

Welfare State Classification:  
The Development of Central Eastern European Welfare  
States.

Master thesis International Public Policy and Management

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# 1. Introduction

During the industrialization period in the 19<sup>th</sup> century the night watchman state gradually evolved into a state which showed signs of what we presently call a welfare state. In Britain, the Factory Act of 1833 and its successor of 1847 limited the amount of hours worked and created a framework for inspecting factories (Hague and Harrop 2007). Hence, these laws can be considered to be the beginning of the welfare state. However, the real origins of collective welfare provision lay in Germany, just before the first World War. Otto von Bismarck introduced insurance schemes which shared risks of illness and accidents (Hague and Harrop 2007). Even though most contemporary welfare states are based on the ideas of Bismarck, overtime each state has developed its own type of welfare state.

Ever since the introduction of the welfare state in the late 19<sup>th</sup> and the early 20<sup>th</sup> century the concept has been subject to a significant amount of discussion. Contemporary literature about welfare states still mostly consists of discussion. Nowadays, the discussion mainly is based on the question how to classify different types of welfare states. Esping-Andersen (1990) introduced a widely accepted classification scheme in his book *The Three Worlds of Welfare Capitalism*. In this book he distinguishes three types of welfare states, namely liberal, social democratic and the conservative welfare states. Each of the welfare state types has its own characteristics (Esping-Andersen 1990). Although, again, this classification was embraced by most of the scientific world, it did not take long before the debate about the typology used by Esping-Andersen started. The typology of Esping-Andersen was much criticized by, among others, Ferrera (1996) and Bonoli (1997). A lot of attention was paid to the so called Southern European welfare states, thus the Greek, Spanish and Italian welfare states. According to Esping-Andersen these welfare states were to be considered immature Continental welfare states, but according to among others Ferrara (1996) these welfare states are to be considered a specific welfare type (Arts and Gelissen 2002). Hence, the classification of the types of welfare states has been criticized often.

Not only the fact that Esping-Andersen did not classify Mediterranean welfare states as a specific welfare state type has resulted in a significant amount of debate, also the fact that the classification was based on Western-European countries has been a topic of discussion (Burlacu 2007). In other words, because the typology was based on European countries it was hard, if not almost impossible, to classify for example Eastern-European or South-East Asian welfare states. Hence, relatively young welfare states like Poland, Slovakia, Romania and Bulgaria could also not be classified.

As described briefly above, the traditional classification of welfare state types needs to be addressed and, according to some authors (Burlacu 2007; Ferrera 1996; Fenger 2005; Bonoli 1997), be reconsidered given the present circumstances. In other words, because the enlargement of the European Union and the emerge of the welfare states of Central Eastern European countries, but also the enhancement of the importance of welfare states in South-East Asia the question how certain younger welfare states can be classified is valid and relevant. Although some scholars (among others Cerami 2006; Inglot 2008) have argued that Central-Eastern European countries need to be addressed as a new welfare model, Esping-Andersen (1996) rejects the idea of a new welfare state type. He states that these countries, including some of the South-East Asian countries, are in transition and can be placed in one of the three classifications of modern welfare states within a certain amount of years (Esping-Andersen 1996). In other words, Esping-Andersen believes that eventually all welfare states will fit into one of the distinguished types of welfare states. Hence, he argues in favor of a policy diffusion perspective. Briefly, policy diffusion refers to the fact that ideas, knowledge and other resources will direct the development of a welfare state into a certain, often common, direction. In contrast with Esping-Andersen, some authors favor the so called path-dependency perspective. These scholars believe that due to history, culture and legacies the development of welfare states depends on a distinct path. Thus, the authors that argue in favor of a

reconsideration of the classification of welfare states, like Ferrara (1996) and Bonoli (1997), look at the development of welfare states through a path-dependency perspective.

When looking at the literature concerning welfare state classification, one can see a clear distinction between scholars who use a theoretical approach and scholar who classify welfare states based on empirical evidence. Esping-Andersen's is a good example of a scholar which looks at welfare states through a theoretical perspective. He believes that welfare states which do not fit into one of his three welfare types are instable (Esping-Andersen 1990). As described in chapter two, Esping-Andersen bases his typology on two characteristics, decommodification and stratification. Again, he argues that welfare states will eventually fail if they don't fit into one of Esping-Andersen's welfare types. Scholars who look at empirical evidence in order to describe welfare states, such as Fererra, Fenger and Bonoli, state that Esping-Andersen's welfare state classification can falsified based on both the architecture and expenditures of the welfare states. Fererra (1996) for example argues in favor of adding a fourth welfare type. Thus, Esping-Andersen based his welfare classification on a theoretical approach and argued that only these three types would be stable welfare states. A firm analysis of two cases, namely the relatively new welfare states of Poland and Slovakia, will answer the question whether Esping-Andersen's findings were correct.

This research will take the discussion, briefly described above, into account. This thesis will seek to enrich the current discussion on the field of welfare state classifications. The question whether or not one can argue in favor of a policy diffusion perspective or in favor of a path-dependency perspective will be addressed. In order to answer the research question, which will be discussed in a the next section, two countries will be analyzed. These countries, Poland and Slovakia, are both new member states of the European Union and also these countries are in transition (Pierson 2004; Fenger 2005; Hemerijck and Ferrera 2009). These ex-communist countries thus have a rich history; when looking at the development of the welfare states of these countries through a path-dependency perspective one can assume that the communist era will have a significant influence on the development of the welfare states. However, when taking the policy diffusion perspective into account one can assume that the European Union, but also institutions like the World Bank and the International Monetary Fund have had a significant amount of influence on the development of the welfare states and thus the welfare states of Poland and Slovakia developing into welfare states which fit into the classification scheme of Esping-Andersen. In order to draw conclusions, the welfare states of both Poland and Slovakia need to be analyzed. Different characteristics of the welfare state will be addressed, such as social security, pension systems, welfare state financing and family benefits. The main institutional changes and the reasons behind these changes regarding the described aspects of the welfare state in the period between 1995 en 2005 will be reviewed. The methodology of this research will be discussed in chapter 4.

As stated above, welfare states in general and the classification of welfare states more specifically are a hot topic within the academic literature. Scholars can not agree on the question whether or not it is possible to create a classification scheme of welfare states which can be applied to all countries. Also the question what perspective, the path-dependency or the policy diffusion perspective is most feasible is discussed quite often. This research, again, will try to contribute to the discussion through an theoretical analysis of the literature and also through the assessment of two countries which have been, according to scholars (Deacon 1993; Fenger 2005; Cerami 2006), in transition. These countries, namely Poland and Slovakia are considered to be transforming from port-communist countries into modern Western-oriented countries. At the same time the organization of the welfare states in these countries has developed. The analysis of these two countries will help in addressing the question whether or not all countries fit into the classification scheme of Esping-Andersen and, as said before, if these welfare states lean towards Western welfare states or that they have developed into welfare states with a new structure and characteristics. This research is scientifically relevant, mainly because it thus contributes to the discussion, but also because the institutional changes have not yet been

reviewed. Also the fact that this research focuses on countries which have recently become a member of the European Union enhances the scientific relevance of this research.

As briefly described above this research will try to contribute to the scientific discussion about welfare states. In other words, it will try to identify the welfare states of Poland and Slovakia in the context of Esping-Andersen's welfare state classification, but also the Bismarckian and Beveridgean social policies will be addressed. At the same time an in depth analysis of these welfare states will be given. In order to reach the main goals of this research, as described above, a research question will need to be addressed. The main research question, will be elaborated in this paragraph, will be supported by sub-questions. Hence, the main research question and its sub-questions will result in a firm overview of the debate about welfare state as well as contribute to the discussion. Thus, the aims of this research will be reached by answering the research question.

This research will try to structure this discussion about welfare states and analyze to what extent Poland and Slovakia fit into the welfare types of Esping-Andersen and whether or not Esping-Andersen's theory can be refuted. Also the two main theoretical perspectives will be addressed.

The research question is as follows:

*“To what extent do the welfare states of Poland and Slovakia fit into the classification scheme of Esping-Andersen and how does this affect Esping-Andersen's theory of (in)stable welfare states?”*

The research question can be considered to be quite simple and unsophisticated. However, by answering this question one also answers more advanced questions, namely whether or not one can observe path-dependency or policy diffusion. At the same time, the discussion whether or not the classification scheme of Esping-Andersen can be used for most countries in the world can be enriched. Hence, if the welfare states of Poland and Slovakia fit into the classification scheme, Esping-Andersen was right. However, if this is not the case one can discuss the consequences. Last, but not least, the research question also implies a thorough analysis of the welfare states of Slovakia and Poland

This research is build up as follows. Chapter two will consist of the theoretical framework and the definitions of concepts used in this research. The methodology used during this research will be discussed in chapter four. In this chapter the used research methods will be defended. In other words, the reasons why a certain method is chosen will be stated, but also the theoretical basis of the research methods will be discussed. Chapter five and six will consist of the data-analysis; in these chapter the data found will be discussed per country. Each aspect of the welfare state which is analyzed will be have its own paragraph. Chapter seven will have a concluding character; conclusions will be drawn and at the same time recommendations will be given.

## 2. Theoretical background

A proper scientific research is based on a theoretical framework. This chapter will consist of definitions of used concepts next to the review of important theories. Also this chapter will give a clear and thorough overview of the discussion concerning the classification of welfare states. Of course, the classification scheme of Esping-Andersen will be discussed, but alternative typologies will also be reviewed.

The main function of this theoretical chapter is to lay a foundation for the remaining of this research. For example, the characteristics of the three welfare state types will be discussed; these characteristics will be applied when analyzing the welfare states of Romania and Bulgaria. Also, a clear definition of certain concepts is desirable in scientific research.

This chapter will start with definitions of concepts used in this research. The most important concept used, namely welfare state will firmly addressed. Secondly, the two main perspectives used in this research will be described; both the path-dependency and the policy diffusion perspective will be discussed. Thirdly the classification of Esping-Andersen (1990) will be discussed. Fourthly, the distinction between and main characteristics of Bismarckian and Beveridgean welfare models will be addressed. The chapter will be concluded by a summary of the main findings of the theoretical review.

### 2.1 Definitions

As described in the introduction the welfare state has been a favored topic of research and debate for many years. This can be explained by the emerge of welfare states in the 1960s and 1970. The development of welfare states throughout the 20<sup>th</sup> century can be considered to be enormous. Most welfare states have developed from night-watchmen states to institutions that are predominantly preoccupied with the production and redistribution of social well-being (Esping-Andersen 1990). For this research it is relevant to define the concept of welfare state and to give a very brief overview of the development of welfare states in general.

Concerning the concept of welfare state scholars do not agree on the proper definition. This next section will review some of the most prominent definitions used in the literature. A very narrow definition is given by Cochrane and Clarke (1993); they define the concept of welfare state as *“the involvement of the state in social security and social services”* (Cochrane and Clarke 1993: 4). Again, this definition can be considered to be very narrow. A more broad definition is given by Asa Briggs in 1961; she argues that welfare states have three objects: *“A welfare state is a state in which organized power is deliberately used in an effort to modify the play of market forces in at least three directions – first by guaranteeing individuals and families to meet a minimum income; second, by enabling individuals and families to meet certain social contingencies which lead otherwise to individual and family crises; and third by ensuring all citizens the best standards available in relation to a certain agreed range of social services”* (Briggs 2006: 16). This definition includes three objects to which a proper welfare state must comply according to Briggs. Even though Briggs emphasizes on these three objects, the definition still is quite narrow; it only focuses on redistribution and allocation of money. It does not explicitly take into account other important aspects of welfare such as social care. Esping-Andersen defines the concept of welfare state as *“the institutional arrangements, rules and understandings that guide and shape current social policy decisions, expenditure developments, problem definitions, and even the respond-and-demand structure of citizens and welfare consumers. The existence of policy regimes reflects the circumstance that short term policies, reforms, debate, and decisions making take place within frameworks of historical institutionalization that differ qualitatively between countries”* (Esping-Andersen 1990).

Esping-Andersen's definition will be used throughout this research. The main reason for using this definition is twofold. First, the definition is broad and includes most of the key elements of the welfare state. Second, this research focuses on the classification scheme of Esping-Andersen. Hence, it is useful to use the definition given by Esping-Andersen.

## **2.2 Two perspectives: path-dependence and policy diffusion**

### **2.2.1 Path-dependence perspective**

Path-dependence is a perspective used often to describe political and economic processes. According to Pierson (2004) path-dependence is often used, but a clear definition of the concept is rare. Scholars have attempted to define path-dependence; these definitions range from very narrow to extreme broad. In a broad way, path-dependence refers to the causal relevance of preceding stages in a temporal sequence (Pierson 2004: 252). Sewell (1996) states that path-dependence means "*that what happened in a earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time*" (Sewell 1996: 262-3). This definition is very broad, it comes down to what happened in the past matters for the present. Hence, this definition is not very useful when conducting scientific research. A more narrow definition is given by Levi (1996). She says that path-dependence means "*(...) that once a country or region has started down a track, the costs of reversal are very high. There will be other choice points, but the retrenchment of certain institutional arrangements obstruct an easy reversal of the initial choice*" (Levi 1996: 28). She also uses a clear metaphor, she argues the following: "*(...) a better metaphor is a tree (...). From the same trunk there are many different branches and smaller branches. Although it is possible to turn around or to climb from one to the other – and essential if the chosen branch dies - the branch on which a climber begins is the one she tends to follow*" (Levi 1996: 28). In other words, when a certain individual, a business or a state chooses a certain direction, the person, business or state is induced to further movement into the same direction.

Pierson (2004) links path-dependence to the so called *increasing returns process*. Such a process is characterized by the increasing probability of further steps along a certain path with each move down the path (Pierson 2004: 252). In other words, the more steps one takes on a path, the higher the chance that the next step will also be on this path. So when one walks down a certain path for a long the time it will be harder to go back or to switch paths. This is due to the fact that relative benefits of the current activity compared with other possible options increase over time. Hence, the costs of exit rise when taking another step. Each step along a particular produces consequences which make that path more attractive for the next round. When such effects accumulate a various or vicious cycle of self-reinforcing activity will be generated (Pierson 2004). Arthur (1994) has made several attempts to summarize the characteristics of increasing returns. He distinguishes four important characteristics, namely *unpredictability, inflexibility, nonergodicity and potential path inefficiency*. Unpredictability is because early events have a large effect and are partly random, many outcomes may be possible. One cannot predict ahead of time which of these possible end-states will be met. Inflexibility has to do with the fact that the farther into the process one is, the harder it becomes to shift from one path to another. Sufficient movement down a particular path may eventually lock in one solution. Nonergodicity has to do with the fact that all events, both relevant and irrelevant influence future decisions. Accidental events early in a sequence do not cancel out; they cannot be ignored. These events, even when they tend to be irrelevant, they still influence future choices. Potential path inefficiency refers to the fact that in the long-run, the outcome that becomes locked in may generate lower pay-offs that a forgone alternative would have (Arthur 1994; Pierson 2004). Pierson does state explicitly that earlier events and choices matter much more than later events and choices; history is very important (Pierson 2004: 253). North (1990) stresses that individuals, organizations and institutional arrangements are subject to increasing returns. He states that institutional arrangements, such as welfare states, induce complementary organizational forms,

which in turn may generate new complementary institutions. Also, North argues that, even though, again, individuals and organizations are subject to increasing returns, path dependent processes will often be most powerful at a macro level which involves complementary configurations of organizations and institutions (North 1990; Pierson 2004). Welfare states, which can be considered to be institutions at a macro level, are according to scholars thus most influenced by path-dependence. In other words, the organization of welfare states is based on earlier events that have taken place; it is influenced by history.

Pierson (2004) is aware of two major difficulties concerning increasing returns arguments. The first argument is methodological; testing hypotheses based on path-dependence arguments is hard. The so called “few cases, many variables” is worsened, according to Pierson, by the fact that path-dependence arguments require one to evaluate sequences of several variables over time. The second difficulty Pierson refers to is the danger that the increasing returns concept suggests an overly static view of the social world. Many scholars believe that path-dependence is ignored by the evident dynamism of social life (Pierson 2004: 265).

