Welfare reforms and socio-economic trends in the 10 new EU member states of Central and Eastern Europe

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ABSTRACT

The paper reviews recent socio-economic changes in the 10 new EU member states of Central and Eastern Europe and the earlier and latest debates on the emergence of the post-communist welfare state regime. It asks two questions: are the new EU member states more similar to each other in their social problems encountered than to the rest of the EU world? Do they exhibit enough common socio-economic and institutional features to group them into the distinct/unified post-communist welfare regime that deviates from any well-known welfare state typology?

The findings of this paper indicate that despite some slight variation within, the new EU countries exhibit lower indicators compared to the EU-15 as it comes to the minimum wage and social protection expenditure. The degree of material deprivation and the shadow economy is on average also higher if compared to the EU-15 or the EU-27. However, then it comes to at-risk-of-poverty rate after social transfers or Gini index, some Eastern European outliers especially the Czech Republic, but also Slovenia, Slovakia and Hungary perform the same or even better than the old capitalist democracies. Latvia, Lithuania, Estonia, Romania, Bulgaria, Poland, however, show many similarities in their social indicators and performances and this group of countries never perform better than the EU-15 or the EU-27 averages. Nevertheless, the literature reviews on welfare state development in the CEE region reveal a number of important institutional features in support of identifying the distinct/unified post-communist welfare regime. Most resilient of it are: an insurance-based programs that played a major part in the social protection system; high take-up of social security; relatively low social security benefits; increasing signs of liberalization of social policy; and the experience of the Soviet/Communist type of welfare state, which implies still deeply embedded signs of solidarity and universalism.

Introduction

This study reviews some recent socio-economic developments in the 10 new EU countries of Central and Eastern Europe and the latest debates on the emergence of the post-communist welfare state regime. The major theoretical debate is settled around two questions, which are closely interlinked: are the new EU member states more similar to each other in their social problems encountered than to the rest of the EU world? Do they exhibit enough common socio-economic and institutional features to group them into the distinct/unified post-communist welfare regime that deviates from any well-known welfare state typology? This paper seeks to contribute to the already ongoing debate on welfare state development in Central and Eastern Europe from a comparative point of view. It is well-known that despite many impressive changes in the financial,
service sectors and the rapid GDP growth within 20 years of transition from the socialist planned to market economy, the 10 new EU countries still catching up with the old capitalist democracies regarding their social matters. Numerous studies indicate that the new EU countries, according to social indicators: minimum wage, expenditures on social protection, life satisfaction, poverty, deprivation, income inequality, unemployment and mortality – have, to various degrees, been lagging behind the developed democracies (Guio, 2005; Noelle, 2008; Simai, 2006; UNDP, 2008; World Bank, 2005). Yet, the global financial crisis of 2007–2009, which evolved in the West, has hit the Eastern economies harder than their Western counterparts and this can have further negative effects on the social indicators of these societies. According to Roubini (2009a), in the face of financial crisis, “the once high-flying Baltics – Estonia, Latvia, Lithuania – look headed for double-digit contractions, while countries relatively less affected by the crisis – the Czech Republic; Slovakia and Slovenia – will have a hard time posting even positive growth”. Nevertheless, governments of CEE have been responding to the economic crisis differently. According to Roubini (2009b), Poland and the Czech Republic have managed to avoid unpopular austerity measures such as slashed public wages and tax hikes that cause major social tensions and public discontent in the Baltic States, Hungary and Romania. Those countries that are particularly hard hit by the crisis were small economies, which had/have lowest social spending and highest inequalities in the EU such as Latvia and Lithuania. The unpopular austerity measures adopted by governments in the Baltic States, such as slashed public wages and tax increases have caused major social tensions and public discontent (Roubini, 2009a).

Obviously, East European region of the EU is not homogenous and there exist varieties in the economic, political and social performance of these countries, which have their origins in the historical past. According to Cerami and Vanhuyzee (2009: 2), the strong economic ties established with Western Europe have greatly influenced the initial positive economic performance of the four Visegrad countries (the Czech Republic, Hungary, Poland, Slovakia), while the slow rural-urban modernization of South-East European economies (Bulgaria, Romania) may have hindered a fast catching-up process, the similar transition of the three Baltic states (Estonia, Latvia and Lithuania) in many cases is determined by the Soviet empire legacies. Accordingly, Simai (2006) has pointed out that the speed of transition and the reform of institutions have been much more successful and faster in the CEE countries which are located close to the western borders. Thus, this paper takes a step to re-examine socioeconomic similarities and differences among the ten new EU countries and tries to speculate on whether we can speak, after 20 years of transition, about the ideal typical post-communist welfare model.

