

WELFARE REFORMS IN CENTRAL AND EASTERN EUROPE: A NEW TYPE OF WELFARE REGIME?

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Abstract. *This paper discusses some recent socio-economic achievements and losses in Central and Eastern Europe from a comparative perspective. Yet, the paper examines whether the economic-social-political restructuring of Central and Eastern Europe and the ensuing social policy reform has brought new forms of welfare regimes into focus. The paper demonstrates that, despite an increase in poverty and inequalities in many Central and Eastern European countries during the last 18 years, the social policy systems have not experienced a radical dismantlement throughout the entire region and still show more comprehensive solutions to social problems than residual ones. Furthermore, the Central and Eastern European region is very diverse regarding the scope and depth of social problems encountered, and some countries have implemented more successful policy solutions than other ones. Nevertheless, the experience of the communist regime, the relatively lower fiscal capacity of the states as well as the higher share of GDP produced in the shadow economy allow the Central and Eastern European countries to group into a distinct post-communist regime. The current global economic crisis, which is felt in the CEE region much more than in the rest of the globe, can reinforce the features of the post-communist welfare model: still quite comprehensive in its structures, but weak in its performance to ensure a decent standard of living for its citizens.*

Key words: *Central and Eastern Europe, post-communist regime, welfare state, inequalities, poverty*

Introduction

This study reviews some recent socio-economic developments in Central and Eastern Europe¹ and some recent debates on the emergence of the post-communist welfare state regime. The focus is on the Central and Eastern European region, as this has remained curiously under-researched despite the increasing interest in the development of social issues in the region as such. Many of the Central and Eastern European countries went through dramatic changes after the fall of the various communist regimes, and all of

¹ The geographical term 'Central and Eastern Europe' in this volume refers to the new EU member countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and Slovakia), but also includes the Balkans (Albania, Croatia, FYR Macedonia, Bosnia and Herzegovina, Serbia, Montenegro, and Kosovo), Belarus, Moldova, Ukraine, Russia and the Caucasus (Armenia, Azerbaijan and Georgia). A small part of Kazakhstan also belongs to Europe. However, Kazakhstan is assigned to the group of post-socialist Central Asian countries together with Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

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them have experienced a social policy reform. This paper asks, therefore, whether the economic-social-political restructuring of Central and Eastern Europe and the ensuing social policy reform has brought new forms of welfare regimes into focus.

For more than half a century, the social issues, such as poverty, unemployment and inequalities, were considered as non-existent in the post-communist world (Lelkes, 2006; Matkovic et al., 2007). It was assumed that all social problems were solved in the former communist societies. Therefore, there was no 'need' to study them. To some extent it was true. Obviously, there was equality for many, and severe material deprivation actually vanished during the communist period. Some social problems, however, did persist. Studies indicate that there was an upper class, namely the so-called 'nomenclature' which profited more from the benefits of the authoritarian welfare state than other social groups did (Deacon, 1992; Ferge, 1992; Poldma, 1999). Other studies (Hartl, Vecernik 1992) have also underlined the negative side of the former communist system, such as no indexation of benefits, poor quality of health care and other services, and housing shortages. Nevertheless, according to numerous observers (Aidukaite, 2004; Manning, Shaw 1998), there was job security for many in the former communist countries. Workers' wages represented a high percentage of the average wage. There was a general commitment to equality in the system. Moreover, housing costs were almost free, as was also the case for food and transportation. The social policy was organized through employment. Everybody had to work and everybody was insured in all social risks. The extensive social policy (full employment, free education and health care) and social security, with its huge redistributive mechanism, had promoted equality within classes and various social groups. However, the communist-planned and highly nationalized economy did not create opportunities for either economic or social advancement, which reflected in its very low levels of productivity. Therefore, the system collapsed at the end of the twentieth century, and the market economy appeared to be the only alternative available to organize society.