The above described path-dependence perspective refers to the fact that preceding steps in a particular direction induce further movement in the same direction. In other words, choices and events that have taken place in earlier stages will have influence on contemporarily choices and events. Pierson links path-dependence to increasing returns processes which are based on economic theory. As described above, increasing returns processes refer to the increasing probability of further steps along the same path with each move down the particular path. When looking at Central and Eastern European welfare states through a path-dependence perspective, one would expect welfare state regimes that would not fit into Esping-Andersen’s classification scheme. This is mainly caused by the fact that most countries have a history which differs significantly from the history of Western-European countries. The communist era has had a significant influence on today’s welfare regimes in the CEE countries (Deacon 1993). Within the CEE countries one can distinguish different types of welfare regimes; these findings will be discussed firmly in this chapter. Path-dependence theories state that once a particular path is chosen, thus when a countries chooses a particular organization of the welfare state, it is hard to change this path and thus to organize the welfare state differently. Hence, history and earlier events are, according to the path-dependence perspective, of great importance for the development of the welfare states. After a brief review of the path-dependence perspective and the increasing returns process one can conclude that CEE welfare states will not fit into Esping-Andersen’s classification scheme due to the fact that this scheme is based on Western-European welfare states. Pierson (2004) states explicitly that one might expect communist legacies to be strong enough to impost a distinct path of development on at least some of the post-communist countries (Pierson 2004). However, opinions about path-dependence differ; some scholars argue that policy diffusion takes place. The policy diffusion perspective argues that due to the transfer of ideas, knowledge and other resources to guide the development of these countries’ welfare states in the direction of the well-known welfare regimes (Fenger 2007: 4). The next paragraph will review the policy diffusion perspective extensively.

### **2.2.2 Policy diffusion perspective**

Policy diffusion has recently attracted considerable academic interest (Braun & Gilardi 2006: 299). Scholars are, according to Braun and Gilardi, increasingly realizing the fact that policy choices are interdependent. In other words, policy choices, including the organization of welfare regimes in general and for example health care more specifically are influenced by choices made by others. Recent literature on policy diffusion focuses on the characteristics and consequences of countries’ interdependencies. Scholars define policy diffusion as “*a process where choices are interdependent by others and, conversely, the choice of a government is influenced by the choices made by others*” Braun & Gilardi 2006: 299).



Braun and Gilardi describe the mechanisms that drive policy diffusion processes. These mechanisms are defined as “a systematic set of statements that provide a plausible account of how two variables are linked” (Hedstrom & Swedberg 1998 in Braun and Gilardi 2006: 299). The behavior of government B is influenced by government A (or organization X). A diffusion mechanism is thus a systematic set of statements that provide a plausible account of why the behavior of government A or organization X influences the behavior of government B. Braun and Gilardi distinguish six mechanisms, namely *learning*, *competitive and cooperative interdependence*, *coercion*, *common norms*, *taken-for-grantedness* and *symbolic imitation*. However, most scholars argue that policy diffusion and thus policy change is driven by two mechanisms; Simmons and Elkins (2004) state that policy change is not only driven by country-specific factors, but also by international economic competition and learning (Simmons & Elkins 2004 in Braun and Gilardi 2006: 300). Hence, according to the literature policy diffusion is driven by certain mechanisms, of which *learning* and *competitive and cooperative interdependence* are considered to be most important.

*Learning* means that the behavior of government A has an impact on government B because it conveys relevant information about policy choices. As a diffusion mechanism, learning is defined as the acquisition of new relevant information that permits the updating of beliefs about the effects of a new policy (Meseguer 2004, 2005 in Braun and Gilardi 2006). In other words, learning refers to the process of looking at experiences of others in order to change policies. In learning processes new information about the effectiveness of policies will lead to change as soon as the evidence points to a greater effectiveness for the alternative policy (Braun and Gilardi 2006: 307). Taking welfare states into account, one can state that if a certain country receives information about an increase in effectiveness of certain welfare policies, this country will change its welfare policy; convergence of welfare policy will take place. *Competitive and cooperative interdependence* is based on the Prisoner’s dilemma; cooperation might lead to a beneficial situation for all parties, but a structural temptation to adopt policies that improve one’s own standing is always present. Competitive and cooperative interdependence means that the choice, or policy, of government A creates policy externalities that government B must take into account (Braun & Gilardi 2006). In other words, the latter mechanism means that the policy of government A has consequences for government B; government B needs to change and adapt its policy. An example given by Braun and Gilardi is the fact that if a country lowers corporate taxes in order to attract investment, other countries are stimulated to do the same (Braun and Gilardi 2006: 308). Cooperative interdependence can be considered to be more positive; benefits derive from having compatible policies; these policies are incentives to adapt for other policy makers. Accounting rules and commercial law are examples of cooperative interdependence (Braun and Gilardi 2006). The difference between this mechanism and *learning* has to do with the effectiveness of policies. In the case of learning a government only changes its policies when information about an increase in effectiveness is received while in the case of cooperative and competitive interdependence effectiveness is not the most important incentive of policy change; the externalities created by others are more important.

Most of the literature focuses on the influence of government A on government B. It does not take into account the influence of international organizations or supranational governments on the behavior and policies of governments. However, Fenger states that the development of Central Eastern European welfare states in the direction of one of the well-known welfare types is likely to be reinforced by donor organizations like the IMF and the World Bank (Fenger 2007: 4). In other words, Fenger argues that these donor organizations influence the choices made by governments of former communist countries. Even though the literature does not pay much attention to the influence of NGOs and IGOs, Braun and Gilardi distinguish a mechanism which refers to this influence; they describe the imposition of policies on national governments by powerful organizations of powerful countries as *coercion*. They do admit that coercion technically is not a diffusion mechanism because it emphasizes top-down pressures rather than on horizontal interdependencies (Braun & Gilardi 2006: 309). Like Fenger they argue that, besides the European

Union, also international organizations as the IMF and the World Bank have the power to promote policy change, notably by making certain reforms as a condition for loans. Thus coercion is a process where powerful actors use carrots and sticks to impose policy change on certain countries. For example, the IMF has included privatization as a standard condition of its structural adjustment lending (Braun & Gilardi 2006: 310). Concluding, one can state that the mechanism of coercion can be used in order to achieve policy diffusion. This mechanism is relevant to this study; CEE countries often apply for IMF loans, and also the European Union tends to influence the policy of CEE countries. When looking at the organization of the CEE welfare states, the emphasize on privatization is interesting. Taking this emphasize into account, one can argue that the CEE welfare states which apply for an IMF loan will move towards a welfare state that fits into Esping-Andersen's classification scheme. More precisely, one can state that these countries move towards a welfare regime which can be considered to fit into the liberal welfare classification. Next paragraph will address Esping-Andersen's welfare classification scheme firmly; characteristics of the liberal welfare regime will be reviewed.

All in all, the policy diffusion perspective as described above can be used in order to review the development of Central-Eastern European welfare states in terms of Esping-Andersen's welfare state classification. The three policy diffusion mechanisms - learning, competitive and cooperative interdependence, and coercion - addressed in this paragraph will, according to this perspective, influence the policy and thus the organization of welfare regimes of CEE countries. Again, taking this perspective into account, one can state that due to policy diffusion CEE welfare states will, after a period of transition, fit into Esping-Andersen's welfare classification. The transfer of ideas, knowledge, information and other resources through one of the described mechanisms will result in the development of CEE welfare states in the direction of one of Esping-Andersen's welfare regimes.

### ***2.3 Esping-Andersen's welfare state classification***

Welfare state classification is a topic which is much discussed in the literature. Many attempts have been made in order to create a classification scheme which is applicable to most welfare states. Esping-Andersen's classification elaborated in his book *The Three World of Welfare Capitalism* is probably the most well known classification scheme. However, he was not the first scholar to create a typology for welfare states (Abrahamson 2000). According to Abrahamson (2000) the discussion about whether states cluster around distinctly different welfare types started long before the 1990s (Abrahamson 2000). He states that the earliest attempt was made by Wilensky in 1958. Wilensky talked about residual and institutional welfare states. He states that an institutional welfare state is more developed in terms of industrialization. He thus measures the type of welfare state by the total social expenditure relative to GDP (Abrahamson 2000). In his book *Social Policy*, published in 1974, Abraham Titmuss created a highly influential classification scheme. Most of the typologies of welfare states created after 1974 were inspired by the typology of Titmuss, including Esping-Andersen's in 1990. Titmuss distinguished three types of welfare states, partly based on Wilensky's typology. Titmuss argued that one could observe three types of welfare models, namely the residual welfare model, the achievement-performance model and the institutional-redistributive model. The residual and institutional-redistributive models were based on Wilensky (Abrahamson 2000). Again, most classification schemes created after 1974 were based on Titmuss' typology. However, Peter Flora, a Danish scholar, focus on the geographical or geopolitical element of welfare states. He states that a nation state cannot easily escape of neglect its historical inheritance. He argues that the Catholic church has had a significant influence on the organization of for example Continental welfare models. Hence he distinguishes two models, the Scandinavian model and the Continental model. This distinction is based on the fact that the Scandinavian model is influenced by a more secular movement while the Continental model is influenced, as said before, by the Catholic church. Criticism on this distinction is mostly based on the fact that the typology is very little differentiated

(Abrahamson 2000). Also Esping-Andersen was critical about welfare states typologies; in 1990 he created his own scheme, which became both very influential and topic of discussion.

Esping-Andersen argues that most typologies and analyses of welfare states focus too much on spending. In other words, most scholars classified certain welfare states based on the expenditures of the welfare states. For example, Wilensky in 1958 measured the type of welfare states by the expenditures of the particular welfare state relative to the GDP of the country. According to Esping-Andersen this focus on spending is misleading; by scoring welfare on spending the assumption is made that all spending counts equally. This assumption is false according to Esping-Andersen. An example he gives to illustrate his point is the fact that the Austrian welfare state spends a large share of benefits to privileged civil servants (Esping-Andersen 1990: 19). Esping-Andersen created a welfare state typology which was based on two main characteristics, namely the degree of decommodification and the kind of stratification they produce in society (Fenger 2005). Decommodification is defined by Esping-Andersen (1990) as a concept which “occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market” (Esping-Andersen 1990: 21-22). Stratification refers to the intensity of redistribution and the level of universality of solidarity that is imposed by the welfare state (Fenger 2005: 4). In other words, which stratification system is promoted by social policy and does social policy narrow or broad solidarity (Arts & Gelissen 2002). Esping-Andersen argues that historically one can easily identify alternative systems of social stratification which is embedded in different welfare models. As an example he gives the poor-relief tradition and the more modern means-tested social assistance offshoot (Esping-Andersen 1990). Based on these two dimensions Esping-Andersen distinguishes three welfare state types, namely the *liberal*, *conservative* and *social democratic* welfare state. Below the three types will be discussed firmly.

Liberal welfare states can be observed in most Anglo-Saxon countries like the United States and the United Kingdom. These welfare states are characterized by individuality and the primacy of markets. Hence, the operation of markets, for example private pension plans, is stimulated by the government. Also the liberal welfare state is based on means-tested assistance, modest universal transfers, and modest social insurance plans. Benefits cater mainly to a clientele of low-income, usually working-class, state dependents. The progress of the liberal welfare model, thus social reforms, are severely circumscribed by traditional, liberal work-ethic norms. Esping-Andersen describes it as follows: “*it is one where the limits of welfare equal the marginal propensity to opt for welfare instead of work*” (Esping-Andersen 1990: 26). In other words, in a liberal welfare regime the benefits of social welfare are little attractive. The cause for this type of welfare state has to do with the overall thought in these countries: little welfare stimulates people to work hard and to look for jobs. Again, the market is encouraged and the benefits given by the government are only a minimum (Esping-Andersen 1990).

The conservative-corporatist welfare regime can be found in the cluster Austria, France, Germany and Italy. It can be characterized by a moderate level of decommodification. The conservative welfare model is based on a historical corporatist-statist legacy in which social rights and equality were never a significant issue. In other words, in these countries one can observe a certain tradition of social rights which can be considered to be self-evident. One must keep in mind that status was important; rights were attached to status and class (Esping-Andersen (1990). The state is willing to replace the market as a provider of welfare. However, due to the emphasis on status upholding the redistributive impact is negligible. In line with the findings of, among others, Peter Flora, Esping-Andersen states that the regimes are mostly shaped by the (Catholic) church. This means that the regimes are strongly committed to traditional family structures. For example, married women are discouraged to be part of the labor force. At the same time, family services as day care are underdeveloped. The state will only interfere when the family's capacity to help its members is exhausted (Esping-Andersen 1990: 27).

The social-democratic welfare type, mostly found in Scandinavian countries, is characterized by a high level of decommodification and universalism. The social reforms in these countries were based on equality of the highest standards, which means that also the middle class could benefit from social welfare. In other words, the workers were guaranteed full participation in the quality of rights by the better-off. Hence, manual workers enjoy the same rights as white collar workers or civil servants. Again, the programs can be labeled as highly de-commodifying and universalistic. In contrast with the liberal regime, the social-democratic regime crowds out the market and constructs an essentially universal solidarity in favor of the welfare state. Esping-Andersen summarizes the above as follows: *“All benefit: all are dependent; and all will presumably feel obliged to pay”* (Esping-Andersen 1990: 28). The social-democratic welfare state stimulates, in contrast with the conservative-corporatist regime, married women to work. Hence, family services, like childcare and caring of the aged and helpless are well developed. The costs of maintaining such a welfare regime are enormous. One way to make sure that the welfare state is feasible and fundable is to give workers a full employment guarantee. This way, the costs of the welfare state will be contained due to the fact that few people live off of social transfers. At the same time, because of the high employability the system is feasible and fundable (Esping-Andersen (1990).

Above, the three main welfare regimes distinguished by Esping-Andersen are described firmly. This classification is considered to be one of the most important welfare state typologies ever created. However, at the same time the classification scheme also triggered a wide variety of reactions. These reactions varied from proposed alternative schemes based on different dimensions to the addition of a fourth type of welfare state (Fenger 2005). Below, a thorough review of the discussion will be given.

In their article *The Three Types of Welfare Capitalism or more?* Arts and Gelissen (2002) give an overview of the discussion about the classification of Esping-Andersen. This overview is based on three important criticisms on the typology. Firstly, the misspecification of the Southern-European or the Mediterranean welfare states. In line with this criticism Ferrara (1996) is in favor of a fourth welfare type. Secondly, Arts and Gelissen state that labeling the Antipodean welfare states as liberal welfare states is not correct. Thirdly, they focus on the neglect of the gender-dimension of social policy (Arts and Gelissen 2002: 142).

One of the most important criticisms was that Esping-Andersen did not include the Southern-European countries like Greece, Spain and Italy. According to Esping-Andersen, Italy for example could be considered to belong to the continental-corporatist regimes; Greece, Spain and Portugal are not covered at all. He does admit, however, that these welfare states have some characteristics in common. He argues that the Catholic church is very influential in Spain, Italy and Portugal, at the same time a strong familism can be observed (Arts and Gelissen 2002). As said before, this point has brought about a lively debate. Ferrara (1996) argues in favor of the inclusion of a fourth welfare model: the Mediterranean or Southern model. He uses four dimensions – the rules of access, the conditions under which benefits are granted, the regulations to finance social protections and the organization and management of social security administration – in order to create four types of welfare states. He makes a distinction between Scandinavian, Anglo-Saxon, Bismarckian and Southern countries. In other words, Ferrara’s classification scheme does not differ much from the classification scheme of Esping-Andersen, the only exception is the explicit inclusion of a fourth welfare type. The Southern welfare states have, according to Ferrara (1996), some characteristics in common. They are characterized by little state intervention, no articulated net of minimum social protection and high levels of clientelism (Arts & Gelissen 2002; Ferrara 1996).

The classification scheme created by Bonoli (1997) also has four types of welfare states. He distinguishes a British, Nordic, Continental and Southern type of welfare state. He uses different dimensions than Esping-Andersen. Mainly based on the fact that Bonoli does not agree with the decommodification dimension used by Esping-Andersen, he created two different dimensions, which

focus on the extensiveness of the welfare state and the way that the welfare states are financed (Arts and Gelissen 2002). Again, the four typology of welfare states created by Bonoli is similar to Esping-Andersen's classification; the only exception is the addition of the fourth welfare model.

Concluding, one can argue that even though Ferrara (1996) and Bonoli (1997) use different dimensions in order to create a welfare classification scheme, there is a strong similarity with Esping-Andersen's typology. The only exception is the addition of a fourth type of welfare state: the Southern welfare state including Italy, Greece, Spain and Portugal.

