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New Social Policy Ideas in the Making: The Case of Central and Eastern Europe

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Abstract

Central and Eastern European countries have experienced a rapid transformation of their economic, political and welfare regime(s). From a state-paternalist welfare state, post-communist countries are now moving towards something new. A shift in the main social policy paradigm is, in fact, taking place: from central-planning to market-based welfare provisions, from public to private responsibility, from universal and flat-rate to insurance-based and contributions-related benefits. Most of these changes seem to be clearly paradigmatic, although it has still to be asked where the post-1989 social policy discourse originated. This paper aims to address this issue, by exploring the introduction of new social policy ideas in Central and Eastern Europe. The first section clarifies the difference between old and new social policy ideas within the specific context of Central and Eastern Europe. The second section provides a brief overview of the main changes in pension, health care and unemployment benefits, while the third section briefly summarizes the results. The main argument of the paper is that policy makers in the region have combined old with new social policy ideas in order to make the new welfare arrangement sustainable to internal and external pressures. In other words, they *recasted the welfare state from within*.

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Introduction

Central and Eastern European countries have experienced a rapid transformation of their economic, political and welfare regime(s). From a state-paternalist welfare state, post-communist countries are now moving towards something new. A shift in the main social policy paradigm is taking place: from central-planning to market-based welfare provisions, from public to private responsibility, from universal and flat-rate to insurance-based and contributions-related benefits. Most of these changes seem to be clearly paradigmatic, although it has still to be asked where the post-1989 social policy discourse originated. This paper aims to address this issue, by exploring the introduction of new social policy ideas in Central and Eastern Europe.

The paper is based on the assumption that ideas and policy discourses greatly influence institutional and welfare state change (see Schmidt 2000, 2002). The establishment of the welfare state in Europe has, in fact, been the result of various interconnected factors, among which pre-existing institutional structures (Immergut 1992; Bonoli and Palier 1998, 2001), path dependent mechanisms (Pierson 1996, 2004), as well as the strategic interactions of actors have certainly played a crucial role (Scharpf 1997; Schludi 2005).

In order to better understand the relationship between the introduction of new social policy ideas and welfare state change in Central and Eastern Europe, this paper will attempt to respond to the following main research questions: How have social policy ideas developed during the years? To what extent have they contributed to the most recent shift in the social policy paradigm? And, more importantly, have the post-1989 social policy ideas simply been the result of an aseptic policy transfer or, rather, have they been the consequence of a recombinant transformation?

The paper is structured as follows. The first section clarifies the difference between old and new social policy ideas within the specific context of Central and Eastern Europe. The second section provides a brief overview of the main changes in pension, health care and unemployment benefits, while the third section briefly summarizes the results. The main argument and conclusion is that policy makers in the region have combined old with new social policy ideas in order to make the new welfare arrangement sustainable to internal and external pressures. In other words, they *recasted the welfare state from within*.

1. Ideas, Policy Discourses and Institutional Change

The role of ideas and policy discourses in the making of contemporary social policies has been the object of a lively academic debate (Schmidt 2002, 2002; Taylor-Gooby 2005; Palier and Surel 2005). Welfare state reforms represent, in fact, a complex process of institutional restructuring, where a combination of numerous factors contribute to the final outcome of transformation. Welfare reforms are not simply negotiated in the political arena, where a consensus among the different actors involved (e.g. the government, the opposition, the social partners, etc.) is needed, but they must also be negotiated on the basis of pre-existing institutional rules, which involve not only the respect of formal institutions (such as electoral rules, specific veto points existent in the parliament, etc.), but also those informal institutions which govern the politicians' and citizens' own preferences.

Due to its multi-dimensional character, attempting to exhaustively respond to the question of how ideas and policy discourses effectively influence institutional change is not easy. Ideas and policy discourses may, in fact, have a crucial impact on: (1) the choices and beliefs of actors; (2) the formation of interests; (3) the actor's strategic interactions; and (4) the creation of specific institutions (both formal and informal). Policy ideas and discourses also help (5) mutual and trans-national learning, thus opening new policy windows for *defrosting*² welfare reforms remained blocked in the parliaments or in the Prime Minister's cabinets.

