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SOCIAL POLICY CHALLENGES AND DILEMMAS IN EX-SOCIALIST SYSTEMS ¹

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THE NEED FOR SOCIAL POLICY REFORMS

The necessity of the reform of social policy is everywhere on the agenda. The reasons and arguments are manifold. The debate is unfortunately highly ideological which makes rational debate difficult. Or at least it compels one to make clear her position before entering the rational discussion of the issues.

There is a neo-liberal agenda which, in its *extreme form*, would like to get rid of the welfare state as it evolved in Western Europe. It claims that 'The phoney help on offer from the Welfare State is no help at all. It is a lethal threat to our freedom. We should get rid of it at once and for all...' (Marsland, 1996, p. xii).

A milder variant of this agenda emphasizes individual responsibility but accepts the responsibility of the state in case of the destitute. An illustration may be given by the position of the former Hungarian finance minister, currently a socialist MP, who argues about the importance of reducing state spending. 'In this change the decisive factor is the (increased) responsibility, ability of adjustment, and self-provision of the individual. The aim can be attained only if we do away the false sense of solidarity which is commended by many even nowadays.... Welfare politics should focus in the future on the indigents and the defenseless... social policy cannot offer protection and guaranteed security to defend the living conditions and the financial standards of the middle strata' (Békesi 1996:7 and 8). This is a clear return to the 16th- 17th century in terms of the role of the state.

Beliefs and values like tastes are hard to dispute. The argument of N. Barr (1994) helps to some extent to separate values and rational reasoning when he suggests to separate the issues of the *scale* and the *structure* of welfare spending. In his view the scale - how much is spent on welfare - depends not only on the available resources but also on values endorsed by a society, such as on the weight accorded to social solidarity. The structure, that is the division of spending between the state and the market is seen by him, though, as a technical issue of efficiency, where state intervention may be justified in the face of grave market

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failures. The argument is important but - unfortunately - the dividing line between scale and structure is not always clear. Their intertwined nature is nicely illustrated by Glennerster when he discusses the merits and demerits of a technical instrument, the top-up vouchers in education which would allow high income families to get better education for their children: „ If you think that it is important for children to begin life with as equal a set of opportunities as possible you will find the top-up voucher objectionable. If you view education like any other consumer good you will not see there is a problem.” (Glennerster 1996). Well - I do see that there is a problem and this may influence my whole argument.

Commitment to some values, then, ought not to preclude altogether rational discussion. In fact reform - East and West, North and South of the globe - is a must even if we think that the social state (an expression I prefer to welfare state) is not dead or should not radically retrench. The reasons are well known and manifold. I have to recapitulate them very briefly because they have relevance also for the transition countries.

* The economy offers new challenges because of globalisation entailing open and competitive economies which start an upward spiral in boosting efficiency and a downward spiral of labour costs; basic changes in the labour market by reason of deindustrialisation, ‘jobless growth’, increasing labour mobility and flexibility, the proliferation of atypical or precarious and usually unprotected jobs, and most importantly large-scale, long-term unemployment.

* Demographic trends also present challenges especially on account of increasing longevity, the decline of fertility, and changing family patterns, particularly the multiplication of single-parent, usually female-headed families.

* A strong tendency of weakening solidarity and increasing individualism is evolving. One of the consequences is that the relatively better-off (who may have become a majority in rich countries, Galbraith 1992) espouse the ‘post-modern’ attitude also towards former social policy arrangements. They desire or claim what they believe to be better value for their money, including more individually tailored services, more flexibility, more free choice. This also means that they are less willing to shoulder the costs which would be required to alleviate the consequences of the two first trends.

The ‘modern’ Welfare State could not cope well with the consequences of the above trends. Hence the emergence even in many of the most developed and relatively affluent societies of the ‘one third/two thirds model’ or the ‘40-30-30%’ model (Hutton, quoted by Taylor-Gooby, 1995b) of society with new forms of poverty amidst affluence, the threat of massive social exclusion or disaffiliation (Castel 1995). There is a strong tendency to justify destitution amidst plenty by moral arguments conducive to a shift from welfare based on claim-rights (Dasgupta 1995) to enforced workfare and weakening social rights (with the new US bill ‘showing the way’).

These developments are not seen as inevitable by all, though. Trends are varied. There is a search for new insights, arguments and instruments. The recent article of George Soros (1997) on the dangers of a dominating market is an interesting sign of the new self-doubts. The report of the (British) Commission on Social Justice (1994) attempts for instance to redefine the role of the state, to

shift from the *state as redistributor to the state as investor* - investor in the future via life-long education and many other instruments to give chances to those born in the wrong places. The French RMI, a new form of social assistance, is an instrument which tries to cope in a humane way with the consequences of social dislocation.

The resistance of 'civil society' - for instance the demonstrations in France in the winter of 1995 or in Germany in the spring of 1996 - seems to be an important democratic means of weakening the 'global project' - maybe not only in Western Europe². The citizens have been deeply involved in the construction of the welfare state. And albeit the welfare state did not deliver all its promises the majority was quite well served by it. The uprooting of a system having deep historical roots and profiting a majority may indeed encounter very strong resistance.

And last but not least many *supra-national agencies* take a new or strong stance. The Council of Europe in its most recent revision of the European Social Charter aims at strengthening safeguards of fundamental economic and social rights. The United Nations declared 1996 the International Year for the Eradication of Poverty and the next decade 1997 - 2006 the International Decade for the Eradication of Poverty. Indeed, since 1993 the 17th of October is observed as the International Day for the Eradication of Poverty³. The European Commission has set up a 'Comité des Sages' in 1995. This Comité has emphasised the importance of a social dimension of integrated Europe. In the view of the Chair of the Comité, 'Civic rights and social rights are becoming interdependent. *In the European tradition they are inseparable.* „Freedom and the conditions of freedom” are the mirror image of „democracy and development” (European Commission, 1996:5). While the report recognises the importance of a minimum income and strongly advocates it, it also repeatedly emphasises the dangers of increasing inequality. It accepts the idea of personal responsibility, but completes it: 'There is a need for an instrument combining economic security with a means of enabling individuals to take responsibility for their personal development'. The Comité also expressed its feeling that 'Europe was in greater danger than it realised and that the „social deficit” was fraught with menace. Europe cannot be built on unemployment and social exclusion, nor on an inadequate sense of citizenship. Europe will be a Europe for all, or it will be nothing at all' (Ibid:13).

Some supplementary considerations have to be added.

First, the usual argument about non-affordability of the costs of former welfare commitments because of shrinking resources does not apply to the high-income economies. Their per capita GDP has increased since the oil crisis by about 45 per cent, and in the last ten years of 'protracted crisis' by over 20 per

² The mass mobilization in South Korea in late 1996 and early 1997 to defend workers' rights is an interesting new development.

³ The originator of the idea was Father Joseph Wresinski, founder of the International Movement ATD Fourth World. A commemorative stone was unveiled on this day in 1987 in France with the words: 'Wherever men and women are condemned to live in extreme poverty, human rights are violated. To come together to ensure that these rights are respected is our solemn duty.'

cent. Resources have remained plentiful; only their distribution seems to have changed (World Development Report, 1993 and 1996, Atkinson et al. 1995).

The second point to be added is that the spectacular increase of social expenditure and total public expenditure between the sixties and the oil crisis was certainly slowed down or sometimes stopped after the mid-seventies but - despite rhetoric to the contrary - there was no significant cutback in the OECD countries (OECD 1992 and 1993, Hill 1996). That is why Esping-Andersen concludes that especially in the West 'the cards are very much stacked in favour of the welfare state status quo' (1996, p. 267).