Esping-Andersen states that the Antipodean countries like New-Zealand and Australia belong to the liberal welfare regime type. This is due to their managerial commitment to public welfare and their strong emphasize on means-testing (Arts and Gelissen 2002). However, Castles in 1998 argued that both Australia and New-Zealand have a more particular and a more inclusive approach than the liberal welfare type. He also states that a high percentage of the Antipodean households receives means-tested welfare benefits. Lastly, he concludes that redistribution is pursued through wage controls and employment guarantees, instead of social programs. Hence, income guarantees provided through market regulation plays an important role in the organization of the welfare states. Based on the findings described above, one can conclude that the Antipodean countries form a distinct welfare group (Castles 1998 in Arts and Gelissen 2002). Hill (1996) argues that Australia uses an income redistribution which is based on means-testing. They thus do not concentrate on benefits which only the very poor are eligible for like the liberal welfare regimes do. On the other hand, Australia does also not resemble the more universal benefits as described in Esping-Andersen's classification of the social-democratic welfare regime (Hill 1996). In other words, the welfare state of Australia does not fit into both the liberal welfare type and the social-democratic welfare type. It can be considered to be a separate welfare type. Castles and Mitchell have developed a welfare state classification scheme which is based on the discussion described above. They distinguish four types of welfare regimes, namely liberal, conservative, non-right hegemony and radical welfare states. The classification is based on the level of welfare expenditure, average benefit equality and income and profit taxes as a percentage of GDP (Arts and Gelissen 2002: 146). Besides the above described analyses of Castles, Mitchell and Hill, other scholars have argued that the Antipodean countries do not resemble one of the three prototypes created by Esping-Andersen. Evidence shows that these countries do not fit into one of the welfare regimes.

The third main criticism on Esping-Andersen's welfare classification scheme is based on the exclusion of a systematic discussion of the family's place in the provision of welfare and care. Not only the state and the market provide welfare, also families play an important role (Arts and Gelissen 2002). According to feminist scholars, women are still discriminated when it comes to social rights. Hence, the sexual division of paid and unpaid work needs to be incorporated into welfare classification (Arts and Gelissen 2002: 147). Daly and Lewis (2002) state that social care is incorporated differently in most countries. They identify certain tendencies concerning care in certain countries. They state that in Scandinavian countries care is institutionalized for both the elderly and children. Southern-European countries rely on families; they believe that care should be provided by families, only if this is not possible the state will provide care. Finally, they state that in Germany care is seen as a function of voluntary service providers. Also in France, the United Kingdom and Ireland one can observe a different organization and institutionalism of social care (Daly and Lewis 2000 in Arts and Gelissen 2002). The case Daly and Lewis make can be considered to be a strong one; they prove that within the three welfare types social care is organized in different ways. Hence, the addition of other dimensions on which the typology of welfare states is based can be defended. Besides Daly and Lewis, more scholars argue that more dimensions need to be added in order to create a universal welfare classification scheme.

All in all, the review of the main criticisms on the classification scheme give a clear overview of the debate which is being held in the literature. Most scholars argue that not all countries fit in the

typology of Esping-Andersen. For example they argue that the Mediterranean countries and Australia and New-Zealand do not fit into respectively the conservative-corporatist and the liberal regime. Also, many scholars believe that different dimensions should be added in order to be able to create a universal classification scheme. Many scholars argue that dimensions as social care and tax revenues should be taken into account. Concluding, one can state that the classification of Esping-Andersen has been the beginning of a discussion of welfare state classification which has not yet been settled.

Esping-Andersen of course has reacted to the main criticisms on his classification scheme. Esping-Andersen reacted positively to the addition of a radical welfare type by Castles and Mitchell in 1993. He does recognize the residual and the means tested character of the Antipodean welfare states is just one side of the coin. However, he argues that a powerfully institutionalized collection of welfare guarantees should not be neglected. Also he argues that the British and the Antipodean welfare states are developing and emerging towards a prototype of the liberal welfare regime (Arts and Gelissen 2002). Concerning the addition of a fourth, Southern type he supports the findings of Ferrera partially. He confirms the Catholic imprint and the high level of familialism as well as the near absence of social services. Recently he has argued that the acid test of a Southern welfare regime depends on whether the families are the focus of the social aid and whether families will fail just as states and markets can and will fail (Esping-Andersen 1999 in Arts and Gelissen 2002). Concluding Esping-Andersen is very leery when it comes to the addition of more welfare regimes and to the addition of dimensions when analyzing welfare state regimes.

## ***2.4 Bismarckian vs. Beveridgean welfare states***

A distinction between welfare state models often used in the French literature is based on both an universal and an occupational model. The two models are referred to as the Beveridgean and the Bismarckian model. The difference between the two models is well put by Chassard and Quentin (1992); they state that *“There is a contrast between the Bismarckian tradition, which relates proportionally each wage-earner’s rights to the contribution that he or she has paid pr that the employer has made on his or her behalf, and the Beveridgean concepts of a general insurance plan for the whole population of a country”* (Chassard & Quentin 1992: 94). Often, these two traditions or systems are defined in terms of the features which are typical of one of the other model (Bonoli 1997: 357). In others words, aspects of the welfare states are considered to be either Beveridgean or Bismarckian. According to Bonoli, Bismarckian social policies have certain characteristics. They are based on social insurance, they provide earnings-related benefits for employees, entitlement is conditional upon a satisfactory contribution record and financing is based on employer/employee contributions. Beveridgean welfare systems are characterized by universal provision, entitlement is based on residence and need, benefits are typically flat-rate and are financed through taxation (Bonoli 1997: 357). Looking at more a more abstract distinction between both welfare systems, Bonoli states that both systems can be distinguished in terms of the main objectives of both systems. Bismarckian welfare policy is concerned with income maintenance for employees, while Beveridgean social policy is concerned with the prevention on poverty (Bonoli 1997: 357). Table 2.1 shows the main features of both Bismarckian and Beveridgean social policy. Bonoli does argue that the meaning of Beveridgean social policy has changed over the last couple of years. Official European Union publications and other European scientific publications have described Beveridgean social policy as a universal, means-tested, tax financed flat rate provision. This is the not in line with Beveridge’s favor of contribution financing instead of taxation and his aversion of means-testing (Bonoli 1997). As said before, the objectives of both systems is different. In a Bismarckian welfare system there is no concern for poverty and for people who do not participate on the labor market. This system is a powerful tool to enhance the position of workers in a market oriented society. However, the system simply neglects people who do not have access to the labor market (Bonoli 1997). According to Bonoli the above can be explained historically. Bismarck was concerned with the rising power of the labor movement in 1880. By giving advantages to workers he was able to buy the cooperation and

allegiance of the labor movement (Bonoli 1997: 358). Hence, this improved the political stability at that period in time. The Beveridgean welfare system can be considered to be the opposite of the Bismarckian system. The system’s aim is to reduce or prevent poverty; it is directed at the whole population rather than to a limited section. Again, the Bismarckian system focuses mainly on people who participate on the labor market, while the Beveridgean system includes the entire population. Of course, this is mainly because the eradication of poverty would be impossible if the system would exclude certain groups in society (Bonoli 1997).

Concluding, one can state that the Bismarckian and the Beveridgean welfare model differ substantially. The most important difference can be found in the objectives of the two models; the Bismarckian model aims at protecting the income of employees, while the Beveridgean model focuses on preventing poverty. The coverage of the Bismarckian model is restricted to those who have access to the labor market, while the Beveridgean model can be considered to be universal. Hence, Beveridgean welfare is accessible to the entire population. Also the benefits, eligibility and the financing of both systems is different. Again, table 2.1 shows the main features of both systems.

	<b>Bismarckian model</b>	<b>Beveridgean model</b>
<b>Objective</b>	Income maintenance	Prevention of poverty
<b>Benefits</b>	Earnings-related	Flat-rate
<b>Eligibility</b>	Contribution record	Residence or need
<b>Coverage</b>	Employees	Entire population
<b>Financing</b>	Contributions	Taxation

*Table 2.1 Bismarckian and Beveridgean model of social policy (Bonoli 1997: 357)*

**2.6 Conclusion**

The preceding paragraphs consist of reviews of theoretical approaches concerning welfare states. The two perspectives which have been discussed, the policy diffusion and the path dependence perspective, have different views on how the welfare states in general and CEE welfare states more specifically will develop. The policy-diffusion perspective argues in favor of convergence of social policy through different mechanisms, including learning and coercion. An example of the latter is the standard condition of privatization of the pension system when granting loans to applying countries. In contrast to the policy diffusion perspective, the path-dependence perspective argues in favor of divergence of social policy. In others words, according to this perspective CEE welfare states will develop towards welfare states which can not be classified as one of the traditional welfare states. Hence, they will develop towards a unique welfare type through the increase returns process. Many studies argue in favor of both perspective; Cerami (2005; 2006) argues in favor of path-dependence, while Esping-Andersen (1996) and Deacon (2000) argue in favor of policy diffusion.

Paragraph 2.3 has reviewed Esping-Andersen’s classification scheme and comments and criticism on the typology. Though considered to be the most important classification, the three types of welfare states distinguished by Esping-Andersen (1990) have been heavily criticized. Many scholars have argued in favor of adding a fourth type of welfare state, namely the Southern welfare state. The development of CEE welfare states is the main topic of this study. The research question is whether or not the welfare states of Poland and Slovakia will develop towards one of Esping-Andersen’s welfare types. By reviewing the classification and the criteria on which the classification is based, one creates a foundation on which this study is based.

The distinction between Bismarckian and Beveridgean welfare states is most notable in the aim of both welfare models. While Bismarckian welfare models focus on income maintenance of employees, Beveridgean models aim at the prevention of poverty in general. In other words, Beveridgean models can be considered to be more universalistic, while Bismarckian welfare models focus on a particular group in society.

In the preceding paragraphs the foundation for this study has been laid. The important perspectives, Esping-Andersen's welfare state classification and the distinction between Bismarckian and Beveridgean welfare models have been discussed. Next chapter will review the most important theoretical findings concerning the development of Central Eastern European welfare states and social policy.



## **3. Central Eastern European welfare states**

### ***3.1 Introduction***

Eastern and Central European countries have witnessed the most epochal political and economic changes of all countries. After the collapse of communism in 1989 a very rapid transition to a market economy was compounded by economic liberalization and the elimination of subsidies and price controls (Hemerijck & Ferrera 2009). In line with the transition towards a liberalized market economy, the welfare states of the Central and Eastern European were reformed. Policy makers were mostly shocked by high unemployment rates, which were caused by the market economy. Hence, the hidden unemployment which was common during the communist regime could no longer be maintained in a market economy; this phenomenon led to a substantial rise of unemployment figures (Hemerijck & Ferrera 2009; Cerami 2006). Again, welfare states needed to be reformed and adapted to the new economic situation. At the same time, due to the communist heritage, people in the CEE welfare states were expecting the government to secure employment and provide social transfers and services (Haggard and Kaufmann 2008 in Hemerijck & Ferrera 2009). According to Hemerijck and Ferrera (2009), the CEE governments attached a high priority to the maintenance of universal, Beveridgean, policy legacies and social safety nets which were concerned with those displaced by the economic reforms (Hemerijck & Ferrera 2009: 32). Hemerijck and Ferrera also state that clearly the communist norm of income equality was prevailed. The restructuring on welfare institutions accompanied the emerge of new and serious societal problems. As said before, unemployment had risen significantly as well as the social problems which were caused by this phenomenon. Questions which rapidly needed to be addressed included what kind of social security system needed to be developed and according to what principles will the new society be based. These questions were practical and urgent. Hungary, Poland, and Czechoslovakia agreed in 1991 in the city of Vizégrad in Hungary on a “Declaration of Cooperation on the Road to European Integration”. This agreement represented the first attempt to establish a platform to discuss the countries’ future in Europe (Cerami 2006: 3). This research will, as said in the introduction, focus on both Poland and Slovakia. The development of the welfare states of the Vizégrad countries thus is relevant to this research. This chapter will consist of an brief overview of the communist welfare states, and review of the three sequences of welfare reform which are distinguished by Cerami (2006).

### ***3.2 Communist Welfare States***

In order to conduct research regarding former communist welfare state, one needs to review the history of these welfare states to be able to understand certain thoughts and ideas about welfare which are present in these countries. When addressing communist welfare states, one needs to take in to account that even though communist social policy in theory was the best expression of social solidarity, in practice scholars (Cerami 2005; Ettrich 1999) state that communist social policy was characterized by lacks and inefficiencies (Cerami 2005). The communist state provided free health care, employment, housing, public pension and a safety net for those unable to take part in the socialist working life (Cerami 2005: 40). In other words, communist welfare states can be considered to be the perfect welfare state. But, as said before, the reality of communist social policy did not match the theory. With regard to housing, one could observe a structural lack of apartments. The apartments which were available were characterized by very low living conditions. In the Vizégrad countries, the lack of housing was lesser than in the former Soviet Union. The housing sector was less state-managed. The state in the Vizégrad countries provided credits for private single-family houses. Concerning full-employment; this was the basis of the communist contract. In other words, the basis of the communist ideology was the fact that all people were working, thus full-employment was provided by the state. In practice, this meant that employment turned out to be an obligation. With

respect to retirement, the level of benefits were very low. The benefits were regulated through contributions. In general the benefits were the 50% to 100% of the average of the best 5 years of the last 10 years of work. Health services were free of charge, but at the same time they could be considered to be inefficient and underdeveloped. Mortality and morbidity rates were high. In general lack of funds for hospitals was the norm (Cerami 2005: 40-1). Cerami (2005) argues that the communist welfare state was not only characterized by lacks, but also by some excess in social protection. An example is the three years of childcare protection. The excessive welfare protection led to a high welfare dependency (Cerami 2005: 41). After the collapse of communism in 1989, people still were dependent of welfare programs, especially when the market economy exposed substantial hidden employment. All in all, communist welfare states provided, though not always high quality, excessive welfare programs. People in these countries thus were very welfare dependent. This fact was a heavy burden for policy makers after the collapse of the Berlin Wall. As Hemerijck and Ferrera (2009) put it: *“people in the CEE welfare states were expecting the government to secure employment and provide social transfers and services”* (Hemerijck & Ferrera 2009: 32).

### ***3.3 Welfare Reform Trajectories after Collapse Communism***

Scholars (Cerami 2006; Hemerijck & Ferrera 2009) distinguish three waves of social policy reform after the fall of communism and thus at the beginning of the transition period. Cerami (2006) identifies three sequences of reforms after the collapse of communism, namely (1) forced expansion, (2) attempts at privatization, and (3) re-adjustment (Cerami 2006: 21). The first sequence included the temporary growth of welfare provisions called to help the democratic transition of post-communist countries. As said above the massive unemployment which was the result of the dismissal of employees of organizations and businesses which were state-owned resulted in an expansion of social policy. Cerami argues that extensive early retirement policies were introduced, followed by the set up of relatively far-reaching unemployment and social assistance programs (Cerami 2006: 22). Besides the emergency policies described above, most Visegrad countries took the first steps towards long-lasting welfare state reforms. More specifically, Poland started to make the first attempts to reform the pay-as-you-go systems towards a three-pillar funded pension system. At the same time, most CEE countries raised the retirement age slowly; the retirement age in former communist countries was extremely low (60 years for men, 55 for women). The health care sector was also reformed; a clear distinction between management and the financing of the system was created, as well as private practice. The most important health care reform was the reintroduction of health insurance (Cerami 2006: 22). When looking at unemployment, the most important developments can be considered to be the establishment of social safety nets and the introduction of unemployment insurance. The temporary maintenance of extensive family benefits was considered to be an effective way to target the poor (Cerami 2006). All in all, the first sequence of social reforms in the Visegrad countries consisted of emergency policies which were meant to tackle the problems resulting from the transition from a communist to a liberalized market economy. At the same time, in the first sequence the first steps towards long-lasting welfare reforms were taken.

The second sequence of reforms consisted of attempts at privatization. These attempts needed to be made, mainly due to the fact that the extensive welfare programs soon became unsustainable. Simply put, because the unemployment figures increased significantly the feasibility and fundability of the social policies were no longer guaranteed. The attempt at privatization were introduced in order to reduce the expansion of the welfare state (Cerami 2006: 22). According to Cerami (2006) the measures which were supposed to reduce the welfare state were rooted in the Bismarckian tradition. The privatization of provisions, as described in chapter 2, was sponsored by international organizations as the IMF and the World Bank. The establishment of insurance-related pension, health care and unemployment schemes was also taking place in the second reform sequence. One can consider these changes to be an optimistic vision of market-driven change. These reforms can also be

considered to be based on the Bismarckian welfare logic. As elaborated in the preceding chapter, Bismarckian social policy's main aim is the maintenance of employee's income. Welfare state retrenchment took place in all Vizégrad countries. Of course, much resistance could be observed, but reform actions were addressed as urgent by both the national and international communities (Cerami 2006). Concluding, the second reform sequence resulted in the reinforcement of Bismarckian welfare institutions.

