What can we learn from the experience of social protection in Post-Socialist countries?

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1 Introduction

It is now over fifteen years ago since the countries of the former USSR and Eastern Europe opened up to embrace the forces and principles of marketisation, democratisation and liberalisation. While the many countries covered by the term ‘post-soviet’ have a multitude of different experiences with socialism and transition, they nevertheless do share some common history with respect to their allegiance to variants of Marxist-Leninist principles of production, consumption and social provisioning. It is the purpose of this paper to provide a broad, and general, review of the history of social policy/social protection across the regions of the former Soviet bloc and Eastern and Central Europe with a view to teasing out lessons for designing social welfare regimes and policies. The soviet experience provides us with an alternative model of social welfare (that of bureaucratic state collectivism) to those typically reviewed in mainstream social policy theory. We believe that Western models of welfare as well as ‘designers’ of welfare systems in many African countries will learn much from a reflection on the post-socialist experience.

2 Social protection before communism

It is difficult to identify a single or dominant model of social protection during the period prior to the Bolshevik revolution in Russia and the spread of communism into Central and Eastern Europe and Central Asia. Based on available evidence, this period appears to be characterised by uneven and sporadic developments in formal social protection and widespread reliance on informal social protection mechanisms. Religious institutions, such as the Russian Orthodox Church and mosques in Central Asia, seemed be important providers of social protection for vulnerable people. Like the state-based social protection instruments, these were likely top-down initiatives that responded to the perceived rather than articulated needs of vulnerable groups and individuals.

In Tsarist Russia, systems of social protection underwent a process of gradual expansion and secularization. Responsibility for extending social protection for the poor, aged and disabled was first assigned to the church and then gradually shifted to central and local government. A concern for the deserving poor informed by a Christian ethic was joined by measures to provide care and education for poor children (Madison 1968).

The Tsarist era in Russia witnessed the progression from social protection inspired by Christian charity to public responsibility for the welfare of the poor and vulnerable. It also enabled privately supported charities (Box 1). In this manner, Russia mirrored trends in other European countries, but lagged far behind them. Moreover, Madison (1968:23) write that “the possibility of a change in the concept of public responsibility itself – from ‘charity’ given to the deserving out of pity, to a contractual relationship in with society obligates itself to assist the needy individual if he meets eligibility requirements – was completely ignored in tsarist Russia.”

Box 1: The rise of state-based social protection in Tsarist Russia
An edict from Grand Duke Vladimir in 978 made the Russian Orthodox Church responsible for the management and financing of social protection for the poor, sick, aged and disabled.\(^1\) In the 17th century, when Western European models of social protection gained influence, when Tsar Feodor Alekseevich (1676-1682) acknowledged the reasonability of the state to care for the poor and created an administrative structure for diverse welfare facilities. Overall, his policy is notable for its identification of the deserving poor, the use of workhouses and the education for poor children. Poor individuals who resisted the system, however, were sent to Siberia.

Peter the Great brought social protection more directly under mandate of the state, which took over the administration and financing of welfare institutions from the church. The four main thrusts of Peter’s approach to social protection were: assistance for the ‘honest’ poor; the differentiation of aid according to the needs of the recipient; and, welfare regulations and specify punishments for non-compliance promulgated by the central government. (Madison 1968:6).

Public responsibility for poor and vulnerable children and adults in Russia was firmly established under Catherine the Great. The approach of the state to poor and illegitimate children initiated under her reign was particularly influenced by developments in Western Europe. This era also gave birth to a wide variety of charitable organizations and associations. In 1775, Catherine introduced a Committee on Public Assistance in each province. The mandate of these civil committees (prikazy) widened over time and included the management, administration and operation of welfare institutions, supervision of private charitable institutions, and providing non-institutional relief to the deserving poor, particularly from the military.

The interaction of the Tsarist regime with traditional institutions in Central Asia was limited and, from the scarce information available, traditional practices likely remained unchanged.\(^2\) The indigenous people of this area are almost all Muslims of the Sunni sect. Shirin (date) writes that influence of Islam was more limited among the nomadic peoples than among those in the urbanized areas, where the focus of social and religious life was the mosque and “folk traditions and customs were inextricably intermingled with Islamic practices” (page number).

As in other parts of the world, these informal systems varied across the region as they were largely rooted in traditional customs and kinship systems. A number of authors have portrayed the societies of Russia and Central and Eastern Europe as firmly hierarchal. Russian society during the pre-Soviet period has been described as being strongly patriarchal “founded on the open and unconcealed domestic slavery of the wife” (Engels in Madison 1968) [Atkinson et al. 1977] (Marsh). Ferge (1998) writes that “the relationships in practically all the countries of Central-Eastern Europe before the war were heavily hierarchised, inegalitarian, and sometimes, as in Hungary, almost feudal.” The institution of serfdom, that is the tying of the peasants to the land, initiated by Peter the Great similarly shaped Russian society [Madison] [O’Rourke 1996].

Extended families were particularly important in providing social provisioning among communities in Central Asia. In Mongolia, cooperative groupings of herding households (hot ail or ail) pooled resources, including labour and jointly make decision regarding migration. The hot ail or ail were part of and supported by institutions controlling access to land and animals: Buddhist

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\(^1\) These responsibilities were to be financed through the ‘tenth. That is, a tenth of revenues from fines, profits from every tenth week of trading in all cities, and a tenth of the annual production of grain and cattle that was to be augmented by a tenth from the population.

\(^2\) The area that constitutes present day Central Asia was brought progressively under Tsarist rule over 150 years. A rough division may be made between the nomadic or semi-nomadic peoples of present day Kazakhstan, Kyrgyzstan and Turkmenistan and the urban culture that dominated today’s Uzbekistan and western Tajikistan.
monasteries, princely “banners” (territories), and landed nobility. These institutions organized collective labour and production, redistribution and specialization. Seasonal migration was also managed by these institutions [Humphrey and Sneath 1999]. In combination, these larger institutions and groups of herding households effectively spread economic risk. Just as formal social protection systems responded to outside influences, such as those in Russia and Central and Eastern Europe, it is also likely that these informal systems changed overtime as the socio-political landscape of the region shifted.

From the late 18th to early 19th century the birth of social insurance among countries in Eastern and Central Europe and Tsarist Russia provided a unifying architecture to the social protection systems in the Region. In Russia, social insurance was proposed in 1833 and adopted into law in 1893. The law offered some protection against work-connected illness, injuries and death for workers in mining, the railroad and the Navy Department. The law also created “brotherhoods” whose income was derived largely from a tax levied equally on employers and workers. In 1900, mutual aid societies, the precursor to trade unions, were established and offered security to members and their families for illness, disability, unemployment and death. Overtime, this menu of assistance included the establishment of schools and libraries and advocating for improved labour legislations.

Subject to the Tsarist regime, it is likely that Estonia, Latvia and Lithuania had a similar experience of social protection until the early 1900s [Cermin]. Prior to their incorporation in Soviet Union, there was no system of universal state pensions in the Baltic States3. From 1919-1940, certain categories of people, such as state officials, teachers, priests, workers in state enterprises and servicemen in the army, among others, were entitled to a state pension. Private charities and organizations appeared to offer some services during this period [Aidukaite].

Unlike Russia and the territories under Russian suzerainty, the social security systems in Central and Eastern European countries resembled those of Western Europe [Ghai 2002] (Wagener). Legislation first introduced the Bismark model of old-age security in 1924 in Bulgaria. During this period, coverage was tied to the professional status of wage earners. The roots of social insurance in the Czech Republic and Slovenia are found in the Austro-Hungarian Empire. In 1906, legislation was passed to offer old-age social insurance to salaried employees; coverage was extended to all wage earners in 1924. Hungary similarly had a tradition of Bismarkian social insurance, with numerous pension schemes that aimed to secure occupational standards first established in 1924 [Cermin]. Worker’s entitlements, such as maternity leave, was introduced in 1924 in Poland and in Czech lands in 1948 (Steinhilber). These significantly well established systems more or less followed the Bismarckian model. Overall, however, coverage was incomplete and fragmented along occupational lines [Ghai 2002].

