2001 parliamentary elections and has been building strength at the national and local level ever since. As indicated by its name, the party puts family ‘values’ or familist principles at the very center of its agenda. Likewise, the Christian National Union (ZChN), led by former Labour Minister Kropiwnicki and represented only at the local level, also proclaims to have Christian family values at the center of its agenda (Interview with Kropiwnicki 2003). Despite the growing influence of these parties, however, there have been no real gains in terms of achieving a familist policy agenda. The leftist SLD government has reversed almost all of the changes, such as extended maternity leave, that were made during the previous right-wing government. Neither the problem of expenditure nor poverty has gone away, yet it is noteworthy that even the most recent attempt to ‘rationalize’ the system of family benefits, proposed as part of the Hausner Plan, was ultimately rejected. This again indicates the significance of capacity as a necessary element in achieve any kind of substantive, goal-oriented reform. In Hungary, the outcome has been different. Although the left government proclaimed dissatisfaction with the situation of families during the election, they have not reversed many of the previous government’s policies. The new Minister of the reconnected Ministry of Health, Social and Family Affairs indicated a commitment to continue the tax allowances, universal benefits, and
childcare leave policies that the previous government had established (Interview with Goncz 2003).

The situation in the Czech Republic since the late 1990s has been different again from Hungary and Poland. Following the currency crisis in 1997, fiscal constraints became a focal point of family policy debates. More so than ever, the Czech Republic was critiqued by the IMF, World Bank and European Commission for its budget deficit and excessive social spending. A split government that ruled parliament between 1998 and 2002 ultimately did enact some cutbacks in family policy by lowering the minimum income for means tested benefits and halting the increase in the subsistence minimum. But, these changes ended up being quite minimal compared to extent of pressure that the Czech government was under both externally and from liberal reformers within. Some policies such as the new criteria of the means test were ultimately reversed and the subsistence minimum was also only temporarily halted (CTK 05 September 2001). Moreover, indexation rules for social benefits were continued and ensured that the generosity of benefits was not substantively reduced. And, despite campaign promises of the Social Democrats, no substantial overhaul of the existing social security system was ever undertaken. This includes any kind of decentralization, change in the universal orientation of the system or reappraisal of the three-pillar social policy concept that was enacted in the years after regime change.

Developments in the Czech Republic are undoubtedly due to a mix of entrenched capacities and interests in the Ministry of Labour and Social Affairs, as well as to strong union action with regard to proposed cuts in family policy. Early reform of the social benefit system in the Czech Republic in many ways institutionalized the administration of policy and hence created support for policy continuation. The MPSV has been a strong supporter of social
democratic principles and has resisted decentralization and rationalization of the family support system. Spidla, the leader of the CSSD and Prime Minister from 2002 until 2004 led the MPSV in the period between 1998 and 2001 and was a strong supporter of the welfare state concepts that the Ministry had been promoting and implementing since the early 1990s. The main trade union, ČMKOS has also played an important role in debates over family policy in the Czech Republic. ČMKOS has consistently resisted attempts at cutbacks in family policy by threatening and leading strike action in protest. In this sense, its role has been very different from unions in Hungary and Poland, which have actually given minimal attention to family policy matters and on occasion supported familistic policies. A significant part of family policy development in the Czech Republic has been the unions’ ability to voice a position favorable to broad state interventionism and effective redistribution.

In spite of the fact that right wing, moral-cultural parties of the type in Hungary and Poland do not have much strength in the Czech Republic, a debate over re-orienting family policy toward familist aims has not been avoided here. After the 2001 parliamentary elections, the new government led by the CSSD in coalition with the Christian Democrats (KDU-CSL) and Freedom Union (DEU) called for the implementation of a “European Welfare State,” with an emphasis on support for the family (BBC Monitoring 05 August 2002). Some pro-family policies were envisioned including tax advantages for families with children, the re-introduction of universal child benefits and increases in parental benefit. In the Coalition Statement (July 2002), the parties also pledged to push through the adoption of a state concept of family policy that would serve as a guideline for creating favorable conditions for families with more than one child. This statement included support for policies facilitating the balance of work and family, but also emphasized creating conditions that would allow a woman to choose childrearing over a
profession if so desired. During 2003 and 2004, the aims of family policies came under closer scrutiny as a large debate about declining birth rates in the Czech Republic dominated the press. Studies found the Czech Republic to have the lowest birth rate next to Italy among the OECD countries, and this fact prompted a revival of conservative ideas.

