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Zsuzsa Ferge

The reform of social policy in the post-totalitarian countries.
Comments on the various reform strategies.

1. The factors impacting on the reforms.

It is almost a sociological truism that the welfare systems -similarly to all other social institutions of any given society - are shaped by the interaction of its historical and cultural legacies, its economic, social and political relationships, its dominant ideologies, and its political system. Nonetheless, the implications of this truism regarding the welfare systems of market societies have only recently been explored in depth (Esping-Andersen, 1990). The approach seems so fruitful that its insights can hardly be neglected when analyzing the changes in social policy in the societies in transition. However, since everything is in flux in these countries, we can hardly do more than spell out more or less informed hunches.

The legacy.

It may take years, if not decades, until the rights and wrongs of "state socialism" can be fairly assessed. In the first years of the transition, one can certainly observe a sort of overreaction rejecting the past in a wholesale way, including all its values and institutions. This holds true also for social policy which was, though, the least artificial and the least harmful subsystem. Indeed, it has had important pre-war traditions; strong popular support; and it played an important role in reducing pre-war massive poverty by means of its politics of full employment, its "anti-rich" price system, and its (near-)universal services.

Obviously, state-socialist social policy had also major flaws. Politics distorted it by its totalitarian nature and its ideological overload, entailing the negation of citizens' rights in general and of democratic participation in shaping social policy in particular; the abolition of the relative autonomy of social policy and its complete fusion with economic policy detrimental to both, and such like. "Despite formal similarities, the liberal and emancipating dimensions of the Scandinavian model were entirely absent from the state-socialist model of welfare. It had even less in common with the other regime types in Europe. If one wants to label it, it could be described as an anti-liberal,

statist, hierarchical, socialist mix, with conservative elements thrown in" (Ferge, 1992, p.207.).

The reform of social policy based on a correct assessment of the past should have concentrated on the above defects, first and foremost on the political liberation of social policy, on strong citizens's participation and control, on equity and adequacy. While all this happened to some extent, the main line of the reform of the welfare system has pursued a somewhat different path.

In what follows, Part I. will sketch an overview of the most important ideologies and forces shaping the new politics. Part II. summarizes, as objectively as possible, the main changes in the basic components of social security. Finally, Part III will try to show how the prevailing ideologies and dominant social forces affected the reform in social security. This evaluation may be biased by my personal values and experiences, hence its objectivity may be questioned. But social policy has never been "value-free" either as a discipline or as social practice. The admitted bias should therefore be understood, even if it cannot be excused.

To advance the main conclusions: it seems to me that social policy got successfully rid of the former ideology. Yet, in most countries in transition it continues to be heavily influenced by new ideological trends, mainly by neoliberal (libertarian) and sometimes conservative ideas. This may ultimately lead into politically dangerous situations, since the "dominant" ideology is not necessarily supported by the majority of the electorate. This may sound paradoxical in newly established democracies. But in fact the dominant political forces have significantly shifted from the ideological profile they offered during the first elections. They changed more than the electorate, while reality is increasingly removed from electoral promises. In this way, the distances between politics, reality, and popular expectations seem to increase.

I. The ideologies and their social base.

The political field has become diversified within, and also between the former, apparently "politically homogeneous" countries. Indeed, the seemingly unanimous adherence to "the market and to democracy" harbours a variety of political values and ideologies.

Liberalism.

Liberalism represents (in its current European interpretation) first and foremost adherence to political and economic freedoms. In most post-totalitarian countries the emphasis has been for long on the economic side. There developed a "love-affair" with the market right before and after the collapse of the old system, at least on the part of the most vocal reformers, and the new political and economic dominant groups. The explanations of this attitude vary. Some tend to attribute it to the disillusionment with central planning, which made the opposite solution, the market, so attractive as to formulate the uncritical assumption that private markets always and everywhere offer

a solution (Barr, 1993.). One may add a historical consideration: practically all reform movements in "existing socialism" started, and often ended, with endeavors to reform the economy, mainly because "criticisms about the economy were the only outlet left to civil society by the dictatorial power" which made all political matters taboo. The advocates of economic reform had to accept these terms of trade offered by the ruling party, and made themselves believe that "the economy, if marketized, could redeem society". In the last years of the former system they might have added that more market inevitably means more democracy, but this remained a not too strongly emphasized "afterthought". (Ferge-Kolberg, 1992, pp.14-15.). Because of the political constraints, they came to equate market and democracy, without realizing that "while capitalism and democracy are clearly able to coexist, it is a coexistence fraught with tension and contradiction" (Myles and Brym, 1992). One may assume that the unconditional adherence to the market was also promoted by the particular interests of the most fervent marketeers: many of them were likely to profit from this change. Finally, outside influences, such as the victorious march of Reaganism or Thatcherism in the West (at least for two decades), the international and supranational agencies as well as foreign capital may all have had a role in reinforcing the liberal, or, rather, libertarian ideology (Deacon 1992). All the countries in transition desperately need the goodwill and support of these agencies, because they lack the capital to restructure their obsolete and dying economies, and/or because some of them are too indebted to oppose the outside influence.

Interestingly enough, liberal parties do not seem to register stunning electoral victories, albeit considering the lack of liberal traditions even their current strength is amazing if history is any guide in these matters. Still, the main tenets of the (neo)liberal ideology seem to be shared by most parties in parliament- for reasons offered above.

Conservatism.

Most countries of Central Eastern Europe (with the exception of Czechoslovakia between the two world wars) were heavily marked by conservatism, meaning among other things strong feudal survivals, deep social cleavages and hierarchies, slow and disturbed processes of modernisation, lack of separation between State and Church. The prewar past may have a decisive impact on the present and the future, because the forty (or seventy) years of totalitarianism may have just "deep-frozen" these societies, and/or because strong and vocal groups are in favour of, and interested in, direct continuities with the past. To the extent this tendency prevails, it may have a strong impact on social institutions (e.g. the role of the Church), on the processes of social structuration (reemergence of prewar privileges), and, as we shall try to show below, also on social policy.