In the rest of this paper, I review, first, recent socio-economic developments in the 10 new EU countries. I will compare the 10 new EU countries of CEE within, but also with the EU-152, the EU-273 and the EA-164 averages. Second, I review earlier and recent debates on the emergence of the post-communist or Eastern European welfare state model. In the concluding section I argue that despite of some variation in the socio-economic performance of the 10 new EU member states, there are still plenty of reasons to identify the distinct/unified ideal typical post-communist welfare regime.

The socio-economic background of welfare reforms in the new EU countries

A number of studies have indicated that the 10 new EU countries of Central and East European region are distinct, regarding the scope and depth of social problems encountered, and some countries were more successful in implementing policy solutions than others (Aidukaite, 2009a; Bohle, 2007; Noelle, 2008; Lendvai, 2008; Sirovatka and Mares, 2006). There is remarkable evidence that the Czech Republic and especially Slovenia went through fairly successful transitions and are currently converging with the West in many social indicators. Furthermore, the Czech Republic has the lowest poverty rate in the EU. In Slovenia, the employment rate is above the EU average and the social protection expenditures are the highest if compared to the other new EU member states (see Table 1). Poland, Hungary and Slovakia are also remarkable achievers if the minimum wage, benefits levels and social spending are compared to the Baltic States (Estonia, Latvia and Lithuania). Romania and Bulgaria, however, are positioned at the bottom of the 10 new EU countries when it comes to minimum wage and GDP per capita (see Table 2).

Nevertheless, if the minimum wage is compared to the old EU countries, all the new member states of CEE (except Slovenia) fall behind developed capitalist democracies. Rergnard (2008) compares the minimum wage levels in euro and in Purchasing Power Standard (PPS) among 20 member states of EU: Belgium, Bulgaria, Spain, Estonia, Greece, France, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, the Czech Republic and the United Kingdom; one candidate country (Turkey) and the USA in July 2008. These are countries that had a statutory minimum wage in 2008. Minimum wages varied widely, from 112 Euros per month in Bulgaria to 1610 Euros per month in Luxembourg. Countries were divided into three clusters based on the level of a minimum wage. The first cluster includes the nine countries with the lowest minimum wages, between about 100 and 350 euro: Bulgaria, Romania, Latvia, Lithuania, Slovakia, Estonia, Hungary, Czech Republic and Poland. The second group comprises five member states: Portugal,

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2 The EU-15 area includes countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

3 The EU-27 area countries are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

4 The euro area (EA16) consists of Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

5 Turkey and the USA are included for comparative purposes and won’t be analyzed further in this paper.
Slovenia, Malta, Greece and Spain with an intermediate level of minimum wages, from nearly 500 to 700 euros. The third group comprises six Member States: United Kingdom, France, Belgium, the Netherlands, Ireland and Luxembourg in which the minimum wage was close to or above 1150 euro (Rergnard, 2008: 2, Fig. 2).

After removing the effect of price level differences by applying Purchasing Power Parities (PPPs) the composition of the groups has not changed – all countries stayed in the same groups. The countries’ distribution according to the level of the minimum wage shows a somewhat clear division between “East” and “West” – between the post-communist countries and old capitalist democracies. Nine post-communist countries belong to the same group with the lowest minimum wage. The levels of the minimum wage are important in determining the poverty line, size of social benefits and pension benefits. Obviously, the new member states, despite slight differences within, are still lagging behind of the old members in their social standards.

Yet, the 10 new EU members of CEE spend less on social protection compared to the EU-15. The ten new member states with the highest social spending in Slovenia (21%), Hungary (22), Poland (18%) and the Czech Republic (19%) do not outnumbeer the EU-15 (27%) average spending on social protection. The share of GDP spent on social protection in the three Baltic States (12–13%) is among the lowest in the European Union. Concerning per capita social protection expenditures, again the ten new member states of CEE are at the bottom in comparison with the EU-15 (see Table 1). Social protection expenditures can tell a lot about the performance of a welfare state. Many previous studies have demonstrated that countries that spend more on social protection have lower levels of inequalities and poverty, higher quality of social services and benefits, and consequently, higher longevity of their populations and a higher standard of overall well-being. Although there can be other factors influencing the degree of inequalities in society, such as macroeconomic conditions, which include economic and employment growth, the higher social spending still shows a capacity to determine the degree of inequalities in society.