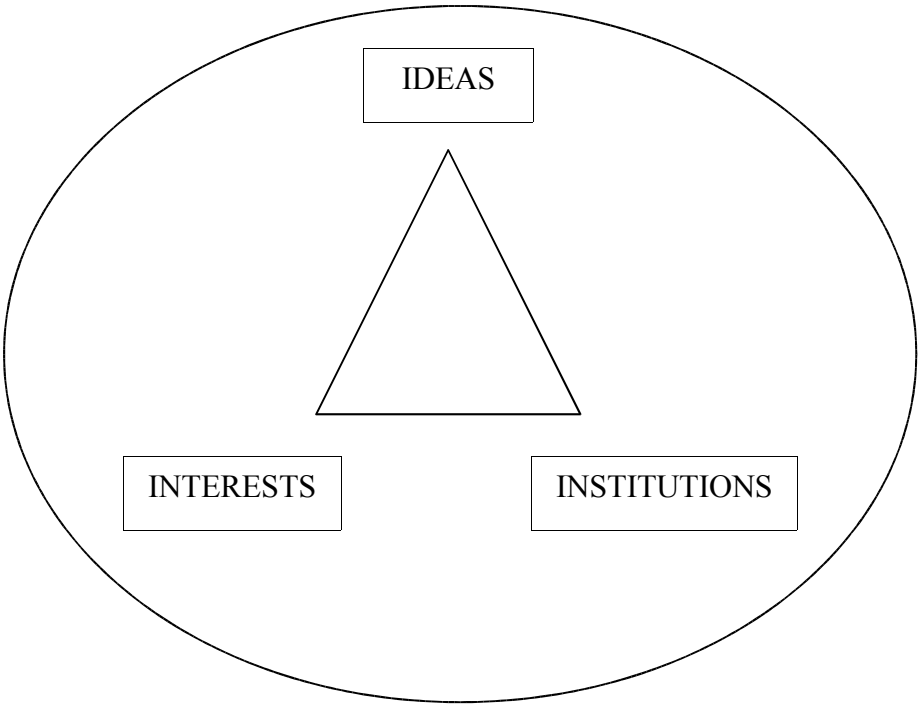
The relationship between ideas, interests and institutions is also far from linear. The "Three I's", as described by Bruno Palier and Ives Surel (2005) (see also Hecló 1994; Hall 1997), tend, in reality, to influence each other mutually³. For example, new social policy ideas (such as the three pillar scheme of pension) may produce a set of new interests (such as those related to business of private pensions) that then turn into new institutions (such as those associated to the management of the newly established pension funds). Similarly, the presence of determined interests (such as those related to the health professionals' preferences for the privatization of health care facilities) can foster new social policy ideas (such as those related to the introduction of health insurance systems) that in turn may have an impact on the creation of new institutions (such as those related to monitoring the correct functioning of private practices). Finally, as stressed by Palier (2005, 2006), already existing institutions

² The term *defrosting* has been introduced by Bruno Palier (2000)

³ I owe a huge debt to Andrzej Rychard for valuable discussions on this topic.

(such as Bismarckian welfare institutions that link the amount of benefits to the work record) create a set of related interests and expectations (such as those associated to the professional groups eventually touched by the reform process), which then influence the policy ideas that have to be promoted (such as the preferences for contribution related instead of for flate-rate benefits). Ideas, interests and institutions can, thus, be described as being part of a triangle, in which each angle is interconnected and tends to produce a significant impact in the final social policy reform process (see Table below).

Table 1. The Social Policy Reform Process



For these reasons, the main focus of analysis will be on the development of new social policy ideas as crucial element in the process of institutional creation, as well as stressing that ideas did not appear overnight, but were the result of already existing interests and institutions established in the pre-communist and communist period.

