Emerging Eastern European Welfare States: A Variant of the "European" Welfare Model?*

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Introduction

It is generally admitted that there exist at least three models of European welfare regimes, as proposed by Esping-Andersen (1990) – the Scandinavian or social democratic universal welfare model, the Bismarckian (Continental European) or conservative welfare model, and the liberal welfare model – with difference deriving from the choice of how to divide the responsibilities of welfare between the three factors of welfare production, *i.e.*, markets, families and governments (cf. Esping-Andersen, 2002). Recently, concerning the welfare regime of Southern European countries, there has been a debate whether or not they should be considered as a unique "Southern" model of welfare state. While Esping-Andersen (2002) treats the Southern European welfare system as a variant of the conservative Bismarckian systems because of its adherence to the traditional familial welfare responsibilities, Ferrera (1996) and Guillen and Alvarez (2001) argue that the "socio-political etiquette" of the Southern European countries is so different from that of the other conservative welfare countries that it creates a distinctive type of Southern European welfare model or welfare "pattern (family)," with mixed characteristics of Bismarckian income transfers and Beveridgean universal national health services. However, in either case it is admitted as a premise that the welfare systems of the Southern European

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countries are treated as a derivation of what is called the "European model."[1]

In contrast, it seems that in many cases the emerging welfare systems of the Central and Eastern European (CEE) countries have been considered as not derived from the European Welfare Model but as influenced by the model presented by international financial organizations such as the International Monetary Fund or the World Bank. For example, Deacon (2000, p. 159) argues that "political globalization has had an impact in the sense that global actors – primarily the IMF and the Bank have insisted, as conditions for lending money, on the adoption of privatization and residualization strategies (for reforming welfare systems)." And Ferge (2001a, pp. 147-150) states that though there are formal similarities between the Bismarckian welfare system and the Eastern European welfare system, the essence of what is called "European model" is almost totally absent in the latter because of the fact that most governments of the CEE countries have to acquire the "goodwill" of foreign capital and supranational agencies so that they will be able to manage their financial problems.

However, though it is recognized that the influence of globalization on the development of the welfare system in CEE countries has been increasing recently, there is disagreement about the characteristics of the current welfare systems of these countries that are said to have been affected by the process of globalization. In the first place, Ferge (2001a) states that the influence of the globalizing forces on the welfare system of the CEE countries is so strong that the so-called residualization[2] policy similar to the

1 Ferge (2001a, p. 149) defines this "European Model" as follows: an attempt to control inequalities, to pay increasing attention to ethnic and gender issues, to strengthen social rights so as to assure the emancipatory potential of the welfare system, to underpin social rights by labor rights, and to put social integration on the agenda. Some issues relating to this "European (Welfare or Social) Model" will be briefly discussed in Section 3.

2 Residualism (Residual welfare model) is "based on the premise that there are two 'natural' (or socially given) channels through which an individual's needs are properly met: the private market and the family. Only

newly democratized developing countries has become the dominant welfare strategy of the CEE countries. Recently this point of view is often connected to the "social dumping" phenomenon, which means a reduction in the social protection level of the working population in the interest of a long-term reinforcement of the national economy (cf. Rys, 2001, pp. 181-182), or the "race-to-the-welfare bottom," which indicates that the countries are tempted to reduce their welfare commitments to attract mobile capital. In the second place, Deacon (2000) states that the influence of the global political actors will be tempered for the CEE countries with aspirations to join the European Union by pressures to adopt a "social market strategy," meaning that the post-Communist development has not been towards third-world type liberal welfare models, but towards a Bismarckian type, conservative kind of welfare policy under the influence of the Union. Furthermore, Rys (2001) states that there is no common tendency for the CEE countries to converge welfare systems because national responses to the pressure of demographic, economic and social factors or to the influence of globalization that will affect the development of the welfare system differ quite significantly according to the "national" conditions. To solve this dispute it is first necessary to clarify the concrete characteristics of the current welfare systems of the CEE countries and their origins.

From this viewpoint, this paper analyzes the emerging welfare systems in the CEE countries by focusing attention mainly on the characteristics of the systems of these countries and the backgrounds to their formation, while trying to demonstrate that the important factors which have affected the system formation most are not exogenous factors such as the influence of the international financial institutions or European integration, but endogenous factors, especially the political ones of each country. The discussion is organized as follows. In the next section the essential features of the current welfare systems of the CEE countries (mainly the Czech Republic, Hungary, and Poland) will be sur-

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when these break down should social welfare institutions come into play and then only temporarily" (Kennett, 2001, p. 79).

veyed, primarily focusing on the main common trends and qualitative variations of these systems. After that, the background of this qualitative variation will be discussed, first by discussing the limited effects of exogenous factors, and next by focusing on endogenous political factors, especially party competition. Main results will be summarized in the final section.

1. Overview of the Emerging Welfare Systems in Central and Eastern European Countries

Concerning the welfare systems of the Central and Eastern European countries, there exist some common trends and qualitative variations among the countries. We will first summarize the common trends, and then outline the qualitative differences.