Over the past year, members of the junior coalition partner, the KDU-CSL have been calling for a more pronounced family policy. In mid-2004, the KDU-CSL took over the drafting of the family policy concept in the Ministry of Labour and Social Affairs. During a conversation with Mrs. Mullerova, one of the leading members of the party in the KDU-CSL, she described the party’s goal as devising a family policy that is not just a social policy, but one connected to other areas such as taxation and education. The party has also called for the development of a new Ministry of Family Affairs that would coordinate policies for families on the whole.

“Today’s MPSV takes care of families particularly when they have a problem. The new Ministry would focus on active policies for all (Interview with Mrs. Mullerova, June 2004).” Although there are few documents as of yet to prove it, the vision of the KDU-CSL appears to significantly depart from the existing basis of family policy in the Czech Republic. But, by many accounts, it is unlikely to succeed. The KDU-CSL has also strongly advocated anti-abortion measures and has been associated with anti-homosexual ideas as well. These positions have not gained widespread support among the Czech population and certainly not within the MPSV, where members of the KDU-CSL appear to be increasingly isolated (based on conversations with various employees at the MPSV). Calls for the creation of a new Ministry have been broadly opposed by the party’s coalition partners and the opposition. Whether the new family policy concept, due to become public in mid-2005, will have any impact will likely depend on how well
it fits the existing policy direction, which is partly oriented toward redistribution, as well as how it fits the institutional structure currently in place.

Conclusion

Each of the three CEE countries examined in this chapter have devised a different orientation for its family policy. The distinctions between family policies in the three countries are along the dimensions of the redistributive effects, degree of familization and extent of universality, as illustrated in Chart 1. I argued that cross country variations in this policy area can be attributed to the interactive effects of political parties, interest groups and bureaucracies, the inclinations and capacities of which were largely set in place in the period immediately following regime change. In sum, moral-cultural party cleavages in both Hungary and Poland have given rise to a debate that is framed largely in terms of the social aims of family policies. Right wing parties in both countries have promoted a familist type of policy and are supported by a variety of civic interests in this objective. However, I argued that the familist objective has been pursued to a greater effect in Hungary than Poland, largely because the Hungarian Ministry of Welfare built the capacity to implement policies oriented in this way from the outset. In the Czech Republic, the orientation of family policy has largely been toward effective redistribution rather than any particular social goal. This orientation reflects the socio-economic ideology of the key parties and especially the ability of Social Democrats to design policies in the critical period after regime change. Generous family benefits have been protected here over time at least partly because of the existence of a well institutionalized system within the Ministry as well as strong support from the large trade unions. Thus, while the three countries have confronted similar
pressures to either residualize family benefits or to orient policies toward conservative or familist objectives, each has responded differently in a way that reflected a unique combination of capacities and inclinations among key domestic policy actors.
Chapter 6
Conclusions

The empirical analyses and case studies in this dissertation have aimed to address some key questions regarding welfare state restructuring in the former Communist countries. First, in response to the question of whether welfare policies in these countries are converging or diverging, I answer that there has been a significant degree of divergence. In Chapter 2, I used available data on the intent and outcomes of social policy reforms to show that three relatively similar CEE countries are diverging not only in terms of individual policy choices, but with regard to fundamental features of their welfare states: the degree of universality, redistribution, active social policies, benefit levels and familism. Second, to explain why this divergence was occurring, I presented a domestic institutional explanation. In Chapter 1 and the case study chapters, I show that the different directions of welfare state restructuring in the CEE countries is not due to variations in economic conditions, historical background or degree of pressure from particular international agencies. Rather, my evidence suggest that welfare policy divergence in these countries is rooted in decisions made during the period immediately following regime change. At this time, key domestic actors acquired capacities and inclinations that have underpinned their approach to welfare reform ever since. My case studies show how interactions between political parties, interest groups and bureaucracies have led to the distinct set of welfare policy outcomes for each country described in Chapter 2.