The third issue to be mentioned is that there was much more variation in welfare expenditures in the other groups of countries with upward moves in the fast-growing Asian economies and significant drops for instance in some Latin-American countries.

On the whole it seems that the future of welfare arrangements is not a simple economic issue. Government politics, democratic traditions, efforts to preserve social harmony by broad consensus building involving civil society are all-important. The interplay of ideologies, politics and social forces may produce different results. The variations emerging in Latin-America for instance between Chile and Costa Rica seem to be particularly relevant for Central and Eastern Europe because they tend to show that there may be always options.

ADDITIONAL REASONS FOR THE NEED FOR WELFARE REFORM IN CEE COUNTRIES

There are at least three groups of reasons why change is inevitable in the former totalitarian state-socialist countries. The endemic flaws of the former welfare system have to be corrected. The economic, demographic and social-psychological factors making welfare reform unavoidable in the West are not only all present in the transition countries but their compelling force is much stronger. And the profound social transformation brought in its wake new problems which request new answers. We try again to recapitulate as briefly as possible the main motives for change.

The Flaws Of The Former System

The flaws of the former system are identified in different ways by different authors. The neo-liberal criticism assesses it as paternalistic, premature and over-lavish (e.g. Kornai, 1996). The World Bank has assessed in an important book the 'strengths and weaknesses' of the former system in most fields of social policy (Barr 1994). Their appraisal is not too far removed from a left-liberal evaluation which gives a brief overview of the former system:

We take it as axiomatic that a welfare system has seven potential 'functions' - poverty relief, poverty prevention, provision of social *security*, income redistribution, preservation of 'social solidarity', promotion of (labour) mobility, and promotion of economic and labour market restructuring and productivity... *Put crudely, the former system performed some of those functions relatively well,*

notably the first four, and some very badly, notably the latter two (Standing 1996, p. 226).

In a somewhat more theoretical vein one could add that social policy in its large sense (as societal policy, Ferge 1979) seems to have been a much less artificial and much less harmful subsystem than politics or the economy. Unlike the other two, it had important pre-war traditions; despite its authoritarian nature it had strong popular support; and it played an important role not only in reducing pre-war massive poverty but also in changing the almost feudal interpersonal relations prevailing in many countries of the region. In this sense it had a civilising or modernising impact in the sphere of social relations. Obviously the impact would have been larger and more profound had the system been democratic - but this is no reason to deny what happened despite adverse political conditions (see in detail Ferge 1997). Its major flaws (detail elsewhere, e.g. Ferge 1991) can be all traced back to the totalitarian nature of the system in which (party) politics colonised all subsystems and the whole life-world - using Habermas' concept. To name just some corollaries:

- because the legal system was arbitrarily dominated by politics, rights could not become real even if they existed formally on paper. Therefore civil, political and social rights were all sham and the citizens were only subjects;

- all measures were dictated from above (even when they happened to be a response to some palpable discontent) without citizens' participation, control or attempts at consensus-building; individuals and their smaller collectives were denied voice and the right to particular interests;

- social policy -- as everything -- was ideologically loaded. Hence, for instance, the denial of facts such as poverty or unemployment, which did not correspond to the official ideology, had to be hidden and went therefore unattended. This is one of the reasons why there is hardly any experience with targeted help.

- because of the domination of politics, all subsystems were deprived of their relative autonomy (to fulfil their specific functions according to their own rationality). Instead of the interplay and compromise of a 'social' and an 'economic' logic there was a blurred fusion detrimental to both rationalities. (The distorted price system or the rigid and formal full employment may serve as examples.)

Interestingly enough the current reform discourse omits to deal with two basic issues:

- It practically never addresses the issue of the democratisation of 'state' social policy or, better, tax-funded collective arrangements. Of course many recommend, or press for, the development of civil society, of the NGO movement, as a sector capable to replace the welfare functions of the state. It is seldom made explicit, though, that civil society has a dual function in this respect: *the service function and the voice function*. As a sector offering welfare services it can complement the state sector, it can challenge it, it may also increase choice by means of parallel institutions, but for many often discussed reasons it cannot replace it. However, its voice function may be paramount in changing the 'state'

institutions by participation, control, criticism and such like. This role of civil society is neglected and may even be disliked by all those who are not comfortable in dealing with countervailing powers⁴

- *It recognises the importance of an autonomous economic logic, but it denies this for social policy.* The recurrent phrase is that all social policy schemes from pensions through health to social assistance have to become 'market-conform'. This in fact means that social policy is again to be dominated not by politics but this time by the economy (the 'market').

The Aggravated Form Of Western Problems

* *The new economic trends* related to globalisation and deindustrialisation may have harsher consequences than elsewhere for several well-known reasons such as the need of the total overhauling of the system including ownership rights, institutions; the profundity of the post-transition crisis; etc. The consequences for the labour market were also more critical. Over and above the former 'system inflexibility' discussed by Standing (1996), two features merit special attention. The livelihood of the households was based on the two-earner model, and direct wages were relatively much lower and indirect wages (cash and kind) much higher than elsewhere. The two-earner model is no more dominant and much of the indirect wages have dwindled while the direct wage of the remaining earners was not adjusted to the new conditions. (We shall come back to this point.)

* *The demographic trends* of the west (increasing longevity, the decline of fertility, the changing family patterns, etc.) are all present but with additional problems such as an increase in the mortality of relatively young male adults in some countries or a steep drop in fertility and nuptiality in some others (Cornia 1994:V., Nauck and M. Joos, 1995). Also the difference in life expectancy which may be up to 10 years for the total population between Western and Eastern Europe is much lower, around 3 years in case of the over 60. It follows that the balance between present and future actives and inactives will be particularly distorted.⁵

* *The social and psychological tendencies* of weakening solidarity and increasing individualism (at least as they appear in the public discourse and the practice of the stronger groups) are more marked in the CEE countries than in the West. *One* possible reason is the delegitimation of values such as equality or solidarity because of former political hypocrisy. *Another* more important reason is that the former stifled social structure had been effectively liberated. The ideological and political system prevented the emergence of groups with capitalist inclinations (competitiveness, search for ownership and profit-making activities) who are now eagerly seizing the new opportunities. Their way of operation is not always promoting production: much new wealth comes from corruption or speculation, the cheap appropriation of former state property and not from efforts

⁴ Countries are slow for instance in enacting a 'Bill of Rights' for health patients. The self-governments of pension insurance may be under constant attack (as in Hungary) or not even allowed to exist (as in the Czech Republic). The examples may be multiplied.

⁵ BECAUSE OF BOTH REVIEWERS

for increased efficiency in the production of goods and services. Nonetheless, these strivings may often be considered a justified reaction against former oppression. This is all the more true because part of the new wealthy belong to the descendants of the pre-war ruling class whose wealth had been confiscated in the early years of Stalinism, and whose families had undergone harsh political persecution in the subsequent years. The other members of this group are the former *nomenklatura* converting (applying the conceptual framework of Bourdieu) their knowledge, information and social capital into economic capital, and those who entered the path to entrepreneurship under the former system but could not go the whole way because of the political limits. A *third* element is that because of the rapid deterioration of state services (in pensions, health, education) there is a stronger incentive for the new rich than in wealthier countries to opt out from the expensive and degenerating public systems and build their own schemes. For the same reason the feelings against the new poor may be harsher than elsewhere.