One of the initial common characteristics of welfare reform in the CEE countries was the neglect of social policy. During the first few years of regime transformation it has been said that the priority of reform should be placed on political and economic aspects, and "it is common knowledge that the transformation of the social security system was not among the priority objectives of the reform policy and could be treated as a second order phenomenon" (Wagener, 2002, p. 156). Because of this, the governments of the CEE countries have not prepared any systematic or long-term strategies for the future social welfare systems, and have tended to choose an *ad hoc*, incremental approach to development, especially for new problems such as increasing unemployment or poverty (Deacon, 2000; Ferge, 2001a). However, since the mid-1990s many CEE governments have undertaken social-policy reform(s) motivated by consideration of the sustainability of the welfare system to meet long-term fiscal and socio-demographic challenges. The main common characteristics of these reforms at this time can be summarized as follows:

1) Withdrawal of the state from the (public) welfare sector: various kinds of subsidies on many goods and services have been abolished or suspended; some privatization and marketization of

health and social-care services are introduced; and activities of the "third sector" such as the voluntary sector and non-governmental organizations are encouraged.

2) Introduction of an institutionally pluralized welfare system: social security funds are separated from the state budget; pension funds are separated from health care insurance; social security is implemented by a number of independent institutions; and the power and responsibilities of the regional and local governments have been enlarged.

The reforms at this time were intended to abolish top-heavy monopolies, to pluralize service providers, to increase freedom of choice, and to decentralize administration so that the welfare system of the CEE countries would function according to the needs of the societies (Ferge, 2001a, pp. 135-136). However, it is often pointed out that contrary to these prospects, the reforms have brought negative consequences to the societies of the CEE countries including growing inequality in income distribution and the development of poverty and social exclusion, especially among the elderly and the poorly educated members of society; shifting the responsibilities of welfare to families, particularly to female members; causing negative demographic effects such as slow population growth caused by the decreasing number of children, low life expectancy, and de-institutionalization of family life (cf. Hantrais, 2002, pp. 144-145). These phenomena seem to support the thesis that the CEE countries have been caught in a race-to-the-bottom of welfare by the "liberal" reforms.

However, when we compare the level and structure of the social expenditure of the Czech Republic, Hungary, Poland and Slovenia, we find that this kind of race-to-the-bottom thesis cannot easily be supported. First, according to the data of social expenditure of CEE countries (see Table 1) it can be found that, contrary to the fact that the reforms have been conducted to tackle the fiscal problems, the share of social expenditure in GDP has not changed dramatically in these countries between 1996 and

2000,[3] which means that the reforms have not had any clear effect on the social expenditures of these countries. The level of expenditure remains around 25% (except in the Czech Republic), and though this level is below that of the countries of the conservative or social democratic welfare regimes of Western Europe, it is above that of the Southern European countries and Ireland. This also means that the real social expenditure of these countries has been increasing, as the GDP itself has recovered during this era. Second, the structure of social expenditure has changed to meet the requirements of new welfare needs. It was admitted that in the middle of the 1990s, "[d]irect spending on social assistance and unemployment still represents a minor share of the social budget" (European Commission, 2002, p. 23). However, this situation changed by 2000, as these countries have increased the share of the social expenditure excluding pension and health care, which means the expansion of other kinds of social assistance systems, such as social assistance, family allowances, or unemployment schemes,[4] which are required to tackle needs arising from economic transformation (except Hungary, where the re-reform of the social assistance system from 1998 has brought about the reduction of benefits for the poor and unemployed (Ferge, 2001b)). These aggregate indicators show that the development of the welfare system of the CEE countries has not necessarily been towards the residual welfare system.

However, while there exist common characteristics of the social expenditure structure of the CEE countries, there also exist qualitative variations of the concrete characteristics of the welfare systems among those countries. Here the main characteristics of old-age pensions, sickness and maternity benefits, family allow-

3 The year when major welfare reform was conducted is as follows: Czech Republic – 1995 (Pension system and Social Assistance system), Hungary – 1995, Poland – 1998.

4 The share of social expenditure excluding pension and health care has increased as follows: Czech Republic, from 2.8% (1996) to 3.5% (2000); Hungary, from 7.8% (1996) to 7.3% (2000); Poland, from 5.1% (1996) to 6.3% (2000); and Slovenia, from 4.2% (1996) to 5.2% (98).

ances, and unemployment benefits are briefly surveyed to clarify the differences among the countries (see also Table 2 in detail).[5]

1) Old-age Pensions

With respect to the old-age pension system, there is a sharp contrast between Hungary and Poland on the one hand, and the Czech Republic and Slovenia on the other hand. Hungary and Poland have introduced a multi-pillar system with a mandatory, privately-funded, second-pillar pension in accordance with the recommendation of the World Bank. In contrast, the Czech Republic and Slovenia have basically rejected any kind of radical reform and retain the traditional Pay-as-you-go (PAYG) system for old-age pensions without shifting to funding at the expense of the public pension tier (cf. Sengoku, 2001; Muller, 2002).