This study has aimed to both develop and test hypotheses about why post-Communist welfare systems are diverging. I have argued that theories about policy divergence extant in the literature on the western welfare state do not fully apply to the post-Communist cases. This is
because of differences in the timing of critical junctures in welfare state restructuring in the West and East. Whereas the modern welfare state in western countries was fully developed in the post-WWII period, it was during the early 1990s that the welfare state began to be substantively restructured in Central Eastern Europe. The conditions of capitalism were very different in these two time periods. Economic conditions in the early 1990s, characterized by globalization and post-industrialism, rendered it impossible for leftist political parties to embrace the same range of welfare policies that they did in the West. Likewise, trade unions had a much weaker position in the economies of the early 1990s than those of the postwar period, and hence were less likely to be able to achieve the same gains in welfare policies. Overall, the role of trade unions and business groups in social policymaking has changed over time as interests in social policy have become less cohesive. Another feature of modern economies is the emergence of a distinct underclass of the long-term unemployed and impoverished, whose social policy interests are neither as clear nor well represented as the workers who most benefited from Western welfare state institutions. For all of these reasons, domestic institutional hypotheses on the expansion of the welfare state in the West do not make sense in the context of the post-Communist welfare restructuring.

While my research found that domestic institutions were extremely significant in shaping welfare policies in the CEE countries, it also showed that what mattered about these institutions was very different from that predicted in the literature on the Western welfare state. Although my cases concurred with many welfare state theorists on the occurrence of critical junctures and subsequent path dependency, new hypotheses had to be developed to explain initial policy choices and why they perpetuated over time. On the basis of my findings, I argued, firstly, that during the critical juncture, decisions about the nature of institutions and about the particulars of
welfare policies were made in tandem. Welfare policy choices at the time were intertwined with the development of key capacities and inclinations of political parties, interest groups and bureaucracies. Certain ideas about the goals of social policy both reflected and then became inherent to political party platforms. Policy choices also reflected the inclinations of welfare bureaucrats and then in turn defined what kind of capacities their bureaucracies were to develop. And, welfare policies were also partly shaped by interest groups after regime change, whose role in the policy process and ability to articulate distinct positions on welfare issue became entrenched at this time. Over time, it was the unique combination of inclinations and capacities of these three institutions that explained the distinct array of welfare policies in each country. These hypotheses were elaborated and tested in my case studies and can be used to generate some predictions about developments in other welfare states.

Significant Divergence in CEE Welfare States

While a handful of experts on former Communist countries have been pointing to the phenomenon of welfare policy divergence in the region, this is still not a fully accepted fact, either in the literature or among policymakers. Accession of Central European countries to the European Union this past summer has intensified suspicions that any policy differences are bound to disappear in the medium term. I disagree with this for three reasons. First of all, predictions of welfare policy convergence have been heard since the Communist regimes in the region collapsed more than a decade and half ago. As I describe in Chapter 1, many authors made a powerful case that convergence was inevitable due to the economic opening that defined transition and the fact that it took place in a context of globalization. In order to compete in the
world economy they were entering, it was strongly expected that the former Communist
countries would have no choice but to roll back their welfare systems. What I have tried to show
in my research is that while the context of globalization has had a significant impact on policy
choices, the results have not been the same in all countries. Where countries have had to restrict
social spending, they have done so in very different ways. And, in none of the countries I
examine here have budgetary restraints entailed the full dismantling of welfare institutions. One
can say the same regarding the effects of political globalization. Direct pressure from
organizations such as the IMF and World Bank has not resulted in the adoption of their uniform
policies across countries.

While it is true that European Union accession has a much different significance for
policy development in the region than the past pressures from other international agencies, there
is still reason to question that the outcome will be convergence. For one thing, social cohesion is
the weakest and least developed of EU objectives. This is because social policies continue to be a
definitive identifying feature of each European nation-state. The idea that the CEE countries
have such weakly developed welfare states that social cohesion will be easier to accomplish than
elsewhere is questionable. As I have argued in this dissertation, the welfare institutions now in
place in these countries are the result of strong preferences and abilities of domestic actors.
Moreover, policy directions in each country have been very difficult to change over time, just as
is the case in the advanced industrial economies of the west. Convergence is also unlikely
because there is no clear sense of what kind of policies countries would converge to. As it stands,
social policy directives from the EU take the form of broad social objectives, and requirements
that each country assess its progress toward meeting those objectives. How these objectives are
to be achieved is much less clear, particularly as the notion of a ‘social Europe’ often seems to
conflict with liberal monetary and fiscal policy demands. In sum, the ambiguity of EU social policies combined with the entrenched nature of welfare policies in the CEEs is a second reason to doubt that convergence will absolutely occur in the near future.