What is clear from the brief historical review above is that prior to communism different regions had quite different experiences of social policy and social provisioning, ranging from relatively well formulated insurance regimes in central Europe to reliance of extended family networks in the nomadic societies of central Asia.

3 Social protection during the Soviet period

The Bolshevik revolution of 1917 and expansion of Soviet rule into Central Asia at the beginning of the 20th century and into Central and Eastern and Central Europe following the Second World War brought sweeping changes to social protection systems in the region. These changes were founded on and reflected a radical reordering of society. Pascall and Manning (2000: page) explain these changes as a key aspect of the legislative roots that unify the region in "some

3 According to Aidukaite (2003), there is very little research on social protection systems in the Baltic States prior to the 1940s.
common history of social policy and family law’. The legitimacy of the communist system rested, in part, on the ability of the system to extend comprehensive protection to all citizens from cradle to grave. Standing (1995) calls this ‘essentially comprehensive social policy.’

The roots of the Soviet model of social protection may be found in Marxist-Leninist theory. In the Communist Manifesto, Marx argues “socialists insisted that society, insofar as it moulds individuals, has the moral responsibility for the welfare and development of all its members and, in some cases, that the state must actively promote these” (Marx 1988: p. 9 in Aidukaite 2003). According to Standing (1995), the Soviet system of social protection was underpinned by the Leninist objective of ‘decommodification’ of labour. Transforming traditional patterns of gender relations by enacting legislation to secure the equality of women was also a key objective of the Communist Party (Pascall and Manning 2000) (Pascall and Lewis 2004).

Three main pillars of the Soviet social protection system have been identified: 1) universal social protection was provided through 2) guaranteed (mandatory) employment, 3) wide-ranging subsidies on basic consumer goods and enterprise-provided services. The only explicit social protection programmes offered by the state were old age pensions and social assistance programmes for those people with special needs. Extensive privileges were extended to specific groups in rewards for their contribution to society, such as teachers and veterans or because of exceptional hardship or danger associated with their profession, such as miners (Lindeman, Rutkowski et al. 2000). Overall, the system has been described as one that offered “extensive low-level income security with limited inequality and system inflexibility” (Standing 1995).

The system of social protection was highly centralized. Indeed, the social protection system has been described as a monopoly by the state; it was financed through state revenue; the state could allocate and reallocate GDP as it saw fit (Lindeman et al. 2000). Social protection was not designed to meet the needs of citizens (as there was no forum for expressing needs in the Soviet system) but rather was determined by central administration. Within the system, the ratio of services to transfers was high. The “nature of services, their rational and distribution was underdeveloped, not services themselves” (Standing 1995). This system is often referred to a ‘service heavy, transfer light.’

As compared with other OECD countries, a large proportion of GDP – reaching more than twice the OECD average in some countries - was devoted to social protection and the level of family benefits and other material support was high. Health and education outcomes were a major accomplishment of the Soviet era. Enrolment rates in primary schools exceeded 85% in the poorest countries in the Region, while health indicators for the Region are better than for countries of similar income levels (World Bank 2000).

Below we discuss the avenues by which the soviet state ensured universal social protection.

**Full Employment**

Throughout the Soviet period, employment was both guaranteed and mandated for both men and women. Full employment was one of the main pillars of the social protection systems (Standing 1995).

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4 To truly understand the approach to social protection taken under the communist regimes in the Region, it may be necessary to delve into Marxist-Leninist theory. For example, Madison (1968) explains that Soviet theory of man and social change shifted from one that emphasised society’s responsible for people’s behaviours and social change to one that stressed the role of the individual in the 1930s. Some readings also suggest that, as the separation of society, the economy and the political structure(s) were eliminated under communisms (at least in theory), there was no role for social policy in the USSR and socialist Eastern Europe.
1995) and the means by which individuals secured entitlements to most benefits and services (work-based entitlements are discussed in the section below).

Women’s full employment took on particular significance a women’s oppression had been identified with their exclusion from paid work and integration into the labour force as the key to their emancipation (Molyneux 1990). Women’s labour force participation rates were well above those achieved in Western Europe and North America: reaching over 80% in Czechoslovakia, Estonia, Latvia and Lithuania and 70% in Poland, Hungary and Romania (UNICEF 1999:24; 2001:14). There was, however, hidden unemployment within the system, as productivity remained low in many workplaces (Deacon, Castle-Kanerova et al. 1992).

Women’s labour force participation was further affirmed through legal entitlements to equal pay, equal opportunities, and grievance procedures to deal with gender discrimination at work (Pascall and Manning 2000). The gender wage gap in the Soviet Union and Central and Eastern Europe was low by international standards. The gender pay gap was 11% in Hungary and 13% in Poland (UNICEF 1999:24; 2001:14). In addition, women made a number of important inroads into traditionally male occupations, such as engineering. This given, women’s integration into the labour force occurred in a stratified and segmented manner as evidenced by the gendered nature of the labour market in many countries throughout the Region (Fultz, Ruck et al. 2003) (Steinhilber 2005).

However, although the gender wage gap was limited, wages were low. Paid to individuals, a wage enables an individual unit to reproduce his or her labour power alone and not that of the whole family. The minimum wage was close to the average wage and neither was deemed to be adequate to provide savings to cover periods of interrupted earning power (Standing 1995). Moreover, the generally low level of wages demanded that both men and women work to ensure family survival (Ferge 1998). Conversely, a family dependent upon a single wage earner, such as lone mothers, were likely poor. Deacon (1992) argues that in many countries, wages were so low that survival often depended on securing a second or third job in the unofficial economy. This informal employment, he explains, was often dependent on using resource that where formally those of the enterprise where one worked. Given the low wages and generous social benefits, the ratio of social benefits to money wage rose steadily (Standing 1995).

The centrality of full employment to the Soviet system is further evidenced by the fact that “employment helped define an individual’s social importance in formal networks, such as the work collective, and it provided the context for the informal networks, an important source of support and information that helped people cope in a shortage economy” (World Bank 2000).

**Entitlements, transfers and services linked to enterprises**

Employment was the key source of entitlement to benefits and services and access was mainly through the enterprises where individuals worked, in particular trade unions and some special deputies commissions (Standing 1995) (Aidukaite 2003). More specifically, entitlements were determined on one’s role and duration of employment in the enterprise. Standing (1995) explains that the “widespread social security in terms of broad and secure access to basic social services for those who complied in the obligation to remain in full-time employment.” Indeed, the social provision by enterprises was more dominant than that provided by central and local governments. Pascall and Manning (2000) explain that enterprises controlled more than half of the housing stock in Moscow, trade unions managed social security and enterprises extended health and childcare services.

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5 This is in contrast to the male breadwinner model wherein a wage is designed to supporting the male worker and his family or dependents.
The USSR introduced a range of social insurance programmes, including contribution-based old age pensions, in the 1900s following the Russian Revolution. A comprehensive system of pay-as-you-go (PAYG) schemes provided old-age, disability and survivors pensions, as well as other insurance-based benefits and short-term benefits for illness and maternity leave (World Bank 2000). The eligibility criteria for these benefits were generous and the weak link between contributions and benefits resulted in considerable redistribution among workers.