The traditional conservative parties seem to have even less electoral support than liberal parties. However, thanks to parliamentary coalitions, their influence is visible in many fields.

Social democracy or socialism.

The early negative experiences with the quick shift to a market economy, with the more or less extreme shock therapies may prompt the disabused electorate, or the late starters, to look for other remedies - such as the retention in, or the reelection into, power of the socialists. This is what happened for instance in Lithuania, then in Poland, and is not quite implausible to happen in Hungary. (We do not include in this set those countries - e.g. Romania, Serbia, Bulgaria at the first elections - in which the former communist parties could retain power as if by default, and in which the reform processes, albeit inevitable, have proceeded less purposefully and more slowly.) The increasing popularity in at least some post-socialist countries of socialist parties with social democratic ambitions is not necessarily nostalgia for the past, or a return of the "old guard". At the time of the fall of the old regime, there was undoubtedly mass support for the abolition of the former economic and political system. Still, all opinion polls seem to suggest that pure capitalism, especially in its 19th century form, was not what the majority of citizens expected from the velvety revolution (e.g. Myles and Brym 1992, Zaslavskaja 1992, Heinen 1993, Sági 1993). Their expectation corresponded, rather, to a market economy "that promises affluence with low levels of social inequality and unemployment - apparently a sort of Swedish welfare state written large" (Myles and Brym).

It is a different question whether the socialist parties will be able to "deliver the goods" expected from them. The economic constraints are extremely harsh, and the economic crisis has deepened since the transition (partly because of the heavy inheritance, and partly because of defective new policies.) The rejection of outside help would therefore be foolish, and it will be difficult not to submit to outside pressure in order to obtain it. If the new socialist parties are indeed social democratic, they have to accept not only all democratic rights, but also the prevalence of market rules. Many former institutions (social insurance for instance) have already been decisively reorganized by democratic means, thus it is almost impossible to turn the clock back and to restart the reforms with new objectives in mind. All in all, the margin of freedom of political choice of social democracy, even in case of a significant electoral victory, is rather thin. And especially in matters pertaining to social policy, it is further limited because of the easy identification of social policy with "existing socialism" or with populism, leading to its discredit.

The return of totalitarian ideologies.

The catastrophic deterioration of living conditions, together with a "fright of freedom" may become a fertile soil for a new - right rather than left - dictatorship. There are signs of the reemergence of the old Bolshevik ideology and its hardliners. If the old guard, paralyzed right after the collapse of the old system, regains confidence as time passes, it may play on the nostalgia of the population for the "paradise lost". In this case the social democratic elements of social policy (the simultaneous acceptance of the market and of state responsibilities, of property rights and of political and social rights of citizens) may completely disappear. The danger of the extreme right - as

shown by the sudden increase in popularity of Shirinovskii in Russia - may even be greater. As a Russian economist noted, " Given the deep cleavages in society on all the (reform) issues, and the lack of the culture of compromise in politics, extremism is rapidly spreading". (Kollontai, 1993). Zaslavskaia formulated forebodings about right-reactionary forces already in 1991 (1992).

While the fear from the return of any form of extremism is warranted, the come-back of the former system, or the victory of extreme right, fascist forces seems to be slight at least for the time being, even after the events in Russia in December 1993.

II. Social "restructuring".

The grandiose communist project "turning the world upside down" had had only mitigated success. The radical politics of the early period, together with the transformation of the economic structure (nationalization, industrialization) resulted in countless personal or family tragedies, but also in very high mobility rates of workers and peasants (Andorka 1982). The rate of long-distance, multi-step mobility, i.e. the move from the very bottom to the top was also unusually high in the first period after the communist take-over (Ferge 1969). Nonetheless, all the surveys about stratification and mobility (which were slowly starting in most countries from the sixties on) showed that former family advantages had a tendency to reemerge particularly through the transmission of cultural capital. It also turned out that those groups which have been the most deprived before the war, (the urban subproletariat, the farmhands of the large estates) profited the least from state socialism. They were left behind even in a period of turmoil which deliberately tried to lift the poor (e.g. Ferge 1987).

Thus, the chain of social reproduction was not fully interrupted even by a system which was ideologically deadly set against it, and politically determined to apply the ideology to reality, disregarding social costs. At present, there are several causes which make historical and family continuities more alive than they ever have been. The spontaneous forces are (fortunately) allowed to function; the new regime is more liberal, leaving a large margin of action to processes not directly influenced by politics. And it is more conservative, strongly in favor of continuities.

One may expect, to use the concepts of Bourdieu, on a larger and more diversified scale than before, the conversion and reconversion of various historical, pre-socialist forms of capital, including material capital (partly saved abroad, partly restituted in some form). Connected to this, one sees the "come-back of the third generation". We imply thereby that the family connections (social capital) and its cultural capital may have been frozen for decades, making the life of the "second generation" hard and downwardly mobile. Ultimately, though, these resources resurface, passed over from "grandfathers" to "grandsons". (For instance, in some countries the aristocracy, which was deprived of its assets, privileges, titles and political role under "communism" is being readmitted as an important political actor.) Another segment of the new "upper class", particularly in the economy, will be constituted from the state-socialist

technocracy, who - under the conditions of a pluralistic democracy - may also convert their former know-how into good market positions. But, as hinted at already, they are more likely than not to have come from the pre-war middle classes rather than from the "proletariat".