The above mentioned elements - whether economic, demographic or social and psychological - either increase the social needs or decrease state resources more than in the West. Thus the gap between needs and resources is certainly increasing.

* There is one factor connected to globalisation which has an impact everywhere but in all likelihood has a stronger role in CEE and probably in Latin America than in the West. The global pressures for an 'adjustment' to a new international scene, and especially to a new economic order have become very strong. They curtail the margin of freedom the new democracies have to look for relatively autonomous ways of development. These pressures are very different from the political dictates of the former Soviet Union, which required under duress alignment and 'loyalty', precluding genuine national independence. But, while less direct and less threatening, the new pressures coming from multinationals and supra-national agencies also require compliance with rules and institutions which may be at odds with more organic trends in these countries, as well as with popular expectations, wishes and values.

Some Problems Created By The New Trends

In a very short time numerous deliberate changes - that of the whole political structure, the abolition of monopolistic state ownership, 'deregulation' in the field of prices, labour relations and so forth - occurred together with any number of unexpected or half-expected trends. (Nobody expected for instance the unleashing of racist or nationalist passions. The fall of production or the rapid escalation of unemployment were foreseen but not in the dramatic way they happened.) In some cases there was a response to the new problem, for instance all the countries put in place sooner or later a machinery trying to cope with unemployment. In other instances consequences of the changes could have been foreseen but were not. Reaction to changes may have been delayed or forgotten; adequate incentives to help adjustment to changes may have been neglected; changes deemed necessary have been enforced without attempts to consensus building, thereby triggering

resistance or anger. Only some examples will be presented illustrating inadequate state (government) action.

* One interesting case is the change of the price system. The former system used price setting to promote a number of objectives (except ones in line with formal economic rationality). Price subsidies of needs considered basic by the central power were a main tool to held down wages. One of the first moves after the transition was the rapid withdrawal of price subsidies - a necessary move towards a market economy. Since subsidies were very differentiated the increase of the prices of different consumption goods was also varied: it has been the most significant (in most countries) in case of food; public transport; medication; children's special needs; and household energy. These 'basics' represent a higher proportion of the expenditures of the poor than of the better-off, and of families with children and the aged than others. Consequently, these rises hit the weakest groups disproportionately without adequate proactive or reactive protection. That is why the World Bank could assess for instance that the level of social assistance was largely inadequate to cover the most essential needs (The World Bank, 1996b).

However, even 'good' social assistance may not be able to solve this problem if the level of prices and that of incomes or, rather, wages and pensions becomes 'structurally unadjusted' (a concept not used by economists). One of the most serious problems seems to be the disproportionate escalation of housing costs (household energy, water, sewage, garbage collection, rents or instalments). This may lead to non-payment on a very large scale, followed in some countries with increasing frequency by eviction. The other problem is the inability of poorer groups to pay for increased medical costs, or for public transport. By structural unadjustment I mean that the average wage or average pension is no more sufficient to cover those needs which have become very wide-spread and are inelastic (like for instance heating if the traditional heating has been transformed into central heating which cannot be regulated by the individual household for the sake of economising on heating). In those cases social assistance would be needed on a massive scale and in a lasting way - that is social assistance would play the role of a wage subsidy, and 'play the role which in market economies is played by wages'⁶.

* Another complex issue is the black economy all over the region which is usually more widespread than in the west (e.g. Standing 1996) or in the past. Also, its role has become more detrimental. For instance under the former system it prepared its actors for a market culture while currently it is detrimental to a civilised market. Also those working in the black economy did this as moonlighting and did not lose their employment rights. Now jobs in the black economy may be main jobs which are fully unprotected, without assuring access to pension, sick-pay or even health services. In other words black jobs used to be means of self-exploitation, now they are means of exploitation. At least some of the harms could have been better handled with a better co-ordination of different measures. For instance tax or credit incentives could have been offered both to the employers and the employees in the black economy to make them

⁶ See the argument on p. ... about the necessity of cutting family benefits.

interested in changing 'their colour'. (Policing which is everywhere on the increase is not necessarily conducive either to a more civilised or a more integrated society.) In the way the black economy has been left to flourish it has significantly reduced the resources of the state because of the non-payment of taxes and contributions by those operating on the black market. It has also simultaneously harmed public ethics, the relationship between the state and the citizens, and also the life conditions of many of those employed there.

* A simple example of bad preparation is offered by the introduction of fees in higher education. Even the most sanguine left-wingers always knew that out of all the social transfers the state funding of higher education was the most 'unjust' because of the highly skewed social composition of the students. While free higher education has many advantages, fee-paying may be accepted on the basis of the above argument if it is complemented by a decent voucher (student loan) system. However, the states may not want to pick up this bill because the alleged lack of funds, while the banking sector is reluctant to do it under conditions of inflation and without state guarantees. Hence the extreme resistance of students in some countries, creating 'unnecessary' because preventable tension.

THE CURRENT TRENDS IN THE REFORM OF SOCIAL POLICY IN CEE

Most countries in the region have started to reform their social policy system in order to answer old and new challenges. These reforms are evaluated in different ways depending on the outlook of the evaluator but the main facts and trends are hard to dispute. The changes can be summarised by using the concepts describing the main instruments of the 'social security system' in the European welfare states. From this perspective one can make a distinction between universal, insurance-type and assistance-type benefits.

- Universalism was seldom embraced under the old system because most benefits were tied to employment. However because employment was almost full, near-universalism (e.g. child benefits) or full universalism (public health service in the last decades) existed. Universalism based on social rights is considered currently -- especially under conditions of increasing income inequalities -- too costly from the market perspective: it is seen as wasteful and inefficient to give public funds to those who are not in genuine need (that is what is called leakage.) Universal benefits have been changed in three different ways. (i) Some universal benefits have become means-tested, selectively targeted to those regarded as 'truly needy'; (ii) the universal system has been transformed into insurance; or (iii) users' fees or 'co-payments' have been introduced to curb demand or to lower costs. To illustrate (ii) one may invoke the transformation of universal access to insurance-based access in case of the health system. The methods belonging to (iii) mean that user's fees have become quite important and often prohibitive in case of nurseries, school meals, 'extra' school activities (music, language), shelters for the homeless, social homes, etc.

It may be informative to illustrate in some detail the strategy of ending universalism for instance in case of the child benefits. The ideas about the transformation of the system of social security started right after the transition. At this point, the first governments had been reluctant to act against the manifest wish of people. The most vocal proponents of change were the supranational agencies. On the basis of international comparisons, it was assessed that the provisions for children and families seemed to be much more generous (at least in terms of share within the GDP) than in most western transfer systems (see Fajth in this volume). Therefore the argument was advanced that family allowance was a wage subsidy, and 'played the role which in market economies is played by wages'. Interestingly, though, while the World Bank (together with the IMF) was instrumental in spreading these ideas right after the transition, subsequently (when becoming more familiar with the conditions?) it had important suggestions beneficial to the system of family allowances. Thus, it always condemned the politically discriminatory elements such as discrimination against the non-employed. Also most of its recommendation aiming at the reduction of costs of family benefits were about group-targeting and taxation rather than about individual means testing (Barr, 1994). Nonetheless, the original hint was listened to: the family benefit system was changed in many transition countries both quantitatively and qualitatively. The value of the benefits has gradually eroded because of no or inadequate indexation, and individual means-testing became wide-spread

- Social insurance (with the exception of unemployment insurance) existed everywhere in the region for pensions, work accidents and sickness benefits (Voin 1993). These systems had been assessed (by inside and outside liberals) as giving too low benefits to too many people, and to have violated the insurance principle by merging the 'equivalence' and the 'solidarity' principle. The reforms endeavour to 'cleanse' the existing schemes from their solidaristic elements (redistribution within the scheme, relatively easy access for atypical work careers, etc.) and to scale down the coverage and if possible the level of the benefits. Unemployment insurance however has been introduced practically everywhere (albeit its provisions have become significantly less generous since its inception). The pension system is now being reformed, a question to which we shall come back.