The third sequence of reforms can be described as the recasting or recalibration of the neo-liberal approach which was introduced by most CEE governments. These reforms were based on the growing number of unprotected citizens which were attempting to claim social insurance funds. These social insurance funds were already suffering significant fundability and feasibility problems (Cerami 2006: 24). In Poland for example, one can observe the fact that unemployment benefits, which were still financed by employers' contributions, are granted on a flat-rate rather than on an occupational basis. This way the pressure on the system, caused by rising unemployment could be reduced. In Slovakia, the introduction of a market oriented health system faced political resistance (Cerami 2006). In other words, the third sequence of reforms which took place in most Central and Eastern European countries can be labeled as the return towards a more Beveridgean oriented welfare system.

### ***3.4 Classification CEE welfare states***

Esping-Andersen's welfare state classification scheme is often debated in the literature. Besides the fact that the Southern-European and the Antipodean countries do not fit in to the classification scheme as described in chapter 2, scholars also argue that the classification scheme is based on Western-European countries and thus is not applicable to countries in Central-Eastern Europe and Asia (Burlacu 2007). This paragraph will review important theoretical findings concerning the classification of CEE countries. The literature concerning the classification and development of CEE welfare states cannot be considered to be clear. Scholars argue in favor of both convergence (Deacon 1993; Esping-Andersen 1996<sup>1</sup>) and divergence (Cerami 2005: 2006). In other words, some scholars believe that CEE welfare state are developing towards one of Esping-Andersen's welfare typologies, while some believe that they will develop, due to a number of reasons, towards a hybrid system which combines elements of all three of Esping-Andersen's welfare systems. Although Again, this section will review the most important works concerning this topic. Looking at the literature concerning welfare state classification, one can distinguish two types of research. The first type (Cerami 2005, 2006; Hemerijck and Ferrera 2009) of research looks, just like this study, at the architecture and the developments of the welfare state. The second type (Fenger 2005, 2007) quantifies certain aspects of the welfare state and analyses the developments of CEE welfare states through a so called hierarchal cluster analysis.

Cerami (2006) did an assessment of the social policy developments in the earlier described Vizégrad countries since the first establishment of Bismarckian institution in the period prior to World War II. It assesses how and to what the Bismarckian institutions have survived after the second World War, thus during and after the communist period. The transition during the communist era and after the communist era contained a significant amount of social policy reforms. The main argument of Cerami's research is that the four Vizégrad countries, Poland, Slovakia, Czech Republic and Hungary, built their contemporary welfare state on the ruins of the welfare state they had previously introduced (Cerami 2006: 3). In other words, Cerami argues in favor of the path-dependence

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<sup>1</sup> Although scholars see Esping-Andersen as a scholar who argues in favor of divergence, because he states that welfare state will develop towards different types of welfare types, this study refers to him as a scholar which addresses convergence. This is caused by the fact that, according to Esping-Andersen (1990), all countries will develop towards, at least, one of the three welfare types. The interpretation of the terms convergence and divergence in combination with Esping-Andersen's welfare state classification is thus debatable.

perspective. He states that due to the fact that these countries are facing a long process of internal restructuring, a hybridization of the system will take place (Cerami 2006). Cerami anticipates on previous work (Cerami 2005) which states that CEE welfare states seem to develop around a new welfare logic, which includes and combines Bismarckian social insurance, communist egalitarianism and a liberal market orientation (Cerami 2006: 4-5). In other words, one can state that CEE welfare states combine elements of all three of Esping-Andersen's classifications. Cerami argues, again, that CEE welfare states are developing towards hybrid systems, which is based on path-dependent and innovative components. He states that the reinforcement of Bismarckian oriented policies are the result of the heritage of the Austro-Hungarian empire. This can be considered to be path-dependence. Also the maintenance of the egalitarian and universal welfare programs can be considered to be path-dependent; the communist period changed the view of many people on the organization of welfare states. As said in paragraph 3.3, due to the communist system, many people depended on social policy. The third aspect of CEE welfare states which Cerami labels to be significant is the introduction of market-friendly welfare provisions. Cerami argues that this component needs to be considered to be innovative; market-friendly welfare provisions are not common in many welfare systems. Concluding, Cerami argues that CEE welfare states in general and Vizégrad countries more specifically seem to develop around a new welfare logic which has both path-dependence and innovative components (Cerami 2006: 31). In other words, Cerami believes that the welfare states of the four Vizégrad countries will not develop towards a welfare state which fits into Esping-Andersen's welfare classification.

Deacon (1993) elaborates in his article *Developments of East European social policy* on the developments and characteristics of Eastern-European welfare states. Since the collapse of communism in 1989 the welfare states of former Soviet countries are in transition (Deacon 1993). Deacon describes the pre-1989 welfare states as a welfare state which heavily subsidized foods and rents, guaranteed full employment, and provided cheap health care and education (Deacon 1993: 178). Besides the description of the development and characteristics of post-communist welfare states, Deacon also addresses the question whether the former communists welfare states fit into Esping-Andersen's threefold typology. Mainly due to the lack of data, he states that it is only possible to suggest whether or not these welfare states fall into one of these three types. One needs to take into account that this article was written in 1993. However, Deacon did attempt to analyze the post-communist welfare states and tried to fit them into Esping-Andersen's welfare typology. Deacon states that, again taking into account the fact that no data was yet available, divergence in the politics of social policy has been taking place. He argues that in a few years time the social policy of the post-communist countries could be characterized in terms that reflect Esping-Andersen's threefold typology. However, Deacon emphasizes the fact that a new term will have to be coined in order to describe the unique post-communist conservative corporatism of Russia, Romania and Bulgaria (Deacon 1993: 193). In other words, in 1993 Deacon stated that the CEE welfare states after a period of transition would fit into one of Esping-Andersen's welfare regimes. He does, however, state that a fourth welfare type should be added. This welfare type, the post-communists corporatist welfare state, can be considered to be temporarily. After the transition period also these welfare regime will have developed towards Western welfare states (Deacon 1993).

In 2000 Deacon did an assessment of policy changes in the Czech Republic, Hungary, Poland, Estonia, Slovenia and former Yugoslavia. He concluded that, again with the remark that it was too early to draw any firm conclusions, these welfare states were developing into one or other variant of the Western-European welfare state. He argues that these welfare states combine Bismarckian insurance and Scandinavian financing systems. At the same time, this assessment shows that Balkan countries as Romania, Bulgaria and Macedonia and former USSR countries as the Ukraine "*appear still to be attempting to conserve state and workplace benefits in the face of declining resources, possibly leading to the imminent collapse of the old welfare system and the subsequent residualization of social policy*" (Deacon 2000: 151). He thus states that these countries still can be considered to form

their own welfare group. These countries simply have not been very enthusiastic about the conversion to capitalists, market oriented economy and social policy. The influence of the Communist ideology in these welfare states is much higher than in the CEE welfare states which tend towards divergence of social policy (Deacon 2000).

Fenger (2007) has examined to what extent post-communist countries of Central and Eastern Europe fit into Esping-Andersen's welfare regime classification. Hence, by analyzing these countries he suggests that there are reasons to believe that these countries do not fit into Esping-Andersen's typology. This suggestion is based on both Deacon (1993) and Esping-Andersen (1996). As described above, Deacon states that Central Eastern post-communist European countries should, at least temporarily, be classified as an additional welfare regime (Deacon 1993). Esping-Andersen rejected the suggestion of adding a fourth, Central Eastern European welfare type to his classification. In his reaction to most proposed additions of welfare types and dimensions he included that CEE countries were in transition (Esping-Andersen 1996). Hence, the welfare states of CEE countries would develop towards one of the three welfare state regimes of Esping-Andersen's classification. Fenger argues that after 15 years one would expect that the differences between Eastern and Western European welfare states have been diminished, which means that one could analyze whether these welfare states fit into Esping-Andersen's classification or not. Fenger used Saint-Arnaud and Bernard's method to validate Esping-Andersen's welfare typology. In order to analyze Esping-Andersen's classification scheme, Saint-Arnaud and Bernard (2003) have developed the so called method of hierarchal cluster analysis. Fenger has replicated this method, but he has replaced the data used by Saint-Arnaud and Bernard with data available for countries other than OECD countries (Fenger 2007: 4). Fenger, again, has analyzed Central and Eastern European welfare states. He argues that post-communist welfare states differ significantly from welfare types distinguished by Esping-Andersen. Fenger explains these differences by, among others, the fact that the concept of CEE wrongfully suggests a similarity in paths of developments and institutional characteristics. Frankly, the region consists of a wide variety of countries with different historical backgrounds, orientations towards the European Union at one side and Russia on the other side, and institutional frameworks (Fenger 2007: 13). In line with the preceding paragraph, Fenger gives a brief assessment of theories concerning the classification of CEE welfare states. He also concludes that the opinions concerning welfare state typology differ. At the same time, Fenger concluded, after execution of a hierarchal cluster analysis that post-communists welfare states can be considered to be *"both mutually differentiated and collectively distinct from the Western countries' welfare typology"* (Fenger 2007: 16). In other words, Fenger states that none of the CEE welfare states fit into Esping-Andersen's classification scheme, while at the same time multiple CEE welfare types can be distinguished. According to Fenger's analysis, three post-communist welfare types can be distinguished, namely the Former-USSR type (including Belarus, Russia and the Ukraine), the Post-communist European type (including Bulgaria, Croatia and the Czech Republic) and finally the Developing welfare states type (Georgia, Romania and Moldova). One need to take into account that these welfare types, or clusters, are based on data-analysis. These clusters are, not yet, theoretically supported. However, these clusters do have mutual characteristics. For example, the first welfare group consist of countries with relatively high government expenditures, but at the same time the governmental programs are low. The second welfare cluster, consists of countries with a relaxed economic development and at the same time this group can be considered to be egalitarian. The third group consists of countries which are still developing towards a mature welfare state (Fenger 2007)

Concluding, Fenger argues that three types of post-communist welfare states can be distinguished and that these welfare states significantly differ from Esping-Andersen's Western welfare regimes. According to Fenger, in general the level of trust, the level of social programs and the social situation in the CEE countries are lower than in other, mostly Western countries. Fenger's findings are interesting and relevant to this study; one can state a hypothesis based on his conclusions.

### ***3.5 Conclusion***

This chapter has reviewed some of the most important aspects of Central Eastern European welfare states. Firstly, the history of former CEE welfare states has been described. Communist social policy was extensive with, at least in theory, universal and egalitarian welfare programs. Employment was guaranteed and health care was free and accessible for everyone. This social policy resulted in a significant dependency of welfare programs for most people.

Secondly, after the collapse of the Berlin Wall in 1989 CEE countries witnessed a significant economic and political change. This resulted in the reform of social policy. Rising unemployment and high inflation were incentives for policy makers to reform social policy radically. Three stages of reforms can be distinguished, as described in paragraph 3.3. These sequences of reform can be observed in most CEE and Visegrad countries, including Poland and Slovakia. The most important aspect of these sequences is that first due to unemployment social programs were expanded, followed by the need to reduce social expenditures through privatization. The latter reforms were followed by the recalibration of the neo-liberal approach due to the fact that many citizens were becoming unprotected.

Thirdly, the debate about the classification of CEE welfare states has been reviewed. As said in chapter 2, opinions about whether convergence or divergence of social policy is taking place differ among scholars. The most important studies concerning this topic have been reviewed. Cerami (2005; 2006) states that hybrid systems are developing which include elements of liberal, conservative and social democratic welfare types. Fenger (2007) supports Cerami's conclusions, although his method of analysis is highly discussed. Deacon (1993; 2000) states that CEE welfare states are developing towards one of Esping-Andersen's welfare types. He believes that divergence of social policy is taking place. However, he does argue that the post-communist corporatist conservative welfare states of Russia, Romania and Bulgaria form their own group. Esping-Andersen (1996) states that CEE welfare states are developing towards one of the Western-European welfare state types which he distinguishes. He believes that it is a matter of time before divergence of social policy takes place.

## **4. Methodology and Operationalisation**

### **4.1 Introduction**

This research will follow the classical order which is present in most social science studies. First of all, the main theoretical findings, thus literature concerning this topic, are examined. This is followed by the operationalization of concepts used, the selection of areas of study, the collection and analysis of data and the presentation of the main findings.

The main aim of this study is to analyze whether the welfare states of Poland and Slovakia are developing towards a welfare state which can be classified as one of Esping-Andersen's welfare regimes or if they are developing towards a hybrid system which combines elements of these regimes. By analyzing the institutional changes which have taken place between 1995 and 2005 one can review the architecture of the welfare states. In this study four aspects of the welfare state will be analyzed, namely social security, pension systems, welfare state financing and family benefits.

Many studies (among others Clayton & Pontusson 1998; Fenger 2007) focus on social spending of welfare states. This method of research has a number of shortcomings. First of all, understanding the social implications of broad spending categories requires a more fine-grained analysis of how spending is actually directed (Esping-Andersen 1990). Secondly, governments have other means for achieving social objectives beyond spending. A decrease of social spending might be the result of organizational changes that have improved efficiency and reduced social expenditures. At the same time, a decline in spending can also reflect to measures which stimulate individuals to manage risk and acquire services on their own, for example mandated savings programs (Gilbert 2002).

Mainly due to the shortcomings described above this study will focus on the analysis of institutional changes that have taken place within a particular period. When looking at these institutional changes, one can give insight to the architecture of the welfare states. In other words, when looking at the development of the pension system in a particular welfare state, one can review the decisions and thoughts on which these developments were based. This way one can assess why certain welfare states have chosen for example to privatize its pension system. Again, when analyzing these changes one should review what the main reasons for these changes were. When looking at the privatization of the pension system in CEE countries, one can conclude that this was stimulated by the conditions set by the International Monetary Fund (Braun & Gilardi 2006). This is an example of why certain institutional changes have taken place. This study will, again, analyze four aspects of social policy of both Poland and Slovakia. This assessment will contribute to solve the puzzle of this study.

### **4.2 Operationalisation**

This paragraph will discuss a number of issues concerning the operationalisation of the aspects and concepts used in this study. However, this paragraph will start off with the argumentation behind the choices made concerning the two countries which and the policy fields which are analyzed. First of all, the two countries of which the development of the welfare state is will be reviewed, namely Slovakia and Poland, are part of the so called Vizegrad countries. This is a platform, consisting of four Central-Eastern European countries, which discussed the development and direction of the CEE welfare states after the collapse of the communist regime. In other words, Poland and Slovakia were

part a group of countries which deliberately discussed the future of their welfare state. The two countries were chosen randomly out of the four Vizegrad countries.

The policy fields which will be reviewed firmly, namely the health-care sector, the pension system, labour-market policies and family benefits have been chosen based on the existing literature on the development of CEE welfare states. Many studies focus on the developments of these aspects of the welfare state. As a result a vast amount of empirical data concerning these aspects is available. A complete review of the development of the welfare states of Slovakia and Poland can be based on this empirical data.

An important question which needs to be addressed in a proper scientific study concerns the measurement of concepts used during the analysis. In this study, the development of the object of study, the welfare states of Slovakia and Poland, is measured by certain criteria, which are based on the literature. In other words, the next part of this study will discuss the criteria used to fit certain development into one of Esping-Andersen's welfare types and into either a policy diffusion perspective or a path-dependence perspective.

First of all, the criteria used in this study to fit the development of both welfare states will be reviewed. As described in chapter two, Esping-Andersen distinguishes three welfare types, namely the liberal, social-democratic and conservative type. The liberal welfare states can be characterized by little government interference, privatization and an emphasize on self-responsibility. Criteria used in this study which need to be met in order to fit into the liberal welfare type are privatization, increasing self-responsibility, decentralization and decreasing importance of the government or state. Thus, when a development of for example the health-care system in Poland leans towards one or more of these criteria, it will fit into the liberal welfare type. The social-democratic welfare states, in general characterized by universal, Beverigdean welfare programs, generosity, guaranteed minimum incomes and a relative importance of the government. Hence, the criteria used in this study in order to fit developments of the welfare state into the social-democratic welfare type are universal coverage, extensive and generous services and poverty reduction. Lastly, conservative welfare states are often characterized by Bismarckian, work-related welfare programs and means-tested services. The importance of the government can be described a medium. Criteria used in this study to fit developments of the analyzed welfare states in the conservative welfare type are work-related, protection of workers, means-tested and a medium important role of the government. The table (4.1) below is gives an overview of the criteria described above.