The middle strata of society - workers, peasants, lower white collars - are at present disoriented and divided. The divisive forces are many, from competition for restitution or compensation to the exacerbated concurrence for jobs. They do not present a unified front or articulate wide-ranging common interests. There are, though, some signs of new alignments, such as a slowly strengthening movement for employees' ownership projects. There is also one important unknown factor. As I. Kemeny observed long ago (1975), the rhetoric of "the leadership of the working class" was never taken seriously by the workers themselves. Yet, the slogans and symbols could hardly fail to affect their self-perception. The question is whether new consciousness (which may be interpreted as a component of the process of social modernization which, despite everything, occurred in some form in the eastern countries) will affect the relationships between the new social groups or classes, or whether the pre-war unquestioned hierarchies will be fully readmitted.

On the other end of the spectrum the situation of the eternal losers will deteriorate even more: they are the first victims of lasting unemployment, and the fate of their children will probably be similar because they are less likely than ever to get proper education and training. Segmentation and marginalization are expected, then, to intensify in most countries. There are some slight signs of a reaction (grass-root movements of the unemployed, of the Roma, etc.). In the absence of social solidarity annihilated by the totalitarian system and undermined by the new competitive struggles, and of political or intermediary organization supporting them, the most deprived may remain forgotten.

To sum up, one has the greatest likelihood of becoming a winner to-day if one (or one's family) had been a winner in the last system, or the system preceding it, even if the family had bad periods in between. And one has a high probability of being among the present losers if the family of origin was deprived before the war, and either remained on the periphery in the last 40 years, or has succeeded in attaining relative well-being, but without accumulating at least the symbolic capital which could be used at present.

This field of social forces constitutes the basis on which the various ideologies meet or clash.

The reform of some basic components of the welfare system

Labor market

Since the former regime denied the existence of unemployment, there was no, or only token legislation about unemployment benefits. The operation of the labor offices

(usually having a small and not specially trained staff) was limited to assist the movement of workers between jobs and to collect statistical information about employment.

As (artificial) full employment gave way to rapidly increasing unemployment, appropriate legislation followed with more or less delay. All the Acts contain dispositions about active and passive labor market policies, i.e. a labor office network, training and retraining facilities, a system of insurance-type unemployment benefit. In the first Acts, the conditions of the unemployment benefit were following western models, and were relatively generous. The responsibility of financing was shared between the state and the employers/employees, the latter's role increasing. In some countries two separate funds or administrations have been set up for the active and passive policies (Hungary in place, planned in Albania). In others there is an integrated administration (Poland, Czech Republic, Romania). Both solutions have advantages and drawbacks, and the current arrangements may not be lasting.

Despite the explicit emphasis placed on active policies by all the Acts, with the exception of the Czech Republic the "passive" instruments are predominating everywhere. The causes include scant support for job creation or for small new business, lack of expertise, lack of information about future training needs, lack of efforts to contain unemployment, and the enterprises closing down their former internal training capacities (Institute of Labour, 1993, OECD 1991, Simonyi, 1993, Fischer and Standing 1993).

With the escalation of registered unemployment (in 1993, under 3 per cent in the Czech Republic, between 10 and 16 per cent elsewhere) several trends are observable. (Unregistered unemployment is estimated at an additional 2 to 4 per cent.) It is increasingly clear that unemployment is not an insurable risk. The established insurance funds do little more than to use the name for raising funds in a legally acceptable way. The logic of insurance is almost absent from them. This allegation is expressed by the constant and unpredictable rises of the employer/employee contribution to the fund (which has reached 7 per cent in Hungary in 1993). The other manifestation is the continuous remodeling of the insurance scheme itself (in blatant contradiction with the insurance logic). The early generosity disappeared. The eligibility rules have been tightened. For instance, Poland excluded young untrained job-seekers (who have always been excluded e.g. in Hungary). The period of entitlement was shortened from maximum 2 years to maximum 1, or exceptionally 1 and a half year. The rate of the benefit was practically everywhere reduced. A low ceiling has been imposed on the benefit, or, as in Poland and some other countries, it was made flat-rate. The work-test has been made stricter. (Employment observatory 1992, Barr 1993)

On the other hand, the prejudices against the unemployed have increased. In most countries, there is an (officially not counteracted) feeling that the unemployed do not look for jobs "through fault of their own". This attitude (reflected already in the tightening of the conditions of the insurance benefit) affects mostly those whose

entitlement to the insurance-based benefit has expired. While the first legislations may have forgotten about them, currently they may get social assistance everywhere. However, the conditions of obtaining this benefit may be harsh. Over and above continued cooperation with the labor offices, (active job search), workfare is spreading. In an increasing number of countries, participation in community-organized projects with no or very low additional pay is becoming a strict requirement. Non-participation entails exclusion from assistance. (This is the disposition e.g. of the amended Social Act in Hungary enacted at the end of 1993, or of the draft Social Law of Bulgaria.)

Pensions

Most countries in Central Eastern Europe had inherited from their pre-war system some public pension scheme modeled usually on Bismarckian lines³. These systems (the URSS excepted) expanded and developed in the last decades more or less in line with western trends. All of them were pay-as-you-go, incorporated elements of solidarity such as a minimum pension, covered the majority of the aged even without proper contribution records, and the replacement rates were relatively acceptable (between 60 and 75 per cent). The pensionable age-limit was low (60-55 years). In terms of equity and adequacy, the main problem was the absence of indexation, the non-coverage of persons with no employment record, and, in some countries, the very low level of part of the pensions (e.g. of those having retired a long time ago, of survivors, etc.). Many more criticisms have been formulated since the eighties (at least in some, more reform-minded countries) in the name of economic efficiency (e.g. the lack of the equivalence principle) and political democracy (e.g. the lack of an independent insurance). The sustainability of the schemes also has become a major concern. After the change of the regime, these criticisms gained ground and have been leading to major changes.

* In the majority of countries (up to 1992, in almost all the independent states of the former Soviet Union, Hungary, Albania, and in others since then) independent insurance funds had been created, ending the complete dependence on the state budget. Until early 1994, Hungary is the only country in which the independence of the fund is underpinned by a self-government voted for in a national election. Elsewhere (and also in Hungary) citizens' participation takes the form of various associations of pensioners (in one case with a separate party of pensioners).