A third reason to question the inevitability of welfare policy convergence in the CEE countries is the extent to which these policies are already becoming definitive features of each country’s economic and political identity. As I have tried to show in my case studies, welfare policy choices have been strongly tied to ideas about economic development as well as to distinct political cultures in each country. Welfare restructuring in the former Communist countries has co-evolved with developments in the economy, society and the polity, and is deeply intertwined with these changes. The very idea that convergence will occur through a simple process of changing policy ignores this embeddedness of the welfare state. Moreover, my empirical analyses in Chapter 2 showed that policy divergence goes much deeper than basic differences in policy choices at any given time, which is what many analysts compare. The data I gathered for that chapter showed that divergence across countries is significant in that each has chosen a distinct path of welfare state restructuring overall. For example, a welfare system that is characterized by universal policies and a high degree of redistribution is fundamentally different from one that has as its essence means tested and a weak degree of redistribution. These types of differences say much more about the welfare state than just the fact that, for example, countries have chosen different degrees of pension privatization.

The Central East European countries are good cases for testing whether convergence or divergence is the most likely outcome of economic and political globalization. These countries were forced to open their economies over a short duration of time and were subject to an unprecedented degree of intervention by external political actors. The fact that, in spite of these
conditions, they have significantly diverged in the way they have restructured their welfare states, weakens the convergence case. A finding of policy divergence is unsurprising in light of current literature in political economy and on the welfare state in particular. Nonetheless, welfare policy convergence has been strongly predicted for post-communist and other developing countries. The finding of divergence in the cases studied here should call into question claims that development demands flat out welfare liberalization and that policy packages can be easily imposed on developing states. More fundamentally, the finding of divergence in the post-Communist cases calls into question some of the main theories about how public policies are made in these countries. The fact of policy divergence invites the researcher to look to unique domestic processes, and to consider what can learned from the more extensively studied experiences of policymaking in advanced industrial economies.

Critical Junctures and Path Dependence

One of the key findings in this dissertation is that the direction of welfare system restructuring in post-Communist countries was largely determined during the brief period of policy and institutional shake-up after regime change. I define the period roughly between 1989 and 1993 as a critical juncture for the post-Communist countries, by which I mean a moment in history when policy and institutional design was to a great extent ‘up for grabs’ or mutable in a way that did not occur either before or after. It should be unsurprising that regime change and economic reform during this period would represent a distinct moment of decision-making. Yet, analysts who have embraced the idea that what occurred in the region was more of a ‘transformation’ than a ‘transition’ tend to look for longer term continuities than this idea
suggests. In my opinion, it is possible to accept both that change in the region is a subtle and complex process (a transformation) and that the period immediately following regime change represented a distinct moment of institutional genesis (a critical juncture). To prove that this period was indeed a critical juncture, this study shows that there was a minimal extent of continuity both in policy and in the social policy preferences of key domestic actors after 1989. In making this claim, I am not suggesting that there was a radical or complete break with the past. Indeed, some features of social policies and decision-making that distinguished the three countries during communism could help to explain what occurred in the period between 1989 and 1993. But, this fact is not incompatible with the claim that the way that old and new ideas, institutions, and policy combined at this moment was decisive for what was to follow.

The primary proof that this period was a critical juncture lies in the events that followed. For one thing, the case studies of the three CEE countries show that distinct long term outcomes in their welfare states correspond with distinct developments during the period immediately after regime change. Thus, the fact that welfare bureaucracies in Hungary were vested with capacities to develop active policies in the early 1990s while in Poland they were not, has had a very pointed affect on the way unemployment is handled in the two countries. In the case studies, I highlight several such correlations and try to show the causal connection between early decisions and long term policy developments. A second means by which the case studies seek to prove that the period in question was a critical juncture is by showing how difficult it became after 1993 to change policy directions. One good example of this was the attempt by the Horn administration in mid-1995 to dismantle family policies. Public opinion did not cause the reversal of these policies: what did was the fact that they did not cohere with the inclinations or capacities that had come to define key domestic institutions involved in policymaking during the period of regime
change. The comparative case of Poland shows how much easier devolution of family policies was in that case.