- Social assistance was the most underdeveloped subsystem partly because most situations needing assistance were denied to exist (unemployment, poverty, etc.) and partly because individual distress was never a concern of the totalitarian power. Under the new conditions of more political openness and more need for assistance, new laws and new regulations have been created everywhere. With some exceptions (the Czech Republic with low unemployment, former East Germany with the transfer of the relatively generous German system) the social assistance system has however remained largely inadequate. The levels are usually low, the administration defective, access discretionary, and the 'safety net' has large holes. The main gain in the field of poverty relief is the institutionalisation of social work all over the region.

In short: universalism is practically disappearing; the risks covered by insurance may have expanded (like in case of unemployment) or restricted (for instance child benefits or death grants), but conditions of access are usually

becoming harsher and standards lower; and targeted social assistance is gaining ground.

From a societal perspective these changes amount to the 'pluralisation' of the welfare state, some agents are gaining, some others losing ground.

- The role of the (central) state in social policy is deliberately *reduced* in all its former functions, as owner, service-provider and funder;

- The wide-ranging welfare activities of the firms - whether state or newly emerging private enterprises - are *disappearing*, often with valid reasons⁷;

- The local authorities have gained back their relative independence, and they have become responsible for the well-being of their citizens. This is a major gain of democratisation albeit some new problems will have to be solved⁸;

- The re-emergence of the voluntary and NGO sector is also a major gain even if its role is not always clear and funding remains a problem;

- Many functions performed beforehand by collective (central or local) arrangements fall back on the family or on the 'community'. While theoretically this may improve the quality of the service, in reality it may overburden the new actors.

- When solvent demand exists for needs covered previously by collective arrangements, market or pseudo-market solutions (users' fees for instance) are gaining ground.

It is early days yet to assess the impact of these changes. Also, there are great variations in the practice of the different countries depending on the orientation of the governments, the strength or weakness of civil movements, the economic pressures, and so forth. The pluralisation of social functions is an important development but an ongoing assessment of its positive and negative impacts would be necessary to avoid serious failings in the satisfaction of basic needs.

CHALLENGES AND DILEMMAS FOR THE FUTURE

It is hard to reflect on the future without distinguishing the short-run and the long-run, but the two cannot be handled separately. The more distant future is in part over-determined by current arrangements, and in part it is very elusive. In the CEE countries past fiascos make everybody shy away from 'planning a future'. In no country is there a sort of 'project' of the society which is now being created, and there is hardly any attempt to consensus building even on partial issues (whether for instance the society wants to go towards more or less integration, more or less inequality, more or less fragmentation). The slogans of 'market' and 'democracy' undetermined as they are do not fill this void. Since there is absolutely no

⁷ While much of the social load-shedding of the firms is economically rational, there is a twofold problem. On the one hand the withdrawal may occur before the service is replaced by other agents. On the other hand there are many welfare functions (over and above the organisation of health or pension funds by the firm) which western firms are used to, or are encouraged by the European Union to, perform such as for instance child day care arrangements for working mothers.

⁸ The financing of the local tasks is often insufficient; local regulations may not be harmonised with each other, etc.

consensus about the future, there are no long-term commitments which may not be easily revoked by the next freely elected government. Thus in what follows we can only speculate about the future, taking the present as a starting point. The following issues will be looked into if only briefly:

** The possible long-term consequences of the current mismatch between needs and the resources to alleviate needs.*

** The possible course of nation building based on full citizenship if and when the social is individualised.*

** Investment in human resources as the way to individual and collective 'salvation' - and the probability of this course of action*

** The controversial issue of existential security - a test-case for democracy?*

The Possible Long-Term Consequences Of The Current Mismatch Between Needs And The Resources To Alleviate Needs.

Needs are clearly escalating. Poverty in all its forms (absolute and relative, total and partial, lasting and temporary, objective and subjective) has increased practically everywhere owing to mass unemployment; to the adjustment to 'world prices' of consumer goods while the gap is increasing between 'world wages' and part of the home wages; to increasing inequalities in income and wealth; to deteriorating health conditions; to the deliberate lowering of the real value of most social transfers and so forth⁹. The current trends are more varied. In some countries (the Czech republic, Slovenia) the increase of poverty has probably stopped. In others it is either still escalating, or deepening, or both. A reverse trend - the diminution of poverty - has not yet started even if economic growth has resumed its course as in Poland.

Meanwhile the redistributive capacity of the states is diminishing. The states have less money because of the overall fall in production; because they privatised first the most profitable industries or activities and kept forcibly the 'losing propositions'; because the power of the state to collect taxes and contributions is lessening for fear of discouraging capital, especially foreign capital, because of the black economy, sometimes because of too close links between the new economic and political elite who are in turn the debtors and the collectors; because the willingness to pay taxes and contributions is caught in a vicious spiral with deteriorating services, and so forth. In countries which are heavily indebted debt servicing intensifies the difficulties.

The consequences of this gap between needs and means are unclear and varied. Up to about 1993-1994 the inertia of the old commitments (for instance in case of pensions) and the pressure of new needs have pushed the states to continue to maintain transfers on a high level so that the share of social transfers within the falling GDPs could even increase. (Obviously these figures are misleading. On the

⁹ The figures may be debated at length. For instance the most recent World Development Report gives data about income inequality in the transition countries which are at variance both with other data in the same volume and with the result of other surveys, among others the SOCO survey (see about the SOCO footnote 9). But the main trends are identified in all these publications in the same way.

one hand a higher proportion within a shrunken GDP usually means lower levels in absolute terms. On the other hand, if the unregistered black economy is indeed producing 15 to 40 per cent of the registered economy then of course the real figures about the share of social outlays are lower than above. However state resources are accruing only or mostly from the registered economy, that is why the official figures are not totally devoid of sense.) It seems that more radical measures to lower family benefits, pensions or sick pay have been started in the last years which will 'bear fruit' in the next few years in terms of the diminishing share of social transfers within the GDP. This will increase, however, the need for social assistance.

It seems, though, that it is almost impossible to introduce a system of social assistance which could be efficient and effective. This is because, in short, there is not enough money for a decent 'safety net' and not enough administrative capacity to find the 'truly needy'. Moreover, awareness about the facts and the willingness to offer genuine help may also be defective. In the old system poverty was taboo and could not be touched. Now it is seen as 'natural', hence perennial, so that efforts to 'eradicate' it seem futile to many of those who are in a position to act and so, once again, it cannot be touched. Anyway, I do not know about any transition country in which official politics on the level of discourse or of institution-building would pay particular attention to the issue of poverty or exclusion.

This does not mean that there are no efforts to try new paths. Some NGOs and particularly some western funds (for instance PHARE) are dedicated to find innovative solutions to abolish lasting unemployment or to take away the worst edges of workfare. However, these efforts reach only a tiny minority. The dominant political tendency is the one described by Standing (1996), harsh workfare with lots of disincentives.