* The indexation of pensions has started (or is projected) everywhere. It may be wage-linked or price-linked. It may be annual (Hungary, Albania), or quarterly (Poland), or may follow each 5 point increase of the prices (Czech Rep.). For financial reasons, indexation may be deliberately delayed or not full. Up to now (to my knowledge), only Czechoslovakia made a radical effort to correct past injustices created by the absence of indexation during the former system.

* Instead of budget funding, funding is assured mostly by earmarked contributions paid by employees and employers, usually with state (budget) guarantees. Financing

has remained pay-as-you-go, but the building up of reserve funds has started. Its main source is the state-owned property to be privatized. The increasing role of contributions entails high and/or growing contribution rates (close to, or above 50 % of the wage, including contributions to the health and unemployment funds). Evasion under many forms (false declaration of wages, non-declaration of black jobs, etc.) is therefore high and spreading. For many reasons, the financial sustainability of the current scheme is doubtful. According to home estimates and to the World Bank's projections, the current contribution rates (incl. payroll taxes) had to be significantly increased from about the year 2000 if the present schemes are not altered.

* The equivalence principle (or actuarial strictness) is being strengthened in several ways. The "profile" of insurance is being cleansed. This means that benefits hitherto paid by the national insurance fund are switched over either to the central budget (universal benefits like family allowance), or to local budgets (death grants transformed into means-tested assistance, or pensions with insufficient contributions also transformed into assistance). Another tendency is to better adjust pensions to contributions by increasing the number of working years used to calculate the pensions; by increasing contributions for employees eligible for early retirement or eliminating these privileges (for unhealthy or dangerous jobs); this also means the unification of hitherto different regimes; by increasing the number of minimum contribution years and smoothing the regressive basis of calculation (each year counting the same). The tendency is to switch also all non-fully-contributed minimum pensions either to the budget (universal flat-rate old-age pension), or to assistance.

* Cost containment is served partly by the above measures. Other means are the imposition of a ceiling; the change of the benefit formulae so as to yield lower pensions; the restriction of eligibility for early retirement or for disability pensions; the introduction of a retirement test.

The main projected instrument of cost-containment is the rise of the - admittedly very low - pensionable age limit, and the equalization of the retirement age for men and women. Over and above sustainability, there are strong arguments for this change, such as the problem of equivalence in itself; the very high and rapidly increasing dependency rates; gender equality; the adjustment to western patterns. The process already started in some countries. The counterarguments are to some extent political (the force of acquired rights). Some are afraid of increased youth unemployment. The main argument is the very bad health status of the "young elderly" in all the Central Eastern Europe countries. (The difference in the number of years of life expectancy between Central Eastern Europe and the West is close to, or higher than, the difference in the retirement age.) Interestingly, women are even more fiercely against the gender equalization of the retirement age than men.

Another instrument is the full restructuring of the pension scheme. The variant which enjoys the strongest support is a three-tier system, consisting of a (means-tested or universal), budget funded, flat-rate pension; a mandatory earnings-related pension; and optional private (occupational) complementary schemes topped by private savings.

Some countries (Hungary) has already draft legislation about this new structure. The Czech draft proposal foresees an earnings-related, but more contracted mandatory first tier, a non-mandatory second tier of professional (or other group) schemes, and individual savings as a third tier (Dostal, 1994). Some outside agencies recommend a structure with a first pillar which is employment-related (but not earnings-related), and a second pillar which is also mandatory, but privately managed, fully funded, and started as soon as possible (Fox, 1993). Some foreign experts voice their misgivings about starting a fully funded system under the present conditions (Milanovic, 1994).

* The legal framework for private or occupational schemes is either already established, or under way. The demand for these schemes is fuelled by the mistrust in the mandatory scheme; by its still existing distributive features or by the imposed ceilings. Also, there is implicit trust in funded schemes, and not readily available information about the functioning of private insurance markets. Private (partly foreign) insurance companies are building up a market for supplying these opportunities.

* The technical development of the system, information gathering, access to information of the public, up-to-date statistics and accounting, automation and networking are everywhere on the agenda. In some countries loans from the World Bank are targeted to this objective.

Health

Because of lack of space, the health reforms will be dealt with only briefly. The inherited public health system was, with slight exceptions, easily accessible, combined preventive and curative functions, and (despite the widely spread gratuity money) affordable for the general public. Its shortcomings - overcentralization, inefficiency, the alternate occurrence of shortages and surpluses, low quality of services, lack of public (citizens') control, and its partial responsibility for the dire health status of the population in all central eastern European countries - are widely known.

The reform had similar objectives to that of the pension system. Cost-containment and increased efficiency by means of reorganization and increased accountability of doctors and hospitals, and by improved, more expert management was one of the aims. The ending of state monopoly, increased free choice, a clearer relationship between contributions and services, more participation, and altogether improved care were all on the agenda.

The reform strategies have been, at least in most countries (Hungary, the Czech Republic, Poland in any case) less cautious than in case of the pension reform. Elsewhere (in Russia among others) deep changes occurred "spontaneously". Rapid liberalization took many forms, such as a switch from the public service to an insurance system (with more or less full coverage), rapid privatization of the pharmaceutical industry, of hospitals and clinics, of ambulance services, of the practice of practitioners and so forth. The financing of the system was to a large extent

shifted to the employers and employees, with heavily restricted state funding. Under these conditions cost containment had to entail a lowering of standards, a significant rise in co-payments, stricter rules for access to specialized or hospital services, the deterioration of preventive services. The rules of the sick pay are also altering, by abolishing sick pay for a short initial period of absence, and by requesting the employer to pay for a subsequent, longer period.

Despite increased stringency, the cost of supplies and pharmaceuticals has exploded, leading to the bankruptcy or serious difficulties in the operation of the independent health funds. Signs of disorganization, of private profiteering, of disintegrating services are proliferating.