Many women and men who were formally employed had at least one child. For women, this combination of work and motherhood was, in fact, epitomised the ‘ideal’ Soviet woman: who contributed both to the economic development of the country and rearing another generation (this dual role was not extended to men). The high level of labour force participation of women was enabled by a comprehensive set of ‘women-friendly’ policies (Standing 1999). Over time, however, policies shifted from encouraging women’s engagement in paid work to resurgence in pro-natalist policies from the 1970s onwards (Heinen and Wator 2006).6

Family and child benefits aimed to compensate parents for the cost of raising children and public spending on family benefits was high by international standards (Steinhilber 2005). The World Bank (2000) notes that family and child benefits were the most common form of benefit prior to transition. Eligibility for family benefits and other entitlements related to parenthood were largely linked to employment. Although these entitlements varied among countries in the region, they were generally extended in an unequal basis to men and women (ILO gender and social security reform). Men were, for example, legally excluded from a number of family benefits, particularly child leave schemes. Fathers were only entitled to such benefits in exceptional circumstances, such as the death of the mother (Steinhilber 2005).

The high rates of labour force participation of both men and women was supported by an extensive network of public services ranging from those that offset household chores (laundry and cooking) to care for children and the elderly.7 In addition to health and education, the range of services available to families included: kindergartens and nurseries for children under three years of age. In addition, residential institutions were available for individuals who were disabled, particularly those with disabilities.

6 This shift has been attributed to the general subservience of social policy to economic policy during the Soviet era.
7 These policy thrusts were reinforced by the social philosophy on which Soviet society was founded and influenced the widespread use of institutions to care for children, for example (Tobis). Collective upbringing was deemed to be more effective in raising new Soviet citizens. This widespread use of residential institutions spread to Eastern Europe.
ill or aged (Tobis 2000). In essence, the redefinition of gender roles in the Soviet Union included transferring responsibility of much caring work to the public sphere.

Box: Institutional care
Institutional care was central part of social policy in most Central and Eastern Europe and the former Soviet Union. According to Tobis (2000), residential institutions: socialized individuals into the collectivist culture; deculturated ethnic minorities such as the Roma; educated and trained children and channelled them into the work force; trained physically and mentally individual with disabilities who could work and created sheltered workshops in the institutions; re-educated juvenile delinquents and adult criminals; removed and isolated individuals who had severe mental and physical disabilities; assisted and protected groups of vulnerable individuals (orphans, dependent children, children at risk of abuse or neglect, the elderly, and people with disabilities).

4 The legacy of social protection from bureaucratic state collectivism

Many authors describing the formal socio-economic and political structures of the post socialist states emphasise the central themes of full employment, fairness, work-based social provision, heavily subsidized food and rents and work-place paternalism. However there is abundant evidence to suggest that the theory and reality of the soviet welfare state did not mirror each other. Massive hidden employment, chronic shortages, highly inefficient industry and agriculture, kleptomaniac leaders, and heavy bureaucracy became commonplace in many of the soviet economies, particularly in the later years of socialism. As referred to above the theory and reality of the soviet welfare state did not mirror each other.

While the positive aspects of the regime – full employment, heavy subsidies and free health and education – represented a social contract between the state and the people, this was marred by inefficiencies within the system largely based on the pursuit of equality of income and provision for the masses on the one hand, and on the other the hidden privileges of the nomenklatura. Table 1, below, illustrates some of the commonly stated advantages and disadvantages of the soviet model of social welfare.

Table 1: A system of welfare across Eastern Europe and the Soviet Union

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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</thead>
<tbody>
<tr>
<td>Job security for many</td>
<td>Inadequate or absent unemployment pay</td>
</tr>
<tr>
<td>Workers wages represent high percentage of average wages</td>
<td>Hidden privileges of party state bureaucrats</td>
</tr>
<tr>
<td>Free health services (but oiled with bribes and gifts)</td>
<td>Underdevelopment of preventative approach to health. High morality/morbidity rates</td>
</tr>
<tr>
<td>Three-year child care grants for working women and the right to return to work (especially in the GDR and Hungary)</td>
<td>Obligation upon women to work and care. Sexist division of labour</td>
</tr>
<tr>
<td>Highly subsidised flats</td>
<td>Maldistributed flats so better-off live in most heavily subsidized</td>
</tr>
</tbody>
</table>

Box: Institutional care
State-organized social security pension and sick pay system

No index linking of benefits and heavily work-record regulated. Totally inadequate back up social aid

Party-state/workplace paternalism

Total absence of rights to articulate social needs autonomously from below

Taken from Deacon, 1992, pp. 5

Paradoxically if many of the aspects of the soviet welfare system existed in the context of the democratic pluralist politics of the capitalist economies of Western Europe, such as child care grants, work guarantees, subsidized housing, benefits at a high percent of average earnings, this would be heralded as many as the progressive achievements of the social democratic regulation of market capitalism, whereas in Eastern Europe and CA they were perceived as part and parcel of the totalitarian state project of forcing work out of reluctant citizens for purposes that seemed to benefit only the privileged party-state apparatus’ (pp 5. Deacon). The paradoxes and specificities of the experience of social policy under a soviet regime provide us with many insights and potential lessons for thinking about social policy and provisioning more generally.

Some dominant themes arise from a reflection on the legacy of the soviet social policy system in terms of criteria for evaluating social policy. We review each of these in more detail below.

1. the tradeoffs between egalitarianism and efficiency
2. paternalist models of welfare, based on guaranteed rights, versus needs-based welfare regimes?
3. gender and employment-based welfare policy

Below we will address these themes in turn and consider what they may imply for welfare provisioning and choice of welfare regime.

1. In pursuit of social welfare: is there a tradeoff between egalitarianism and efficiency?

History illustrates that the positive features of the socialist social policy (formal egalitarianism) sit side by side with an underdeveloped and inefficient economy. While the socialist model may be praised from it's adherence to egalitarianism, evidence shows that wages were kept very low, service provisioning, while extensive, was of poor quality, savings were low and any transfers were minimal. In fact there was never a Golden Age of soviet social policy. Thus the question emerges as to whether there is an inherent tradeoff, or balancing act, between distributive justice and economic efficiency. Writing about the Soviet experience in the 1980s, Kornai concludes that:

*It is impossible to create a closed and consistent socio-economic normative theory which would assert, without contradiction, a political-ethical value system and would at the same time provide for the efficiency of the economy......What compromises are brought about between the different normative principles by the social forces of different social systems ......is a scientific question (1986:pp 124).*

In theory the system espoused a model of high growth and high egalitarianism. However, it is clear that the empirical model of bureaucratic state collectivism favoured an egalitarianism of underdevelopment, thus we are left asking how and under what circumstances a country will be able to pursue the theoretical ideal? The Soviet experience suggests that some compromises will need to be made.
The reality of the Stalinist/Marxist model was never more apparent than in the 1980s when Gorbachev began to talk of perestroika and glasnost as the way forward:

Equalising attitudes crop up from time to time even today. Some citizens understood the call for social justice as ‘equalising everyone’...On this point we want to be perfectly clear: socialism has nothing to do with equalising. Socialism cannot ensure conditions of life and consumption in accordance with the principle ‘From each according to his ability, to each according to his work’. This will be under communism.’ (1987:pp100)

Thus there was a clear statement and recognition that the ideals of the soviet experiment as set forth under Lenin had not stood up to the test of time, and were not achievable under the soviet system.
Table 2: Social equality verses economic efficiency

<table>
<thead>
<tr>
<th>Official ideology</th>
<th>Empirical reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equality</td>
<td>Equality</td>
</tr>
<tr>
<td>+ Efficiency</td>
<td>Bureaucratic collectivism</td>
</tr>
<tr>
<td>Liberal welfare states</td>
<td>Social democratic welfare states</td>
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</table>
| Social guarantees versus citizenship autonomy

<table>
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<tr>
<th>Official ideology</th>
<th>Empirical reality</th>
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<tbody>
<tr>
<td>Autonomy</td>
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</tr>
<tr>
<td>Efficiency</td>
<td>Social democratic welfare states</td>
</tr>
</tbody>
</table>

Taken from Deacon, pp?.