In the comparative case studies on unemployment and family policy, I show that developments after the critical juncture in each country were largely path dependent. Demonstrating path dependency entails more than simply showing a correlation between the past and the present. It is necessary to show the precise mechanisms by which developments at one moment in time shape outcomes at another. The findings in this dissertation suggest some hypotheses about the causal mechanisms of path dependency in the post-Communist cases. Primary features of welfare policies are perpetuated over time in these cases because the institutional identities of key domestic institutions - their inclinations and capacities – largely define how they respond to social challenges. These identities, I argue, were shaped during the critical juncture.

The mechanisms of policy reproduction that occur in my cases conform partly to what Mahoney (2000) describes as a ‘legitimation explanation’ of path dependency. In his words, such an explanation claims that institutional reproduction occurs because key actors view the institution as legitimate and therefore opt for its reproduction voluntarily. It is, he claims, actors’ subjective orientations and beliefs about what is morally correct that lead to reproduction. This roughly fits the explanation provided in the case studies of why political parties can support a limited range of policies in each country case. Weighed against the ideological basis of the party, only some policy objectives can be legitimate. Thus, I argue, in a system where left and right parities are divided over moral-cultural rather than socio-economic issues, neither has as a feature of its identity the defense of socio-economic equality. In this scenario, increasing the redistributive effects of social policies at the cost of other objectives is unlikely to occur. Thus it
is that in Hungary and Poland, moral-cultural divides across the political parties contributes to, in combination with other factors, the relative paucity of highly redistributive social policies.

Mahoney’s legitimacy explanation is also applicable to the behavior of interest groups in the case studies presented here. Interest groups, particularly trade unions, are defined in the case studies as being more or less dependent upon political parties. Degree of dependency matters, in part, because in and of itself it shapes what interest groups perceive to be a legitimate policy agenda. That is, strong ties to a political party severely restricts the latitude of an interest group to activate for a policy that contradicts the party line. I also find in my cases, that the extent of dependency correlates with the degree to which interest groups pursue organizational restructuring after regime change. My claim is that interest groups that have restructured end up with a wider repertoire of responses to social challenges, especially new challenges such as long-term unemployment. Finally, I argue that the ability of interest groups to contribute to social policymaking during the period immediately following regime change also had a perpetuating effect on policy decisions. This was not only because of the direct contribution of interest groups to policy design at the time, but is also due to the fact that involvement forced groups to define a position on social policy issues. This should not be confused with a power explanation. The power of interest groups in the policy process has ebbed and flowed over administrations in many CEE countries. More important has been the substance of what interest groups contribute to policy debates.

In the case of welfare bureaucracies, I have argued that the mechanism of policy perpetuation lies in the capacity of these bureaucracies to implement particular policy types. Welfare bureaucracies were vested with specific capacities in correspondence to policy choices made during the period after regime change. For example, if a highly coordinated, pro-active
approach to unemployment was taken in this period, welfare bureaucracies developed what I call a high capacity for policy implementation. Contrarily, where a passive, benefits-oriented approach to unemployment was taken, bureaucracies developed a low capacity. Bureaucratic capacities became mechanisms of path dependence over time in that they constrained the paths of policies that could later be pursued. In combination with the inclinations of parties and interest groups, bureaucratic capacity influenced what kind of policies were chosen at each iteration of public debate. In sum, my argument is that we can explain the array of welfare policy choices in each country to be path dependent because choices made during the critical juncture are recreated over time in the process of decision making at the domestic level.

Interactive Variables

One of the key findings of this dissertation is that policy outcomes are explained by the interaction of three key variables. That is, policy outcomes are explained by the combined influence of political parties, interest groups and bureaucracies. The claim of a combinatory effect implies a number of things. First, we can not attribute the nature of post-Communist welfare states solely to any one domestic institution. Rather, the case studies identify three institutions that have been critical in welfare debates and argues that policy choices have been the result of their combined influence in decision-making. Second, other institutions are less critical than the three identified in influencing policy. This is illustrated by looking at the way that external organizations and a variety of internal policy actors attempt to shape the policy process but fail because there are mitigated by the preferences of actors from the three critical institutions. Third, the theory of a combinatory effect suggests that the policy outcomes seen in
each country are contingent upon the unique combination of tendencies among the three domestic actors.