For instance, the three Baltic states spend the least on social protection in comparison with the other ten new EU member states. The income inequalities expressed as a ‘Gini coefficient’ are also highest in these societies, ranging from 36 in Estonia and Lithuania to almost 38 in Latvia (see Table 2). While in the three Visegrad countries (the Czech Republic (25), Slovakia (26) and Hungary (27)) and in Slovenia (28) the income inequality is below the EU-15 average (29). The latter countries spend remarkably more on social protection than the rest of the new EU countries. The relative poverty rate also correlates with the

### Table 1
Total expenditure on social protection, current prices (% of GDP).

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Source: Eurostat (http://epp.eurostat.ec.europa.eu/).

(p) = Provisional value.

### Table 2
Basic economic and social indicators of the 10 new EU countries.

<table>
<thead>
<tr>
<th></th>
<th>GDP per capita, PPS, 2008</th>
<th>GDP growth, 2009</th>
<th>UN Gini index (per capita)</th>
<th>Ratio of richest 20% to poorest 20%</th>
<th>Absolute poverty rate (%)</th>
<th>$2.15/day, 2002/2003</th>
<th>Shadow economy, % of GDP, 2004/2005</th>
<th>Minimum wage in Euros, 2009</th>
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<td>4.3 (f)</td>
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<td>6.4</td>
<td>5</td>
<td>38.2</td>
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<td>3</td>
<td>39.4</td>
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<td>62.3 (f)</td>
<td>3.7 (f)</td>
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<td>62.8 (f)</td>
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<tr>
<td>RO</td>
<td>42.0 (f)</td>
<td>5.1 (f)</td>
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<td>4.9</td>
<td>12</td>
<td>51.1</td>
<td>149</td>
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<tr>
<td>SI</td>
<td>91.8 (f)</td>
<td>3.8 (f)</td>
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<td>27.3</td>
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<td>SK</td>
<td>71.0 (f)</td>
<td>6.2 (f)</td>
<td>25.8</td>
<td>4.0</td>
<td>3</td>
<td>18.2</td>
<td>296</td>
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<tr>
<td>EU-15</td>
<td>110.9 (f)</td>
<td>1.5 (f)</td>
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<td>18.2</td>
<td>1.387 (a)</td>
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Source: Eurostat; UNDP (2008), World Bank (2005), Noelke (2008), Table 3.1, Table 3.3, p. 74; Schneider (2007), Table 6.3.

(a) Belgium as an example.
social spending in the new member states. At-risk-of-poverty rate after social transfers is much higher in the three Baltic States, Bulgaria and Romania compared to the Czech Republic, Slovenia, Slovakia and Hungary. As noted, the latter countries are remarkable spenders on social protection. The absolute poverty rate is non-existent or very low (ranging from 0% in the Czech Republic, Slovenia and Hungary to 5% in Estonia) in the new EU member states. The number of people living on less than $2.15 a day is, however, high in Romania (12%). This is due to a large number of Roma minorities living in poverty in this country (Sandu, 2009).

Nevertheless, the relative poverty rates might not tell true picture about the performance in Central and Eastern Europe. One reason for this is the pervasiveness of a shadow economy in many of these societies. The shadow economy on average is higher in the new EU countries of Central and Eastern Europe (31%) than in the old EU-15 member states (18%). However, there are some variations within these countries. The lower shadow economy rates are found in countries, which are doing better in terms of the minimum wage, such as the Czech Republic (18%), Slovakia (18%), Hungary (24%) and Slovenia (27%). Obviously, these countries spend more on social protection due to their governments’ ability to collect more taxes for the social insurance funds. Romania (51%), Bulgaria (37%) and the three Baltic states (Estonia (38%), Latvia (38%) and Lithuania (30%)) have the highest shadow economy rates among the new EU-10 countries. It could be argued that people in many new EU member states avoid paying taxes because the state fails to ensure adequate support in case of various social risks. This creates a vicious circle: too little beneﬁt from the welfare state, consequently, a fewer are willing to pay social taxes; the less social taxes are collected — the lower social spending and the affordability of the welfare state, consequently, the state cannot ensure adequate support when various social risks arise. However, as pointed out by Schneider (2007), the shadow economy has paradoxically its positive traits too, as it contributes to the elimination of poverty in low-income societies.