2. Can paternalist models of welfare, based on guaranteed rights, coexist with needs-based welfare regimes?

Mirroring the possible trade off between equity and efficiency was a balance between guarantees and needs. Even though the soviet model took the logic of Fabian paternalism as far as it could go......there were still large problems. In particular was the absence of rights to articulate and lobby for needs autonomously from below. The system left no space for this and as a result many groups, gypsies, disabled, as well as working groups that would have wanted other needs met, were left out of the welfare system. The paternalist model provided for people. ‘Welfare recipients were objects of provision and never active subjects in defining needs and running services that met needs’ (pp7, Deacon). Only the privileged nomenclature was able to take this advantage.

All socio-demographic groups were integrated into the labour force and employment. Women’s labour force participation rates were almost as high as mens; wages were close. Workers with disabilities had high employment rates (part of the enterprise based safety-net). Enterprises provided social employment – migrants, ethnic groups, disabled – although there was work stratification – this had implications for the evolution of the welfare system post 1990. Plus old aged pensioners were kept on and would well beyond retirement age in order to supplement their low pensions (late 80s fertility rate decline meant that there was a serious problem for social reformers post 1990). This ‘inclusion’ was based on state provisioning, not on consumer
involvement which meant that many groups did not have their most pressing needs met. Furthermore, this type of provisioning was workable in a closed economy setting but once the system opened up to marketisation and global market forces as well as democratisation this model was no longer sufficient. So, as a parallel to Kornai’s concerns about the equity-efficiency trade-off was a trade-off between what Deacon labels as ‘guarantees and autonomy.’

Standing also points out that the nature and degree of social protection under the soviet system was not chosen on the basis of revealed preferences, but determined by those in power who were not likely to be beneficiaries of any welfare payments. The providers rarely had a firm understanding of the value of the benefits or of the allocative efficiency of resources to specific types of benefits or services. Thus, the result was generally a low quality, allocatively inefficient benefit system.

Non-price rationing led to discretionary rather than distributional provision of benefits. Also, while the population typically had access to low-quality services as a low cost, the transaction costs of accessing the benefits were often very high in terms of bureaucratic form filling and queuing. Eligibility determined by employment and distribution was through very large enterprises. This meant that your entitlement was linked to an enterprise and determined by your length of employment with the enterprise. ‘The monopolistic structure of production and distribution tended to be associated with monopolistic control over the generation and distribution of social services.’

3. Gender and employment-based welfare policy

Women’s emancipation took a particular form under Soviet rule as women’s oppression was identified as being rooted in their exclusion from paid work (Molyneux 1990). A series of laws were enacted following the revolution with the aim of freeing women from their traditional gender roles within the family and community to enable their contribution to national development as paid workers outside the home (as well as in it). Women’s labour force participation was further affirmed through legal entitlements to equal pay, equal opportunities, and grievance procedures to deal with gender discrimination at work (Pascall and Manning 2000). This given, women’s integration into the labour force occurred in a stratified and segmented manner as evidenced by the gendered nature of the labour market in many countries throughout the Region (Fultz, Ruck et al. 2003) (Steinhilber 2005).

Both men and women enjoyed employment-based entitlements. Kollontai (1919 quoted in Ashwin date:page) explained that “the woman in Communist society no longer depends upon her husband but on her work. It is not in her husband but in her capacity for work that she will find support. The workers state will assume responsibility for them.” However, upon closer inspection some differences in the work-based entitlements of men and women become apparent (Fultz, Ruck et al. 2003). Access to paid employment may thus have enhance women’s independence and their status within marriage and ability to live outside it, although the generally low level of benefits may have muted this impact (Pascall and Manning) (Ferge 1998).

The high level of labour force participation of women was enabled by a comprehensive set of ‘women-friendly’ policies (Standing 1999) and an extensive network of public services ranging from those that offset household chores (laundry and cooking) to care for children and the elderly. The range of services available to families included: kindergartens and nurseries for children under three years of age. In essence, the redefinition of gender roles in the Soviet Union transferred much responsibility for caring work to the public sphere.
Over time, however, policies shifted from encouraging women’s engagement in paid work to resurgence in pro-natalist policies from the 1970s onwards. In Poland, for example, policies were introduced to encourage women to return home and early retirement for women was authorized to encourage grandmothers to care for children (Heinen and Wator 2006).

In contrast, men were not framed as workers and fathers. They were, in fact, legally excluded from a number of family benefits, particularly child leave schemes. Fathers were only entitled to such benefits in exceptional circumstances, such as the death of the mother (Steinhilber 2005). This had the effect of placing a dual burden on women who were expected to be both workers and mothers. This resulted in a heavier workload than that experienced by men.

Implemented from above, some scholars have argued that the “emancipate women” was often resisted by women themselves (Ashwin 2000) and did not lead to the transformation of gender relations in the private sphere. “Because of the impossibility of free public discourse gender relations never became a public issue. In public life, work, studies, culture and politics, women has become (almost) equal, and they may have felt (almost) equal. But in the private sphere, in partner relations, within the family and the private (interpersonal) side of relations –whether in politics or at the workplace - the traditional construction of the role of men and women remained by and large untouched” (Ferge 1998:221). In addition, Pascall and Manning (2000) point out that these positive elements may have been negated by constraints within the system. That is, for example, limited access to housing worked to limit access to separation and divorce.

5 Social protection in the early years of transition

Reforming social protection systems was not the primary concern of the early years of transition process in many countries. Yet Wagener (date) suggests that transition process itself demanded the separation of the social, political and economic spheres, thereby implicitly affecting social protection. While the reforms may have been economic in nature, the social impact of the reforms quickly became apparent. The transition from centrally planned to a more market-oriented economy eroded many of the achievements in health and education accrued during Soviet era (World Bank 2000). Levels of poverty in many post-soviet countries are now comparable to those found among developing countries. Progress made towards gender equality seems to have been eroded in many countries. This has occurred against a backdrop of declining birth rates, declining rates of marriage and increasing divorce rates (World Bank 2000).

The architecture of the transition period resulted in a steep rise in unemployment, huge jumps in the prices of consumer goods, growing poverty and inequality – the well known J-curve phenomenon. This challenged the Soviet system of social protection on at least two fronts. First, weakness in the system were accentuated by the reforms, which, over time, also eroded the institutional foundations of the system through declining tax revenue, the removal of price subsidies and the closure of enterprises, for example. The “inability of the system to promote adjustment to changing demand and its lack of concern with dynamic-efficiency” led to its collapse (Standing 1995). Similarly, Barr (2005:3) writes that “the effects of transition and, in consequence, the resulting policy directions followed logically from the nature of the old order.” Secondly, the reforms also created new types of vulnerability that were beyond the scope of the Soviet system. Most notably, rising rates of unemployment occurred within a system that was not

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9 This shift has been attributed to the general subservience of social policy to economic policy during the Soviet era.

10 i.e. the particular reforms and the prescribed sequence – could elaborate here or include in foot note. These had important implications for both the nature of vulnerability SP had to address and the framework within which the instruments had to operate, including possible funding mechanism. Standing 1995 includes a good overview
designed to deal with fluctuating employment and unemployment. According to Standing (1995), the reforms eroded the three pillars upon which the former system had been legitimised and the majority of the population had come to rely upon and value.

Thus, although concerns for social protection were not high on the reform agenda, a political response was quickly required from governments in the region. According to the World Bank, reforms were necessary because the social protection system was unable to respond to both the changing nature of vulnerability and poverty during the early years of transition and the emerging fiscal reality (Lindeman, Rutkowski et al. 2000) [World Bank – balancing opportunities]. Of particular concern to the World Bank during the early years of transition was the absence of unemployment insurance and ‘leakage’ of social benefits.