The shift towards the market economy since 1989 has challenged the state's commitment to full employment and was accompanied by the social restructuring and deterioration in the standards of living for many post-socialist societies. However, the period after 2000 was characterized by a rapid growth in the GDP through the entire region, especially in the new EU member states. According to many reports (World Bank, 2005; Commission of European Communities, 2002; Tiirinen, 2000) and other studies (Kornai, 2006), the economies of many Central Eastern European countries were growing very rapidly. Financial structures, the private sector, the service sector and construction were some of the successful areas with a high level of performance. Nevertheless, these positive trends have not brought dramatic improvements in the social issues. Today, with the global financial crisis which evolved in the Western world, but is most felt in the Eastern part of the globe, the social matters (poverty, income inequality, unemployment and

mortality) are especially pronounced. Yet, the governments in many of these countries have no resources to secure social benefits and social services and consequently social cohesion. As one example of it could be the Baltic States, especially Latvia and Lithuania, which have already implemented some cutbacks in child benefits and consider further cutting in some other social benefits and services. The negative consequences of the economic crisis in many CEE countries can have long-term consequences for their future development potentials.

The Central and Eastern European region forms quite a diverse mosaic. Some of the CEE countries successfully joined the European Union and NATO. Others have formed a group called the Commonwealth of Independent States (CIS). It has to be noted, however, that these diversities in economic, cultural and political development have their origins in the historical past of these countries. Even during the Communist era, there existed considerable varieties among Central and Eastern European countries in how their social systems were organized (see Fodor et al., 2002; Szikra, Tomka, forthcoming). Nevertheless, they all have a lot in common, even if they have distinct cultural, religious and historical traditions. The experience of the communist regime left a lasting mark on the development of these countries, which makes them easy to compare and examine.

In the rest of this paper, I review, first, some recent socio-economic developments in CEE countries. Second, I review some recent debates on the emergence of the post-communist or Eastern European welfare state model. Finally, the primary findings of this paper will be discussed in the broader context of the global economic crisis and its consequences for the CEE region.

The socio-economic background of welfare reforms in Central and Eastern Europe and the Commonwealth of Independent States

The evolution from the communist model to the market economy and democracy, however, occurred in many CEE countries in the context of a severe economic crisis and dramatic decline in the income for some parts of the population. All transitional countries went through massive privatisation during the first years of independence, all suffered from high inflation and growing unemployment, and consequently people felt there had been a decrease in their material well-being (EBRD, 1999). Although the scope and depth of the problems in each country were indeed different, many of them, especially the ten new EU countries, had managed to stabilise their economies (see CEC, 2002; Eurostat, 2008; World Bank, 2005). Furthermore, their progress varied in terms of marketization, liberalization and reintegration with the global markets (Simai, 2006).

In some countries, the changes were more successful than in others. The speed of transition and the reform of institutions have been much more successful and faster in the CEE countries that are located close to the western borders. Table 1 shows the distribution of the post-communist countries according to their income levels expressed

TABLE 1. Classification of transition countries by income*

Low income	Middle income Lower	Middle income Upper	High income
Armenia	Albania	Croatia	Slovenia
Azerbaijan	Belarus	Czech Republic	
Georgia	Bosnia-Herzegovina	Estonia	
Kyrgyz Republic	Bulgaria	Hungary	
Moldova	Kazakhstan	Poland	
Tajikistan	Latvia	Slovak Republic	
Turkmenistan	Lithuania		
Ukraine	FYR Macedonia		
Uzbekistan	Romania		
	Russian Federation		
	Republic of Yugoslavia		

Source: Simai (2006, Table 1, p. 2).

* Simai (2006) based this classification on the *World Development Report 2000/2001* by the World Bank.

as GNP per capita.² Slovenia in 2000 was assigned to the *High Income* cluster. Croatia, Czech Republic, Estonia, Hungary, Poland and Slovakia belonged to the *Upper-Middle Income* group. Albania, Latvia, Lithuania, Belarus, the Russian Federation, Romania, Bulgaria and the Balkan countries belonged to the *Lower-Middle Income* group. The former Soviet republics of Central Asia, together with Armenia, Azerbaijan and Georgia, were clustered into the *Low Income* group. Very recent observations can also confirm the validity of this classification. 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 (Bohle, 2007; Noelke, 2008; Lendvai, 2008; Sirovatka, Mares, 2006). Furthermore, the Czech Republic has the lowest poverty rate in the EU. In Slovenia, the employment rate is above the EU average. The social protection expenditures are the highest compared to other new EU member states (see Table 2). Poland, Hungary and Slovakia are also remarkable achievers if their 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 ten new EU countries when it comes to minimum wage and GDP per capita (see, e.g., Regnard [2007] on minimum wages in the EU, and Table 3). Nevertheless, the ten new EU members of CEE spend less on social protection compared to the EU-15. 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