2) Sickness Benefits

While the medical care of the Czech Republic is the universal public health insurance system and is provided to all permanent residents and employees whose employer is resident in the Czech Republic, basically the health systems of the other countries are contribution- and employment-based social insurance systems and cover employed persons and family members of the insured. In Poland, new competition-enhancing mechanisms have been introduced in 1998, which are a combination of the German system (social health insurance), the so-called internal market model (contracting for services at provider level), and the market model (purchasing health services by patients)[6] (cf. McMenamin & Timonen, 2002).

5 The outline summarized here cannot be either complete or fully up-to-date because the national welfare systems have been constantly under revision.

6 In Poland, re-reform of sickness benefits has been conducted in 2003 by the social democratic SLD-UP government, and in this reform a kind of "re-centralization" of the system has been conducted.

3) Maternity Benefits

There are relatively generous maternity benefits in Hungary, especially for employed women (Ferge, 2001b, pp. 123-125; Fodor et al., 2002). There are four medical visits during pregnancy, a Child Care Grant for mothers or fathers to stay at home with the child, and Child Support Grant for mothers to stay at home with three or more children under ten for all residents (with an income test except for medical visits), and as an employment-related benefit there exists 24 weeks of paid leave with 70% of the former wage. The three other countries have only employment-related schemes such as maternity leave and/or paid leave.

4) Family Allowances

At the beginning of transformation, universal rights to services and generous benefits for families were introduced, but more restrictive benefit systems with an income test[7] were introduced around 1995 (Forster & Toth, 2001). Fixed amounts of benefits are provided in Hungary and Poland, while the amount of benefits in the Czech Republic and Slovenia are independently calculated according to the family income.

5) Unemployment Benefits

Excluding Hungary, where an unemployment insurance system has been managed by an independent insurance system, unemployment benefits have been integrated into the general social insurance system. The generous benefit systems introduced in the early years of transformation have been made more stringent mainly because of financial restrictions and the increase in long-term unemployment. The amount of benefit is basically decided by the replacement of wages, and in Poland a flat-rate scheme was introduced in 1997.[8] In the Czech Republic, the unemployment benefit system covers all the citizens of the Republic aged

7 In Hungary, a universal family allowance system was reintroduced in 1998 by the conservative-nationalist government. However the real value of the family allowance in 2002 has fallen to about one third of its original 1990 value (Ferge, 2001b, p. 121).

8 The base amount of the benefit is 35% of the average wage.

15 years or over, including registered unemployed persons capable of working.

Judging from the survey of welfare institutions above, it can be said that the welfare systems of these countries basically share some characteristics of the conservative, Bismarckian welfare model based on payroll-based benefits (cf. Deacon, 2000). However, we can also find that there exist some qualitative variations among the systems. For example, while the welfare systems of the Czech Republic have kept some characteristics of the universal, social democratic model, in Poland social-policy institutions with liberal characteristics have been gradually introduced in recent years. With regard to this point, Ferge (2001a, p. 131) comments that "there is no unique label to describe these countries, and none of the relatively clear-cut ideal-typical labels applies to them." In the next section, the background of this variation will be surveyed.

3. Background of the Qualitative Variations of the Welfare Systems

In this section the background of the qualitative variations of the welfare systems in the Central and Eastern European countries is examined from two points of view: exogenous factors and endogenous political factors.

As for the exogenous factors, it is often said that the social policy development of these countries has been affected by two exogenous factors – the impact of the International Monetary Fund and the World Bank, and the accession to the European Union – and that these two sometimes conflicting factors have refined the social policy of the CEE countries (cf. Deacon, 2000; Ferge, 2001a; Wagener, 2002). However, though the impact of these exogenous factors cannot be ignored, it seems that the substantial effects of exogenous factors on social policy development are limited, as these factors cannot explain the origin of the "variations" of the welfare systems.

Concerning the effect of the IMF and World Bank, though some countries have accepted their policy recommendations, most CEE countries have not responded positively to them because in most cases the IMF and World Bank have no direct means of influencing the reforms of the CEE countries. Let us take the example of pension reform. In spite of the fact that the World Bank has strongly recommended the multi-pillar funded pension system, only a few CEE countries have accepted this proposal. Mullar (2002) states that the influence of the Bank differs according to the circumstances of the countries concerned. According to Mullar, while the World Bank is able to affect the course of pension reforms in countries with a huge amount of external debt by pressing those countries to conduct structural changes, this kind of influence tends to be restricted in countries with a low level of external debt. Because of this, the World Bank does not have any effective leverage to put pressure on governments with low levels of debt to implement structural changes, and this lack of leverage is one of the reasons there has been no serious attempt at pension privatization (at least until now) in the Czech Republic and Slovenia.[9] This example indicates that the influence of the Bank or the IMF cannot explain the qualitative variations of the welfare systems without relying on domestic factors.