<b>Liberal</b>	<b>Social-democratic</b>	<b>Conservative</b>
Privatization	Universal coverage	Work-related programs
Decentralization	Extensive and generous services	Protection of workers
Decreasing government importance	Increasing government importance	Medium important role of government
Increasing self responsibility	Minimum income	Means-tested

Table 4.1 Criteria used in this study in order to distinguish welfare types.



Resuming, when the development of an aspect of the welfare state meets one of the above criteria, it will fit into the specific welfare type.

Concerning policy diffusion of path-dependence, this study uses the following criteria. When developments and reforms in of the analyzed policy fields are influenced or caused by an international organization, institution or another country this study will consider this development or reform the result of policy diffusion. As the literature states, path-dependence is the result of choices made at an earlier point in time which thus influence today's decisions and thus development and reforms of the welfare state. In other words, when a reform or development is influenced by, or based on the communist heritage of the two countries, this study will consider this path-dependence. Because, the communist path was taken after the Second World War, some developments nowadays are influenced by this decision. Resuming, path-dependence and policy diffusion is measured by two criteria. 1. Is the reform influenced directly by international organizations or institutions (Policy diffusion). 2. Is the reform the of, or influenced by the communist heritage (Path-dependence).

### **4.3 Reliability and validity**

The data used in this study will be collected from secondary sources such as reports of the OECD, the World Bank and the European Union, but also by an analysis of the literature concerning the development of CEE welfare states. Much has been written about reforms of aspects of the particular welfare states by domestic scholars.

With respect to the reliability of secondary literature and sources one can expect that scientific literature and reports by well known international organizations and institutions can be considered to be good. Much of the used literature and sources has been published in international scientific magazines with good reputations. Hence, the reliability of this study is guaranteed.

Concerning validity of this research one can should make some remarks. Firstly, the external validity of this study, thus the fact that the results of this study can be generalized for the unit of analysis, can be considered to be fair. The unit of analysis, namely CEE welfare states, has been studied significantly in the literature. This research is based on those studies and can be considered to be a case study of the two welfare states. The developments in both Poland and Slovakia are analyzed; based on the findings of the analysis conclusions are drawn whether divergence or convergence of social policy is taking place. Again, these conclusions can be generalized, also because the literature (Cerami 2005 & 2006; Deacon 1993) shows that developments of CEE welfare states can be considered to be in line in all countries. So, if one can show that in Poland and Slovakia are developing towards hybrid systems, one can assume that in other Vizegrad countries this process is taking place as well. Secondly, the construct validity can be considered to be correct. In the literature, much attention is paid to the aspects of the welfare state which are analyzed in this research.

## 5. Poland

### 5.1 Introduction

In line with most CEE countries (see chapter 3), Poland reformed its social policy dramatically after the collapse of the Berlin Wall in 1989. However, the emergency measures which were adopted in order to ease the pain of the so called shock therapy quickly turned into a permanent substitute for fundamental systematic reforms (Inglot 2005: 363). The temporary safety net, which was created in December 1989 included (1) a new generous program of unemployment benefits; (2) a reformed system of public assistance for the poor; (3) the extension of early retirement rights and (4) a new pension system (Inglot 2005: 364). In Poland the period after the collapse of communism was characterized by high, often double digits, inflation. This resulted in the devaluation of most benefit payments which were granted by the temporary safety net. At the same time, wages began to grow, which resulted in an increasing gap between employees and people which depended on social welfare. Much discussion about pension reform and increased benefits for pensioners took place. Although the public debate pointed clearly in the direction of significant reforms, one could observe procrastination and indecisiveness in the area of institutional change. This was mainly caused that many proposals of pension and old-age benefits reforms encountered opposition of the government. One of the most important proposals which was not accepted by the government was the elimination of the state monopoly on social security by the creation of several privately managed funds (Inglot 2005). As generally known, the communist regime eliminated individual social insurance accounts, which resulted in this state monopoly on social security. Hence, in the early 1990s the Polish government did not manage to imply any permanent institutional reforms. Also the parliamentary elections in the autumn of 1991 failed to bring a resolution to the indecisive process of social policy reform (Inglot 2005: 369). The right-wing government of Jan Olszewski continued to seek for new ways to reduce pension spending. Due the increase of unemployment, the fundability of the welfare state increasingly was topic of discussion. This development was also in line with the developments in most CEE countries. However, the government was not able to get the support of the parliament. One must keep in mind that these reform attempts only concentrated on temporary costs reductions; decisions concerning permanent institutional reform were procrastinated. Olszewski's successor Suchocka announced a new timetable, which would accelerate the institutional changes, which included a staged restructuring of the whole system of social insurance benefits (Inglot 2005: 370). Finally in 1992 some reforms were accepted by both the cabinet and the parliament, which resulted among others in an increase of social insurance tax and the fact that all pension income became taxable for the first time. These fiscal reforms managed to stop the growing social expenditures, but the need for a decrease in social spending still remained high. Not only the pension system needed to be reformed, also a more effective unemployment program needed to be established. Much discussion was needed in order to establish these reforms (Inglot 2005).

The above shows that the period between 1989 and 1993, the period following the collapse of communism, can be considered to be political instable. The need for reforms of the entire social benefit system was caused by high inflation and unemployment figures which were combined with disappointing economic growth. However, the reforms that have taken place within this period were mostly temporary, this mainly has to do with the fact long-term institutional reforms were accompanied with considerable political damage. Nonetheless, radical reforms of social insurance and entitlement programs were needed in order accomplish sustainable economic recovery (Inglot 2005: 372). These radical reforms thus needed to be established in the period of 1995 and 2005.

## **5.2 Pension system**

As described in the preceding paragraph, reforms of the pension system took a lot of effort. The most important reform of the Polish pension system took place in 1999. This new pension system, called *Security through Diversity* includes a three-pillar system, which is common in most of Western-Europe. Cerami (2005) argues that one can distinguish three types of social policy. This is mainly caused by the fact that social insurance is differentiated according to various groups of workers. ZUS is an institution which is responsible for the collection and administration of the contributions of the employees, while KRUS is an organization which is responsible for the insurance of farmers. At the same time, one can observe different categories of workers to which special provisions apply, such as member of the police (Cerami 2005: 81).

As described in the introduction, major and permanent reforms in social policy did not take place in the years following the collapse of the Berlin Wall. However, Poland did introduce legislation which increased the value of pensions in order to cope with high inflation. The so called revolutionary Act intended to create a stable mechanism for the calculation and indexation of pensions. This was in contrast with other transition countries (Bialas et al. 2001: 7). At the end of 1994, the government decided to change the indexation of pensions to price-based. The change was legislated, after a period of public discussion, in 1996 and implemented in 1997. The final solution implied that the pensions were to be increased ex-ante, so that the average real value of pension in a given year would not be lower than the year before (Bialas et al 2001: 9).

Poland's welfare state was characterized by a relatively low demographic dependency and a relatively high system dependency ratio. This resulted in high pension expenditures, which were financed by rising contribution rates and increasing state subsidies to social insurance. (Bialas et al. 2001: 10). This situation would create pressure on the PAYG-pension system, especially when the baby-boom generation would reach the retirement age. Thus, the pension system in Poland needed to be radically reformed, mainly due to fundability and feasibility issues.

The *Security through Diversity* system was introduced on January 1, 1999. The new old-age pension system replaced the previous monopoly of a traditional European pay-as-you-go scheme, whereby all pensions were paid out of current tax revenues. The new system consists of a three pillar system in which the sources of the future pensions financing are diversified (Gora & Rutkowski 2000: 3). The first and the second pillar are mandatory and pillars with benefits linked to the contributions made. The first pillar is financed through a PAYG system, but at the same time a small part of this pillar is funded through the Demographic Reserve Fund. The second pillar is a fully funded pillar. The third pillar is voluntary which means that the system is subject to individual preference (Gora & Rutkowski 2000). The new pension scheme was introduced gradually. One of the important features of the system is the separation from other social insurance. Hence, one only contributes to the pension system, which means that there is no social contribution anymore. Instead one can find separate contributions financing each of social security elements (Gora & Rutkowski 2000: 4).

The Polish pension scheme is work-related, and can be defined as Bismarkian. According to Cerami (2005) this can not be seen as a new introduction; in pre-soviet times this system was already present. The radical and permanent reform of the pension system and the small and temporary reforms preceding were mainly caused by feasibility and fundability issues as well economic and social circumstances. Much political and public debate resulted in procrastination of radical reforms. Though, the shift towards a Bismarckian, work-related pension system can well be observed.

## **5.3 Family benefits**

In the 1990s many reforms concerning family benefits have taken place in most CEE countries in general and in Poland more specifically. According to Fultz et al. (2003) the motivations behind the

reforms can be considered to be different, which has led to inconsistent policies and policy shifts over time (Fultz et al. 2003: 190). Fultz et al. distinguish four different motivations which caused the reforms of family benefits. First of all, in line with the pension system, the traditional Bismarckian family benefits needed to be reorganized due to rising unemployment; this resulted in the decoupling of employment status and benefit eligibility. Secondly, a drop of the birth-rate motivated to develop family benefits which would encourage larger families which would result in an increasing birth-rate. Thirdly, political ideologies resulted in a shift of family policy. For example, in the period between 1997 and 2001, the Catholic AWS party was the largest party in the Parliament. In this period, large families were encouraged and maternity leave was increased. Since the beginning of 2002, the SLD-party, which can be considered to be post-communist, reduced maternity leave, benefits for middle-classes and limited eligibility for many benefits to the lowest income groups. Fourth, Fultz et al. argue that the prospect of European Union membership created an external pressure for gender equality in all social programs (Fultz et al. 2003: 190-91). The above resulted in social policy concerning family benefits which can be considered to be inconsistent. This paragraph will discuss the most important reforms that have taken place within the period 1995-2005.

Fultz et al. (2003) state that the reforms of family benefits in Poland can be summarized by the following thrust. They emphasize that (1) some benefits which were linked to employment in state enterprises were transferred to the state budget. (2) A new class of social assistance was created in order to cope with rising poverty. (3) Some benefits were expanded for multiple-child families. Also (4) universal benefits were converted to means-tested ones and (5) the eligibility for income-tested benefits were tightened via a new and more restrictive standard (Fultz et al. 2003: 191). One can thus state that much has changed concerning family benefits. The above is a good example of the contradiction of some policies; new social benefits were introduced in order to address rising poverty, but at the same time the policy concerning eligibility for income-tested benefits was tightened.

As said above, the viewpoint of Polish government towards maternity leave and benefits has changed significantly within the period 1995-2005. This was mainly caused by the fact that the largest party in the Polish Parliament changed from a Catholic to a post-communist party. The AWS party extended the duration of maternity leave in order to promote larger families. This was the result of both the Catholic ideology and the need to increase the birth-rate. Again, the period of maternity leave was extended in 2000 from 16 to 20 weeks; in 2001 this was extended again to 26 weeks. The extension of the maternity leave benefits did not last long. In 2002, the new post-communist government cut back maternity leave and benefits to 16 weeks. The main reason for the cut back was a reduction of the social expenditures. The benefits for maternity leave amount to 100% of the employee's average wage for the three-month period preceding the leave (Fultz et al. 2003). These maternity leave benefits can, of course, be considered to be Bismarckian. They are financed through social insurance revenues, which include contributions and state budget subsidies (Fultz et al. 2003).

Reforms concerning child raising leave and allowance and child care leave and allowance took place in 1995 and 1996. The reforms extended the right to take child raising and care leave to men. This change was, according to Fultz et al. (2003) motivated by an effort to provide equal rights for men and women. At the same time, these reforms resulted in the strengthening of the position of women on the labour market (Fultz et al. 2003: 195). The child raising allowance was originally set as a percentage of the average wage in the national economy. However, since 1996 the allowance was indexed according to changes in consumer prices. The result of the fact that wage growth exceeded price growth in Poland was a decline of importance of child allowance as a component in family income (Fultz et al. 2003). Child raising allowances are financed through state budget revenues.

Concerning family allowances, two major changes in policy took place in 1997 and 2002. First of all, in 1997 the amount of the family allowance was made variable based on the number of children. This resulted in the provision of higher benefits to larger families. Of course, this was, again, the result of the stimulation of larger families in order to increase the birth rate in Poland. The second reform which took place, was the result of a cutback in social expenditures; the post-communists government restricted the income criteria for family allowances and introduced price indexation, instead of the previous wage indexation (Fultz et al. 2003: 196-97).

Forster and Toth (2001) conclude that the most important developments concerning family benefits were determined by the social consequences of economic restructuring and economic constraints (Forster and Toth 2001: 330-31). They state that the main shift in family benefits took place in or around 1995. The general direction of the reforms was a shift away from universalistic family policies towards means-tested family policies. This is in line with the findings of Fultz et al., although they argue that a cutback in social expenditures took place since 2002. All in all, one can distinguish two types of views towards family benefits in Poland in the period between 1995 and 2005. First of all, larger families were stimulated through extended maternity leave and family allowances. Secondly, the post-communist government significantly reduced social expenditures by introducing means-tested policies and a reduction of the amount of months of maternity leave. Again, a shift away from universalistic family benefits, which were inherited from the communist era, can be seen. Cerami (2005) describes the developments in Poland concerning family benefits as *“the introduction of an income-tested, earnings-related system, which has slowly replaced the more egalitarian scheme in force during communism”* (Cerami 2005: 139).

## **5.4 Health-care system**

The process of reforms of the health-care system in Poland can be considered to be in line with the process of reforms of the pension system. It took a lot of effort to implement radical reforms. The delay was mainly caused by the fact that universal rights to health-protection, which was inherited from the communist era, needed to be changed towards a system which focused on privatization of the health-care system and the increase of individual responsibility (Cerami 2005).

In 1990, soon after the collapse of the Berlin Wall, a proposal for health-care reform was developed. The proposed reforms aimed at the decentralization and the increase of individual involvement. During the communist era, health-care was state organized; the state had a monopoly on the distribution and financing of the health-care system. As said above, health-care was universal, thus Beveridgean, but due to economic circumstances the system needed to be organized more efficiently and effectively (WHO 2005). Some reforms took place in 1990, but the most radical reform took place in 1999. As said above, much discussion between different political parties, stakeholders and social partners preceded the 1999 reforms. But, after almost a decade of political discussion and debate, the right-wing government introduced the new health insurance system (Cerami 2005). Between 1990 and 1999 some small reforms have taken place, although they can not be considered to be radical reforms. Hence, the discussion concerning the reform of the health-care system has a lot of similarities with the discussion concerning the reform of the pension system. An example of a small reform in 1995 is the introduction of the Law on Large Cities and Public Services Zones, which delegates authority formerly held by the central administration and their provincial governors to municipalities over primary care providers (Girouard & Imai 2000). However, most scholars agree on the fact that, prior to 1999, the most important change in the Polish health-care system was the increasing role of the private sector. According to McMenamin and Timonen (2002) pharmacies were privatized, new private hospitals were set up and many physicians had their own private practices (McMenamin & Timonen 2002: 104-05).

As said above, the major reform of the health-care system took place in 1999. The main aim of the reform which is adequate to meet the needs and economic capabilities of the country (WHO 2004). The World Health Organization (2005) states that the reforms contained a number of aspects, including (1) the transformation of the national health care system into a public system and subsequently giving independence to hospitals, (2) the development of the private sector in ambulatory and primary health care, (3) the improvement of primary health care through a new focus on family medicine, (4) the decentralization of the system by founding health care units (mainly hospitals) at local government level, (5) financing of health care by independent sickness funds and subsequently by the National Health Fund, (6) the development of an intersectoral National Health Program which focused on the prolongation of life expectancy and improving the quality of life, and (7) the introduction of a hospital accreditation system. (WHO 2005: 93). These reforms were the result of a clear philosophy, which included the introduction of health-insurance, market-orientation and the increase of self-responsibility (Cerami 2005: 96).

When looking at the 1999 reforms, which have been developed since 1990, one can observe a shift towards a privatized, liberal and market-oriented system, which focuses on the increase of self-responsibility. These development lean towards the liberal welfare state of Esping-Andersen's classification. At the same time, after the reforms, the system still aims to be universal. Cerami (2005) states that, even though the Polish post-reform health-care system aims to be universal, the excessive devolution of responsibilities have left many people unsatisfied (Cerami 2005: 96). Polls have shown that a significant part of the population believes that the old system, with health-care facilities which were run and financed through a state-monopoly, performed better than the new system. 72 percent of the Polish population even demanded that the main responsibility of the health-care system should be returned to the state (Golinowksa et al. 2003 in Cerami 2005). This also is in line with the discussion which preceded the reforms; a large part of the Polish cannot yet handle the neo-liberal oriented organization of the welfare system in general and the health-care system more specifically.