² The classification used in this edition has been updated to reflect the World Bank's current operational guidelines. The GNP per capita cut-off levels are as follows: low income, \$755 or less in 1999; middle income, \$756–9,265; and high income, \$9,266 or more. A further division at \$2,995 is made between lower-middle-income and upper-middle-income economies (World Bank 2000: 271).

TABLE 2. Total expenditure on social protection, current prices (% of GDP)

	2001	2002	2003	2004	2005
Bulgaria					16.1 ^(p)
Czech Republic	19.5	20.2	20.2	19.3	19.1 ^(p)
Estonia	13.1	12.7	12.6	13.1	12.5
Latvia	14.3	13.9	13.8	12.9	12.4 ^(p)
Lithuania	14.7	14.1	13.6	13.3	13.2 ^(p)
Poland	21.0	21.1	21.0	20.1	19.6 ^(p)
Romania	13.2 ^(p)	13.4 ^(p)	12.6 ^(p)	15.1 ^(p)	14.2 ^(p)
Slovenia	24.8	24.8	24.1	23.7	23.4 ^(p)
Slovakia	18.9	19.0	18.2	17.3 ^(p)	16.9 ^(p)
Hungary	19.3	20.4	21.1	20.7	21.9
EU-15	27.1	27.4	27.8	27.7 ^(p)	27.8 ^(e)

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

(p) = provisional value.

ten new member states of CEE are at the bottom compared to the EU-15 (see Eurostat, 2008). Social protection expenditures can tell a lot about the performance of a welfare state. Many previous studies have demonstrated that the countries that spend more on social protection have lower levels of inequalities and poverty, a higher quality of social services and benefits, and consequently a 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 compared to the other ten new EU member states; the income inequalities, expressed as the Gini coefficient, are also higher in these societies, ranging from 36 in Estonia and Lithuania to almost 38 in Latvia (see Table 3), while in the Visegrad countries the income inequality is below the EU-15 average (29) and amounts to only 25 in the Czech Republic, 28 in Slovenia, 26 in Slovakia and 27 in Hungary. The latter countries spend remarkably more on social protection than the rest of the new EU countries. 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 (see, e. g., Sandu, 2009).

The situation is remarkably bad when it comes to the absolute poverty rate in many *Low Income* CIS countries compared to the ten new EU member states of CEE. Seventy-four per cent in Tajikistan, seventy per cent in the Kyrgyz Republic, about fifty per cent in Moldova and Georgia live on less than \$2.15 a day (see Table 4). These

TABLE 3. Basic economic and social indicators of the ten new EU countries

	GDP per capita, PPS, 2008	GDP growth, 2009	UN Gini index (per capita)	Ratio of richest 20% to poorest 20%	Absolute poverty rate (%), \$2.15/day, 2002/2003	Shadow economy, % of GDP, 2004/2005
Bulgaria	39.3 ^(f)	5.6 ^(f)	29.2	4.4	4	36.5
Czech Republic	82.5 ^(f)	5.0 ^(f)	25.4	3.5	0	18.3
Estonia	70.5 ^(f)	4.3 ^(f)	35.8	6.4	5	38.2
Latvia	58.6 ^(f)	2.5 ^(f)	37.7	6.8	3	39.4
Lithuania	62.3 ^(f)	3.7 ^(f)	36.0	6.3	4	30.2
Poland	54.9 ^(f)	5.0 ^(f)	34.5	5.6	3	27.3
Romania	42.0 ^(f)	5.1 ^(f)	31.0	4.9	12	51.1
Slovenia	91.8 ^(f)	3.8 ^(f)	28.4	3.9	0	27.3
Slovakia	71.0 ^(f)	6.2 ^(f)	25.8	4.0	3	18.2
Hungary	62.8 ^(f)	3.2 ^(f)	26.9	3.8	0	24.3
EU-15	110.9 ^(f)	1.5 ^(f)	29	5	0	18.2

Source: Eurostat; UNDP 2008; World Bank 2005; Noelke 2008, Table 3.1, Table 3.3, p. 74; Schneider 2007, Table 6.3; own calculations.