Concerning the influence of the European Union, it seems that, contrary to the indirect and contingent effect of the IMF and the World Bank, the EU has had a possibility of directly influencing the welfare systems of the CEE countries, superficially at least, by demanding the fulfillment of the requirements of *acquis communautaire*. We should thus examine in detail whether there is any possibility that the EU has affected the welfare systems of the CEE countries.

According to the EU guidelines in employment and social policy areas, "there are no legal obligations to implement precise policy measures but a very important general obligation to co-

9 However, it should also be noted that the influence of the Bank should not be overstated even in the countries that have introduced the multi-pillar pension system (cf. Sengoku, 2001).

ordinate the respective policies *in order to develop a homogeneous social framework* in line with the principle and rules of the EU treaty"[10] (italics added). In addition, since a number of common social policy ambitions were prescribed in the Treaty of the European Union (Title XI, article 136), the EU has taken a stance of active involvement in the social affairs of the member states, and in recent years it is admitted that though the EU is not capable of creating a social policy regime or of converging the social policies of the member states, the social policy of the EU is gradually making progress and becoming important to the social policy of the member states (cf. Geyer, 2000, ch. 2).

However, concerning the accession countries of the Central and Eastern Europe, the influence of the EU on the welfare system of these countries is also limited because of the three reasons listed below. First, the EU has not required any specific conditions or "hard laws" as to the social policy of the accession countries (cf. Rys, 2001). The main concern of the EU is to improve the conditions for the free movement of labor forces, and to achieve this goal the Union has required the accession countries not to "converge" their social welfare systems, but to "co-ordinate" the differences between them (cf. Dimitrova, 2002).

Secondly, the EU has no "model" or "template" concerning the welfare system of the candidate countries. Though recently the phrase "European Social Model" is commonly used for describing the main characteristics of the European welfare systems, there are no clear and concrete contents of this "Model," and definitions of this model differ according to scholars[11] because of

10 European Commission, *Guide to the Negotiation,* Ch. 13 "Employment and Social Policy" [http://europa.eu.int/comm/enlargement/negotiations/chapters/negotiationguide.pdf] (Checked on 26 January 2004).

11 To take some examples, Hemerijck (2002, pp. 173-174) points out three characteristics of the European Social Model as follows: 1) a common commitment to social justice; 2) the recognition that social justice can contribute to economic efficiency and progress; and 3) the recognition that social policy acts as an effective anti-cyclical stabilizer. Trubek and Mosher (2003, p. 34) describe this Model as the three-fold commitment "to expansive benefits, relative wage and income equality, and

the fact that there are no single welfare characteristics common to all current member states of the EU. It is often said that "the EU's vagueness about social policy accession criteria was a reflection of divided visions within the Union about the proper role of social policy" (Leppik, 2003, p. 146), and for the moment this ambiguity of the European Social Model has made it difficult to present a single welfare system model to the accession countries.[12]

Lastly, there are few concrete mechanisms that can be used by the European Commission to enforce the CEE countries to adopt the European standard of social policies. This does not mean that there are no such mechanisms, as some institutional frameworks have been established in relation to the pre-accession program for the CEE countries. One example of this kind of mechanism is the CONSENSUS program, which started from 1995 as a specific instrument to improve co-operation between the European Commission and CEE countries (Jorens et al., 1999).[13] However, the aim of CONSENSUS is not to establish a single welfare system model or to promote the convergence of various kinds of systems, but to establish a broad consensus for the development and implementation of social security policies, so it is difficult for the Commission to utilize this program for promoting the social *acquis*. Because of these reasons, the influence of the EU on welfare system reform in the accession coun-

coordinated bargaining by organized interest groups where they existed and to spread these features where they were missing."

12 However, there exists a perspective that even though the direct impact of the European Union is limited, the impact of the Union on institutional formation cannot be ignored because the expectation of membership in the EU served as a transformation anchor for the social security system (cf. Wagener, 2002, pp. 157-162).

13 This CONSENSUS program later developed into CONSENSUS II (1997-2000 [http://europa.eu.int/comm/enlargement/pas/phare/programmes/multi-bene/consensus2.htm]), whose main goal is to establish and improve viable social protection systems in the CEE countries, and CONSENSUS III (1999-2002 [http://europa.eu.int/comm/enlargement/pas/phare/programmes/multi-bene/consensus3.htm]), whose focus is on institution-building based on a twinning approach (These pages were checked on 24 January 2004).

tries is restricted, which means that the European Union factor cannot explain the welfare system changes.[14]

Having considered the limitations of the effect of exogenous factors, we should now turn to the effects of endogenous factors in explaining the welfare system variations. The importance of endogenous factors themselves, especially political factors, has already been recognized. Ferge (2001a, p. 135, original emphasis) notes that "*no outside agency could force any reform on the countries without the cooperation and agreement of local political actors or, more precisely, of the government*. Thus the responsibility for any decision ultimately rests with national governments." However, though the need for analyzing the "political dimensions of welfare reforms" (Ferrera et al., 2003, p. 365) has recently been admitted, there is no agreement as to the way to analyze the differences of the welfare systems from a political perspective at the moment. Here we will survey some political aspects of the welfare reforms as a basis for future research. However, before discussing this issue, I should admit that the research concerning these endogenous factors is now in progress and that the analysis below is tentative.