Each of three variables is dichotomous. Political parties are defined as being either of a moral-cultural or socio-economic inclination depending upon how they define their ideology and agenda. Interest groups are defined to be either dependent on political parties or independent of parties, with the understanding that the degree of party dependence greatly affects how much they restructure internally. Additionally, welfare bureaucracies are defined to have either a high capacity for coordination and pro-active policy or a low capacity. Since the argument is that the combination of variables explains policy outcomes, then what we have are eight possible explanations for the distinct welfare configurations that we see in different countries. This is illustrated in Chart 1 below. The Chart illustrates how each of the eight combinations is likely to lead to a distinct array of welfare policies in each country. For example, the combination of moral-cultural party cleavage, dependent interest groups and a low capacity bureaucracy is likely to explain welfare restructuring that is oriented toward policies that are passive, means-tested, minimally redistributive and highly benefits oriented.
Chart 1: Outcomes and Predictions about the Combinatory Effect of Variables

<table>
<thead>
<tr>
<th></th>
<th>High Capacity Bureaucracy</th>
<th>Low Capacity Bureaucracy</th>
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<tbody>
<tr>
<td>Moral-Cultural Party</td>
<td>Active</td>
<td>Passive</td>
</tr>
<tr>
<td>Dependent Interest</td>
<td>Low-moderate universalism</td>
<td>Means-tested</td>
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<tr>
<td>Groups</td>
<td>Low benefit levels</td>
<td>High benefit levels</td>
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<td></td>
<td>Low redistribution</td>
<td>Low Redistribution</td>
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<td>High familization</td>
<td>Low Familization</td>
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<tr>
<td>Moral-Cultural Party</td>
<td>Active</td>
<td>Moderately active</td>
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<tr>
<td>Dependent Interest</td>
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<td>High Familization</td>
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<tr>
<td>Socio-Economic Party</td>
<td>Passive</td>
<td>Passive</td>
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<tr>
<td>Dependent Interest</td>
<td>High universalism</td>
<td>Moderate universalism</td>
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<tr>
<td>Cleavage</td>
<td>Moderate benefit levels</td>
<td>Moderate benefit levels</td>
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<td>Groups</td>
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Chart 1 shows both the outcomes discussed in this study as well as predicted outcomes, which are based on the way that the variables interacted in the examined cases. The combination of outcomes which appears in bold in the upper right corner of the table represents the Polish case. These outcomes are features of the welfare system in general, which I measured and described in Chapter 2. Here, I showed that Poland is characterized by a low degree of universality, high wage-based financing, a benefit orientation, low redistribution, passive policies and a low degree of familization. The case studies of unemployment and family policy showed the mechanisms by which the combined effect of a moral-cultural party cleavage, dependent interest groups and a low capacity bureaucracy actually led to policies with some of these characteristics. In both policy cases, I argued that parties with a moral-cultural orientation did not include in their repertoire an agenda for compensating the poorest members of society through social policy. This was largely because they defined themselves to have a neo-liberal economic
agenda, which precluded a comprehensive social policy. Party orientation contributed to policy choices that required minimal attention from the state, such as passive and benefit-oriented policies, as well as to the low emphasis on redistribution. The fact that unions followed the lead of parties and generally failed to develop a social policy agenda of their own meant that there has been no push to rethink essential policy features. These tendencies were perpetuated by the existence of a low capacity welfare bureaucracy, which in essence was unable to implement policy types that diverted from those selected after regime change. Thus, even when members of political parties in Poland have attempted to push through new policy agendas, they have been thwarted by the ability of the bureaucracies to implement them. This has often been the case with regard to the promotion of active employment policies.