(f) = forecast.

TABLE 4. Basic economic and social indicators of the South-Eastern Europe and CIS countries

	GDP per capita, PPP, 2002–2003	GDP growth	UN Gini index (per capita)	Ratio of richest 20% to poorest 20%	Absolute poverty rate (%), \$2.15/day, 2002/2003	Shadow economy, % of GDP, 2004/2005
Armenia	3,468	14	33.8	5.0	50	47.6
Azerbaijan	3,417	11	36.5	6.0	4	59.4
Georgia	2,445	11	40.4	8.5	52	66.4
Kyrgyz Republic	1,654	7	30.3	4.4	70	40.6
Moldova	1,426	6	33.2	5.3	43	49.1
Tajikistan	1,045	10	32.6	2.2	74	—
Turkmenistan	—	—	40.8	7.7	—	—
Ukraine	5,188	9	28.1	4.1	1	55.3
Albania	4,113	5	31.1	4.8	24	34.3
Belarus	5,331	5	29.7	4.5	2	50.8
Bosnia-Herzegovina	6,267	6	26.2	3.8	4 (2004)	35.3
Kazakhstan	6,302	9	33.9	5.6	21	44.6
FYR Macedonia	6,419	3	39.0	7.5	4	36.9
Russian Federation	7,993	5	39.9	7.6	9	47.3
Serbia and Montenegro	—	4	—	—	6	37.3
Uzbekistan	1,648	4	36.8	6.2	47	35.4

Source: UNDP 2008; World Bank 2005; Schneider 2007, Table 6.3.

countries spend also much less on their social protection. As stated by Dobronogov (2003), in Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan, government social protection spending can 'vary between 2 and 6 per cent of formal GDP, which is roughly the same as in the poorer countries of Latin America' (ibid., 10). The decline in wages and the increasing inequalities as well as experiencing violent ethnic conflicts, in some cases accompanied by external war, made the reform in this part of the post-Communist world slower. The level of development and the speed of the institutional reforms in CIS countries have been much lower. The relative growth in poverty and unemployment has been longer and greater in magnitude than in other Central European post-communist countries. Furthermore, the erosion of human capital and social support systems is more observable in the CIS than elsewhere. The health situation has deteriorated in all the CIS countries, with unequal access to services. In some of the CIS countries, mortality is rising or has ceased to decline, the incidence of serious diseases (e.g., tuberculosis) has increased, and some infectious diseases (e.g., malaria) have reappeared. For example, the life expectancy of a Russian male fell to 57 years, reflecting the deteriorating human condition (Simai, 2006: 3–7). Furthermore, child poverty has increased dramatically in the CIS region (see Menchini, Redmond, 2009).

The Russian case of social-economic development is especially interesting because of the size of the country and large regional disparities within the state. Although the country has recovered from the economic crisis of 1999 and during recent years has been experiencing economic growth, its social indicators have not seen any significant improvements. Russia is among the countries of Europe with the highest income inequality, mortality, infectious diseases, drug and alcohol abuse, and crime rates (Cerami, 2009; Manning, 2004). The Kaliningrad region of the Russian Federation especially shows low levels of social indicators with, for instance, a twenty-eight per cent average poverty rate compared to only eighteen per cent in Russia in 2004 (Yemelyanova, 2007). Nevertheless, the booming oil and gas prices in the global economy in recent years have made significant improvements to the Russian economy, but also have shown an increase in social protection for the citizens. This gives hope that the Russian government in the near future will improve significantly the well-being of its population and reduce the number of individuals living below the poverty line (Cerami, 2009). The poverty is especially pronounced in Ukraine, the second largest post-Communist country of Europe, with almost 29 per cent of the population living below the average poverty rate. Yet the low life expectancy combined with high out-migration and very low fertility rates are reasons for the great concern among Ukrainian policy makers and social scientists (Libanova 2007). Furthermore, the share of GDP in the shadow economy is high in Ukraine (55%) and Russia (47%) (see Table 4). This hinders the expansion of social policy due to the government's inability to collect payments to the overall tax and social