Many vocal groups - private insurance companies, liberal economists, better-off groups - would go further in the currently followed direction. According to an influential expert group preparing reform proposals for the region, the public health fund should pay hospitalization and surgical intervention only for the poor patients on a means-tested basis, "whereas patients of higher incomes would pay part or the full amount of the medical treatment" (Ehrlich et al., 1993). Since these trends are already surfacing, the assessment of an outside observer is worth of attention: (in Poland) "elements of a two-tier service are already apparent, with a visible deterioration of already inadequate public service and a higher standard of care for those who can afford to pay. ..Given the similar legacy faced by other East European health services and comparable economic difficulties, one can anticipate many similarities in the future development of health care in other post-Communist countries" (Millard 1993, p. 88).

Family support

All the countries under scrutiny (with the exception of the Soviet Union) had a relatively high family allowance, which was employment-related, untaxed, usually increasing up to the third child, differentiated on social grounds (single parents, handicapped children), and, for long, also on political grounds (discriminating against those not in state employment).

The criticisms leveled against this system, coming partly for home analysts, partly from the supranational agencies, (World Bank, 1990, 1991, 1992a,b,c) have several, more practical or more political-ideological elements:

* The share of family allowance was assessed as too high (Holzmann, 1991, World Bank 1990, 1991,1992). Therefore cutbacks are recommended because of budgetary constraints. (The family allowance is between 1 to 3 per cent in most Western countries, and between 2 and 4 per cent in the Eastern ones.)

* The ratio of family allowances to wages was higher than in market economies, and covered a higher percentage of children's needs (at best around 30 per cent of the subsistence minimum). Hence the argument that family allowance was a wage subsidy, and played the role which, in market economies, is played by wages. It

was also indicated that flat-rate family allowances represented an adverse incentive with increasing wage differentials.

* The gradual increase, up to the third child, was judged unacceptable because of its pro-natalist objective and its "wastefulness" (e.g. World Bank, 1992a).

* The politically discriminatory elements were unacceptable, including discrimination against the non-employed.

Part of the reform proposals is aiming at correcting the political defects. The new legislations implemented these changes relatively rapidly. (In Hungary for instance the family allowance became universal from April 1990 on.) Another part of the reforms addresses cost containment. The proposed instruments include the reduction of the real value of the benefit (e.g. by belated indexation); the shortening of its duration (e.g. students); the taxation of family allowance; and better targeting. Better targeting may be attained either by refining group targeting, i.e. by differentiating according to the age of the child or the size of the family, or else by focusing on the "truly needy", making the universal benefit means-tested.

The debates are fierce. Detailed studies (initiated often by the World Bank) have demonstrated since the first onslaughts that despite of its universal coverage, family allowance has been in fact quite well targeted because the size of the family is the most important predictor of child poverty, families with many children being in majority and increasingly among the poor (Jarvis and Micklewright, 1992, van de Walle et al, 1993). The practical difficulties of taxing family allowance were repeatedly pointed out (Jarvis and Micklewright). It must be added that market wages never take into account the family obligations of the worker, and low family allowances, together with ineffective means-tested assistance, are responsible for child poverty in many western countries (e.g. Jensen and Saporoti, 1992). Also, opinion polls show the wide-spread support for universal family allowance.

With shrinking resources, the real value of family allowances decreased in most countries. (One of the instruments is delayed indexation). The taxation of family allowances is on the agenda in Hungary, even though the practical difficulties have been repeatedly pointed out. A more refined targeting (according to age) is contemplated in some countries. (The Czech Republic prepared the proposal at the end of 1993.) The idea of means testing was resisted up to now, but it seems to get increasing support everywhere, notably in the Czech Republic (Dostal, 1994) and in Hungary¹.

¹ It may be worth noting that with means-tests above a relatively acceptable level about 10 per cent of the families will be squeezed out in the Czech Republic (Potucek, personal communication). In Hungary, the same figure is 8 per cent (my calculation based on the Hungarian Household Panel, Sik and Tóth, 1993, and own unpublished survey). It is likely that the administrative costs of means-testing will be higher than the sum saved by it - not counting all the social costs. These cost-benefit analyses are ignored by politics..

Tax allowance (from 1994 tax credit) for children has been introduced probably only in Hungary. It is assessed as expensive and reversely targeted both by inside critics and outside observers. However, the most vocal (pro-natalist and better-off) groups are strongly in its favor.

The other main cash benefits connected with maternity and childhood included a birth grant (practically universal single payment at birth): an employment related maternity leave for 3 to 6 months after birth, mostly fully paid; an employment related child care grant, a job-protected, flat-rate, less often earnings-related monthly payment payable usually to the mother (in a few cases to either parent), until the child has reached 1 to 3 years; and relatively long paid sick leaves to care for sick children.

Despite financial constraints, there were improvements in this field. Some benefits started to be indexed or were increased; in the Czech and Slovak Republic a new monthly parental allowance was introduced to care for severely disabled children under 7 (Bernard Brunhes, 1993). In Hungary, a means-tested allowance is granted to mothers with at least 3 children under 10. In some countries eligibility was broadened for some benefits.

Because of financial constraints, the privatization of firms, and the often repeated assertion that these benefits are more generous than in western Europe, there is a strong likelihood of their "stream-lining" or curtailment. The most wide-spread reform projects are the following: to shorten the too long maternity leave and lower the replacement rate for it; to de-link the grants from employment (which ends not only the very debatable earnings-related grants, but also job protection); to make some old benefits means-tested (a trait which characterizes all the newly introduced benefits). Resistance is great against these changes, but practices are already changing. There is evidence (Simonyi, Heinen) that women do not use fully the grants for fear of losing their jobs, and private entrepreneurs are discriminating against pregnant women, or young women in general.