The foreseeable if not necessary or inevitable consequence of the gap between means and needs is obviously lasting poverty and various forms of disaffiliation or exclusion. For the time being I would not talk about a distinct underclass but the above processes deeply harm social integration. In some countries with a large deprived minority such as the Romanis in Hungary or Slovakia their exclusion is already well on its way, strengthening racial prejudices.

The Possible Course Of Nation Building Based On Full Citizenship If And When The Social Is Individualised.

One objective of the western welfare states was to forge a better integrated society inducing a sense of belongingness based on 'full citizenship' and the recognition of the equal dignity of all. The reduction of the inequalities in individual physical and social life chances was also part of the project. Hence the importance attached to both negative and positive freedoms or civil, political, economic and social rights (Sen 1991, Dasgupta 1995). The public instruments were among others non-discriminatory transfers like social insurance and universal benefits, and non-divisive public services of -- possibly -- increasingly high quality. This of course is

an ideal typical description of the ideal welfare state. The above objectives were never fully attained but some headway was certainly made. What is of importance here that the project was started in poor countries (Sweden in the early thirties, Britain after World War II) with an idea to overcome deep social cleavages.

The importance of 'nation-building' or building a community does not seem a misplaced objective in the 'new democracies' for several reasons. The people in those countries have undergone the alienating experience of totalitarianism¹⁰. At present the new societal processes entail a number of divisive tendencies such as the spontaneous emergence of new social classes or groups with divergent or opposed interests, the increase of inequalities in wealth and income, the great divide between those having a job and the unemployed. Social policy could never eliminate the new cleavages. But with appropriate measures it could soften the edges. It seems though that the current trends prevailing in social policy reform do not endorse or promote the above objective. Rather, some of them may accelerate the divisive processes particularly because of the emphasis on the functionality of increasing inequalities.

Examples include the likely emergence of a two-tier health and educational system. A particularly divisive strategy seems to be the rejection of the former unwritten contract between generations. While many deny the legitimacy or rationale of such a contract deemed at best fictive, there are many rational reasons to maintain it (Kohli 1993, Walker 1996). Apparently the majority of the citizens in western countries have no intention to disrupt it. A Eurobarometer survey asked people for instance whether they agree with the statement that „Those in employment have a duty to ensure, through contributions or taxes, that older people have a decent standard of living”. Taken together the 12 countries, about 85 per cent agreed strongly or slightly with the statement and 15 per cent disagreed slightly or strongly. (reproduced in Walker 1996, p.4.).

In the CEE countries however the change in the family benefit schemes and the proposed pension reform tend in fact to undermine the inter-generational contract. This contract implies that there is a continuity and some common stakes in the process of social reproduction. In my assessment the abolition of the universal family benefits already harmed one side of the contract. It is a very different thing to help the truly needy which involves institutionalised differentiation among children, and another to make it transparent that all children are considered by the community as equal future social actors.

The other side of the contract is even more problematic. There is no space here to discuss the intricacies of the two or three pillar schemes now everywhere on the agenda. (One of the most elaborate versions is to be found in World Bank 1994.) The relative merits and demerits of pay-as-you-go as against funded schemes is not too relevant from the perspective of social integration since even funded schemes may include solidaristic elements. It is the so-called mandatory privately managed pillar which has disturbing elements. Optionally elected private saving contracts represent a positive development in the free choice of how to use

¹⁰ It is a relatively neglected subject how adversely totalitarianism affected spontaneous micro-solidarities and how it atomised society by confining freedom to the narrowest private sphere (if at all).

one's funds. The picture is different when they become mandatory and an integral part of old-age security in the way which is currently advocated by the private banking and insurance sector as well as by many supranational agencies. There are problems connected to the money market¹¹ exacerbated in countries with a fragile and inflationary economy, and a rather underdeveloped banking system. Slow economic growth, and high public commitments towards those already on pension make the transition extremely expensive for the taxpayers and those already on pension. Summarising the experiences with private funded schemes, two authors remark, among others, that they have low potential coverage, never more than two-thirds of the population; the risk of non-coverage is particularly high in case of the chronically sick or disabled or the long-term unemployed; that especially in the take-off period but even later they are much more costly than public schemes (Townsend-Walker 1996, Myers 1995, Kritzer 1996). From the perspective of solidarity and integration some further elements may be mentioned. Firstly the benefit which will be received, particularly if it takes the form of an annuity, may also suffer from the absence of solidarity. Annuities are actuarially calculated. Hence for instance women and men with exactly the same working career may receive different benefits. A further divisive characteristic is that the benefit one receives may perhaps be related to prices but can never be related to wages. Thus the distance between active and retired people may fluctuate or increase depending on the economic trends¹².

Many different ways are being used to bring home to people the message that the intergenerational contract should be abolished. The potentiality of a conflict between the old and the young generations was spelt out by the demographer Samuel Preston (1984) over a decade ago when he suggested as interpreted by Johnson and Falkingham (1992:131) that 'the social security system was becoming increasingly generous to the elderly while adopting a more severe attitude towards ... welfare payments for children'. He was however 'careful in his address to avoid any explicit suggestion that children and the elderly were direct competitors for a fixed sum of public resources' (ibid:132). In quite a few OECD countries (a smaller or larger) part of the pensioners have indeed fared comparatively well because of relatively generous earnings related pensions, and some of these advantages may not be sustainable on the long run. The poverty of children may have increased because of parsimonious child benefits, and this may not be a rational solution on the long run, either. Some elements of this logic are disturbing, though. The first is the implication there that there could be *a trade-off in the competition for scarce resources only between these two groups* - which is

¹¹ The OECD is increasingly aware of some of the intrinsic problems of private schemes connected to the money market. In a relatively recent study they point out that: „A series of controversial developments, practices and issues have come to public attention. These include the role of pension funds in hostile corporate take-overs and leveraged buy-outs, the exercise of voting rights associated with stocks held by pension funds, the use of pension funds for social investment, and the general impact of pension funds on the volatility and other aspects of stock markets. These issues are subsumed under a more important question: who owns, and therefore who should control pension assets. Thus far the legislative responses have not provided much guidance with respect to this larger question” (OECD, 1994, p.91.)

¹² It would merit additional attention to think through the implications of a statutorily enforced compulsory contract with private agents in matters where market failure is not unknown,

to be doubted, to say the least. It follows from this logic, for instance, that the elderly have to be worse off to allow children to be better off, or that the problem is not that children are too badly but that the aged are too well treated. A second disturbing component is that the same argument was taken up ten years later in case of the transition countries. Commenting on the poverty of children in Central Eastern Europe a World Bank expert commented: „I tell people in Eastern Europe that their pension policy is impoverishing their children. *The demands of pensioners are taking food out of the mouths of working people's children*”¹³. However, pensioners may not be the main losers of the transition - but they are also among the losers. These stances ignore that citizens are still very much in favour of solidarity with the elderly.

No doubt the situation of children is deteriorating - partly because of the destruction of the former benefit system. However, data have to be analysed in more detail. In the less turbulent countries of Central-Eastern Europe pensioners are for instance better off - in terms of equivalent income - than households where the head is unemployed but they are worse off than families where the head is an active earner even if there are children. In other words: pensioners may not be among the main losers, but their majority is on the verge of poverty, and pensioners are largely underrepresented in the top quintile of the population. (See TABLES 1a and 1b, and also Ferge et al 1995¹⁴.) Evidence abounds regarding the great hardships the majority of pensioners have to face. The solution often recommended, to further lower pensions in general or the relatively higher pensions in particular is not only undermining the relative security of those involved, but is also damaging the contractual element enforced through the earnings-related contributions.