security funds. This is caused by the large differences, as stated by Schneider (2007), in many transitional economies between the total cost of labour in the official economy and the after-tax earnings (from work). The larger this difference, the greater the incentive to avoid taxes and work in the shadow economy. The working poor phenomenon³ is widespread in Ukraine and Russia. Moreover, this does not create incentives to report income for taxation. 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 countries.

The shadow economy is huge, however, not only in Ukraine and Russia, but all the CEE region shows much higher rates of shadow economy compared to the well-developed capitalist societies. Very high rates of shadow economy are found in Georgia (66%), Azerbaijan (59%), Belarus (51%) and Moldova (49%). The lower shadow economy rates are found in the countries that are doing better in terms of the minimum wage, such as the Czech Republic (18%), the Slovak Republic (18%), Hungary (24%) and Slovenia (27%). These countries spend also more on social protection due to their governments' ability to collect more taxes for the social insurance funds. Romania, Bulgaria and the three Baltic states have the highest shadow economy rates among the new EU-10 countries. One of the reasons, according to Chandler, (2002), why, for instance, in the three Baltic states the shadow economy is more pervasive than in the other ten new EU member states is the quite high social tax rates. As Casey (2004) has pointed out, they are as high as in many of the old European Union countries. Therefore, it has been argued that they are higher than what is appropriate for a transitional economy. Tax authorities have problems with collecting taxes in the Baltics since there is a lot of hidden income, e.g. salaries paid in envelopes or the non-registration of businesses, and consequently the tax authorities have no way of tracking their activities. One of the reasons for tax evasion is that people in the Baltics believe that the governments do not deserve financial support, since they provide poor quality services (Chandler, 2002). Indeed, it could be argued that the low quality of public social services and the relatively low level of social benefits also contribute towards this situation, and not only in the Baltics, but also in other post-communist societies. People avoid paying taxes because the state fails to ensure its citizens adequate social security in the case of various social risks; this does not create incentives to contribute to the social insurance fund.

Since the shadow economy is so pervasive in many CEE countries, the income poverty measures might not tell the true picture of the degree of deprivation in these societies. Poverty is a multidimensional phenomenon and cannot be measured by low income alone. This is why qualitative assessments are necessary. Thus, French

³ It is possible to claim that the working poor phenomenon was also observable during the Soviet era. However due to generous state housing and food subsidies it was not visible to such an extent as it has been since the collapse of the socialist state model.

researchers developed the concept of 'social exclusion' that became the prevalent definition used in the European Union. According to this definition, low income is not regarded as a sufficient cause for being labeled poor, but rather issues of membership and participation in a broader society are regarded as the main reason for being labeled poor. The poor, according to the concept of social exclusion, are those who are excluded from ordinary living patterns, customs and activities regarded as normal by others in society (Abrahamson, 2004). Social exclusion is a relatively new term in the field of policy action for CEE. In recent years, this seems to have somewhat changed as a result of EU pressure, as the countries agreed to produce national reports on policies tackling social exclusion, the so-called National Action Plans on Social Inclusion. In many countries, these reports have become the most complete government documents on poverty, social exclusion and social policies in general (Lelkes, 2006).

Another important indicator to measure poverty is the degree of material deprivation. As reported by Guio (2005), in the current list of common (EU) indicators of poverty and social exclusion used in the context of the Open Method of Coordination (OMC) on social inclusion, the primary focus is on indicators of relative income poverty, defined in relation to the distribution of income within each country. Nevertheless, questions are raised concerning the ability of the existing portfolio of indicators to satisfactorily reflect the situation in new member states as well as the differences between them and the old member states. 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.