In most cases, it is difficult to reform a benevolent welfare system to a more restricted one, and there are some factors that prevent welfare system reform. For one thing, it is argued that though European welfare states face similar challenges, these do not seem to lead to convergent policy responses because of path-dependent institutional legacies and policy inertia, and in most cases institutional arrangements become resistant to reforms (Hemerijck, 2002, p. 187). In addition, most of the democratically elected governments that came to power after the regime change have had difficulty in changing the welfare system of the former socialist regimes because of the fact that the social policy arrangements of the former regime, such as full employment policies, had relatively strong legitimacy, and that sometimes beneficiaries of the former regimes (such as coal miners or the workers

14 As for the Estonian case, Leppik (2003, p. 159) also states that "[t]he direct effect of accession upon social protection systems and policies was likely to be small" because of the reasons listed above.

of the (former) state enterprises) strongly resist the institutional changes which involve loss of their privileges (Ferge, 2001a, p. 132). Furthermore, as mentioned above, political priority of the social policy reforms has been low in most of the CEE countries because of the fact that the collapse of the socialist regime has caused an urgent need to concentrate on the reform of political and economic institutions (cf. Sengoku, 2001), and this may also delay the needed reforms of the welfare systems.

On the other hand, there exist several factors that may promote welfare institution reforms. One is that new social problems, especially poverty and unemployment generated by the marketization and privatization of the early stage of transformation, have caused growing social expenditure and related fiscal problems that the CEE governments have to deal with (cf. Sengoku, 2001). Moreover, sometimes the welfare system reforms are not required by themselves but as a result of reforms of other systems. For example, in Poland fundamental reform of the social assistance system was required by the reforms of the local administrative system and educational system reforms conducted in 1998 (cf. Szatur-Jaworska, 2001).[15] However, though these factors inspire the need for welfare system reforms, they are not sufficient conditions for reform, and in most cases we must analyze the reason why the government (or the ruling party) concerned was able to conduct unpopular reforms accompanying retrenchment of welfare.

To solve this puzzle from a political perspective, there are (at least) two theoretical perspectives: the political institutional perspective and the party competition perspective. However, as for the political institutional perspective, it seems that it has weak explanatory ability for welfare system reforms in the CEE countries. For example, Bonoli (2001) used the differences of constitutional features in Switzerland, France and the United Kingdom

15 Szatur-Jaworska (2001, p. 104) named this social assistance system reform in Poland as the “fifth reform,” which is related to the “four major social system reforms” (administration system, educational system, pension system and health insurance system) implemented by the Buzek government in 1998.

to explain the different results of welfare reforms in these countries. However, if we compare the institutional features in the Czech Republic, Hungary and Poland according to the model presented by Bonoli (as shown in Table 3), we find that there is little difference between the institutional features in the Czech Republic and Poland, which means it is difficult to explain the difference of the welfare system reforms of the two countries by relying only on the political institutional factor.

As for the party competition perspective, generally it is said that there exists a weak relationship between party politics and social policies introduced by the party (cf. Ferge, 2001b; McMenamin & Timonen, 2002). For example, it is well known that while the post-Communist parties in Hungary (Hungarian Socialist Party: MSZP) and Poland (Democratic Left Alliance: SLD) have a tendency to adopt neo-liberal welfare policies, in the Czech Republic during the Klaus era the liberal rhetoric has not led to uncompromising liberal models (cf. Wagener, 2002, pp.159-160). This fact obscures the axis of party competition relating to social policy reform and makes it difficult to understand the situation.

However, Kitschelt (2001) proposes a theoretical framework for analyzing the relationship between welfare retrenchment policy and partisan competition, stating that the "strategic configuration" of party systems is a critical force that shapes social policy reform programs and their implementation. According to his model, there are four types of configurations of party competition that affect social policy reforms and the difference of the strategic configuration produces the different policy attitude of each party:

1) United market-liberals versus united social democrats.

2) Divided market-liberals and centrists versus united social democrats.

3) A three-way divide between liberals, centrists, and social democrats.

4) Weak liberals, strong centrists, and strong social democrats.

By using this model, the welfare system reform of the Czech Republic, Hungary and Poland can be explained as follows:

1) Czech Republic: there exists the third pattern of party competition, where the social democratic CSSD, liberal ODS and Christian conservative KDU-CSL coexist (also with the peripheral Communist KSCM). In this case, the willingness of the liberal party to embrace social policy retrenchment is tempered because of a credible and powerful alternative protector of the welfare state – the CSSD and KDU-CSL.