The dependence of outcomes in Poland on the combinatory effect of parties, interest groups and bureaucracies is further illustrated by looking at the other cases. In Hungary, for example, the existence of a moral-cultural party divide also contributed to a low degree of redistribution and a proclivity toward means testing for similar reasons. The opposite is the case in the Czech Republic, where parties are divided along socio-economic ideologies and hence compete on social policy agendas. But, the Hungarian welfare system has many different features from Poland's. It is characterized by a high number of active policies as well as by a high degree of familization. These features can only be explained as the result of the combined influence on policy by key domestic institutions. The existence of high capacity bureaucracies in the Hungarian case makes it possible to pursue both active and familistic policies because both require a high degree of coordination and complex implementation. Active policies fit in with the agendas of Hungarian political parties oriented toward liberal economic policies in the sense that they promote self-sufficiency. The more passive approach taken in Poland also fit party agendas
in the sense of emphasizing the primary role of the market. This shows that party ideology does not dictate one course of action, but that what is important is how this combines with other features of domestic institutions. In the Hungarian case, active policies were also very much promoted by independent and reformed interest groups, another element missing in the Polish case.

To be clear, the argument is not that each variable can explain one characteristic of a country’s welfare system. That is, what is not being asserted is that, for example, where there are high capacity bureaucracies there are active measures and where there are moral-cultural parties, there are familistic policies. Rather, a combination of factors is required to explain outcomes. Therefore, in the Czech Republic, high capacity bureaucracies do not guarantee the same extent of active measures as they do in Hungary because such measures are not embraced by interest groups there nor do they fit in well with Czech party agendas. Likewise, familistic policies exist in Hungary because parties with a moral-cultural agenda promote them and the bureaucracy is equipped to implement them. In Poland, familistic policies are strongly promoted by rightist parties, but are poorly matched with the way that the welfare bureaucracy functions. The Czech case is one where only minor Christian Democratic parties push a familistic agenda but part of the bureaucracy embraces it. Familism is much less of a central goal in the Czech Republic than in Hungary, but has more resonance in policy than is the case in Poland.

While the case studies of unemployment and family policies helped to explain how specific combinations could explain particular welfare decisions in the countries examined, these were only examples to test and further develop the proposed theory. For one thing, the domains of unemployment and family policy do not encompass all of the features of welfare systems mentioned in Chapter 2. Therefore, the hypotheses presented in this dissertation could be further
tested by conducting similar in depth comparative case studies in different policy domains. Doing so would further confirm that overall tendencies in these countries’ welfare systems can be explained by the factors examined. A more complex task is to think about how the findings from this research can be extended to make predictions about other countries’ welfare systems. Chart 1 attempts to make some of these predictions on the basis of what has been learned from the analyses completed in the current study. The case studies in this study show how three different combinations of domestic institutions lead to three different types of welfare systems. Thus the top right corner in bold represents Poland, the second from the top left cluster in bold font represents Hungary, and the bottom left corner the Czech Republic.

What would be expected if we had a case where the main party cleavage was moral-cultural, interest groups remained dependent, but there was a high capacity bureaucracy (the top left corner)? In this case, it seems likely that one would have an orientation toward active social policies since this can fit in with the acceptance of liberal economic policies that are usually embraced by parties competing on moral-cultural issues. And such policies could be pursued by a high capacity bureaucracy. The absence of a tailored interest group agenda might lead to a more moderate active approach than one sees in Hungary, active policies would still be likely. The welfare system would not likely be characterized by a high degree of universalism since this does not fit in with party agendas and would not be pushed by interest groups following parties’ lead. Benefit levels in this system would likely be low because political parties would not likely push for higher benefits and the existence of a high capacity bureaucracy would make it possible to pursue other forms of social policy. Redistribution would likely be low since it would not comprise a key component of the parties’ platforms nor be pushed by active and independent interest groups. It is likely that a welfare system with these institutional characteristics would,
however, have a high degree of familization since moral-cultural parties on the right would not be thwarted by a low capacity bureaucracy to pursue such an agenda. I would argue that this agenda for familization would win out over left parties’ ‘social liberalism’ because of the absence of any other coherent basis for social policy.