The data to measure the social exclusion and deprivation have started to be gathered only recently in CEE countries. The few studies that exist (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 compared to the other 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. However, it might be impossible to detect it from the relative poverty measures. For instance, 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 Eurostat). Thus, enlargement seems not to increase the average poverty rate in the EU, even if standards of living are different. However, the latest data of the European Commission on deprivation tell a somewhat different picture. In most of the new member states, around 30% of people would like to have a car but cannot afford it, except the Czech Republic (19%). The highest deprivation indicators are found in Estonia, Lithuania, Latvia, Poland, Bulgaria

and Romania. Fifty-seven per cent in Bulgaria, forty per cent in Romania, about thirty-five per cent in Lithuania and Latvia, twenty-eight per cent of citizens in Estonia cannot afford a meal with meat, chicken or fish every second day (if they so want). The proportion of people who stated that they had accommodation problems (dilapidated windows, doors and floors) ranges from 40–41 per cent in Estonia and Slovakia, from 30–35 per cent in Romania, Latvia and Lithuania to only 6 per cent in the Czech Republic. These figures are much higher than the EU-15 average, except for the Czech Republic. Nevertheless, 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. Overall, the recent in-depth study of material deprivation, poverty and inequality in the new member states carried out by Matkovic et al. has revealed that poverty in countries undergoing post-communist socioeconomic transition is widespread and could seriously limit human development.

Overall, the economic and political restructuring in the post-communist countries had overwhelming effects on the social structure of these societies. Individuals with a low level of education and skills are losers in the labour market, and their standard of living has deteriorated remarkably. The winners of the transition are those with a high level of education, high social capital, are healthy and young. Since the regional inequalities have also increased dramatically with the concentration of wealth and well-paid jobs in the largest cities, the people living in rural areas are more disadvantaged. Belonging to certain ethnic groups has also increased the risk of being socially excluded (Aidukaite, 2005; World Bank, 2005; Noelke, 2008; Simai, 2006; Manning, 2004; Sirovatka, Mares, 2006).

The increase in poverty and income inequalities in many CEE countries indicates that the social policy system is not able to cope with social problems effectively. 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 inequalities and instabilities in these societies.

A New Type of Welfare Regime in CEE?

As Deacon (1992) has pointed out, the collapse of the communist regime brought to an end not only a particular type of political and economic system, but also a specific type of welfare state. The communist paternalistic welfare state model was confronted not only by the demands of the market economy, but also by such 21st-century challenges as the ageing population and the increasing impact of globalization and Europeanization on the domestic social policies. The communist-type model, however, was reformed at a different speed and scope in various CEE countries. There is evidence that CIS countries went through a very slow reform and still keep almost the same elements of the social policy system as during the Soviet era (see Dobronogov, 2003). The ten new EU member states of CEE, on the other hand, went through fast reforms and have altered their social

policy systems remarkably. Therefore, the following discussion will be mainly focused on the welfare state development in ten new EU member states of CEE, but this does not mean that similar theoretical arguments and conclusions cannot be applicable to other CEE countries.

The emergence of new welfare states in East-Central Europe after the collapse of socialism has stimulated an analytical discussion that focuses on questions of how closely those countries fit into the various ideal-typical welfare state models developed to study Western countries. According to some authors (Abrahamson 1999), Esping-Andersen offers the most influential attempt to create a welfare state typology. 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: 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 favour 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 different benefits and services. Germany, France and Italy exemplify the conservative-corporatist regime.

Earlier studies have seen welfare state development in the post-communist region as falling within the liberal regime (see Ferge 1997, 2001; Kvapilova 1995; Standing 1996) in which welfare is based on a mix of social insurance and social assistance and a partial privatisation of social policy. Yet, as those studies underline, the attempts to reform have come up against the legacy of what was an essentially comprehensive social policy. However, it should be pointed out that some of those studies tended to overgeneralize and treated welfare state developments as if they were homogeneous throughout Eastern Europe. A similar assumption was expressed by Fodor et al. (2002) in their study of family policies and gender in Hungary, Poland and Romania. They have pointed out that scholars studying gender relations in the Eastern European region tend to overgeneralize because of the lack of comparative data of any kind and often treat welfare state development as if it were uniform throughout the region.