Overall, if we compare objective income poverty rates measured as 60% of the national equivalised median income, the differences between the old EU-15 and the new EU-10 countries are very small (see Table 2). Nevertheless, poverty is a multidimensional phenomenon and cannot be measured by low income alone. It is widely recognized at the national and EU levels that in order to satisfactorily reﬂect the diversity of living conditions in the EU-27 countries, other complementary indicators are needed than purely income-based indicators of poverty and inequality (Guio, 2009). Thus, the material deprivation measures, based on various dimensions (economic strain, enforced lack of durables and housing problems), have become supplementary measures in evaluating and implementing social inclusion policies in the EU.

A number of studies (Guio, 2009; Lelkes, 2006; Matkovic et al., 2007) on social exclusion and deprivation indicate that the new member states of CEE suffer more from social isolation and bad health problems than compared to the old EU countries. They also tend to have the lowest levels of self-reported life satisfaction. Yet, in all ten new EU member states the level of subjective poverty is much higher than that of objective poverty. Furthermore, the deprivation is six times higher in the new member state countries than in the EU-15. Nevertheless, it might be impossible to detect it from the relative poverty measures. The enlargement, it seems, did not increase the average poverty rate in the EU, even if standards of living are different. On the other hand, the data of the European Commission on deprivation tell a somewhat different story. A recent study carried by Guio (2009) indicates that “notably, the highest deprivation rates can be found in the new member states, including those with low at-risk-of-poverty rates, associated with narrower income distribution” (p. 9). The highest deprivation indicators were found in Bulgaria, Romania, Latvia, Lithuania, Poland, but also in Estonia and Hungary. The best performers within the new member states – the Czech Republic, Slovakia and Slovenia – fall also into “the most deprived countries” category, alongside with Portugal, Greece and Cyprus, and face deprivation higher than their poverty risks levels. Table 3 presents the latest data on material deprivation, as reported by the Eurostat. The deprivation items reported in Table 3 are socially recognized as necessities by at least 80 percent of the population in the EU-27 (Guio, 2009, Table 1, p. 4).

Obviously, the new member states on average perform worse than the EU-15 and EU-27 averages. The highest deprivation in the new member states is found on the economic strain – inability to afford a meal with meat, chicken, fish or vegetarian equivalent every second day; and on housing deprivation – leaking roof, damp walls, floors or foundation, or rot in window frames of floor. Thirty-seven per cent in Bulgaria, twenty-four or more per cent in Slovakia, Romania and Hungary, 17% or more in Poland, Lithuania and Latvia, and about ten per cent of citizens in the Czech Republic and Slovenia could not afford a meal with meat, chicken or fish every second day if they want so. Even the best performer on the economic strain item – Estonia – where only 7.5% of citizens have reported that they could not afford a meal with meat, chicken or fish every second day if they want so, does worse than the EU-15 average (5.7%). The proportion of people who stated that they face housing deprivation ranges from 31 to 21% in Slovenia, Latvia, Bulgaria, Romania and Lithuania to 20–17% in Estonia and Poland. These figures are much higher than the EU-15 average (15%), except for Slovakia (6.6%), Hungary (14.5) and the Czech Republic (14.5). Yet, there are more households on average in the new member states making ends meet with great difficulties (16.3%) compared to the EU-15 average (8.3%). The inability to make ends meets is especially pronounced in Bulgaria (28%), Hungary (24%) and Romania (19%), but also in Latvia (17%), Lithuania and Slovakia (11%). The figures for the Check Republic, Estonia and Slovenia are slightly better that the EU-15 average (8.3%). When it comes to other items reported in Table 3, we can also find a very few new member states performing on average like the EU-15. However, this does not allow them to avoid the “most deprived countries” label according to the overall degree of deprivation. All in all, the recent in-depth study of material deprivation, poverty and inequality in the new member states carried out by Matkovic et al. (2007) revealed that