There was a relatively well-developed network of child day care, including nurseries, kindergartens, school day care centers, school meals, holiday homes, and such like. (For the difference with western countries see Kamerman and Kahn.) Changes in this field are noteworthy. All fees have gone up considerably (squeezing out poorer families, or forcing them to ask for assistance). More importantly, the network of day care institutions is rapidly shrinking. The local authorities having now full responsibility for these services often lack funds; the enterprises are getting rid of their social obligations and close down their day care centers² Most importantly, there is a changing official ideology about the role of women (whose main duty is to care for the family and the children). This implies that official efforts to maintain the former network are at best slack or may even actively promote its decline. Because of the increasing scarcity of places and lowering standards,

² In Hungary up to 1992 one third of the nursery places have been eliminated. The trend continues and has reached the kindergartens..

expensive private child care institutions both for pre-school and school age children are emerging. Indeed, the privatization and marketization of educational services is largely encouraged. Accordingly, private schools may get public funds on equal footing with public ones, but they may (and do) ask for additional contribution of the parents. They may offer then good quality care, attracting the better-off parents. In this way, the public institutions may be left to care for the children of the poorer groups, with the quality of care deteriorating. In this way, child care institutions, instead of promoting integrated socialization, may become a two-tier, segregated system.

Poverty relief.

The existence of poverty having been denied, public assistance, under state socialism was scant, haphazard and discretionary. Social work, if it existed at all as in Poland or Yugoslavia, was sparse and usually on a low professional level. Private charity was officially banned, even though most Churches continued, in a more or less illegal way, to offer some alms and some services. With the rapid increase of poverty official answers had to be developed.

In theory, the statutory basis of social security is laid down in most constitutions, which declare (among other social rights) the right to assistance for subsistence in case of need. The legislation implementing this principle is in place in some countries, in preparation in others. Czechoslovakia was the first to enact a Social Law. Poland, Hungary and some others followed suite. In Bulgaria the Act is under preparation. The Acts legalize the place and role of personal social services, too (and the training of social workers and other professionals for human resource development has started everywhere). The contents, instruments, standards, financing, and coverage as defined by the laws vary, but there are common traits.

Extent. The mass of those needing assistance is increasing because of "spontaneous" and deliberate processes. There is the massive increase of unemployment. The insurance scheme does not take into account family responsibilities, and this is true in most cases for the assistance offered to the long-term unemployed. The group of the "needy" is swollen by the "purification" of social insurance, i.e. the elimination from the insurance scheme of all those whose contributions do not match benefits, including handicapped, those with a short employment record, etc. In order to contain inflation, the increase of wages is deliberately not matching the rise in prices, even in case of the low wages. After the elimination of price subsidies even on basic needs, inflation hits the low earners inordinately. The number of the working poor is thereby surged. A similar tendency may be observed among those with a low pension (even if pensions are adjusted to the average price rise). A similar policy is followed in case of social insurance benefits, the level of which is again deliberately cut back. (This may occur either with inadequate and belated indexation; with a switch from earnings-related to flat-rate unemployment benefits as in Bulgaria, Poland, Estonia and Latvia, and to flat-rate pensions as in the two latter countries; with the abolition of sickness benefits for the first days of the illness, etc.) The inordinately large increase of housing costs creates a group with a "specific need" (i.e. those unable to pay their bills, which entails

the cut of household energy supply, and leads ultimately to the loss of the home). A similar tendency occurs in case of children in day care centers (as already mentioned.)

The increase of the number of the assisted is in line with the explicit priority expressed by home and foreign experts according to which on the short run poverty relief (assistance) should be given priority over other aims of cash benefits, such as insurance and income smoothing. The cuts in insurance benefits would pay for additional poverty relief (Barr,1993).

No doubt: for economic reasons this may be a sound priority. The funds for unemployment and other assistance have to be increased considerably. The question is whether these additional resources have to come from the other social benefits. The advocated solution means that very large groups of workers, families with children, pensioners or others on the insurance rolls are experiencing a radical fall in their living standard -without necessarily falling rapidly among the poor qualifying for assistance. Objectively this may be a minor problem as compared to those who are already starving or homeless. But against the background of former existential security, of huge new inequalities, and of a very uncertain future which may end in officially acknowledged poverty the socio-psychological effect cannot be ignored.

Level. In most countries, with the apparent exception of the Czech Republic, the level under which assistance is offered is way below the official poverty line or subsistence level. The yardstick is rather the minimum wage or the minimum pension. These are not only highly politicized instruments which questions their adequacy for poverty relief. For a number of economic and political reasons, they are disconnected from the subsistence minimum, and in most countries they are significantly below it³. Also, relief is not meant to assure for the family a predefined level (be it low), but only to give a predefined sum to the individual in need. Hence, the objective of poverty relief is the slight alleviation of poverty rather than its significant reduction.

Access. Access may be hampered by deficient information; by rapidly changing rules; by demeaning conditions of according relief (such as the wide-spread practice of home visits); by the reluctance to ask for relief, considered stigmatizing in itself; by a large margin of discretionary power of the authorities (either explicit in the legislation not assuring appeal in court, or allowing the use of work tests, behavioral tests and such like). In some countries the funds for assistance are not guaranteed by the central budget so that the local authorities may just run out of funds.

Cash or kind. Assistance in cash seems to be the prevalent form in the laws enacted or under preparation. Assistance in kind (or in some form of vouchers, food-stamps, etc.) occurs in two ways. For those in absolute and dire need, all countries are setting up

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To give just one exemple: In Hungary in January 1993, the subsistence minimum for a single pensioner was officially 9900 Fts, and the minimum pension 6400 Fts. The subsistence minimum for a single person household was 13000 Fts, and the minimum wage 9000 Fts. All means-tested benefits are tied to the minimum pension in various ways. -

soup kitchens and shelters for the homeless, often with the contribution of NGOs or private charities. The other instance of assistance in kind emerges because in many countries the law allows the local authorities to replace cash by other forms of help (direct paying of bills, of school meals for children, food parcels or food stamps, and so on.) The issue between consumer freedom and the more efficient use of the help (direct coverage of the needs deemed to be the most basic) is debated.