The foreseeable if not necessary or inevitable consequence of the individualisation of the social are manifold. Differentiated and divisive health, pension etc. systems may evolve. The poverty of children or their discrimination may increase. (Even positive discrimination entailed by sharpened targeting is divisive accentuating the difference between children.) The coverage by social insurance of the elderly may easily shrink if access to pensions is made much harsher. This may entail large inequalities among them and the poverty of all those with 'atypical' job careers. Women may be particularly hard hit. Various forms of social solidarity - between generations, between employed and unemployed etc. - may be further weakened.

Investment In Human Resources As The Way Of Individual And Collective 'Salvation' - And The Probability Of This Course Of Action

¹³ *The Economist*, 16 December, 1995, Emphasis added

¹⁴ The survey furnishing these data was carried out as part of the SOCO project initiated and co-ordinated by the Institute for Human Studies, Vienna. The countries covered included the Czech Republic, former East Germany, Hungary, Poland and Slovakia. The first results are presented in the International report on the Social Consequences of the Transition, Ferge et al. 1995.

It is quite widely recognised that the educational ‘inheritance’ of the CEE countries had quite important strengths such as a well-developed pre-school network, near-universal and relatively good quality basic education, high-level achievements of students in quite a few fields, etc.. The weaknesses ensued mostly from the same source as in case of social policy and economy in general: the system was characterised by an antidemocratic spirit, overcentralised regulations, a variety of inefficiencies, and the strict observance of the immediate ‘needs’ of the economy leading to overspecialization (Barr 1994).

The importance of education and training in promoting wealth-formation on the national level and to improve the individual’s chances on the labour market is too well known to be dwelt upon here. It seems that some of the most rapidly developing countries (Singapore is the core example) realise their amazing economic records by investing almost disproportionately in education.

The evidence about the current situation in education in the region is somewhat controversial. *On the one hand* the share of the GDP spent on public education is by and large on a par with Western countries (between 3 and over 7 per cent, on average around 5%). In some countries, Hungary for instance, this share has even increased between 1986 and 1994 from 4.5% to 7.2 % (Jelentés, 1996). The increase of the share is somewhat misleading here, too: the real value of educational expenditures declined everywhere, only the rhythm of decrease may have been smaller than that of the GDP. *On the other hand* many indicators show that a similar share of the GDP yields very different outputs because the absolute level is much lower than in the west. Thus the secondary and tertiary enrolment ratios in TABLE 2 show that enrolment on the secondary and especially on the tertiary level lags behind the OECD countries albeit very high if compared to the developing countries (not reproduced in the table). Adult education and training as part of the ‘social investment policies’ against unemployment is not very well corresponding to the needs of economic restructuring either. The rates of enrolment are formally not significantly lower than in the west, but if compared to the needs stemming from the distorted structure of skills the enrolment figures are rather low. Also it is seldom clear what are the skills needed by the new economy.

Out of the recent developments in the field of education some merit special attention from the perspective adopted here. I mention some of those in a more or less random order.

* In most countries there is a huge decline in pre-school facilities, nurseries and kindergartens. This is detrimental to the current well-being and the future opportunities of the children of the most deprived strata. It is also harming women’s opportunity to pursue a gainful occupation, albeit many (probably the culturally better endowed) have found ways of combining home chores and work by participating in, or even starting, a family venture. (See Fajth in this volume.)

* Scarce resources in general, and the otherwise beneficial decentralisation of financing creates difficulties in the local maintenance of schools and practically prohibits new investments or the development of the existing infrastructure.

* The wages of those working in the human services had always been low, but not lower than other wages. In the last years a significant differentiation occurred between the private and the public sphere, and a further one within the

public sphere between the various sectors. Those working in the human services - doctors and nurses, teachers and professors - in the public sector are by now among the worst paid occupations. Low wages and the threat of becoming redundant work as an incentive for all those who are not dedicated to their profession and to the public service to look for more lucrative work opportunities. The brain drain thus produced is lowering the standards in the public sector of the human services and dampens the enthusiasm of those remaining there.

* The introduction of relatively high fees for school meals and so-called extracurricular activities with a high educational value (second language, sport activities and such like as already mentioned) as well as the extraordinary price-rise of school-books and other school equipment may entail one of two consequences in public education (basic and secondary level). Either children do not get access to those facilities, or they get means-tested help (which may be in the worst case a meal ticket of a different colour). Since children know everything about each other it is hard to overcome the stigmatising effect of selective help. A more serious consequence is the drop-out from school (perhaps below, but certainly over the minimum compulsory school level) of the most deprived children, for instance Romany children in Hungary. The need for the money earned by the children (the opportunity cost for parents of extended schooling of children) will aggravate this problem.

* The introduction of fees in higher education combined with the price rises of all equipment, dormitories and such like will most probably increase the always existing inequalities in access.

* Private or non-state educational institutions and training courses are cropping up with relatively high speed on all levels. A temporary problem stems from the fact that the accreditation of the new schools and courses is defective because of lack of public funds and public know-how, so that some of the courses represent only a quick profit-making venture for the entrepreneurs without real benefit for the clients. (The problem may be temporary because at least part of these ventures will fail on the market. However, lack of other opportunities and defective information of the families will help quite a few to survive.) The issue of the increasing inequality of educational chances is a much more serious and probably lasting problem. Paying schools on all levels may offer much better chances for later life. The problem of the top-up vouchers mentioned by Glennerster (see pp. 1-2 of this paper) has entered the scene with full force.

The need to prepare the future, to overcome the backwardness of the countries in question in terms of skills, new abilities and innovative thinking is a must if the growing economic and social gap between different parts of Europe is to be overcome. The basis of acceptably high growth -- particularly in countries with scant natural resources -- is a healthy and well-educated workforce. Hence investing in education and training - and health as well¹⁵ - are the best investment. It is perhaps understandable that the urgency of immediate needs pushed this

¹⁵ Both the educational and the health system are discussed in detail by several experts in this volume. From the perspective of the future they have similar implications. I singled out education because it has more immediate connections both with the immediate plight of children and the structuring forces of the future.

concern into the background. Unfortunately if deterioration of public education (which will remain predominant even if the private tier is rapidly growing) continues it will be difficult to overcome the missed opportunities.

There are foreseeable if not necessary or inevitable consequences of the increase of the individualised costs of proper schooling, of the neglect of extra public efforts to develop the educational system and of the emergence of a two-tier educational system. One of the consequences on the macro-level is that huge potentials of the children of the less well-off will remain untapped and therefore wasted for the economy. The consequence on the individual level (with overwhelming macro-level outcomes, though) is the deepening and further differentiation of individual life chances.

The Controversial Issue Of Existential Security - A Test-Case For Democracy?

‘Uncertainty is a fundamental condition of human life’ - writes Peter Marris in his new book on uncertainty (1996). But uncertainty breeds anxiety, a form of suffering (Ferge 1996a and b). Some of these feelings may be termed *essential anxieties* (having to do with our biological, mortal nature), others *existential anxieties*, stemming from social conditions. Both are though - in Freud’s terms - *real anxieties*, not pathological or neurotic symptoms. One of the consequences of anxiety may be that it paralyses action: if one is not sure to be able to pay the instalments on one’s house or the tuition fees for one’s children, one may altogether give up the project of building a home or of sending the children to school.