2) Hungary: there exists the fourth pattern of party competition, where the conservative FIDESZ-MPP-MDF confronts the social democratic MSZP. In this case, both parties can blame the other for welfare cutbacks, and this may cause the cyclical change of the ruling party and the social policy institutions.

3) Poland: there exists the second pattern of party competition, where the social democratic SLD (or SLD-UP after 2001) has a dominant position in the party system. In this case, social democrats will be able to take up welfare retrenchment policies to some extent so that they can deprive the liberal and conservative parties of their votes without losing the support of their original supporters.

This framework seems to have a possibility of explaining qualitative variations among those countries, but we need further concrete empirical research to confirm this thesis.

Conclusion

The discussion in this paper can be summarized as follows. The welfare systems of the Central and European countries differ slightly from each other – while the system of the Czech Republic inclines to the universal framework, Poland is showing a tendency towards the liberal, individual system, and Hungary takes the middle course between the two. This difference has been explained not by the effects of the IMF and the World Bank nor by the pressure of the European Union, but by national political factors, especially from the perspective of strategic partisan competition, and because of this reason it seems to be difficult to classify the welfare system of the CEE countries as a single variant of the European welfare model. However, this last point needs further empirical research.

There are some other points left to be discussed. One point is the relationship between welfare system reform and the reforms of the administration systems, especially regional and local administration systems. In the latter half of the 1990s, reforms of local and regional governments, including the introduction of the "regional" unit of self-government, were conducted in the Czech Republic and Poland, and various kinds of authorities and responsibilities of social policies were transferred to the local and newly introduced regional governments. However, it is said that in most cases this enlargement of power and responsibility has been promoted without adequate funds, administrative capacity, and professional know-how, and that this has caused some problems in relation to the implementation of social policies (Szatur-Jaworska, 2001; Marek & Baun, 2002). Another point to be discussed is the relationship between welfare reform and environmental issues. Though ecological problems attracted little concern during the 1990s in the CEE countries, the possibility of the need for taking measures to cope with environmental problems has been growing in recent years as environmental issues may affect the development of the welfare system by restricting economic activities needed for the expansion of welfare (cf. Caldwell, 2002). It seems that "systematic" analysis of social policy will be required in the near future.

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Table 1. Social Expenditure on Selected Functions of Welfare Systems in CEE and EU Member Countries

	Social expenditures as percentage of GDP		Pension expenditures as percentage of GDP		Health expenditure as percentage of GDP		Social insurance contribution rates as percentage of total receipts (2002)
	1996	2000	1996	2000	1996	2000	
Czech Republic	17.4	19.5	8.1	9.4	6.5	6.6	47.50
Hungary	24.8	23.2	9.8	9.1	7.2	6.8	44.50
Poland	25.5	24.0	15.6	13.5	4.8	4.2	48.99
Slovenia	25.5	26.1(1998)	14.7	14.5	6.6	6.6	38.20

Source: European Commission "Study on the Social Protection Systems in the 13 applicant countries" [http://europa.eu.int/comm/employment_social/news/2003/jan/report_01_en.pdf] (Checked on 26 January 2004).

	Social expenditures as percentage of GDP		Pension expenditures as percentage of GDP (2000)	Health expenditure as percentage of GDP (2000)
	1996	2000		
Germany	29.9	29.5	12.4	8.3
Austria	29.5	28.7	13.9	7.5
Spain	21.9	20.1	9.3	5.9
Portugal	21.2	22.7	10.4	6.9
Sweden	34.7	32.3	12.6	8.8
Denmark	29.9	29.5	12.4	8.3
United Kingdom	28.1	26.8	12.8	6.9
Ireland	17.8	14.1	3.6	5.8

Source: Abramovici, G., "The social protection in Europe," Population and Social Contidion, Statistics in Focus, Theme 3, 3/2003. Luxemburg, Eurostat, 2003.

Table 2. Basic Framework of Welfare Systems in the Selected Central and Eastern European Countries

		Czech Republic	Hungary	Poland	Slovenia
Old-age pension	Type of Program	Social insurance system	Social insurance and private insurance systems	Dual social insurance system and mandatory private insurance	Social insurance system
	Coverage	Employees, members of assimilated groups (students, farmers, artists, unemployed, careers, military pensioner, self-employed)	Employees, members of cooperatives, self-employed, apprentices of professional training schools, outside workers, recipients of unemployment benefits	Employees, members of cooperatives, self-employed artisans, home-workers	Employed persons, members of cooperatives, self-employed workers
	Source of Funds	Insured: 6.5% of earnings. Employer: 19.5% of payroll	Insured: 8% (2% for social insurance and 6% for private pension fund). Employer: 18% of payroll	Insured: 9.76% (1 pillar 2.46%, 2 pillar 7.3%). Employer: 9.76% (1 pillar only)	Insured: varies (15.5% is the average contribution rate). Employer: varies (8.85% is the average)
	Qualifying Conditions	Men: 62. Women: 57-61 (from January 2007) + 25 years of insurance	62 + 20 years of service (men and women)	Men: 65 + 25 years of insurance. Women: 60 +20 years of insurance	Men : 58 + 40 years of contributions or 63 + 20 years. Women: 54 + 35 years or 59 + 20 years (2004)
	Benefits	Flat-rate basic amount (1310 CZK in 2002)+ earnings-related percentage amount	Equal to 43% of pensionable net earnings since January 1 1988 (social insurance)	Total contributions paid to the old-age insurance schemes taking into account the current valuation of the contributions (social insurance)	A minimum of 35% (men) and 38% (women) of average during the 12 highest paid consecutive years from 1970
	Administrative Organization	Ministry of Labor and Social Affairs (General supervision)	Central Administration of National Pension Insurance	Social Insurance Institute (ZUS)	Institute for Pension and Disability Insurance (PDIIS)
Sickness and Maternity	Type of Program	Social insurance system and Public health insurance system	Social insurance system	Social insurance system: cash and medical benefits	Social insurance system