Administration. In all countries insurance (pension and sick pay), unemployment benefit (formally a separate branch of insurance), and social assistance are administered by three separate institutions, i.e. the insurance fund, the employment offices, and the local authorities. The first is nationally centralized, the second organized on regional levels, and the third on the local level. In some cases, the central and/or regional tax authorities may also be required to participate in the process of means-testing. This creates overlapping bureaucratic red tape (e.g. the long-term unemployed have to maintain contact both with the - potentially far-away - regional labor office and the local authority). Also, it is almost impossible to monitor and coordinate the income programs.

Summing up the recent processes affecting social policy, legislation started to promote decentralization, pluralization, and, at least to some extent, the democratization of the welfare system. The building up of institutional and administrative capacities and training opportunities is also noteworthy. As far as social provisions are concerned, the most important changes up to the spring of 1993 have been the following: (i) The curtailing of universalism either by a switch to the insurance principle (health) or by transforming hitherto universal or insurance-based benefits into selective, means-tested ones. (ii) The retrenchment of social insurance. (iii) The lowering of the standards of public social provisions whether cash or kind, insurance or assistance. (iv) The escalation of "targeted" social assistance in general. (v) The introduction or increase of fees. (vi) The advancement of welfare pluralism, of non-public -market, voluntary - solutions

III. The underlying principles of the reforms in social policy.

The withdrawal of the state.

A core element of most above reforms is the neoliberal stance requesting the withdrawal of the state, and the explicit search for a "minimal" state. The rationale behind this claim is the chronic deficit of the state budget increasingly overloading the future. The argument is based on the assumption that state-socialist countries had "premature welfare states" (Ehrlich et al.1993). The other reason for change is the widespread belief that the former "paternalist" state undermined the moral fiber of the population, bred "learned helplessness", (Marody 1992), reduced people's responsibility for their own life, and stimulated parasitism (Ehrlich et al, 1993).

As for the criticism about overspending, the issue is debatable. The quantitative comparison of East and West is not conclusive in this respect. If the simplest method -

the comparison of budget social expenditures - is applied, the Eastern countries were following in this respect the trend of Western Europe from the 70s on, on a slightly lower level than the OECD average. Whether this rate was too high or too low is a matter of political judgment. It was certainly less out of line than, for instance, inefficient investments. (The rate of accumulation was on the world's highest level in the state-socialist countries - with an outstandingly bad overall result for sound economic development.) Thus, bad economic policy and erroneous investments were in all likelihood more detrimental to international competitiveness than social spending.

As for the latter claim, there is much to say about the former "state paternalism" which, with its punitive and coercive practices, had little to do with a "caring father". Moreover, the "safety net" was full of holes, leaving the citizens to deal with many basic problems - getting a flat, coping with handicapped relatives, with unemployment or poverty and so forth - only by their own means. As a result, the inventiveness in coping strategies by legal or illegal means was remarkable.

Despite the rhetoric about the withdrawal of the state, it seems that the ratio of social transfers did not diminish significantly in most countries, or could even increase. (The real value of the transfers decreased, though.) At least two reasons should be evoked explaining the apparent "incompressibility" of social spending. One reason is the severe drop in the GDP everywhere. With increasing needs, it proved to be impossible to cut back the social expenditures at the same rate. The other reason is statistical. The social spending of the state is fully recorded, while the shadow economy is not. Hence the real GDP may be higher (by at least 20 to 30 per cent) than the recorded one. This means that ratio of social spending probably dropped, without statistics being able to show this fact (Kemeny, 1993).

The advance of civil society.

One of the major gains of the liberal forces is the rebirth of "civil society", the opportunity to associate, to organize, to start voluntary and non-profit activities. In the field of welfare, the participants of the third sector mobilize additional resources, invent new methods, recognize and cater for newly defined needs, weave small networks of solidarity. Alongside with the liberal thrust, conservative efforts are also manifest in this field. The increased and much supported role of the Churches may be one of the signs, the other being the acclaim of charity.

The other "new" welfare actors of the welfare mix are the family - whose role indeed never faded away. What is new is the emphatic shift of former state responsibilities to the family. This is in line partly with the liberal endeavor for self-reliance, and partly with the conservative effort to strengthen the family (by increasing for instance the maintenance obligations of relatives) and to redefine women's role in society.

The vast literature about the pros and cons of the welfare mix (Glennerster 1985, Johnson 1987, etc.) is not widely known in Central Eastern Europe. The advantages are often evoked, while the potential shortcomings are not becoming public issues as yet. It is seldom realized that the informal sector is never ubiquitous, not even in countries with long and impressive traditions of voluntarism. The overload threatening the families, often undermining their stability, another often discussed theme in the West, is also neglected. The consequences of the conservative proposals, that they create new, almost feudal bonds (as in case of charity), and harm gender equality are overlooked, too.

The promotion of the market.

The place and role of the market is supported, or even forced, in many ways, again in line with (neo)liberal tenets and forces, with the approval of conservatives. The elements comprise support of the private ownership of welfare infrastructure (schools, hospitals, etc.); of the strengthening of private service delivery in all the fields, not necessarily with private financing; the combination or replacement of public financing by market solutions in many spheres (health, education, all forms of insurance).

As in case of the third sector, the dangers of overshoot in the process of marketization are not on the agenda. In the West, there is increasing awareness about the potential risks of market failures and information failures in the field of welfare, particularly in the health services (Barr 1987a, 1987b, 1990, 1993). These problems are curiously missing from the public debates in Central-Eastern Europe.