Another consequence may be to take action to reduce the level of anxiety. For the majority of socially ‘real’, in my term existential paralysing anxieties there was always a search for solutions to reduce them. When (with the advent of capitalism) risks multiplied and the former agents of existential security weakened, new institutions emerged. The most important ones were the insurance companies. The market failures of the insurance market (Barr 1990, 1994) and the financial weakness of individuals or of the small solidaristic communities made imperative the creation of larger institutions in which the state assumed some responsibility in handling the risks. Indeed, *social insurance has been an appropriate societal response to the new anxieties about income losses connected with industrialisation and an increasingly dominant market.*

The new institutions -- collectively called social security -- developed to a rather high level in Western European welfare states. They made also important headway in the totalitarian state socialist systems of CEE which started to build up these system early in the twentieth century (Voinin). In my understanding inasmuch as the former system is still valued this is precisely because of the existential security *without stigma* which it offered to its ‘subjects’ (who were not genuine citizens at the time because they were deprived of civil rights). People do value the new freedoms, the liberation from political oppression. But if they have no power to build up their defences against uncertainties, they cannot enjoy and use the new freedoms. There is some survey evidence about these attitudes.

Apparently at the time of the transition freedom (which was previously jeopardised or curtailed) was at least as important as existential securities. Since then freedom seems to have become part of reality and, according to the SOCO results, people feel that they are securely implanted. In contrast with this feeling, there is a pervasive sentiment in all the countries that basic securities of income, employment, housing, the future of children, and so forth, while extremely important, are threatened or in many cases undermined. *There is a significant deficit in desired securities.* It is the biggest in case of public safety, then of the future of children and of income. But -- especially if compared with freedoms -- the *security gap* occurs in case of all the securities. (TABLE 3.) When the difference between the importance attached to freedoms and to securities is calculated for each individual, it turns out that *security is never handled lightly: it is of utmost importance even for those who value freedom above all.* It also seems that the high value attached to existential security is not confined to the CEE block: it is a pervasive trait all over Europe - if not elsewhere.

It may be surmised that the need for existential security is historically and culturally constructed and may therefore be 'deconstructed': people may be resocialized to value self-reliance and the absence of state intervention - the project advocated for instance by Green (1993) or Marsland (1996). I do not believe in the success of this project, though. The case is similar to that of freedom. Societies could live peacefully for millennia without knowing what freedom in the modern sense means. But once freedom is discovered and tasted, the yearning for it cannot be annihilated.

If this assumption is true, the question of how to assure existential security becomes a matter of form, not of content: the debate is about the ways in which it can be attained. One school thinks that solidaristic and collectivist solutions with state responsibility should be maintained even if they have to be much better adjusted to the new economic and social environment. Hence the many reform plans for existing public PAYG schemes (Townsend and Walker 1995, Augusztinovics 1993, numerous proposals of the Hungarian Self-government of Pension Insurance). Hence also the revived interest in Basic Income schemes in France, Germany, England and elsewhere (Caillé 1996, Mückenberger 1994, Offe 1994, Jordan 1994). It has to be added that at the beginning of the transition A.B. Atkinson (1991) suggested that a basic income scheme in the CEE countries would help to overcome the major difficulties of social dislocation, would prevent the worst forms of poverty and would help small entrepreneurship to take off. Others advocate individualised and privatised solutions as described above.

In short: the question is not whether security is important, but whether all should have it or only those who will be able to afford it. And the second question is what should be the role of the state in either case.

After having had the experience of a hateful and oppressive party-state for decades one would have expected that people will reject state interference. It seems, though, that people hated the party-state but they are willing to empower a democratic state. The SOCO data suggest that in all the countries people turn more willingly to public authorities than to Churches, NGO-s or charitable institutions (TABLE 4 and FIGURE 1). No doubt, the countries differ in their expectations, and

within each country the expected involvement of the state varies to a large extent depending on the issue. But the differentiation of the expectations towards the state yield a similar rank order in the countries under scrutiny. In all of them the least state involvement is expected in case of day care for pre-school children, the maintenance cost for children, higher education, secondary education and first homes. And in all of them a major role is assigned to the state with respect to the care for the handicapped, decent pensions, health care, primary education and jobs, with pensions and care for the handicapped having almost always the highest rank. (TABLE 5a and 5b). Western Europe citizens attach also a high importance to state responsibility specifically in health, education and pensions. This enthusiasm is not too much dampened even if people know that they will have to pay more for better state services or benefits. Recent evidence shows also for Hungary that despite the very high rates of taxation, only a minority would opt for the decrease of taxation and services. This minority is higher than in present-day England but quite close to the British mood over a decade ago (TABLE 6).

Thus there is very strong support both in eastern and western Europe for public responsibility in case of major risks. Some condemn it in the name of a dependency culture which undermines people's moral fibre (Marsland 1996) and breed 'learned helplessness' (Marody). Some see it as nostalgia for the past. Some qualify it as 'conservative': "The vast popular majorities in favour of the welfare state that opinion polls and election results regularly identify are essentially conservative ones because they rely on, and wish to perpetuate, a benefit structure that was put in place more than a generation ago" (Esping-Andersen, p. 267). In my view, though, the attachment to security may have been historically constructed but it has probably become an almost unshakeable need of modern men and women.

The weakening of public responsibility in assuring existential securities may harm people in many ways. The foreseeable if not necessary or inevitable consequences in the transition countries in which there is already a huge amount of unpredictability are the further deterioration of mental or physical health because of stress and anxiety. Since a huge majority believe that some basic securities should be the concern of the community and not left entirely to the individual, consensus building around this issue is probably a major test-case for democracy. If the governments ignore people's expectations tensions may increase, and left-or right-wing populism may gain ground. And populism is usually not a fertile soil for democracy and for the strengthening of active citizenship.

CONCLUSION

Social policy reform is badly needed for the sake of the relative independence of the market as well as for more democracy, genuine citizen's rights, accountability of the state, transparency and adequacy of welfare arrangements. If current resources do not permit adequate help it is still possible to build consensus around short-term stringency measures. To achieve this, endeavours ought to be made to spread less unjustly the burdens of the societal transformation, and people have to

get some assurance that the withdrawal of public responsibility is not a lasting strategy: social rights and provisions may improve with increasing resources.

The costs of societal transformation are more formidable than expected and fall disproportionately on those who are the least well-prepared to defend themselves. It is neither new nor unusual that the most vulnerable have to pay the costs of economic or social change but in the particular case of the transition these costs seem to be unusually high. If governments neglect the short-and long-run consequences of present trends in impoverishment and 'desecurisation', pauperisation, social disintegration, marginalisation, and social exclusion on a large scale may occur. These consequences present threats both for economic modernisation and the evolution towards democracy. The margin of freedom of governments is restricted because of economic scarcity but there are always alternatives .

Social policy may play a basic role in attenuating the above consequences. The objective is not only to find better answers to various needs, the coverage of which is hampered by market failures. Social policy -- implying the involvement of, and co-operation between, the state and of an ever strengthening civil society -- should also ease the transformation by developing human resources and by strengthening the institutions which promote social integration.

TABLE 1a.