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6 Nevertheless, it has to be also kept in mind that some old EU-15 member states are also quite deprived, such as Portugal, where 37 per cent of the population reported having poor housing conditions (Guio, 2005, 2009).
<table>
<thead>
<tr>
<th>At-risk-of-poverty rate after social transfers</th>
<th>Economic strain: inability to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day</th>
<th>Housing deprivation: leaking roof, damp walls, floors or foundation, or rot in window frames of floor</th>
<th>Lack of bath or shower in dwelling (Source: SILC)</th>
<th>Lack of indoor flushing toilet for sole use of household (Source: SILC)</th>
<th>Enforced lack of a washing machine (Source: SILC)</th>
<th>Enforced lack of a personal car (Source: SILC)</th>
<th>Ability to make ends meet (households making ends meet with great difficulties)</th>
<th>Inability to keep home adequately warm (Source: SILC)</th>
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(s) Eurostat estimate.
*NMS-New Member States of CEE.
poverty in countries undergoing post-communist socio-economic transition is widespread and could seriously limit human development.

In the following discussion, we will review the debates on the emergence of the post-communist welfare regimes in CEE, which sets the preconditions for the level of existing social problems in these societies.

A new type of welfare regime in CEE?

Reviewing earlier and recent literature on social policy development in CEE, four ways of thinking could be identified. The first group of scholars claimed that there is no common East European/post-communist model, rather countries have been developed toward one of Esping-Andersen’s welfare regimes (Deacon, 1992; Esping-Andersen, 1996; Ferge, 1992, 1997, 2001; Standing, 1996). They claimed that welfare state has been developed in the CEE region toward a liberal welfare state regime, and at present it forms something in between of the conservative–corporatist and liberal regime. However, it has appeared that development and changes in the former communist countries are more complex than it was expected. Recent studies (Cerami and Vanhuysse, 2009; Fenger, 2007) have already proven that at this moment, after 20 years of transition the post-communist welfare states cannot be reduced to any of Esping-Andersen’s welfare state regimes. Yet, there is remarkable evidence that CEE countries have not developed into the liberal regime (Cerami, 2006; Haggard and Kaufman, 2008).

The second group claims that to place CEE countries within the prevailing welfare state typologies is rather problematic, given their institutional differences (Bazant and Schubert, 2009; Kangas, 1999) and the variations in their social and economic performance (Manning, 2004). Kangas (1999), in his comparative study of institutions and their consequences for the social policy of several Western and transitional countries, has concluded that neither the Western countries nor the post-Communist societies form a single homogenous group. A very recent study provides somewhat similar conclusions. Bazant and Schubert (2009) have examined 27 EU countries according to four relevant characteristics: social spending, the dominant mode of financing the welfare system, the main political actors involved and the ‘guiding theme’ (leitmotiv) leading the respective welfare system. Analyzing these four characteristics for the EU-27 has shown that it is possible to identify countries’ groups, but these groups have not much in common with any well-established welfare typology (For detail description on existing welfare state typologies and countries’ groups/clusters identified by these typologies see Arts and Gelissen, 2002). According to Bazant and Schubert (2009), Lithuania and the Netherlands share similarities in the sourcing, the relevance of private actors and also in the leitmotiv. The most stable group of countries seems to be the Czech Republic, Spain and Estonia, showing the same behavior when it comes to per capita social spending, funding and leitmotiv. The study displays that “it is neither possible to ratify any of the existing groupings we know from the relevant literature not to identify clear-cut new clusters” (Bazant and Schubert, 2009: 533). Anyhow, these scholars do not take into account the socio-economic conditions in which social policies operate and the outcomes of the welfare state. They base their findings mainly referring to the institutional differences, which might be still rather small up to now between “West” and “East”. This is because CEE countries had and still have rather comprehensive social policies (Aidukaitė, 2004), which studied without socio-economic context and outcomes of the welfare state might lead to a misleading picture, portraying CEE social policies as rather advanced in terms of its coverage, aims, structures, which are rather similar or in some cases are even better than in the West.