All in all, when looking at the developments of the Polish health-care sector, one can observe a shift towards a privatization of health-care services in order to reduce the importance of the state in providing health-care. Poland inherited a state oriented health-care system, which was inefficient and expensive, from the communist era. World Bank experts, which were working on a loan to finance the reconstruction of the health-care system, influenced the reforms which, again, can be considered to be a shift towards the liberalization of the welfare system. At the same time, the aim of the post-reform system was to provide universal health-care which was organized much more efficient and effective. The period preceding the 1999 reforms, which included much debate and discussion between different parties and governments, is distinctive for post-communist Poland.

## ***5.5 Labor market-policy***

As described in chapter 3, the socialist state formally did not have any unemployment; full employment was guaranteed for all inhabitants of the state. Of course, at this moment we know that much hidden unemployment occurred in communist countries. Mostly due to the full employment guarantee, the communist countries did not have unemployment or labour market policies. Hence, after the collapse of the Berlin Wall, new policies concerning unemployment and the labour market needed to be developed. Both Poland and Slovakia thus did not have any experience with this aspect of the welfare state. The first two or three years most CEE countries were seeking for the right policies, which could cope with the rising unemployment, declining economic performances. Poland was one of the first countries to develop policies concerning the labour market. These policies

included the possibility of terminating employment contracts for economic reasons and shortening the notice period; the introduction of group lay-offs and the unemployment benefit system, the extension of the provision of early retirement, the establishment of the National Employment Service, and the launch of active labour market policies (Kwiatkowski et al. 2001: 61). One can observe a shift of responsibility for employment and income protection from the enterprises to the state. Unlike most aspects of the welfare state, labour market regulation was centralized and the state was given a more important role. The state did make use of subsidies in order to prevent mass lay-offs (Kwiatkowski et al. 2001). Thus, the beginning of the transition period was characterized by the development of labour market policy and the increasing role of the state concerning the employment and income protection of workers. However, due to economic and ideological circumstances reforms took place throughout the 1990s.

Cerami (2005) states that one can distinguish roughly two stages of unemployment policies. The first stage which took place between 1989 and 1993 consisted, as described above, of policies which could cope with the new emergent problem of unemployment. In particular he described the establishment of social safety nets to be the most important aspect of the first stage (Cerami 2005: 114). One could characterize the used policies as passive; the stimulation of people to find jobs and of enterprises to create new jobs was not part of the initial labour market policies (Cerami 2005). The second stage, which is relevant for this study, started in 1994 and can be described by the first attempts to create active labour market policies and the establishment of unemployment insurance. As to be expected, the universal benefits were reformed to benefits with restricted eligibility criteria. Before the reforms, the benefits could be considered to be universal; persons who had never worked before could be registered as unemployed (Cerami 2005). The reforms of the second stage were in line with the overall reform trend in the period between 1995 and 2005; they can be characterized as reforms which focused on the reduction of government expenditures.

In the mid-1990s the protection of workers increased, caused by stricter regulations on employment contracts and the extension of the notice period. Also the labour inspection started to check labour contracts and the state succeeded in stimulating enterprises to keep the employment level steady. But, as Kwiatkowski et al. (2001: 61) state wisely, the improvement of the labour market situation was also the result of substantial economic growth and thus the increasing demand of labour supply. Since 1998, Kwiatkowski et al. state, labour market flexibility has increased, mainly due to the termination of bans on mass lay-offs fixed in privatization contracts, which were introduced in the period after the collapse of the communist regime. Also the accelerating restructuring of, among others, coal mines and steelworks played an important part in the increase of the flexibility of the labour market. These state owned organizations, characterized by generous compensation packages for redundant workers were not contributing to an increasing labour market performance (Kwiatkowski et al. 2001).

Kwiatkowski et al. (2001) observe various other changes regarding labour market policy in Poland. First of all, they state that contracts of indefinite duration were stimulated by the government and the standards of employment protection which were present in state-owned enterprises were extended and transferred to private businesses. Secondly, since the mid-1990s the government stimulated collective labour agreements in both the public and the private sector. Thirdly, in line with some Western countries, the cooperation between government, social partners and firms was intensified. This led to a diminishing of the number of labour conflicts (Kwiatkowski et al. 2001). These three changes have led to a more sustainable and stable labour market.

A shift towards a more Bismarckian labour market policy can be observed when looking unemployment policy more specifically. Kwiatkowski et al. state that unemployment policies show a clear tendency towards narrowing the very broad net over persons registered as unemployed, in favour of stronger income protection for workers (Kwiatkowski et al. 2001: 62). In other words, the

universal protection against unemployment is replaced by a more Bismarckian unemployment policy, which, again, protects workers. Measures taken which imply this shift towards a more Bismarckian unemployment policy, included the extension of the period of employment as a precondition for receipt of the unemployment benefit and a fixed level of benefit, thus previous earnings do not have influence of the level of benefits one receives (Kwiatkowski et al. 2001: 62). The latter measure could be considered to be a heritage of the egalitarian socialist social policy. At the same time, Kwiatkowski et al. argue that the benefits were changed in order to discourage unemployed workers to stay unemployed. In other words, the benefits were lowered to stimulate people to look for a new job.

Though many changes were made concerning unemployment and labour market policies, the biggest and most important changes of the Polish labour market are, according to Kwiatkowski et al., the result of economic liberalization and the increased demand for labour. In other words, the increased amount of employers, the increase of the number of high qualified people and the shift from sector of tradables to the service sector is, according to scholars not the direct result of reforms of policies, but the result of the transition from a communist towards a market-oriented economy (Kwiatkowski et al. 2001). However, one must take into account that the changes in the unemployment and labour market policies did have its effects.

As said above, two main stages of unemployment and labour market policy changes can be distinguished; the period between the collapse of the Berlin wall and 1994 and the period after 1994. The first period can be characterized by so called passive labour market policy, including the development of social safety nets. The second period can be described as active labour market policy. As described above, benefits were lowered in order to stimulate unemployed to find a job and preconditions for eligibility for benefits were extended. This shift from passive to active labour market policy can be also seen as a shift from a universal, Beveridgean, to a Bismarckian welfare system. As Kwiatkowski et al. described, from the mid-1990s one can see a shift from universal benefits towards more worker-oriented benefits. Workers received more income and employment protection, while the work period as a precondition for benefits was extended. Also, people who had never worked before could be registered as unemployed and thus were eligible to receive unemployment benefits. This can be considered to be universal. After the mid-1990s reforms, this was changed; the eligibility criteria were restricted and the benefits focused more on workers. This can be, again, considered to be Bismarckian. The new Polish labour market and unemployment policy can be seen as active, while benefits can be considered to be Bismarckian.

All in all when looking at the field of unemployment and labour market policy one can see some interesting developments which have taken place within the period 1990-2005. Again, as described above after the mid-1990s an active labour market policy was adopted which focused on the decline of government expenditures and the protection of workers. Benefits and eligibility criteria were changed which resulted both in the decline of government expenditures and in the creation of incentives for unemployed workers to find new jobs. Workers who did have a job received better job protection and thus were able to keep their jobs easier. Looking back, one can also see a clear distinction between the view towards lay-offs in both periods. In the period after the collapse of the communist regime policy was created which included measures which contributed to mass lay-offs to cope with hidden unemployment. From the mid-1990s workers were better protected and indefinite contract were stimulated; for enterprises it became more difficult to lay off workers. Concluding, one can see a shift towards a Bismarckian labour market policy which provides income and employment guarantee for workers. People who become unemployed need to meet stricter criteria in order to meet the eligibility criteria. The Bismarckian orientation was the result of the need to reduce government expenditures which had risen significantly after the collapse of the Berlin Wall. The increased unemployment in the period after 1990 of course was caused by the transition towards a market economy.



## ***5.6 Conclusions***

This chapter has discussed the development of the Polish welfare state after the collapse of the communist regime; four aspects of the welfare state have been analyzed firmly. The search for a new welfare doctrine which could cope with the new market-oriented economy has not gone very smoothly. Due to various, mostly political and economic, circumstances many radical reforms did not take place until the end of the 1990s. Looking at family benefits, one can observe inconsequential policies which have changed numerous times the last decade. Of course, this can also be explained by the ideology of the ruling political parties and the economic and demographic circumstances. However, looking at the major, radical reforms in Poland, one must conclude that much effort needed to be put in the decision-making process and thus that radical reforms did not take place until the late 1990s and the beginning of the new millennium.

When looking at the four aspects of the welfare state which have been analyzed, one can see a development towards a hybrid system which combines elements of both welfare systems and all welfare types. The labour-market and unemployment policies have developed from universal towards Bismarckian policies, which tend to protect workers and stimulate unemployed to find a job. The pension system of Poland, which has been reformed radically at the end of the 1990s, can be defined as a Bismarckian pension scheme. The new three-pillar pension scheme is work-related; the first two pillars are mandatory, while the third is voluntary. Preceding the first radical reform of the health-care system much debate has taken place. The health-care system has liberalized, which leans of course towards the liberal welfare type as described by Esping-Andersen. However, the aim of the reform was to provide universal health-care which was decentralized and thus organized effectively and efficiently. Again, elements of two welfare types are combined in an aspect of the welfare state in Poland. Finally, many reforms concerning family benefits have taken place throughout the period 1995-2005. As said above, policy concerning family benefits can be considered to be inconsequential. Looking at the changes of family policy, one can distinguish some interesting developments concerning the welfare state. First of all, after the collapse of the Berlin Wall, the benefits became universal, in order to cope with high unemployment figures and social problems caused by these figures. After that, many reforms took place which resulted in means-tested income based family benefits. This was mainly caused by the rising costs of the welfare state. Looking at maternity leave specifically, due to demographic developments the period of maternity leave was extended and universal. However, due to a cut in government expenditures the length of the maternity leave period was reduced by the socialist government in 2002. Again, when analyzing the development of certain aspects of the Polish welfare state, one can see development which lead to a hybrid organization which combines elements of all welfare types. Also, one can conclude that throughout the period after the collapse of the communist regime, the direction of the welfare states has changed numerous times. In other words, some policies have changed from Bismarckian to universalistic, and a couple of years later back to Bismarckian.

A relevant topic for this research has not yet been addressed firmly, namely the influence of international organizations and institutions on the reforms which have taken place throughout the period 1995-2005. The new, three-pillar, pension scheme, is the result of the expansion of the European Union. To become a member of the European Union, Poland needed a stable and sustainable pension system, which included both a funded and a pay-as-you-go element. The health-care sector was reformed with the help of World Bank officials and experts, who were working on a loan to restructure the health-care system of Poland. In other words, the privatization of the health-care system in order to reduce the influence of the state in providing health-care services was proposed and financed by the World Bank. The reforms of unemployment and labour market policy was, according to the literature, not influenced by international organization, although the reduction

of government expenditures and welfare state retrenchment can be seen as a worldwide trend. Reforms of family benefits mostly have been influenced by the political circumstances in Poland. The ruling party and its ideology mostly determine the policy concerning family benefits in general and maternity leave more specifically.

All in all, one can conclude that a hybrid welfare state has been developed, which combines elements of all welfare typologies. The direction of the welfare state is hard to predict, mainly because economic, demographic and political circumstances play an important role on the development of the welfare state. The concluding chapter will consist of a more firm interpretation of the analysis of the developments of the Polish welfare state.

## 6. Slovakia

### 6.1 Introduction

The Slovak Republic was created in 1993, after it became independent from the Czech Republic. Hence, concerning social security and the organization of its welfare state it shares the same history as the Czech Republic. The welfare state of Czechoslovakia was well developed; it had already been decentralized in 1968, this was an advantage for the Slovak Republic. However, when transforming from a communist state towards a market-oriented state, Slovakia faced some challenges. This mainly has to do with the fact that the Czechs shaped the country's social policy from within the central ministry in Prague, which made them the successors of the dissolved federation. This meant that the Slovaks needed to find both a new direction and a new identity for their own welfare state (Inglot 2009: 88). In other words, Slovakia needed to both rebuild a welfare state which would fit into the new market-oriented circumstances and also it needed to develop aims and norms and values of the new welfare state which would fit into the culture and thoughts of the new Republic. Again, they suffered greater pain from the transition from a communist towards a market-oriented welfare state than the Czechs (Inglot 2009).

Inglot (2009) distinguishes two phases in which Slovakia searched for a welfare doctrine. The first phase lasted from 1993 to 2000, while the second phase started in 2000. The first phase can be characterized by the disappointment of the results of the mixture of liberal and social democratic market policies which were present in the early years of Czechoslovakia. This disappointment led to the adoption of the so called third way, which had a strong preference for corporatist governance (Inglot 2009: 88-89). The trade unions played an important role, this was caused by the fact that employees of the large industrial sectors were the core of the government's constituency. Within this period, the government attempted to include the egalitarian, social democratic welfare component into a new Slovak welfare ideology (Inglot 2009: 89). Hence, in first phase of welfare reforms the government tried develop a new welfare ideology, which was based on egalitarian and universal components of the welfare state.

The second phase of welfare reforms, which started in 2000, was characterized by a radical redefinition of the national welfare ideology by the more pro-Western and pro-European government. Inglot (2009) states that, in line with Poland and Hungary, the government proposed a pro-market vision which included privatization and retrenchment of the social safety net. The new welfare state, which included multi-pillar pension schemes and means-tested benefits had many similarities with the Hungarian model of the mid-1990s (Inglot 2009: 89). In other words, the Slovakian welfare state at the beginning of the new millennium could be considered to at the same level as the Hungarian welfare state in the 1990s. This was the result of the mistakes of the anti-democratic and anti-Western government which ruled the first decade of independence. Inglot argues that the fact that throughout the 1990s Slovakia has remained disadvantaged in terms of policy leadership and that a lack of necessary policy expertise also contributes to the arrears of the Slovak welfare state (Inglot 2009: 89).

All in all, the development of the Slovak welfare state can be described as a search for a new welfare ideology. One can observe two phases, which can be characterized by two different ideas about how the welfare state should be organized. Of course, as occurred in Poland, the ideologies of the governments which are in power are highly influential. In Slovakia one can see a shift from a egalitarian, social democratic approach towards a pro-market, privatized and means-tested approach.

## **6.2 Pension system**

As addressed in the introduction, Slovakia shared the same history of social security with the Czech Republic. Since the collapse of the Berlin Wall, the predominant model is Bismarckian (Cerami 2005: 83). The institution responsible for collecting and administrating the contribution of employees, employers and self-employed is the Social Insurance Agency. In line with Poland and most CEE countries, one can observe special provisions which apply for different categories of worker, especially for members of armed forces and police (Cerami 2005: 83).

The most radical and permanent reform of the pension system in Slovakia has taken place in 2003 and 2004. The Slovakian Republic inherited a public pay-as-you-go system from Czechoslovakia which incorporated elements of redistribution within a social insurance system. Since the collapse of the Berlin Wall gradual declines in contribution revenues could be observed. These declines were the result of the loose link between contributions and benefits and the increased informality in the labor market which was the result of the easing of state-dominated labor markets. Hence, the most important structural reform was the result of the emerge of fiscal deficits which emerged in the system. These deficits were caused, again, by the fact that the contributions declined towards only 7 percent of the GDP in 2002, while at the same time the expenditures held steady at 7,5% of the GDP (World Bank 2004). In the longer term these deficits would increase to more than 11%. Given the context of the entry into the European Union, these long-term deficits would be completely unfeasible. Thus, as said before, funding and feasibility problems are the main cause of the radical reforms which took place in 2003 and 2004.

The pension system in Slovakia thus went through a major structural reform. The Slovak pension system has been reorganized into both a traditional pay-as-you-go system pension system, which can be considered to be the first pillar, and a mandatory privately managed pension savings system, which is referred to as the second pillar (ILO 2008). The World Bank (2004) concludes that the progress made by the Slovakian Republic concerning the improvement of the sustainability, affordability, fundability and thus feasibility of the pension system can be considered to be good (World Bank 2004).

According to Cerami (2005) the system is work-related in scope, but universal in coverage. He states that, because of Article 39 of the Slovak Constitution, pensioners are guaranteed a minimal income. In other words, the state is obliged to pay for those citizens who are unable to take part in social insurance, thus people who are unemployed or disabled (Cerami 2005: 84). This means that the pension system in the Slovakian Republic can be considered to include elements of both Bismarckian and Beveridgean welfare systems. The contribution to the first and second pillar of the pension system is work-related and thus Bismarckian, while the coverage of the system can be considered to be universal and thus Beveridgean due to Article 39 which guarantees all citizens a minimum income. One can also conclude that the main reforms were, in line with Poland, the result of feasibility and fundability problems. The heritage of the classic pay-as-you-go pension system was the basis of the fundability problems. Hence, an analysis of the pension systems of Slovakia and its reforms, shows that elements of both welfare systems and typologies can be distinguished.