Broad similarities in the policy response of countries across the region are evident during the initial stages of transition. Over time, however, variation in the policy response emerged, as did the scope of the economic reforms more generally. That is, countries in Central and Eastern Europe restructured their economies more rapidly and more aggressively than did those in the former Soviet Union. Moreover, there is evidence to suggest that the approach to social protection among countries in the region shifted over time. While this is likely due, in part, to political forces within countries, a number of studies have documented the influence of international financial institutions and other international organizations on the shifting nature of social protection in the region (Deacon 2000; Standing 1995). In addition, in the late 1990s, “a worrying undercurrent among policymakers, politicians and national and foreign ‘advisors’” was noted. This undercurrent was “that under the previous regime the populations were ‘over-protected’ so that they needed a period of re-education to alter their consciousness” (Standing 1995:230). Most recently, the accession of Central and Eastern European countries to the EU has likely coloured social protection reforms in these countries.

There is some evidence that upon entering the period of transition the populations of Central and Eastern Europe, and perhaps the region more widely, wished to achieve an economic and social model akin that of the Scandinavian countries. Potucek (2004) argues immediately after the fall of communism in Czechoslovakia, the government planned to “create a universal and unified system of social welfare.” However, Standing (1995) writes that most countries have ended up with ‘residual welfare states’ based on a mix of social insurance and social assistance and partial privatization of social policy.

**Effect of Transition on Employment**

The reforms that accompanied the early years of transition led to a shrinking demand for labour throughout the region. This translated into a large drop in real wages and rising unemployment, although this pattern has been variable across the Region: in Eastern European countries, labour markets were adjusted through a sharp decline in employment and commensurate rise in open unemployment. In the former Soviet Union, cuts in employment were deemed to be politically untenable, leading to continually high rates of employment with low or non-payment of wages (World Bank 2000). Unemployment rates appear to be especially high among young women with children (UNICEF 1999). Data

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11 Other types of vulnerabilities, such as those created by rising nationalism, will not be addressed here (but perhaps they should be?). TIPS (tax-based incomes policy)

12 In fact, in CIS countries, many workers continue to be employed in the face of non-payment of wages because of the continued importance of job-linked benefits and services, such as housing and health benefits, in these countries (World Bank 2000).
In the countries of the former Soviet Union where labour market restructuring has been less aggressive, the informal labour market has burgeoned. Many workers remain formally employed but are largely unpaid. Secondary jobs and self-employment are thus increasingly important sources of income (World Bank 2000).

For the most part, women’s formal equality in the workplace remained underpinned by comprehensive legislation. Pascall and Manning (2000) suggest that public commitment to this legislation is evidenced in the continuing low gender wage gap. However, gender discrimination in the job market has been reported in Russia (Pascall and Manning 2000). In addition, fewer women seem to draw upon their entitlements, such as leave to care for sick children, and when they do, they draw upon the benefit for a shorter period of time because of fear of being laid-off (Ferge 1998).

In many countries, minimum wages were allowed to fall to new low levels. Standing (1995) explains that minimum wage was particularly important in this region, as the various levels of wages were calculated as multiples of the official minimum wage. Minimum wage was similarly used as a benchmark for social benefits.

Effects on Entitlements, transfers and services

Initial reforms were designed to contend with rising unemployment, shrinking budgets and rapid inflation. The transition to a market economy and democracy demanded that the state no longer reallocate GDP at will, but rather was forced to raise revenue through taxation. With the collapse of the Soviet Union, the large fiscal transfers from the Soviet Union to other countries in the Region ceased. This, in combination with weak taxation, resulted in a large decline in government revenue. In the former Soviet Union this led to the general inability to finance existing social protection systems. In Central and Eastern Europe, levels of expenditure remained high, although this pattern changed over time. A more recent challenge has included negotiating the shift from direct financing by the government to financing through newly created specific contingency ‘funds’ (Standing 1995). In most countries, social security funds have been separated from the state budget (Wagener). Payments into the system have slowly shifted from employers to employees.

Deacon (2000) suggests that the initial policy response was broadly similar in countries across the region. This policy response, he argues, consisted of an “ad hoc approach to the development of unemployment benefits and the compensation of social security recipients and employees for rapid inflation.” With time, governments in the region have responded in various ways to the negative affects of transition. In 2000, Deacon identified two broad trends in the approach to social protection in the region. He suggests that in the Czech Republic, Hungary, Poland, Estonia, Slovenia and possibly the other Baltic States and former Yugoslav a variation of the Western European welfare state has emerged with a mix of Bismarkian social insurance and Scandinavian style state financing. In Bulgaria, Romania, Macedonia and large parts of the former Soviet Union, an effort to maintaining entitlements in face of declining state revenue is evident. This, he argues, may result in the collapse of the system and a subsequent move towards a residual welfare state. Standing (1995), in turn, identified two broad trends in how the pattern of social protection has shifted in the region. The first is a move towards targeting; the second an increasing reliance on ‘active’ policy.

Wagener (no date) argues that among countries in Central and Eastern Europe, the initial phase of transition witnessed a return to pre-war social insurance systems akin to the Bismarkian system. Many countries approached the reform of their social protection systems with the aim of transforming them from a mix of universal benefits mainly linked to full employment to one that relies on social insurance designed to protect against market-related vulnerabilities and means tested social assistance (Standing 1995). Over time, the level of targeting in the region has increased (World Bank 2000).
To assist the growing pool of unemployed, countries initially relied on old age and disability pensions to support retrenched workers. In contrast, countries in the CIS did not pursue mass lay-offs and ensured continued employment and adjusted subsidies for housing and utilities in response to rising prices. In these countries, cash assistance and unemployment programmes played a more marginal role.

Unemployment programmes were subsequently introduced that were similar to those found in OECD countries. Unemployment benefits were initially generous and eligibility requirements broad (Deacon 2000). The World Bank notes that this system was unlike OECD-style pensions, as the pension systems adopted in the Region did not require minimum contributions and were initially quite generous (World Bank 2000). This changed over time, however. Beginning in 1992, unemployment benefits and eligibility requirements were progressively restricted. Deacon (2000) identifies the rationale for this policy change as the aim to increase reemployment. Standing (1995) argues that over time, unemployment insurance increasingly resembled those of liberal welfare systems. This meant that what started out as an essentially insurance-based transfer scheme became a tightly targeted and residual scheme.

Pension reform has been a major thrust of reforms advocated by the World Bank and others in the Region. Since 1989, old-age pensions have been the site of extensive policy reforms in the region. Old-age pensions embody many elements of the Soviet system of social protection more generally. The pension system was able to reach a large number of people because of the formalized nature of employment in the region (World Bank). Pension benefits were, however, extremely low and pensioners tended to continue working long after receiving pension benefits [Standing]. Hidden inflation also eroded pension benefits with older pension claims were smaller in real value [Wagener].

The Soviet pension system was financed on Pay-as-you-go (PAYG) basis through transfers from state-owned firms to social insurance accounts within the state budget. Eligibility was based on employment, covering formal sector workers and collectivized farm workers (Aidukaite). Pension credits were provided for years that workers (mostly mothers) spent out of employment caring for young children. Each year spent caring was generally treated as one year of employment (ILO gender and social security reform). Benefits were calculated on the basis of workers final earnings. The pensionable age was extremely low: 55 years for women and 60 years for men. In addition, privileged groups, such as soldiers, miners and teachers, received higher pensions from the state.

Pensions were the largest component of cash transfers in all countries in the Region [Standing 1995]. It is perhaps not surprising then that initial reforms pursued during the transition period were designed to contain the costs of pension schemes. While pension reform progressed differently in each country, a number of broad principles are largely discernable across the region: the pensionable age was raised and equalizing for men and women; working while receiving a pension was discouraged; and, benefits were tied more securely to contributions.