Coverage	Cash benefits: employees and advanced students (voluntary for self-employed). Medical care: all permanent residents in the Czech Republic or employees whose employer is resident in the Czech Republic	Cash sickness benefit: employees, members of cooperatives, the self-employed, and outdoor workers. Cash maternity benefits: all pregnant employed or self-employed women who have worked for at least 180 days in the 2 years prior to childbirth (all resident women in Hungary are entitled to in-kind benefits). Medical benefits: all insured persons entitled to cash sickness benefits, pensioners, unemployment beneficiaries, recipients of social assistance, beneficiaries of pensions provided by churches, regular students, and all dependent family members and children	Employees, members of farmers' cooperatives, artisans, those connected with agricultural circles. Pensioners and some groups of self-employed persons, including farmers, are covered for medical benefits only	Sickness: employed persons, self-employed persons, and farmers (if insured). Maternity: persons insured for parental leave and eligible for maternity benefit (mothers, fathers, and third person caring for the child during leave from work)
Source of Funds	Insured: cash sickness & maternity benefits-1.1% of earnings; medical care-4.5%. Employer: cash sickness and maternity benefits-3.3% of payroll; medical care-9% of payroll	Insured: 3% of gross earnings. Employer: 11% of payroll	Insured: 10.2% of earning (2.45% for cash sickness and 7.75% for medical benefits). Employer: none	Insured: sickness: employees contribute 6.36% of their gross salary; maternity: employees contribute 0.1% of their gross salary; self-employed persons and farmers contribute 0.2% of the insurance base for Old Age, Disability and Survivors. Employer: sickness: 6.36% of gross payroll, maternity: 0.1% of gross payroll

Qualifying Conditions	Cash sickness: those with gross earnings over 400 CZS a month or those working more than 7 days a month. Cash maternity: 270 days of insurance in the 2 years preceding childbirth, loss of earnings, childbirth or taking substitute care of a child. Cash medical: currently insured	Cash sickness benefit: currently insured, or a loss of earning capacity due to illness within 3 days after the cessation of insurance. Maternity & confinement allowance: currently insured, or the expected date of childbirth is within 24 days after the cessation of insurance, and has 180 days of insurance during last 2 years. Child care fee: 180 days of insurance in the 2 years prior to childbirth. Medical benefits: provided also for beneficiaries of cash sickness and maternity benefits	Cash sickness & maternity benefits: currently in insured employment. Medical benefits: currently in insured employment or a pensioner	Sickness benefit: no minimum qualifying period. Maternity benefit: the mother must be covered by parental leave insurance prior to the first day of compulsory maternity leave
Benefits	Sickness: for the first three days, 50% of the daily assessment base (DAB), from the 4th day, 69% of the DAB. Maternity: 69% of the DAB	Cash sickness benefit: 60% of daily average net earning or 70% with 2 years of continuous employment. Maternity & confinement allowance: 70% of daily average net earnings of the previous calendar year. Medical benefits: medical services are provided directly to patients through the facilities of the public health services in contractual relationship with the health insurance scheme	Sickness: entitlement equates to 80% of earnings averaged over the preceding 6 months and is payable from the first day of incapacity for up to 26 weeks. Maternity: entitlement equates to 100% of earnings and payable for 16 weeks for the birth of the first child and 18 weeks for all subsequent birth	Sickness benefit: paid at 80% to 100% of average wages in the previous year depending on the cause of absence. Maternity benefit: paid at 100% of earnings. Maternity grant (layette): a grant for the purchase of clothing and other necessities for a newborn child whose father or mother has permanent residence in Slovenia