Nor is the issue faced that the state can hardly be replaced in three respects: it is the only agent which can guarantee the availability of the necessary funds for the coverage of (democratically agreed) needs; which can assure (without being the sole or main provider itself) the availability of statutory benefits and services all over the country; and the only agent which can define and guarantee social rights.

The retrenchment of social insurance.

In line with "de-etatisation" and marketization, the liberal slogan about social insurance is to make it "market-conform". As long as this means no more than actuarial soundness and accountability, more transparent and more binding contractual relationships, the claim is justified. The request of the complete separation of "insurance" from other forms of social security has, however, more far-reaching implications. To spell out just some of them:

- The benefits which are squeezed out from insurance belong hereafter to the competence of the parliaments and governments. The short-term mandate of these political actors contrasts with the long-term strategy needed for the creation of a sound family benefit system. There is also the danger of over-politicizing these benefits, and to submit them to short-term budgetary constraints.

- The relationships between the various benefits -for children, for adults, for the elderly - are completely severed, preventing a holistic view on social policy.

- The actuarial or equivalence principle is only seemingly unequivocal. Taken literally, it may mean that all solidaristic elements of social insurance have to be eliminated. As a consequence, women (with a longer life expectancy) will have to pay higher contributions than men, or the sick more than the healthy, or those with potential survivors may have to pay more than single people, or the unskilled, more prone to unemployment, more than the professionals. All this is not likely to happen, but the legitimacy of solidarity is increasingly questioned.

- With thinning solidarity and a strong market ideology, the way is paved to market-type insurance. This may mean not only complementary, but also basic schemes. In some countries there is a strong pressure in favor of opting out of the mandatory system, which means the slow decline and ultimate erosion of "social insurance". In the words of the experts making recommendations for Hungary: "a low-level base pension would be guaranteed by the State (and possibly financed by taxes), which would be complemented by various pension systems offering their individual conditions on a profit-oriented basis... The direct effect of the introduction of alternative pension systems is that the pension contributions of the population and a number of related associations will partly be paid to other pension funds rather than to the currently operating pension payment office .. Therefore the introduction of alternative pension systems will make the currently operating system poorer".

With all these changes, the segmented, two-tier systems may emerge both in income programs and in the human services.

The curtailing of universalism and the fatal attraction of the politics of poverty

The tendencies of segmentation and marginalization are reinforced by a combined, liberal and conservative attack against all universal benefits. The attack is based not only on budget constraints, but also on (in my assessment) false historical parallels, and political demagoguery: "Establishing universalistic and compulsory programs of social protection is popular today, but it is contrary to historical developments. Such programs were not initially provided in West European welfare states: they emerged after a half century of developments that started with contribution-funded programs for those able to pay. East European systems today are at the start of a lengthy transition process, in which their fiscal and administrative resources are backward by comparison to Western Europe. To recommend that such societies introduce comprehensive and universalistic social protection programs on the Scandinavian model is to be a "welfare Bolshevik" - with all that implies about what happens after an abstract ideal is found to be incapable of realization here and now" (Rose 1993, p.216). The author seems to forget that most countries in transition have already undergone the half century in question even before Bolshevism, and that those which have not, had in the last half century a social experience different from that of Yemen or Singapore not too easy to overwrite.

While by now inevitable and necessary, the escalation of assistance is not a promising development from the perspective of social citizenship and an integrated society, issues of particular importance in the former totalitarian countries. Over and above its

well-known shortcomings (inadequacy, increased bureaucracy and costs, defective take-up, the poverty-trap) (Atkinson, 1991, Walker 1993), assistance is not a free, contractual relationship between equal partners. In this sense it is contrary to the ethics of a "bourgeois" society.

All in all, the easy acceptance of the "politics of poverty", of a large role assigned to public and private charity, of the ready criminalization of the poor, especially the long-term unemployed, the revival of conservative attitudes to families and women all belong to an old-fashioned conservative welfare regime-type, not necessarily opposed by the liberals.

Conclusion.

The abolition of "state socialism" has already brought about basic gains in terms of political institutions, freedoms and rights. The evolving market economy promises on the long run a way out of the former dead-end economic system. These changes were initially supported by the large majority of the constituency despite of the fact that some negative economic and social consequences were foreseen by practically everybody. The depth of the economic crisis, the difficulties of making democratic institutions work, the bloody ethnic conflicts, and essentially the huge costs of the transition in terms of the loss of existential security and rapid impoverishment for large segments of the population, of new social cleavages and exclusions were, however, not foreseen or reckoned with either by outside observers or the citizens themselves.

It is an open question (which I do not propose to deal with) how much of these troubles is a "natural" or inevitable consequence of the heavy legacy of the past and of having released hitherto stifled social forces and passions, and to what extent are they due to political mismanagement. Whatever the reasons, our assumption is that the new political class and the new state has had some role in shaping the present and the future. The efforts to cope with the present troubles were influenced by a hidden (and probably only partly conscious) agenda about the type of society some of the currently dominant political forces would like to promote. In this society unemployment, poverty, homelessness, large and unattended inequalities are taken for granted. As we tried to show, the new social policy is no mean instrument in promoting this vision.

But democracy is a curious institution. We hope that the citizens will realize that, by legal political means, they may be active partners in shaping the society of tomorrow, and that they have some degree of freedom in changing the course of events prepared by the new dominant groups. After all, at the dawn of the twenty-first century, predatory, "wild-east", nineteenth century capitalism may not be the only option. -

Footnotes:

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2 Over and above the published sources referred to, I have profited substantially from the unpublished documents of, and personal communications had at, the Third Central European Forum: *Labor Market Changes in Central and Eastern Europe: Lessons for Social Policy*. Vienna, January 21-23 1994, organised by the Institute for Human Sciences, Vienna.

I have to add that when writing this paper I did not know as yet the analysis of M. Voirin (1993). In many cases, his article describes in more detail the changes which have taken place.

3 For the dates of the introduction of these schemes see Voirin, 1993.