## **6.3 Family benefits**

In line with most aspects of the Slovakian welfare state, family benefits have been reformed most radically in the period between 2003 and 2004. Cerami (2005) states that before the reforms family policies included a strong means-tested component and that the amount of benefits was based on a guaranteed minimum income, which was established as a poverty threshold (Cerami 2005: 139).

Thus, family benefits were universal and have a Beveridgean character. As described in chapter 2, the main function of Beveridgean welfare systems is poverty reduction. At the same time the fact that also the benefits are means-tested leads to the conclusion that elements are combined. Mostly, in universal welfare states benefits are not means-tested, but flat-rate based.

INEKO (2004) states that child allowance has been reformed; the new system includes a flat child allowance of Sk 500 per month, regardless of a child's age and family income (INEKO 2004: 73). The flat-rate of child allowances has been risen by Sk 230. The new Act on Child Care has abolished the means-tested component of the system, in other words, the amount people receive no longer depends on family income and the age of children. The means-tested component was mainly cancelled due to its complexity and administrative burden (Golias and Kicina 2007:15). The new child benefit can be split in two parts: (1) the already mentioned flat benefit, which is the universal payment regardless of income and child's age and (2) a tax bonus. The latter is a bonus deductible from income tax. An important condition is that at least one parent is employed. This condition was introduced as an incentive to work (Golias and Kicina 2007). Hence, one can conclude that child allowances combines elements of both Beveridgean and Bismarckian welfare systems; the flat-rate universal benefits are Beveridgean while the tax deductible bonus can be considered to be work-related and thus Bismarckian.

Family benefits in Slovakia can be considered to be quite extensive and consist of among others 1) birth grant; (2) maternity leave, which is paid up to 196 days and equal to 90 percent of the net daily income; (3) parental allowance, which is income-tested and meant for parents who are taking care of a child under 3 years of age; (4) child allowances, which has been discussed in the preceding part and is payable until 15 years of age; and (5) allowances for families of persons on military services (Cerami 2005: 139). As said, the family benefits are extensive and mostly means and income-tested. Exceptions are child allowances which nowadays consist of both a flat rate and a tax deductible bonus.

All in all, when looking at family benefits and policy one can conclude that not much has changed in the period between the fall of the Berlin Wall and 2005. One can see a clear trend to means-tested benefits, with the exception of child allowances. Thus, the only major reform which have taken place concerning family benefits in the last decade is the change from means-tested child allowances to universal child allowances. Concerning the other elements of family benefits one can conclude that, again, most elements are means-tested and thus fit into the conservative welfare type. Of course, the above shows that, again, elements are combined. Simply put, when looking at family benefits one can conclude that Slovakia does not fit into a welfare classification nor in a welfare system.

## ***6.4 Health-care system***

The Slovakian Republic inherited a health-care system in which the responsibility for health-care promotion was given completely to the state. After the collapse of the communist system the system was reformed. However, according to Cerami (2005: 97) the aim of the reform was not to destroy the communist egalitarian values, but to reaffirm them (Cerami 2005). In other words, the reforms concerning the transformation from a socialist health-care system towards a system which could cope with newly created market conditions did not include the destruction of an egalitarian, socialist values. Even though, again, egalitarian values were still present in the post-communist system, some changes occurred. These changes included, in line with Poland, the increase of individual responsibility, the introduction of health-insurance, and decentralization of health-care responsibilities to lower governments (Cerami 2005). The 1993 Constitution of the Slovak Republic included universal coverage of comprehensive free of charge health services based on mandatory

health insurance (WHO 2004). In other words, the Constitution implied a Beveridgean health-care system, which can thus be considered to be universal and egalitarian.

Unlike Poland, many big reforms have taken place in the period between 1990 and 2005. At the end of 1994 the government approved a document which included the privatization of the health sector. This led to the privatization of all pharmacies in 1995; primary health-care was privatized in 1996. In 1995 health-policy documents in which the improvement of the effectiveness, efficiency and quality of health-care is discussed was adopted. In this document the priorities and the tasks of the government were laid down in this document. In 1996, the government approved a health-policy document which proposed measures to contain costs and improve the financial situation in the health sector. In December 1998 the government committed itself to ensuring universal access to good quality outpatient and inpatient care and to controlling and containing health care costs. It stated that these goals could be only achieved by a fast and well prepared comprehensive reform (WHO 2004: 94). However, one could observe the fact that universal access to the generous scope of free of charge services, which were guaranteed by the Constitution, proved to be unsustainable financially (WHO 2004). In other words, new cost containment measures needed to be developed, or the aim of the health-care system, universal coverage, needed to be changed. Otherwise, the system would no longer be feasible and fundable.

In 2002, the new government developed a radical reform strategy. The overall goal of the reforms was to create sustainable and stable conditions for operation the health sector and to decrease debt. The reform plan states that it is the responsibility of the Ministry of Health to provide proper and high quality health-care. This means that the delivery and the management of health-care facilities is decentralized, but the state control is still high (Cerami 2005: 98). Thus one can speak of decentralization and centralization taking place at the same time. Again, the 2002 reform plans explicitly stated that the state government was responsible of providing health-care. The reforms also included, again in line with Poland, the stimulation of individual responsibility for one's own health. According to the WHO (2004) the key-objective of the 2002 reforms was to increase health care system's responsiveness to population needs having regard for the financial resources available (WHO 2004: 99). Also, the reform strategy included the fact that health-care provision should be based on contractual structure between health care establishments and health insurance companies, equal opportunities and competition between health care facilities, and an elastic network of providers whose minimum scope will be defined by the state (WHO 2004: 99). Lastly, the reforms of 2002 focused on the decrease of corruption within the system. This is in line with the overall reform context which is based on compliance with European Union norms and the development of a welfare system which ensures economic growth, stability and prosperity.

The WHO (2004) has summarized the development as follows; they state that the Slovak health-care system has been reformed from a tax-based system with a state monopoly in providing and promoting health-care facilities into a system pluralistic and decentralized social health insurance system with a mix of private and public providers (WHO 2004: 107). However, again according to the WHO, the reforms have not led to increased fundability. Instead it has led to many problems, including increasing internal and external debts. The above means that more reforms need to take place in order to create a health-care system which is sustainable.

However, when looking the developments which have taken place in the last couple of years from a welfare state perspective, one can see a shift towards privatization and decentralization, but at the same time the state wants to keep control of the health sector, the Ministry of Health is responsible, and the coverage is universal. This leads to a very interesting mixture of welfare state aspects; aspects of the liberal welfare state can be observed, while the fact that coverage is universal fits into the social-democratic welfare type. At the same time, one can see some aspects which can be defined as legacies of the communist era: the scope of covered benefits can be considered to be

wide, almost all services are covered, with the exclusion of a few treatments such as acupuncture, abortion and cosmetic surgery (Cerami 2005: 98).

All in all, the health-care system of the Slovak Republic is interesting when analyzing to what extent CEE welfare states fit into Esping-Andersen's welfare state typology. The Slovakian health-care system seems to develop towards a system which combines elements of both the liberal and social-democratic welfare type. At the same time, communist legacies are present. The wide scope of covered benefits can be seen an aspect of the health-care system which is shaped by path-dependency. Again, the mixture of the health-care system which combines elements of liberal, social-democratic and socialist welfare states is a good example of the development of CEE welfare states. More extensive conclusions will be drawn in the following chapter.

## ***6.5 Labour market-policy***

Labour market-policy in the Slovak Republic has been reformed numerous times in the period after the collapse of the Berlin Wall. Of course, in line with most CEE countries, the unemployment rates increased significantly after the collapse of the communist regime. In Slovakia, the unemployment rate increased from 0 to more 12 percent in the first two years of the transition period. Also in the Slovak Republic this was the result of the privatization of state-owned enterprises and the fact that during the communist era one could observe a significant amount of hidden unemployment. Cerami (2005) stages that one can, in line with Poland, distinguish roughly two stages of reforms concerning labour market-policy. However, Golias and Kicina (2007) state that the most important radical reforms concerning labour-market policy have taken place in the period between 2003 and 2004. According to Golias and Kicina (2007) these major reforms were the result of double-digit unemployment rates which was considered to be the most important problem of the Slovakian society by most people Golias & Kicini 2007: 1).

As said above, the unemployment rates in Slovakia were extremely high at the beginning of the new millennium. The unemployment rate in 2002 was almost 20%. Major reforms of labour-market policies thus were needed in order to cope with the unemployment rates and the social problems which were the result of these figures. In July 2003 the so called Labour Code was amended; about 200 provisions were brought up. According to Golias and Kicina, in general, the amendment of the Code strengthened the flexibility in employment relations and weakened the power of the trade unions (Golias and Kicina 2007:3).

The new Labour Code, as said above, increased the flexibility of employment relations, thus it gave the business community wider freedom in hiring and firing procedures. Hence, Slovakia choose a different method than Poland. In Poland workers who had a job were protected. While in the Slovak Republic a different strategy was chosen; due to reforms it has become easier to hire and fire a worker. According to the government and the business community the increased flexibility and freedom in hiring and firing would lead to new drivers for competition and encourage investment. This would eventually lead to an increase of secure jobs (Golias and Kicina 2007:3). Major changes concerning employment-contracts thus have taken place, including the lowering of firing costs, the increase of flexible overtime and working hours, the increase of flexible fixed-term and part0time contracts and the easing of firing procedures (Golias and Kicina 2007). More specific examples include the fact that after the 2003-2004 reform employees with short working time were protected less; both employers and employees could terminate the employment concluded for a shorter working time than 20 hours a week for any reason or without giving a reason with the requirement of a fifteen-day notice. In other words, the protection of employees was weakened significantly. Also the new Labour Code included the weakening of the power of trade unions; the Code abolished the

compensation for wages for trade unions representatives in time of performing their trade union duties (Golias and Kicina 2007: 7).

Concerning the compensation of unemployment, reforms and policy changes took also took place. OECD studies showed that the pre-reform system created too high dependency on social benefits and at the same time it discouraged people with lower incomes to work. In other words, the post-communist unemployment benefits were too generous and thus expensive. The benefits had been quite high relative to wages. The goal of reforms which have been adopted in 2004 was to improve work-incentives, by lowering unemployment-benefits, and the pro-active approach of the unemployed seeking a job. (Golias and Kicina 2007: 9). The so called "It pays of to work" principle was introduced. This resulted in numerous measures, including the introduction of activation benefits which required the unemployed to demonstrate effort to improve their situation by actively seeking a job or studying. Again, the "It pays of to work" principle was introduced after an OECD report which concluded that unemployed were not stimulated enough to seek for a job due to the fact that de post-communist, generous benefits were considered to be relatively high. By decreasing unemployment benefits, the Slovak government tried to create incentives for unemployed to search for new jobs. The measures above, combined with an increased tax-free income were, according to Golias and Kicina the main reasons that the so called unemployment trap was reduced sharply. In other words, the barrier faced by unemployed when entering the labour market has become lower (Golias and Kicina 2007:10).

The reforms of both labour-market and unemployment policies can be considered to be pro-active. According to Golias and Kicina they improve the incentives to work and to not rely on support from the state (Golias and Kicina 2007: 19). The first results are clear; the reforms have led to rapid economic growth, decreasing unemployment and rising employment. Of course, these results are not only caused by reforms of labour-market policies; the pension and tax-systems were reformed in the same period. But, all in all, the 2003-2004 reforms can mainly be characterized by decreased unemployment protection and the moderation of unemployment benefits. One must take into account the fact that the latest 20003-2004 amendments are also characterized by an adequate subsistence level of citizens who have blamelessly lost their jobs (Cerami 2005: 116). However, these benefits have also been reduced in order to coop with rising government expenditures.

When looking at the recent reforms concerning labour-market policies which took place through a welfare state classification perspective, one can see a shift from Bismarckian, conservative labour-market policy, towards a more liberal labour market policy. In other words, the pre-reform policies were characterized by high employment protection which can be considered to be Bismarckian, while the post-reform policies imply more flexibility and give businesses and enterprises more freedom in hiring and firing and thus weaken the protection of workers.

When looking at unemployment benefits, one can conclude that a shift from extended, social-democratic unemployment benefits to more liberal, less generous unemployment benefits has taken place. The generous benefits from the pre-reform system can be characterized as social-democratic, mainly because the benefits were very extended and high relative to lower wages. The post-reform benefits can be considered to fit into the liberal welfare type, mainly because they are less generous and stimulate the unemployed to look for a job.

All in all, the Slovak Republic choose to follow a liberal path in order to stimulate economic growth and reduce unemployment. The second reason, of course, to reduce protection of workers and unemployment benefits was the fact that the extensive benefits became to expensive (OECD in Golias and Kicina 2007).



## **6.6 Conclusions**

The preceding paragraphs have given an overview of the developments which have taken place in the period after the collapse of the Berlin Wall with a focus on the period between 1995 and 2005. Overall in the Slovak Republic most major reforms have taken place in the period 2002-2004; the pension-system, labour-market policies and the health-care system have significantly been reformed within this period.

The analysis of the developments of certain aspects of the Slovak welfare state has led to a conclusion which is in line with the literature which argues in favor of convergence of welfare states; the Slovak welfare state has developed towards a hybrid system which combines elements of all three welfare types defined by Esping-Andersen. The pension system has been reformed in 2003-2004 to a two pillar scheme which includes both a pay-as-you-go system and privately managed pension funds. This system shows many similarities with conservative-corporatist pension systems. However, because the Slovak constitution includes a law that guarantees pensioners a minimum income parts of the pension system can be considered to fit into the social-democratic welfare type. When looking at the developments of family benefits and family policies, one can conclude that this aspect of the welfare state has developed towards a system with means-tested income based benefits. Only child allowances are not income-tested; most other allowances and benefits are thus means-tested. The health-system of the Slovak Republic has developed towards a system which combines elements of both liberal and social-democratic welfare types; also socialist benefits are still present. First of all, coverage is universal and the covered services are extensive, this is the result of communist legacies. At the same time one can see a shift towards privatization and decentralization, but state control is still vast. The labour-market and unemployment policies have developed towards a liberal welfare system; the protection of workers has decreased in order to stimulate the economy. At the same time many incentives have been created to stimulate the unemployed workers to search for a new job. These incentives include a reduction of unemployment benefits; the benefits were high relative to lower incomes and discouraged unemployed people with lower incomes to look for a job. These developments can be considered to fit into the liberal welfare type.

International organizations and institutions have had a vast influence on the development of the Slovakian welfare state within the period between 1995 and 2005. However, one must conclude that in Poland the influence of organizations as the World Bank and the WHO were present more obviously. The European Union has had a significant influence on the development of Slovakia in general; the overall reform context was based on compliance with European norms which focuses on a welfare system which ensures economic growth, stability and prosperity. At the same time reports by the OECD and the World Health Organization have also been taken into account during the development of new social policy. For example, an OECD country review contributed to the reduction of unemployment benefits in order to stimulate people to seek for jobs. WHO officials have also been advising the Slovak government about the health-care system.

In line with the developments in Poland, one can see a hybrid welfare state which combines elements of all welfare types and systems. The organization of today's welfare state is the result of both the communist legacy and influence of international organizations. In other words, one can observe both policy diffusion and path-dependence.

## 7. Conclusions

This study has analyzed the developments of the welfare states of both Poland and Slovakia which have taken place in the period after the collapse of the communist regime with a focus on the period between 1995 and 2005. The starting point of this research was the discussion which is taking place in the literature about the development and classification of welfare states in general and of Central Eastern-European countries more specifically. The development of CEE welfare states is topic of discussion, mainly because of the communist regimes which have ruled throughout the 20<sup>th</sup> century. After the collapse of the Berlin Wall in 1989 the welfare state of former communist countries needed to be adjusted to the new market-oriented economies and to the (negative) implications of this development. Some scholars argued that the CEE welfare states would develop towards one of the existing Western welfare models, while others stated that CEE welfare states would develop towards a new, post-communist welfare model which was highly influenced by the legacies of the communist era. Again, after the collapse of the communist regime, CEE countries needed to adjust its social policy, but also new social policy needed to be created. Family benefits for example already existed during the communist era, but in order to coop with the new economic situation the policy concerning family benefits needed to be adjusted. On the other hand new policy needed to be created; during the communist era one could officially not observe unemployment. People had the rights and obligation to work. Thus, unemployment policy was not needed in the socialist welfare states and needed to be created since unemployment had risen significantly after the fall of the Berlin Wall. Again, the question which has been addressed is whether or not the decisions made in the period after 1989 will lead to either a liberal, social-democratic, a conservative or maybe a post-communist welfare state. In other words, did Poland choose to develop liberal labour-market policies which in order to stimulate the economy or did it adopt social-democratic policies which protect workers?