Equivalent monthly income in the households of active earners and pensioners, with and without children, in USD

Head of household	Cech R.	Poland	Hungary	Germany	Slovakia
	No child under 18 (in school)				
Active earner	220	140	192	1153	169
Pensioner	136	120	123	924	108
Other (e.g. unemp.)	164	110	111	774	93
Total	171	129	146	983	134
	There is at least one child under 18 (in school)				
Active earner	162	113	155	873	116
Pensioner	132	87	124	686	92
Other (e.g. unemp.)	126	59	84	592	81
Total	159	107	144	836	113
	All households				
Active earner	184	122	170	1013	131
Pensioner	136	115	123	921	106
Other (e.g. unemp.)	136	75	95	725	85
Total	166	117	146	942	122

Source: SOCO data, special run

TABLE 1b

Equivalent income of pensioners in per cent of the equivalent income of households where the head is active earner

Is there any child under 18	Cech R.	Poland	Hungary	Germany	Slovakia
No	62%	86%	64%	80%	64%
Yes	82%	76%	80%	79%	79%
Total	74%	94%	73%	91%	81%

Source: SOCO data, special run

* Income declarations are always inexact. However the black economy plays a lesser role in the life of pensioners than of younger people. Thus if anything the difference may be in reality greater than suggested by the figures.

TABLE 2

Social investment policies:

(a) percentage of labour force involved in public training and employment measures, averaged 1990-1993

(b) percentage of age group enrolled in secondary education (male and female), 1993

(c) percentage of age group enrolled in tertiary education (total), 1993

Country	(a)labour force involvement	(b)Secondary, male	(b)Secondary, female	(c) Tertiary
Australia	4.9	83	86	42
Canada	3.3	104	103	103*
Denmark	12.8	112	115	41
France	9.9	104	107	50
Germany	4.9	101	100	36
Italy	4.8	81	82	37
Netherlands	3.0	126	120	45
Sweden	6.3	99	100	38
Czech Rep.	1.7	85	88	16
Hungary	3.0	79	82	17
Poland	3.6	82	87	26

* Probably error in the original source

Sources: for (a): Esping-Andersen, ed. 1996. p.12

for (b) and (c): World Bank 1996, p.201

TABLE 3

Degree to which securities are assured

(Scale of implementation of security / importance of security.

(Importance of security = 100)

	Hungary	Slovakia	Czech R.	Poland	Germany *	5 countries
Family	90	88	81	88	82	87
Housing	86	84	75	79	71	78
Health	81	75	70	70	78	75
Politics	62	68	80	65	58	64
Job	72	73	64	70	54	67
Income	51	54	63	53	63	58
Children's future	56	59	60	56	58	57
Public safety	44	50	41	51	42	45
Country mean	69	69	66	66	64	67

* only former East Germany

Note! in case of freedoms all similar percentages are close to 100 % (Ferge et al.)

TABLE 4
*To which institution would people like to turn for help,
 and to which they would not turn at all*
(In % of all households)

	State	Social work centers	Work-place	Local authorities	Trade Unions	Charity	Church	Self-help groups	Minorities	Political parties
WOULD TURN TO										
Czech R.	50	42	32	16	17	12	8	4	3	1
Poland	32	54	40	26	21	19	19	8	2	1
Hungary	20	25	28	39	11	11	9	6	2	1
Germany	70	60	13	22	7	12	10	9	1	1
Slovakia	56	49	38	26	22	15	15	7	6	2
Total	46	46	30	26	15	14	12	7	3	1
WOULD NOT TURN TO										
Czech R.	11	19	22	56	31	35	57	26	56	68
Poland	24	26	19	38	33	32	57	21	38	67
Hungary	20	37	37	44	54	45	62	43	44	82
Germany	4	12	26	30	32	31	54	26	30	63
Slovakia	18	19	23	32	27	39	52	28	32	73
Total	15	23	25	40	35	36	57	29	40	71

FIGURE 1
 Based on TABLE 4, countries arranged in order of state preference

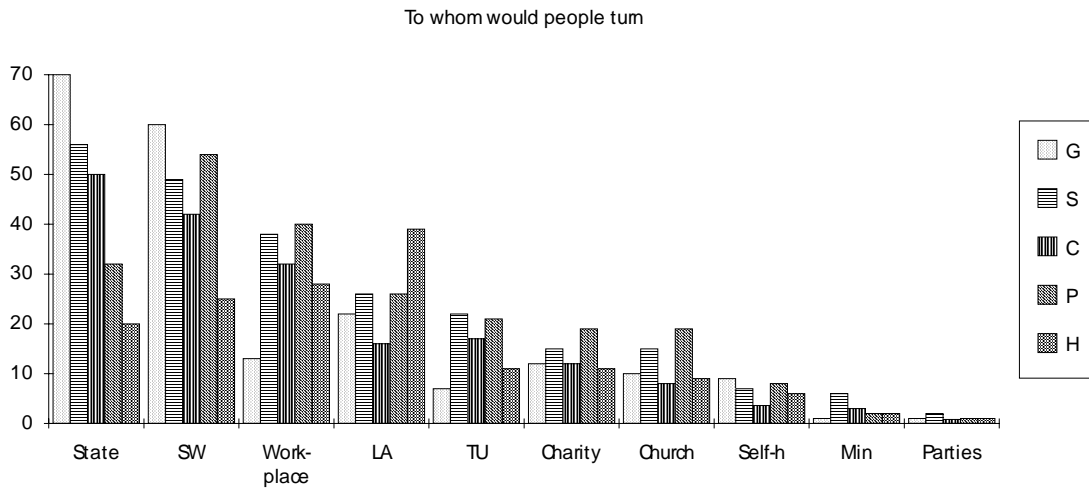


TABLE 5

Range of scores by items about state responsibility.

Total of all the countries

The items are ranked according to the overall, regional mean

TABLE 5 a. Distributon of scores

Items the state is responsible for	% of household giving the following scores			Total
	1 and 2	3	4 and 5	
6.Cost of children	21	37	42	100
2. Care for under 6	21	30	49	100
5.Higher educ.	16	29	55	100
8.First home	14	29	57	100
4. Secondary educ..	6	23	71	100
9.Jobs	5	16	79	100
1. Health care	2	12	86	100
3. Primary educ.	3	11	86	100
10. Handicapped	1	8	91	100
7. Decent pensions	2	7	91	100

TABLE 5b

Average score and variaton coefficient for the various items by country

Items in increasing order of mean scores	Czech R.	Poland	Hungary	Germany	Slovakia	5 countries
6.Cost of children	3.2	2.8	3.7	3.8	3.2	3.36
2. Care under 6	3.3	3.3	3.6	3.7	3.6	3.48
5.Higher educ.	3.0	3.7	4.0	4.2	3.3	3.66
8.First home	3.7	3.5	4.2	3.2	4.0	3.72
4. Secondary e.	3.7	4.2	4.2	4.4	3.9	4.09
9.Jobs	3.9	4.3	4.5	4.6	4.4	4.33
1. Health care	4.5	4.4	4.4	4.6	4.6	4.50
3. Primary educ.	4.5	4.7	4.3	4.5	4.5	4.50
10. Handicapped	4.5	4.7	4.3	4.5	4.5	4.50
7. Decent pensions	4.5	4.6	4.6	4.7	4.7	4.63
Country mean	3.91	4.03	4.19	4.23	4.09	4.09

TABLE 6

Taxes and state spending - England and Hungary

If the government could choose	1983	1994	Hungary,1996
	in % of valid answers		
decrease taxes, spend less on health, education and social security	9	4	16
keep taxes and spending on current level	57	35	56
increase taxes, spend more on health, education and social security	34	61	28

Source: for England: Taylor-Gooby, Peter (1995) Comfortable, marginal and excluded. Who should pay higher taxes for a better welfare state? In R. Jowell et al: *British Social Attitudes, the 12th*

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