The third group of scholars (Bohle, 2007; Lendvai, 2008) emphasizes emerging differences among the new EU member states. However, they do not place East European countries entirely into one of the types of Esping-Andersen welfare regimes (or any other existing typologies), but offer some modifications of existing typologies instead. Contrary to the second group of thinking, they distinguish countries’ subgroups relying on socio-economic indicators and outcomes of the welfare state. For instance, Bohle demonstrates that the Baltic states’ welfare regime can be characterized as neoliberal, with low social spending and a low degree of decommodification. In contrast, the Slovenian welfare state comes closer to encompassing the West European model, while the Visegrad countries exhibit something in between the conservative and liberal welfare states. In a similar manner, Lendvai has grouped Estonia, Latvia, Lithuania and Slovakia as closely falling into the neoliberal model based on macroeconomic indicators of welfare state spending, income inequality and minimum wage. Poland and Hungary were put into the middle group, while the Czech Republic and Slovenia have appeared the most ‘socially conscious’ welfare states according to their highest social spending levels and lowest poverty levels compared to the other 8 new EU countries. Nevertheless, Bohle’s and Lendvai’s classifications do not have strong theoretical basis to identify them as new welfare typologies, but rather offer some temporal classifications for the recent time period based on socio-economic differences of the CEE countries.

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7 As is well known, Esping-Andersen (1990) distinguished three types of regime, which differ in qualitatively different arrangements between the state, the market and the family: the social–democratic, conservative–corporatist and liberal. The distinctive characteristic of the ‘liberal’ welfare state regime as exemplified by the USA, Canada and Australia typifies the means-tested assistance plan with a moderate social insurance plan incorporated. The market is the main agent that guarantees the well-being of individuals. This model creates not only sharp differences between the poor and the rich, but also class dualism. The social–democratic regime, as exemplified by Sweden, Finland, Denmark, and Norway, exhibits such features as high levels of universalism and solidarity. The state is the main agent for guaranteeing the well-being of its citizens. This model constructs an essentially universal solidarity in favor of the welfare state. In the conservative–corporatist regime, the eligibility for benefits is mainly based on labour market participation and paid contributions. Social insurance coverage plays the most significant role in providing welfare in this regime. However, the right to benefits is strongly attached to class and status. This means that different occupational groups and classes are entitled to various benefits and services. Germany, France and Italy exemplify the conservative–corporatist regime.
The fourth group of authors claims that despite some differences, CEE countries still have a lot of historical, institutional, socio-economic characteristics in common and therefore, it is possible to group them into the ideal typical post-communist welfare regime (Aidukaite, 2009a,b; Cerami, 2006; Cerami and Vanhuysse, 2009; Fenger, 2007; Golinowska et al., 2009). They view social policy performance in the new member states as a multidimensional phenomenon, which is shaped by the variety of forces. Not only outcomes of welfare state and socio-economic conditions, but also institutional characteristics of social security institutions, the impact of globalization and Europeanization, ideas and interest of political elite, historical validity of the social policies in CEE countries are taken into account. My previous reviews (Aidukaite, 2009a,b) of the literature on social policy performance in Central and Eastern Europe support evidence in favor of identifying the post-communist or East European regime that is already gaining acceptance within comparative welfare state research. Even if the post-communist countries demonstrate diversity regarding how they solve problems in the social policy field, they also have a lot in common. Such features as the supremacy of the social insurance system, high coverage, but relatively low benefit levels and the identification of the social security systems with the experience of the Soviet past, can be attributed to the post-communist welfare regime. This regime cannot be placed exactly into any model that has been developed to study capitalist democracies (Arts and Gelissen, 2002). Numerous authors embrace the same conclusions. Fenger (2007) has examined to what extent the post-communist countries of Central and Eastern Europe fit into Esping-Andersen’s typology. Fenger agrees that there are differences within Central and Eastern European countries in social policy performance and socio-economic development. However, they are less pronounced than the differences between the post-communist and Western welfare states. The differences between the group of post-communist countries and the traditional Western welfare states are bigger than the differences between the countries within any of those groups (Fenger, 2007: 26).

Thus, the post-communist countries cannot be placed exactly within any of the Esping-Andersen’s welfare state regimes. In a similar line, Cerami and Vanhuysse (2009) argues that “the emerging model or models of post-communist welfare are likely to lead to peculiar institutional hybrids not responding closely to Esping-Andersen’s three-worlds typology or other typologies that have followed in its wake” (p. 5). This is determined not only by the path-dependency mechanisms – institutional inertia of the previous social policy structures – but also by the path-departing mechanisms, which are mediated and influenced by the international institutions such as the IMF, the World Bank and the European Union.