More fundamental reforms based on the ‘Chilean model’ were widely advocated by the World Bank. The Chilean model is based on a multi-tier system. Generally, the first tier is a low, basic means-tested state pension financed through PAYG contributions; the second tier is a mandatory private scheme for those in formal employment; and, the third tier consists of voluntary private insurance. Wagener (2002:163) describes these reforms being based on “fiscal stabilisation, regulative liberalism and organizational privatization.” The superiority of the Chilean model has been lodged in its financial viability, the strengthening of capital markets and lower administrative costs [Ravazi].

Pension reforms are likely to have important equity considerations. Reform inspired by the Chilean model in the region is “likely to become a major source of social differentiations in the future” (Standing 1995:242). This is because pension benefits are more individualized and
earnings related. Based on the experience of other countries, the Chilean model may have additional implications for gender equality.

Broadly speaking, benefit levels are closely linked to the overall contributions made by the insured person. In this system, individual rather than group characteristics are privileged. This may adversely affect women, who tend to work for fewer years, take more regular breaks from work for care-related work and earn less than men. When calculating benefits, private systems tend to take into account the fact that women often live longer than men. In affect, this works to further depress women’s benefits as compared with those of men. As compared with the Soviet-pension system, the multi-tired system adopted in countries throughout the region appears to undermined aspects of gender equity achieved in the region.

The evidence base upon which to evaluate these claims remains thin, as the widely implemented Chilean system remains relatively new in most countries. Some evidence from Chile is beginning to suggest the validity of these arguments and women’s general disadvantage within the system. Ravazi (2004) writes “

“…there are numerous factors in the private pension system that disadvantage women: the 20-year requirement for contributions (equal to men’s); the strict calculation of benefits based on one’s entire career which militates against women who have lower wages and who contribute on average for fewer years; the pressure to retire later so as to earn a higher pension; and the fact that life expectancy is now considered when calculating the benefits. So a typical woman who spends some of her working life doing unpaid work and caring for others is likely to receive a much lower pension, and may not even qualify for the minimum basic pension (which is subsidized by the state) because it requires at least 20 years’ contribution.”

The manner in which unemployment insurance and pensions have been reformed during the transition period finds similarities in health, education and entitlements to family and child benefits, among others. The policies initiated early in the period of transition utilized the existing system of family benefits to protect families from the adverse impacts of reform. Czechoslovakia introduced two new family benefits in 1990: the state compensatory allowance aimed to buffer households against the negative impact of consumer price liberalization and a parental allowance was extended for at-home care for children (Steinhilber 2005). During the early 1990s, countries struck down regulations that had barred fathers from benefits state sponsored parental support. Child benefits in Hungary, the Czech Republic and Poland were made available to men and women equally (Fultz, Ruck et al. 2003). As noted with other entitlements, family benefits were de-linked from employment in the early 1990s.

Many countries also introduced a variety of price stabilization mechanisms to assist citizens deal with rising utility prices, although this approach was less common in Central and Eastern Europe, where universal utility and housing subsidies were abandoned (World Bank 2000). Over the last 8 years there has been increasing loan conditionality pressure to remove subsidies altogether as the World Bank has pushed a privatisation agenda on many of the public utilities of former soviet countries.

A trend in many countries has been the general shift in responsibility for supporting children and families from the state onto individuals (Steinhilber 2005). In their study of the transition period in Poland, Heinen and Water (date) discuss how the notion of “public care” has disappeared from public debate. In Poland, and many countries across the region, the Soviet redefinition of caring work as a public responsibility has been largely reverted to families and is once again deemed to be the responsibility of individuals (Ashwin 2000). This trend is not uniform, however. In the Czech Republic, for example, the state has maintained higher levels of involvement and has retained many of the features of the former system (Steinhilber 2005).
Overtime, as countries faced shrinking budgets, rising inflation and increasing pressure from international financial institutions, the proportion of GDP dedicated to transfers and services has decreased (World Bank 2000). While recognizing the diversity among countries, broadly speaking policies that compensated parents for the cost of raising children have been reduced in most countries. In others, while formal entitlements have been maintained, they have simply not been paid, such as in Central Asia (World Bank 2000).

Family benefits were completely phased out in some countries, while in others, failure to provide regular cost of living adjustments phased out benefits in practices if not on paper. A general trend across the region has been to redirect family benefits to the largest families and those deemed to be the most in need (Fultz, Ruck et al. 2003). According to the World Bank (2000), the main types of cash assistance for families as of the year 2000 were child allowances and (means-tested) social assistance. While other benefits continue to exist and be draw upon, they are marginal in value.

As child allowances have been identified as a key mechanism for reducing poverty (World Bank 2000), they have received much attention within the general reform process. In 2000, child allowances remain universal in two countries in the region: Romania and Estonia. Receipt of the allowance in Romania is conditional on school participation. Previously universal child allowances have been targeted in Poland, Belarus and Russia. The real benefits of child allowances have been sharply reduced in the Former Yugoslavian Republic of Macedonia and eliminated in Armenia and Georgia.

Poverty cash benefit programmes were introduced in many countries in the early 1990s to specifically address rising rates of poverty among groups who did not qualify for existing programmes: long-term unemployed, the elderly poor with very low pensions and families without children (World Bank 2000). These were introduced as means-tested benefits in FYR Macedonia, Estonia and Latvia. In 1995, the Kyrgyz Republic adopted the first national poverty benefit in the former Soviet Union.

An evaluation by the World Bank (2002) suggests that during the first half of the 1990s, cash benefit schemes performed badly. That is, by in large the coverage of these programmes was low, particularly among poor households nor were programmes well targeted. Evaluations undertaken during the late 1990s point to continued low coverage of these programmes among poor households. Evidence on the impact of child allowance programmes is more limited. In countries with evidence on both child allowance and cash benefit programmes, the coverage of child allowance programmes is higher. There seems to be considerable variation in the efficiency of targeting child allowance programmes among countries in the Region.

Enterprise-based services were, in theory, transferred to central and local governments. During the initial years of the transition, however, the reforms led many enterprises to shift a portion of the money wages into the provision of non-taxed benefits. Among individuals who remained employed, some had access to enterprise-based benefits. This sat uncomfortably against the reforming state social protection system that benefited different groups to various degrees (Standing 1995).

With time, enterprise-provided services were abolished, transferred to local communities or privatized (Deacon 2000). Control over social protection has been decentralized to local governments, as well as NGOs and the private sector (living longer). The decentralization of (some) social protection mechanisms to local governments in combination with the rising demand for targeting has resulted in a high level of discretion of authority in the distribution of social protection at the local level (Standing 1995). In many countries, voluntary organizations have filled the space left by the state (Deacon 2000).

Health and education systems are being transformed. Universal programmes financed and managed by the state are being replaced with systems characterised by various levels of
privatization, the user fees and private systems of health care insurance. The costs associated
with health and education are increasingly being passed on to individuals (Standing 1995) (Falkingham 2004). Private health insurance has been mandated in the Czech Republic, Poland, Hungary and Slovenia (Wagener). Informal payments have been found to constitute a significant portion of overall spending on health in the former Soviet Union (Falkingham 2004). Housing stocks have been privatized in many countries (Aidukaite 2003). Access to services is increasingly differentiated according to ability to pay.

The speed and scope of the shift in state responsibility for caring tasks to families has varied across countries in the region and across different instruments. According to Pascall and Lewis (2004), some countries in Central and Eastern Europe have retained their commitment to state involvement in childcare, although at varying levels. Pascall and Manning (2000) describe how the coverage of childcare and other state services plummeted in George and other Central Asian countries.

In Poland, shrinking coverage of childcare services was accompanied by redefining parental leave schemes to make them more attractive. There is some evidence of a shift from nursery to parental care and rising levels of informal care by grandparents. Even in countries that have not enacted legislation to encourage parents, particularly women, to increase their contribution to caring work, it is likely that across the region, families (especially female family members) are filling the gap left by the retreating state. Often, the neo-liberal drive to reduce state-provided services has been supported by conservative forces advocating more traditional roles for women (Razavi 2005).