	Administrative Organization	Cash sickness benefits: Social Security Administration collects & administers contributions and delivers benefits. Health insurance: Ministry of Labor and Social Affairs provides general supervision. Medical service: Ministry of Health provides general supervision	Cash sickness & maternity benefits: National Health Insurance Fund administers, Hungarian Tax Authority collects contributions. Medical care: public medical services organized and administered by the self-governing local municipalities	Cash benefits: Ministry of Labor and Social Policy handles general supervision and ZUS administers. Medical care: Ministry of Health and Social Assistance handles general supervision and Regional health fund councils operate and finance individual health care funds	Sickness benefit: National Institute of Medical Insurance. Maternity benefit: Ministry of Labor, Family and Social Affairs
Unemployment	Type of Program	Social insurance system	Unemployment insurance	Social insurance system	Social insurance system
	Coverage	Republic citizens (and aliens permanently resident in the Czech Republic), at least 15 years old, and capable of working	Wage earners & salaried employees	Employed persons	Employed persons in industry, commerce, and agriculture; public employees; members of handicraft and fishery cooperatives
	Source of Funds	Insured person: 0.4% of earnings. Employer: 3.2% of payroll. Government: any deficit	Insured person: 1.5% of gross earnings. Employer: 3% of payroll. Government: none	Insured person: 0%. Employer: 3% of payroll. Government: any deficit	Insured person: 0.14% of gross wage. Employer: 0.06% of payroll. Government: provides subsidies
	Qualifying Conditions	Registered with the Labor Office as looking for work. Employment for at least 12 months in the past 3 years	Insurance coverage for at least 200 days in the last 4 years. Involuntary unemployed without entitlement to an old-age or disability pension. Actively seeking employment.	Registered with the employment bureau. Must have 180 days of employment in the past year or have completed education, been newly released from the military, have completed maternity leave, or been released from prison	Full time employment with the same or different employers during 12 months in the last 18 months prior to becoming involuntarily unemployed and be registered with the Employment Agency within 30 days of the termination of employment. Seasonal workers employed for a definite period must have

					12 months of insurance in the last 18 months after the conversion of their working hours into the full-time equivalent
	Benefits	Paid at 50% of earnings during the first 3 months; 40% for next 3 months; 60% in case of retraining.	65% of the gross average salary of the previous calendar year for a maximum of 270 calendar days	Base amount for those with 5 and 20 years of employment, 80% of base amount if less than 5 years; 120% of base amount for more than 20 years. Payable for 6 to 18 months, depending on the unemployment rate in the region	Benefit is 70% of the basis for the first 3 months and 60% thereafter. The basis is calculated as the average monthly earnings in the 12 months prior to the termination of employment
	Administrative Organization	Ministry of Labor and Social Affairs provides general supervision, and Ministry of Labor and Social Affairs offices and District Administrations of the Czech Social Security Administration administer benefits.	Ministry of Labor provides general supervision.	Ministry of Labor and Social Policy provides general supervision. Voivodships and local labor bureaus keep registry of unemployed and work possibilities and pay benefits. ZUS collects payroll contributions from enterprises	Employment Service of Slovenia
Family Allowances	Type of Program	Universal system	Universal system	Universal means-tested	Universal system
	Coverage	Families with children	All residents with one or more children	All residents	Families with children residing permanently in Slovenia
	Source of Funds	Government: total cost	Government: total cost	Government: total cost	Government: total cost
	Qualifying Conditions	Dependent child (up to age 26 if a student)	Family must include one or more children under age 16 (20 if enrolled in a primary or secondary school) or disabled.	Child must be under 16 (20 if student). There is no limit if totally disabled.	Paid to a parent or a third person if the child is under 18 (26 if a student, in training, or with a serious infirmity), a citizen, or is entitled under the condition of international law

	Benefits	Means-tested allowances: depending on the family income	For the first child, 3,800 forints a month, for two children, 4,700 forints a month per child, and for three or more children, 5,400 forints a month per child	Fixed amounts	Family allowances: eight income categories ranging from a maximum for those earning 15% or less of the average monthly national wage in the calendar year prior to the application down to a minimum level for those earning between 75% and 99%. Special child-care allowance: paid to the families with a child aged 17 years and under (up to age 26 if in educa-tion) with a need for special medical care. Payments of 18,000 tolar (36,000 tolar for a child in need of 24-hour care) are made on a monthly basis
	Administrative Organization	Ministry of Labor and Social Affairs provides general supervision. District administrations of the Czech Social Security Administration administer benefits	Ministry of Health, Social and Family Affairs pro-vides general supervision	Ministry of Labor and Social Policy provides general supervision. Ministry of Agriculture provides general supervi-sion of the system for farmers. ZUS administers program	Ministry of Labor, Family and Social Affairs

Source: Homepage of the Social Security Administration (USA) (http://www.ssa.gov/)

Table 3. Constitutional Features Affecting Power Concentration in the Czech Republic, Hungary and Poland

	Separation of powers	Structure of parliament	Electoral system	Referendum system	Dual executive
Czech Republic	No	Bicameral, asymmetrical	Proportional representation	No	No
Hungary	No	Unicameral	Mixed (Single-member+PR)	No	No
Poland	No	Bicameral, asymmetrical	Proportional representation	No	No (after 1997)

Note: Separation of powers refers to the independence of the executive from the parliament.
Source: Author (modeled after the scheme of Bonoli (2001))