A recent study by Golinowska et al. (2009), which has analyzed in detail some new EU member states (Estonia, the Czech Republic and Poland) and old EU member states (Denmark, Germany, France and the UK) has come to similar conclusions. They claim that the new member states from Central and Eastern Europe form a unique welfare model, and we can call it post-communist or Eastern European. Indeed, there are significant reasons confirming this thesis, in spite of the differences in the outcome of the social policies they pursue. These similarities are mainly of an institutional character, resulting from their similar past and the similar challenges they face regarding their transformation to democracy and the market economy. Golinowska et al. (2009: 29) list of key attributes that distinguish the new member countries today and which are of institutional and socio-economic character are: a return to the Bismarckian social insurance system established before second World War; high take-up of social security; drastic social security reforms within a short period of time; high influence of external experts and organizations; bigger problems connected with unemployment and labor migration; the high education aspirations of the young generation, higher than in the old EU countries; accelerated demographic transformation in comparison to the old EU countries; the weakness of non-governmental organizations; high corruption; increasing inequalities and growing problems connected with deprivation and social exclusion; weak civil society. Yet, increasing number of scholars (Vanhuysse, 2009; Woolfson, 2008, 2010) emphasize the weakness of social dialogue between employers and employees at the workplace (low trade union density and representation of employees) and hidden problems related to the ethnic and racial discriminations in these societies.

The features listed and discussed above are pronounced in many new EU member states. They stem from the communist legacies and similar problems faced by the transition from the planned to the market economy. The post-communist welfare state has to deal not only with the internal problems created by the restructuring of the economy and the political system, but at the same time it has also to deal with the consequences of cultural and political globalization and with the problems coming from the economic reintegration with the global markets.

Conclusion

This paper has aimed to contribute to the already ongoing debate on welfare state development in Central and Eastern Europe from a comparative point of view. This debate is focused on two interrelated questions: are the new EU member states more similar to each other in their social problems encountered than to the rest of the EU world? Do they exhibit enough common socio-economic and institutional features to group them into the distinct/unified post-communist welfare regime that deviates from any well-known welfare state typology? In order to answer these questions the recent reviews of socio-economic indicators and literature on social policy performance in the ten new EU member states were undertaken.

The review of the major socio-economic indicators (expenditure on social protection, the share of GDP per capita, the minimum wage, the Gini index, the share of shadow economy, relative and absolute poverty rates, and the material deprivation indicators) reveals that the differences among old and new EU countries are still pronounced; even the best performers of the CEE have to catch-up with the EU-15 average. Despite some slight variation within, the new EU countries exhibit lower indicators compared to the EU-15 as it comes to the minimum wage, the share of GDP per capita and social protection expenditure. The degree of material deprivation and the shadow economy is on average also higher if compared to the EU-15...
or the EU-27. However, then it comes to relative poverty rate (at-risk-of-poverty rate after social transfers) or Gini index, some Eastern European outliers, especially the Czech Republic, but also Slovenia, Slovakia and Hungary, perform the same or even better than the old capitalist democracies. Latvia, Lithuania, Estonia, Romania, Bulgaria, Poland, however, show many similarities in their social indicators and performances and this group of countries never perform better than the EU-15 or the EU-27 averages. Thus, on the one hand, it is possible to claim that the ten new EU member states are more similar to each other than to the rest of the EU world (the EU-15 average). On the other hand, the socio-economic differences between the best and the worst performers of the new member states are still in place and these differences would not fade away easily.

Nevertheless, the research on welfare state development in the CEE region reveal a number of important institutional features in support of identifying the distinct/unified post-communist welfare regime. Most resilient of it are: an insurance-based schemes play a major part in the social protection system (a return to the Bismarkian social insurance system); high take-up of social security; relatively low social security benefits; increasing signs of liberalization of social policy, which were absent during communist period, and the experience of the Soviet/Communist type of welfare state, which implies still deeply embedded signs of solidarity and universalism. As stated by Kornai (2002: 16), ‘people in Eastern Europe are irritated by the state interfering in their private lives and harassing individuals, but many of them still want a caring, paternalistic state as well’.

This paper argues that the post-communist welfare state model should be understood not only by the outcomes it generates, but also by its historical legacy and formation principles, and the external and internal challenges it currently faces.

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