Other studies claimed that the post-communist welfare state does not follow a single pattern. Deacon (1992), for instance, has predicted that Eastern European countries will

develop their social policies in the future into distinct regimes that may even lie outside the three worlds of welfare capitalism described by Esping-Andersen (1990). Recent comparative studies have also highlighted emerging differences among the East European countries. Fajth (1999) has emphasised that most of the post-communist countries have been moving away from collective solutions to individualised ones regarding social security. However, they do not necessarily follow the same paths when reforming their institutional arrangements. Kangas (1999), in his comparative study of institutions and their consequences for the social policy of several western and transitional countries, has concluded that to place the post-communist countries in the prevailing welfare state typologies is rather problematic. This is so because neither the western countries nor the post-Communist societies form a single homogenous group. There is a large variation when it comes to the institutional set-ups of social security programmes among them. Manning (2004) comes to similar conclusions. In a comprehensive overview of changes since 1989 in the main social indicators and social policies in eight East-Central European countries he finds that there are variations between these societies not only in the policies that they have developed, but also in their social and economic performances. Different pension schemes, different health care systems, different levels of economic growth, inequality and health conditions have become apparent (Manning, 2004: 228). Other studies have also emphasised emerging differences among Eastern European countries (Aidukaite, 2006; Bohle, 2007; Lendvai, 2008). Bohle demonstrates that the Baltic states' welfare regime can be characterised as neoliberal, with low social spending, a low degree of decommodification, and low state involvement in industrial protection. In contrast, the Slovenian welfare state comes closer to encompassing the West European model, with higher social spending and decommodification as well as higher state involvement in industrial protection in comparison to the Baltic states and Visegrad countries, while the Visegrad countries (Czech Republic, Hungary, Poland, Slovak Republic) exhibit something inbetween the conservative and liberal welfare states. 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 eight new EU countries. It is suggested, however, that there are even differences among the three Baltic states, if we examine social security programmes in detail (Aidukaite, 2006).

The recent attempts show that authors have been trying to group Eastern European countries into a distinct regime that does not fall into Esping-Andersen's trilogy (see, e.g., Aidukaite, 2004, 2009a; Cerami, 2006; Kaariainen, Lehtonen, 2006; Oorschots, Arts, 2005; Wehner et al., 2004). This regime is called the Eastern European or post-communist and is characterized as having characteristics of both the liberal and conservative

corporatist regimes as well as some distinct features of the post-Communist societies. These features are as follows: a high take-up rate of social security, but relatively low benefit levels; the identification of the social policy system with the Soviet past, which implies still deeply embedded signs of solidarity and universalism; and people with a low level of trust in the state institutions. Thus, it could be argued that at the micro level the Eastern European region is very diverse; it still possesses similar macro-level features (mentioned above), which allow grouping these countries into an ideal-typical post-communist regime.

A detailed examination of the social security systems (pension insurance, unemployment, sickness, family benefits) shows that the Baltic states especially exhibit a number of peculiarities from which it is possible to discern the main features of the post-communist welfare state regime. Namely, insurance-based schemes play a major part in the system of social protection, and this is not surprising as the Soviet system was based on employment. However, the same programmes cover everyone. In many cases, universal benefits still overshadow means-tested ones. Nevertheless, the relatively low benefit levels do not create enough incentives for people to be honest and declare their income for taxation. Even if the state plays a vital role in protecting its citizens from social risks, the market and the family are still two of the most important agents for guaranteeing an adequate standard of living for the population (Aidukaite, 2004, 2009 a, b). Recent studies that analysed in detail new EU member states have come to quite similar conclusions. Cerami (2006) has analysed five welfare state sectors (pension, health care, protection against unemployment, social assistance and family policy) of the ten new EU member states and came to the conclusion that welfare state systems in these societies consist of a mixture of the pre-Soviet period legacies, such as social insurance, which forms a major part of social security. However, also universalism, corporatism and egalitarianism are still preserved in many cases. Yet, according to Cerami, they implemented some re-adjustments to the new post-communist consensus, such as market-based schemes: private pension insurance and means-tested benefits. However, there is no really clear evidence that these countries are heading towards the liberal welfare state model. Similar assumptions were also confirmed by a very recent study of Visegrad countries by Haggard and Kaufman (2008). In their detailed social policy study of the Czech Republic, Bulgaria, Slovakia, Poland, Romania and Hungary during the period 1990–2005, Haggard and Kaufman have demonstrated that these countries showed not only a wide population coverage, but also a commitment to insurance against a fairly wide range of risks, closer in principle to the broad European conception of social insurance enshrined in the International Labour Organization than more liberal models. So, despite the rapid transitions to the market, the principles of comprehensive social protection that formed the communist welfare systems showed surprising resistance in Eastern Europe.