### *7.1 Path-dependence or policy diffusion?*

A question which has been addressed in this study has to do with the influence of both international organizations and the communist legacies. In other words, can one observe a process of policy diffusion or a process of path-dependence. This study has extensively described and discussed both perspectives in order to create a framework for the analysis of both countries. The influence of international organizations thus has been described, which has led to the conclusion that the influence of the IMF, the World Bank, the ILO and the European Union can be considered to be vast. However, the influence of these organizations and institutions differs in both countries and also it depends what policy field on describes. In other words, one can state that the influence of international organizations has been more important in Poland than in Slovakia. On other hand, reforms of the pensions system, from a pay-as-you-go, classic pensions system to a modern three-pillar pension system have been highly influenced by the World Bank while reforms in family policies were the result of domestic political circumstances. In Slovakia, the influence of the WHO can be observed during the reform of the health-care system. At the same time, the European Union influenced the decision making process concerning the changes of the pension system. An EU-membership could not be achieved with an instable pension system. However, the latter can be considered to be indirect influence of an institution and can not be considered to be policy diffusion. Concerning path-dependence one can observe many communist legacies which have been implemented in new social policy in both countries. A good example is the extensive range of services which are covered in the new health-care system in Slovakia; almost all services are covered in the new system. This is the result of communist social policy which also included universal and extensive health-care services. The fact that the new health-care system included these extensive services however cannot be fully explained by the economy-oriented path-dependence perspective which states that it would be too expensive to change the direction or path which has been taken

earlier. In the case of the health-care system this is not correct, these extensive coverage of services is much more expensive than a change of path or direction; less coverage would be cheaper. However, people expect these universal health-care services, thus one might call this process social path-dependence. When looking at the creation and reforms of labour-market policies in Poland, one can also see an influence of the communist era. The newly created labour-market and unemployment policies were very state oriented and workers were highly protected. Economic circumstances resulted in many reforms which needed to create a stable, sustainable and cheaper labour-market policy. In spite of a major cut of government expenditures, workers were always protected. This Bismarckian approach was the result of the history of Poland and choices made earlier. The economic circumstances forced Poland to reform its labour-market. In stead of a more liberal approach which was taken by Slovakia, Poland choose to protect its workers and hold on to some of its socialist ideas.

All in all, one must conclude that the analysis of reforms of four important aspects of the Polish and Slovakian welfare state does not lead to a consequent answer on the question whether a process policy diffusion or path-dependence has taken place and will take place in the future. As said above, both processes can be observed in both Poland and the Slovak Republic; it simply depends on the aspect of the welfare state or policy field. Policy diffusion has taken place during the reforms of the Polish pension system. Path-dependence has taken place during the creation of adjustment of labour-market and unemployment policies in Poland. Also policy diffusion has taken place during the reforms of the Slovakian health-care system. At the same time, a process of path-dependence has taken place. The wide scope of services covered is the result of the communist era. The latter is very interesting; a combination of both policy diffusion and path-dependence has taken place at the same time.

Concluding one can see three processes which have taken place, namely the process of policy diffusion, the process or path-dependence and a process which combines both policy diffusion and path-dependence. Again, what process is taking place to what extent depends on the policy field and country one analyses.

## ***7.2 Liberal, conservative, social democratic or hybrid welfare states?***

Esping-Andersen's welfare state classification scheme is the main topic of this research. As extensively described in chapter 2, much discussion has been taken place concerning this scheme which consists of three welfare types, namely a liberal, conservative and social-democratic type. The debate which has been held in the literature addressed the question whether or not 'new' welfare states would fit into this classification scheme. Scholars, including Esping-Andersen, agreed that this most certainly was not the case. This conclusion immediately raised the next question: will the 'new' welfare states develop towards one of Esping-Andersen's welfare types, or will they develop towards a new welfare type? Scholars do not agree to the answer on this question; some scholars believe that eventually these new welfare states will develop towards one of Esping-Anderson's welfare types, while others believe that new types of welfare states will be developed. For example in Central Eastern Europe, scholars believe that a new post-communist welfare type will emerge which is influenced by the its communist legacies.

The main research question of this study takes into account the discussion which is held in the literature and acknowledges the fact that scholars agree that CEE welfare states do not (yet) fit into one of Esping-Andersen's welfare typologies. This has resulted in the following research question, which is twofold; the first part is:

*“To what extent do the welfare states of Poland and Slovakia fit into the classification scheme of Esping-Andersen?”*

Again, the research question implies that both the Polish and the Slovakian welfare state cannot be considered to be liberal, conservative or social-democratic and thus focuses on the question to what extent the Polish and Slovakian welfare state fit into one of Esping-Andersen’s typologies.

Many reforms have taken place in Poland in the period 1995 – 2005. An analysis of these reforms which have taken place in four aspects of the welfare state show that the Polish welfare state has developed into a hybrid system which combines elements and characteristics of all three welfare types as distinguished by Esping-Andersen and also evidence can be found that coverage is both universal and Bismarckian. In Poland, it took quite a long time before the first radical reforms in most policy fields took place. This mainly was the result of political and thus ideological discussion; the government could not decide what direction needed to be taken. The pension system, which was reformed due to fundability and feasibility issues shifted from a universal pay-as-go-system towards a more Bismarckian system. The new three-pillar pension scheme was based on and influenced by Western countries. Again, the new system, is Bismarckian and work-related. When looking at the family benefits of the Polish welfare state one can observe very inconsequent policies and policy shifts throughout the period between 1995 and 2005. The traditional Bismarckian and work-related benefits needed to be adjusted to the new economic situation which was characterized by high unemployment figures. The system shifted towards a universal system; employment status and benefit eligibility were decoupled. But, this universal coverage was not sustainable and needed to be reformed; a means-tested, earnings-related system was introduced. Again, this means-tested system was the result of the cut-back of social expenditures which had risen significantly due to the universal family benefits. As said before, the universal family benefits were caused by the inclining unemployment figures which led to numerous social problems. Political ideology and demographic circumstances also influenced family policies; larger families were stimulated with the creation of incentives. Again, cutbacks in government expenditures resulted in the present means-tested, income related family benefits which fits into the conservative welfare state as described by Esping-Andersen. The health-care system in Poland was not reformed until the late 1990s. The state-organized health-care sector, which was inherited from the communist era, was replaced by a liberal health-care system. These reforms were influenced by World Bank experts who were working on a loan to finance the reconstruction of the health-care system. Hence, the new system would fit into Esping-Andersen’s liberal welfare state. However, the aim of the post-reform health-care system was to provide universal health-care. The latter could be seen as a contradiction, however the reason behind the privatization was an increase of efficiency. Thus, the health-care aspect of the Polish welfare state combines both characteristics of the liberal and social-democratic welfare states as distinguished by Esping-Andersen. The labour-market and unemployment policies which are created and reformed after the collapse of the communist regime was characterized by an important role of the state. In line with most reforms which have taken place in Poland there was a shift from universal benefits and labour-market policy towards more work-related policies and eligibility criteria. This shift was, again, caused by a vast increase of government expenditures which needed to be decreased. Active labour-market policy was adopted, with a focus on the protection of workers. Hence, the unemployment and labour-market policies can be considered to be Bismarckian and fit into the conservative welfare type of Esping-Andersen.

All in all, one can see many interesting developments which have taken place in the period after the fall of the communist regime in Poland. The four aspects of the welfare state which have been analyzed do not show a consistent direction which the Polish welfare state has taken. The Polish welfare state combines elements of all types of welfare states which are distinguished by Esping-Andersen. It seems that the Polish government has not chosen a specific type of welfare state, but that due to demographic, economic and political circumstances *ad hoc* the most suitable social policy or system is chosen. Also influences of the World Bank and the EU can be observed. Again, the answer to the question to what extent it fits into the classification scheme of Esping-Andersen is hard to answer given the fact that the four aspects of the Polish welfare state fit into different types of the scheme. However, one must conclude that the Polish welfare state at this moment is a hybrid welfare state which combines characteristics of liberal, conservative and social-democratic welfare types.

Slovakia, created in 1993 after it became independent from the Czech Republic, has chosen a different direction than Poland. Of course, in line with Poland, many reforms have taken place in all four aspects of the welfare state which have been analyzed. However, Slovakia made different choices. This was mainly the result of the fact that the Slovak Republic was looking for a Slovakian welfare doctrine which was based on the countries' norms, values and ideologies. In other words, the Slovaks needed to build a new welfare state. Of course, much social policy and opinions were inherited from the communist Czechoslovakia.

The pension system of Slovakia has not been radically reformed until the period 2003-2004. Due to feasibility and fundability problems the pension system was reformed to a two pillar system. The first pillar is funded through the pay-as-you-go principle, while the second pillar consists of a privately managed, mandatory system. The most interesting about the new pension system is the fact that it is work-related in scope and thus fits into the conservative welfare type. However, the coverage is universal, due to Article 39 of the Slovak Constitution which guarantees pensioners a minimum income. The state is obliged to provide people who are unemployed or disabled with a minimum income. This tends to fit into the social-democratic welfare type. Reforms concerning family benefits have taken place mostly in the 2003 and 2004. However, one must remark that not much fundamental has changed. Family benefits are means-tested and created in order to reduce poverty. They can be considered to be Beveridgean. One exception is the child allowance, which combines a flat rate part and a tax deductible part. Child allowances thus have changed from means-tested to universal. To fit this part in to the welfare state typology created by Esping-Andersen is hard, mainly because means-tested systems are used in most welfare types. The health-care system is an interesting case. Many smaller and more radical reforms have taken place in the period between 1995 and 2005. The Slovak Republic inherited a system which relied heavily on the state from the communist era. One can observe a shift towards privatization and the increase of the individuals' responsibility. This fits into the liberal welfare type. However, the state wants to stay in control of the health-care system and coverage is universal. Many services are covered. The latter can be seen as a heritage of the communist rule. So, the new health-care system can fit into the liberal welfare type, but also into the social-democratic type. As in Poland, labour-market and unemployment policy needed to be created after the collapse of the Berlin Wall. However, Slovakia chose a different direction than Poland. Poland tried to protect its workers through a Bismarckian, conservative labour-market policy. Slovakia, on the other hand, adopted a new Labour Code, which increased the flexibility of employment relations. The position of both countries was almost the same; high, often double-digit, unemployment figures stimulated the need for reforms. Slovakia gave

the business community wider freedom in hiring and firing. With these measures Slovakia tried to stimulate investments and thus economic growth. Also it would encourage competition and in the long run lead to more jobs and increased job security.

Slovakia has drastically reformed its welfare state throughout the years. The direction that the Slovak Republic has taken is inconsistent and differs per aspect of the welfare state. One can observe a combination of liberal, conservative and social-democratic characteristics. Again, depending on the aspect of the welfare state one can see different directions. Since the collapse of the communist regime, the Slovak welfare state has developed into a hybrid welfare state. Thus, the extent to which the Slovakian welfare state fits into Esping-Andersen's welfare classification can be described by the combination of all three welfare types.

The study of the reforms of the Polish and Slovakian welfare states describe the architecture of the welfare states. The architecture of a welfare state, which includes the reasons and ideologies behind certain reforms, gives insight way the welfare state is set up. Based on the architecture of the Polish and Slovakian welfare state one can argue that these welfare states have developed towards hybrid welfare states which consist of elements which are defined as characteristics of the liberal, conservative and social-democratic welfare type as distinguished by Esping-Andersen. At the same time one can state that the two objects of study of this research have the same communist heritage and show some similarities. However, one must conclude that the architecture of both welfare states shows more differences than similarities in spite of its common history. At this moment there is no such thing as a Central Eastern European post-communist welfare state; two of the four Vizegrad countries differ significantly in terms of the organization of its welfare state. Taking into account that these countries are part of a platform which focuses of European integration, this can be seen as remarkable.

### ***7.3 One CEE welfare type in the future?***

As said above, the conclusion of this study is that the welfare states of both Poland and Slovakia have developed into a hybrid system which combines elements of all of Esping-Andersen's welfare types. An interesting question which needs to be addressed has to do with the fact whether or not all CEE welfare states are developing into the same direction. In other words, in the future can one observe a Central Eastern European welfare state which shares the same history and is developing in the same direction? Can one distinguish in a couple of years a post-communist welfare type? Based on the literature and rational thought one could state some arguments in favor of this development. First of all, international organizations and institutions tend to treat all countries the same since they have certain policy goals. Secondly, the organization of the communist welfare state shows a lot of similarities in most countries. Thirdly, most countries have faced high unemployment number and bad economic conditions. Last, former communist countries work together and share information; the Vizegrad countries are a clear example. However, when looking at the developments of the welfare states of Poland and Slovakia which have taken place in the period after the collapse of the communist regime and 2005 and the reasons behind these developments more importantly, one can conclude that most probably a specific post-communist welfare type will not be developed. The reforms of the four aspects of the welfare states which have been analyzed are mostly the result of political, economic and demographic circumstances. A good example is the development of policies concerning family benefits in Poland. These policies have been very inconsistent throughout the

years; Bismarckian and work-related benefits were replaced by universal and extensive benefits. Due to new political circumstances and increasing government expenditures these extensive benefits were replaced by more sober benefits. Also, when looking at the creation and development of labour-market and unemployment policies of both countries one can see that Poland and Slovakia choose a different direction. Poland choose to protect its workers, while Slovakia increased the flexibility of labour contracts.

The above shows that most probably the welfare states of Central Eastern European countries will not develop towards one post-communist welfare type. Economic, political, and demographic circumstances in combination with ideological differences will lead to welfare states which combine elements of different welfare types. Of course, one can always see some similarities, this is the result of the common communist heritage. Some extensive benefits and arrangements are caused by the communist culture which is still present in these countries. Again, according to the results of this study one needs to conclude that a process of divergence is taking place. In spite of their common history and communist legacy, the welfare states of Poland and Slovakia seem to be developing into different directions. Time and future research will tell whether or not the conclusions of this research can be confirmed. Global economic circumstances and the development of international organizations and institutions will definitely have influence of the direction of CEE welfare states.

#### ***7.4 Esping-Andersen's (in)stable welfare states***

The second part of this study's research question focuses on the question how the empirical results discussed above affect Esping-Andersen's theories. The research question of this study is as follows:

*"To what extent do the welfare states of Poland and Slovakia fit into the classification scheme of Esping-Andersen and how does this affect Esping-Andersen's theory of (in)stable welfare states?"*

Esping-Andersen (1990) clearly states that welfare states should fit into one of the three welfare types he distinguishes. He also argues that relatively new welfare state, CEE welfare states, will develop towards one of Esping-Andersen's welfare types. More importantly, he emphasizes on the fact that welfare states can only be stable if they are liberal, conservative or social-democratic. Hybrid welfare states are thus instable and will eventually collapse. As said in the introduction and discussed in chapter 2, many scholars believe that this theory should be refuted. Empiricalists as Ferrera and Bonoli believe that, based on empirical evidence, a fourth welfare type should be added to the classification. This study, the analysis of the welfare states of both Poland and Slovakia, shows that these relatively new welfare states have developed towards hybrid welfare states which can be considered to be stable. Thus, Esping-Andersen's theory about instable hybrid welfare states can, yet again, be falsified based on the results of this study. The fact that welfare states which do not fit into Esping-Andersen's welfare classification would be instable is not true as well as the fact that new welfare states would eventually develop towards on the three welfare types. Again, both Poland and Slovakia are not developing towards a liberal, conservative or social-democratic welfare type.

The theory of Esping-Andersen's (in)stable welfare states can thus be falsified based on results of this research, but also by developments of other, often Western-European welfare states. Germany, a typical conservative welfare state, has adopted aspects of the liberal welfare type. England has, at the same, adopted rules and regulations which would fit in the conservative welfare type. The Netherlands has never really fit into Esping-Andersen's welfare typology. However, these three

welfare states can be considered to be very stable and will most probably not collapse in the near future.

Concluding, this study has shown that CEE welfare states have developed towards hybrid welfare states and that based on these results Esping-Andersen's theory can be refuted.



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