6 Social policy ‘dumping’ or ‘dumping’ on social policy?

In the first ten years after the end of socialism, most countries were forced to move away from embracing coherent social welfare regimes and introduce what would amount to a ‘residual welfare state’, based on a mix of social assistance and social insurance and some privatisation of social policy. In many cases this residual model was supported and strongly influenced by powerful donors such as the World Bank. This residualist model contrasts starkly with the comprehensive, employment-based model of the past, where the working populace had minimal coverage in all areas.

Future welfare systems in the region are difficult to forecast primarily due to the massive contractions that all the post-soviet economies faced (to varying extents) and the limited resources available for social spending. There is perhaps some hint of the future trajectories with respect to European accession countries as well as those countries being influenced heavily by trends in World Bank policy on social protection. Below we review how these different influences might mould social policy futures for some countries, however this is a very aggregate picture as it is clear that each country’s social welfare regime will represent a complex interaction of history of social policy (pre and under socialism), the depth and length of economic contraction post-socialism, the nature and extent of privatisation in the economy and the cultures of political activity post-socialism.

The Influence of Multi-lateral agencies

Much debate remains concerning the factors that have, and continue to, influence the evolution of the welfare state regimes in Eastern and Central Europe and the former Soviet Union. Some authors, such as Schmahl and Horstmann (2001), Orenstien (2000) and Chandler (2001) argue that post-Soviet welfare regimes are largely path dependent. Among others, Deacon (1994, 1997, 2000) and de la Porte and Deacon (2004) trace the influence supranational organizations have had on social policy developments in the region. Standing (1995) goes further, perhaps,
describing the transition period was the first time in history that social policy has been shaped by the influence of international financial agencies.

The influence of supranational organizations such as the World Bank, IMF and EU are increasingly suggested by studies that find evidence of growing convergence among social protection regimes in the Region. Muller's (2001) analysis of old-age pension reform in the Baltic States, for example, concludes that following a period of unique evolution in policy following independence, recent reforms point to increasing converge among the three countries.

While a number of studies from the region make reference to the influence of supranational organizations on policy development, only a few, to date, have systematically explored their role in shaping social policy at the regional level. In 1994, an initial study of the involvement of supranational organizations in the setting of social policy since 1989 in Eastern Europe concluded that a number of key supranational organizations were involved in shaping post-communism social policy; that the policy advice offered by these organizations differed in both direction and emphasis; the advice offered tended to depend on the consulting agency employed; and that some parts of Eastern Europe were favoured by all organizations. The differing advice of these supranational organizations was identified as originating in the competition between different factions of global capitalism. The study concludes that “a major ideological struggle is taking place over the shape and content of the social security and income maintenance aspects of social policy in the newly emerging democracies of Eastern Europe” (Deacon 1994).

These conclusions were updated in 1997 by the findings of a study that considered in more detail the implicit and explicit advice offered by supranational organizations to countries in Hungary, Bulgaria, Lithuania and Ukraine (Deacon and Hulse 1997). While arguing that the conclusions from the earlier study remained broadly sound, the study identified policy shifts in the advice offered by some supranational actors. The role of the World Bank in the shaping of social policy in the region is of particular interest as its influence is global in scope. Thus, the section below concentrates on the study’s analysis of the World Bank.

The study argues that the World Bank has a number of set instruments and activities through which it can influence domestic social policy. These are outlined in Table 1. At the time of writing, only Hungary had progressed from an initial country economic assessment through to a Structural Adjustment Loan (SAL). Because of this, analysis was largely limited to the broad policy advice offered to each country.

<table>
<thead>
<tr>
<th>Method</th>
<th>Hungary</th>
<th>Bulgaria</th>
<th>Lithuania</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Country Economic Memorandum</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Social Sector study with recommendations</td>
<td>—</td>
<td>(Part of above)</td>
<td>(In progress)</td>
<td>✓</td>
</tr>
<tr>
<td>Rehabilitation loans in Social Sector</td>
<td>×</td>
<td>×</td>
<td>Probably</td>
<td>Probably</td>
</tr>
<tr>
<td>Structural Adjustment Loan with Social Conditionality</td>
<td>Conditional on Social Assistance Reforms</td>
<td>Conditional upon Social Policy White Paper</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loan Supervision</td>
<td>✓</td>
<td>Ongoing</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: (Deacon 1997)
Similar analysis was carried out by Milanovic (1992 in Deacon 1997), which reviewed World Bank reports on five countries of the former Soviet Union (Russia, Kazakhstan, Kyrgyzstan, Georgia, Lithuania). The conclusions of the report identify several policy areas where World Bank advice appears to be broadly consistent, thereby amounting to policy consensus, and others where diverse recommendations are argued to reflect disagreement among Bank staff or staff and consultants. Table 2 outlines the areas of convergence and divergence.

<table>
<thead>
<tr>
<th><strong>Convergence</strong></th>
<th><strong>Divergence</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Assistance</strong></td>
<td>Redefine the poverty lines</td>
</tr>
<tr>
<td><strong>Unemployment Compensation</strong></td>
<td>Discontinue benefits for the new entrants</td>
</tr>
<tr>
<td><strong>Pension commitments</strong></td>
<td>Statutory retirement age should be increased, equalised for men and women, lowest pensions should be protected against erosion, working whilst pensioned should be discouraged (directly by obliging those of pensionable age to choose between wage and pension or by deducting pension payments in relation to supplementary earned income)</td>
</tr>
<tr>
<td><strong>Sickness/Incapacity Leave</strong></td>
<td>Shift some costs to employers</td>
</tr>
</tbody>
</table>

To further this analysis, Deacon and Hulse (1997) explores that areas Milanovic identified as possibly divergent. While some areas of disagreement remain\(^\text{13}\), the authors argue that in the area of pension policy there is evidence of a “discernable drift towards crisis-driven, short-term, flat-rate strategy. This finding is supported by those of Vodopiver (1992 in Decond and Hulse 1997), who complemented Milanovic’s work by extending it to Armenia, Estonia, Latvia and Ukraine. He concludes that “all reports under current review advocate flat-rate unemployment and pension benefit. The congruence seems to be a fruit of concerted action on the part of the Bank”

With regards to family allowances, Deacon and Hulse find continued variability in the advice offered to countries. However, a “general assault on generous, wage related, high replacement rate unemployment benefits continues.” Analysis of recommendations regarding safety net policy offers little suggestion of a coherent World Bank policy. In contrast, there appeared to be some consensus regarding the ‘less European countries’ of the former Soviet Union where “there seems to be an understanding that continued partial food subsidy and universal entitlements to population categories known to be poor are preferable to unviable means tested strategies” (Deacon and Hulse 1997:57).

\(^{13}\) Divergence was noted on the issues of wage related pensions and the explicitly encouragement private pensions.
More recently, Deacon (2000) has argued that the World Bank has encouraged targeted, privatized and residual social policy through the conditions laid down for recipient countries in IMF and World Bank loans. Similarly, health insurance reforms based on payroll taxation were identified increasingly common among Central Asian countries and the pension reform with a three-tiered system modelled on World Bank initiated in Kazakhstan was leading the region in pension reform (UNICEF 1999 in Deacon 2000). The increasing convergence suggested by these findings may reflect the consolidation of social policy advice in the Social Policy Division of the World Bank.