In a country where there is a low capacity welfare bureaucracy, a moral-cultural party cleavage and independent interest groups, the outcomes would likely be different yet again. There would be many similar tendencies to the Polish case, although one might expect that independent interest groups would push for greater redistribution and/or contribute to the development of more active policies. In the case where there are high capacity bureaucracies, a socio-economic party cleavage and dependent interest groups, the case might look close to that in the Czech Republic. The difference would likely be that dependent interest groups would contribute little to active measures. Thus, even though there would be a ready bureaucracy, there would be no push for active policies either from political parties or support from interest groups. Another feature of this welfare system would likely be more moderately redistributive policies and possibly lower benefits since the left would have less independent support for these policies. It seems unlikely that the extent of universalism would suffer from the absence of independent interest groups because, as was the case in the Czech Republic, universal policies would be a key element of the welfare state promoted by left wing parties in a situation where the right would have little to offer in terms of positive welfare suggestions.

Finally, predictions about the nature of welfare systems characterized by features in the bottom two right hand squares in the chart would be different yet again. It is likely that in the system where the party cleavage is socio-economic, interest groups are dependent and bureaucracies have a low capacity, passive social policies would be pursued. The degree of
universalism might be more moderate than the case where bureaucracies have a high capacity since universal policies often require a higher degree of coordination. Likewise, the extent of familization would likely be lower. Independent interest groups (bottom right hand corner) in this type of system would probably push for higher benefit levels and higher redistribution, but could not likely override the lack of bureaucratic capacity to the extent that active policies would prevail over passive ones.

The predictions that are summarized in Chart 1 provide a basis for hypotheses that can be tested in further case studies. Additional cases could illuminate the extent to which the explanation I have presented and tested in the case studies in this dissertation are more broadly generalizable. It would not be difficult to find cases that correspond to the sets of independent variables this study has used, although it is implausible that these cases would precisely match the causal stories I have sketched out above. Rich case studies that probe deeply into a country’s domestic politics do not commonly yield consistent causal chains. Nonetheless, the causal stories that I have shown in my case studies and predicted in the brief summaries here can offer a great deal of insight into how social policies are decided. Moreover, what this study has achieved is to take a first step toward identifying ‘critical combinations’ that lead to certain desirable or undesirable welfare outcomes. For example, we can look at Chart 1 and identify what combination of factors likely need to exist at the domestic level in order to get more active or more redistributive social policies in place. By knowing something about these critical combinations, policymakers at the international and national level can identify obstacles and challenges to policy improvements.
This dissertation has argued that the timing of welfare system restructuring has mattered a great deal in the post-communist cases. While economic openness does not inherently dictate a particular course of welfare reform, the economic, political and cultural changes that characterize the era of globalization do affect welfare policy choices. As I described above, the timing of policy restructuring in the post-Communist cases has in some ways constrained the options available to them. In no sense could these governments fully replicate the welfare systems that existed in Europe, which were themselves in many ways similar to the systems that some CEE governments were putting in place in the inter-war period. Part of the reason for this was simply economic, due to budgetary constraints that did not exist for their European counterparts. And, part of the reason was cultural, reflecting the structure and needs of families. Moreover, the timing of welfare restructuring in these cases meant that governments were facing unique social challenges, many of which relate to the nature of work and demands of international competition.

What lessons, then, can be drawn for countries other than the post-Communist ones? I would argue that the findings in this dissertation have the greatest relevance for developing economies that have gone through or are going through restructuring of their welfare systems at this particular historical juncture. While not all countries will experience the same factors that defined the ‘critical juncture’ in the post-Communist cases, any kind of radical shift in the nature of country’s economy is likely to open a window of opportunity to reshape welfare policies. At this time, a course of policies might be set in place and institutional features concomitantly determined. Over time, features of the welfare system will be recreated in a process of decision-making that involves political parties, interest groups and welfare bureaucracies. I would argue
that the findings in this dissertation also have relevance for developed economies. While these countries have not experienced the same critical shift that the post-Communist countries have, they have been going through a period of welfare state ‘crisis’ and are restructuring their welfare systems as a result. The findings in this dissertation could again offer lessons on the determinants of welfare policy reforms. In many ways, the post-Communist countries are very fruitful examples for the West to examine. After all, these countries have in essence been forced to deal with the very same realities that have created the current ‘crisis’ in the West. The fact that the CEE countries are handling these challenges differently offers a great deal of hope that welfare systems can still, in the current era, reflect unique national preferences and be subject to political choice.
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