To sum up, when it comes to social policy structures and the coverage of the population, the post-communist welfare state still shows more comprehensive solutions of social problems than of residual ones. Even if some changes were implemented, meaning the residualization of welfare, such as partial privatization of pension insurance and the implementation of some means-tested benefits in the social security system, they do not play yet a major part in the social protection systems of these societies. And this is not least because the citizens of Central and Eastern Europe strongly support the preservation of the state's role in guaranteeing welfare provisions. 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'.

Nevertheless, as discussed in the previous section, when it comes to the social benefits levels, minimum salaries and the share of GDP spent on social protection, the post-communist welfare state shows disadvantages compared to the well-developed welfare states. The relatively lower levels of social benefits, even if they cover all those in need, do not contribute enough to ensuring an adequate standard of living for their population, hinder the successful poverty solutions as well as the expansion of their welfare programmes. On the other hand, it should be kept in mind that CEE is very diverse and some countries have implemented more successful policy solutions than other ones.

Conclusions

The discussion conducted in this paper demonstrates that despite an increase in poverty and inequalities in many CEE countries during the last 18 years, the social policy systems have not experienced a radical dismantlement throughout the entire region. The post-communist welfare state still shows more comprehensive solutions of social problems than of residual ones. Nevertheless, the deteriorated fiscal capacities of the state in some cases do not ensure an adequate well-being of its population in the case of various social risks. This hinders the successful poverty solutions as well as the expansion of the welfare programmes. The discussion also demonstrates that although the CEE region faces very similar social problems, the scope and depth of the problems encountered are different, and some countries have implemented more successful policy solutions than other ones. However, the experience of the communist past, the lower wages and lower benefits levels as well as the higher share of GDP produced in the shadow economy in comparison to the Western countries allow the CEE countries to group into a distinct ideal-typical post-communist regime.

Yet, various international actors, especially the World Bank and, to some extent, the EU also, have been supporting the convergence among the CEE countries in their responses to social problems (see, e.g., Orenstein, 2008, 2009).

Today, the CEE countries are much more hit by the economic crisis not only in comparison to the ‘old’ EU member states, but also in comparison to Africa, Middle East and Asia. Those countries that are particularly severely hit by the crisis are small economies which had/have the lowest social spending and highest inequalities in the EU, such as Latvia, Lithuania and Estonia. The GDP fell down by 12 percent in Latvia, 10 percent in Lithuania and Estonia during the period from 2008 until 2009. Even so, also Ukraine, Russia and Belarus suffer significant losses. During the same period, the GDP fell down by 8 percent in Ukraine, 6 percent in Russia and 4 percent in Belarus. Trade drops significantly in the new EU member states (especially in Lithuania, Latvia, Estonia, Hungary and Poland), but also in the CIS region (especially in Ukraine, Russia, Belarus, Kazakhstan and Moldova) (Slay, 2009). An increase in unemployment and cuts in social spending are observable in the CEE region more than in the Western world (see, e.g., Eurostat data on unemployment). Such countries as Latvia, Lithuania and Estonia, with the advice of the World Bank, consider cuts in family benefits, health care, education and pensions.

To sum up, the stagnation and recession caused by the economic crisis seem to be affecting the CEE much more than the West. This can reinforce a deeper dividing line between the East and West by producing unfavourable conditions for the future development of the economic and human potentials in the CEE region. Furthermore, this can also reinforce further the features of the post-socialist welfare model: still quite comprehensive in its coverage and structure, but weak in its performance to ensure a decent standard of living for its citizens.

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