Yet evidence from case studies in the region suggests that this pattern remains uneven. For example, in her study of the reform process in Russia and Latvia, Chandler (2001) chronicles how Chilean system, widely advocated by the World Bank, has been adopted in some countries (particularly by the Ministries of Finance) but not by others. This, she attributes to internal political dynamics within countries. In comparing pension policies, Muller (2002) finds that most Central and Eastern European countries have initiated pension privatization, although some variation exists in the details of these reforms. Within this broad trend, however, the Czech Republic and Slovenia stand out as exceptional cases that have eschewed this type policy reform. Muller traces this outcome to the fact that the Czech Republic and Slovenia remained largely debt free during the transition.

While far from offering a comprehensive overview of the influence of the World Bank in the region, these studies highlight the complexity of the issue at hand. The evidence presented appears to support the notion that World Bank thinking in this area has converged into clear policy prescriptions, although this has occurred more rapidly on some issues than others. With regards to pensions, this is evidenced by the wide spread touting of the Chilean model in the region (Manning 2004). Yet, the unevenness with which World Bank advocated reforms have been adopted highlights that fact that other factors are at play and questions the pathways through which the World Bank actually influences reforms. Is this through loan conditionality, as the Muller study suggests? Or, can the influence be traced to the new language and frameworks the Social Protection Division have constructed that enable cross-national comparison and evaluation of social protection systems? Pensions, for example, are now discussed largely in terms of ‘pillars’ and the criteria for evaluation is largely inspired by macroeconomic considerations (see Brooks n.d.).

EU accession influence?

A number of authors have argued that social issues and social policy have received relatively little attention within the body of research on the eastward expansion of the EU [Manning 2004 (Manning 2004)] (Lendvai). Analysis has more recently begun to assess the impact of the EU on the evolution of social policy in Central and Eastern Europe (Deacon and Hulse;Deacon; Ferge and Juhasz; De La Porte and Deacon). The influence of the EU on social policy in the region is important for a number of reasons. The concept of social policy embedded in the EU is often held up as a counterweight to the neo-liberal inspired reforms articulated by the World Bank and IMF. In addition, the accession of the eight new member states from Eastern Europe in 2004, the planned accession of Croatia, Bulgaria, Romania and FYR Macedonia present a unique “meeting point of national and supranational social policy” (Lendvai). With regards to EU expansion, both the actual and prospective membership may impact upon the social policy of countries in the region.

14 The Czech Republic, Poland, Hungary, Slovakia, Slovenia, Estonia, Lithuania and Latvia
Yet the influence of the EU on domestic social policy in the region is often indirect, as social policy is not the subject of any clearly articulated EU policy. De la Port and Deacon (2004), for example, locate the influence of the EU in the discursive aspects of ‘hard’ and ‘soft’ legislation. Hard legislation describes the legally binding aspects of treaties, such as regulations and directives, while soft legislation refers to the non-legally binding provisions, such as recommendations and communications in the policy co-ordination process. De la Port and Deacon (2004) argue that an analysis of soft legislation reveals the contours of a single EU social policy. Similarly, Ferge (2004) contends that while the ‘European Social Model’ is often evoked, it is nowhere defined; its underlying values and elements are articulated in various documents.

The extent to which the ‘European Social Model’ has been translated into reality through the accession process remains questionable. The 1993 Copenhagen European Council, set out the criteria to be met by applicant countries in the *acquis communautaire*. The conclusions state:

*Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and, protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate’s ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.*

The absence of criteria specific to social issues or social policy in the *acquis* have been noted by some: “the conditions for accession laid down in the Copenhagen criteria in 1993 did not refer directly to social policies, except for making explicit the need to protect minorities” (Hantrais 2002:141). There are few, if any, legally binding EU provisions that interface with social policy issues (Gyulavari and Nagy 2000:12 in Lendvai 2004). An analysis of annual accession reports lends further weight to this position. Ferge (2001 in Lendvai 2004) documents the underlying neo-liberal agenda and near absence of poverty and other social issues in the accession reports.

De la Port and Deacon (2004) and Lendvai (2004) argue that social aspects of the *acquis* are discernable, particularly with regards to equal opportunities and equal treatment of men and women, the coordination of social security schemes, health and safety at work, labour law and working conditions, the labelling of tobacco products, and, social dialogue. Moreover, the full participation of new members states in the Open Method of Co-ordination (OMC) and access to the European Social Fund increase the scope of ‘soft’ legislation to influence social policy in candidate countries.

A case study of Hungary found that the EU had limited role in shaping social policy during the transition period (Ferge and Juhasz). The limited influence reported started in the mid-1990s mainly in the areas of gender and minority rights and civil and social dialogue – areas that are spelt out quite clearly in EU policy. Since 2002, poverty, social exclusion and inclusion have figured prominently on the policy agenda in Hungary. This too was attributed to the influence of ‘hard’ EU legislation. Other EU influence appears to be largely limited to procedural issues and institutional requirements for accession. These finding suggest that the accession of new member states to the EU does not lead directly to convergence in domestic social policy with that of old member states. Rather, the continued tension within the EU itself has hampered the expression of a clearly defined social policy expressed in terms of ‘hard’ legislation. Should the contours of the ‘European Social model’ identified in the ‘soft’ legislation be translated into binding legislation, the influence of the EU on the social policy of countries in the region remains questionable.

In addition to the influence of EU accession on the social policy of countries, questions arise concerning the possible influence enlargement will have on EU social policy and that of old member states. A related issue here is the concern a number of countries have expressed for the perceived movement of workers from new members states in search of work and enhanced entitlements to more generous social benefits.
7 Conclusions

Social policy in transition posed a number of problems for social policy makers. First, in the early stages of transition there was a popular expectation that capitalism would bring massive benefits in health, education, security, housing and property. There was widespread desire for market reforms however at the same time population wanted strong state guarantees of income security. Unfortunately, the legacy of inadequacies and inefficiencies of the past means to fulfil these expectations requires a lot, too much, from social policy. New welfare problems flowing from first steps to capitalism – unemployment, collapse of economy, globalisation, inflation, j-curve contraction – means that there is fewer funds available to meet social policy expenses. Thus the majority of transition countries have to, or have had to, face the massive dilemma of how to provide greater social protection for the growing numbers of people in need, while cutting back on social expenditure (due to actual constraints). Many countries in Eastern Europe and Central Asia face a crisis in the development of social policy.

While many recognise the advantages of the egalitarianism of bureaucratic state collectivism, the move to democracy and the liberalisation of the economy has required the ‘dumping’ of many of the guarantees that the socialist system provided. This shedding of social policy has left a vacuum within which a residuum model of welfare typically co-exists with the relentless pressure by multilaterals to adopt pre-formulated models of different types of social protection instrument. In the absence of coherent welfare regimes, the policy ‘dumping’ by institutions such as the World Bank clearly reinforce the residuumist model of welfare where social policy is not conceived as a coherent, joined-up system, but as a disjointed mixture of a variety of instruments.

There is evidence of some trends in social protection across the region, such as a strong move to greater reliance on means-tested social assistance (Manning argues that this is evidence of explicit and implicit disentitlement). Pension models, as prescribed by the World Bank and often based on eth Chilean model are being adopted by many countries. There is also a move to active policy around unemployment benefits, rather than simply passive transfer payments. While there are some hints of convergence across countries within different regions, much more research is required to detect the extent of this convergence and the implications social protection imports have for the future welfare regimes and the future welfare of many of citizens of post-soviet countries.

Questions for consideration (raised by Standing)

1. Is independent social policy in one country feasible in the 1990s, especially given the pressure from IMF and WB to adopt particular policies ad the pressure fro the EU to have the emerging social protection systems converge to patterns acceptable for potential members of an enlarged EU?
2. What are the prospects of genuinely democratic tripartite government or some more broadly based representative system that gives voice and decision-making role for groups if potential and actual beneficiaries?
3. Will the international trend towards social policy governance dominated by government bodies drawing on ‘experts’ and committees of specialist become the norm in CEE and FSU? To what extent will these processes by democratically accountable?
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