1.1 Leading Social Policy Ideas Before Communism

In Central and Eastern Europe, the main social policy ideas in force before communism were strictly associated to a Bismarckian vision of social solidarity, which linked the access to benefits to the professional status (Cerami 2006a, 2006b). The numerous pension and health

care funds established in Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia between the years 1906 and 1928 aimed to provide basic protection to the industrial workers having the primary aim of ensuring social and political stability. As argued by Baldwin (1990) in the case of Germany, pensions were clearly the most powerful tool for achieving political stability and empowerment. In Central and Eastern Europe, the ideas behind the introduction of social policies, not so different from those in Germany, were clear. First, the systems of social protection in the region had to pursue the status maintenance of industrial workers, particularly because these professions might have joined together more easily, pursuing social democratic objectives. Second, in exchange for the benefits received, these workers were called to be loyal to the state apparatus contributing to their own protection through the payment of social insurance contributions, which inevitably would have established a feeling of mutual dependence. Third, the access and the benefit structure had to mirror principles based on work-performance (e.g. earnings- and contributions- related, instead of flate-rate benefits), since these welfare architecture was functional to the requirements of the new industrial society, with the desire also of increasing the individual levels of productivity.

Unfortunately, these Bismarckian social insurance systems had various shortcomings, among which the lack of protection for several group of citizens was the most notable one. Before the beginning of World War II, in fact, only a small minority of workers (and their family) was insured (usually no more than 20% of total population), while the majority of citizens remained systematically excluded. The negative coverage of such schemes of social protection was, however, in line with the main policy discourses of the time. Civil rights were not understood to be universal, but rather they tended to be associated to the magnanimity of the monarch. Moreover, workers and not the citizens were eligible for special protection, since the former had contributed to the functioning of the state, while the latter, if not working, were seen as parasites of the society and, thus, worthy only of residual protection through charity or religious organizations.

1.2 Leading Social Policy Ideas During Communism

With the end of World War II things changed, even though not necessarily for the better. Central and Eastern European countries were suddenly put under the control of the Soviet Union, which greatly modelled their system of social protection. Central planning became the

key principle in the economy and with central planning the entire system of social protection was subjected to the economic priorities set by policy makers. The political discourse during communism emphasized the superiority of the masses over the individual. The community was the owner of determined welfare rights, while it was requested that the single person be responsible for contributions to the positive development of the communist society. Status differentials were then unnecessary or not functional to the development of the communist society. According to political leaders and philosophers: Everyone should have been rewarded according to his or her needs, contributing to the system according to his or her possibility. As it is known, the main political discourse during this period was: “from each according to his ability, to each according his needs”.

These words hid, however, unexpected negative consequences. In particular, the excessive standardization of life resulted in an increasing discontent among the population exasperated by the low level of wages and benefits with no foreseeable possibility of being increased. Among the positive aspects, which undoubtedly were not absent, central planning ensured full employment, which then translated the anomalies of a welfare state largely based on work performance into a universal and flat-rate system. In fact, as emphasized in previous work (Cerami 2006a, 2006b), the social insurance systems established before communism were only, to some extent, dismantled by the communist social policy re-organization, since many of the most important features persisted. These corresponded, for example, to a system still based on social insurance contributions, which, however, were equally redistributed among the population by the central planned economy. Benefits were also earnings-related in theory, but since wage differentials were minimal, they became flat-rate in practice. Also coverage, which was in theory employment related, assumed a universal character in the practice due to the absence of unemployment. The management of the social security system was also set at the firm or state level, since it had to serve state and not local priorities (Cerami 2006b).

1.3 Leading Social Policy Ideas After Communism

With the fall of the Berlin Wall and the subsequent dissolution of the central planned economy the political discourse drastically changed, emphasizing the need for a new social policy architecture. At first glance, changes were drastic, since they implied the restructuring of the welfare state according to completely new principles. These were based on ideas such as that: a) the individual and not the community had to become the supreme owner of welfare

rights; b) the market and not the state had to be the main provider of welfare benefits; and c) not all policies had to be social in the new market-oriented environment. In order to transform the welfare state accordingly, policy makers in the region saw the introduction of Bismarckian welfare institutions as the best policy option, since these took the form of welfare benefits associated with work performance, granted upon the payment of social insurance contributions, and managed at the local level, which would have ensured the new need for social and economic differentiation (Cerami 2006b).

This new social policy paradigm, however, was not created *ex novo*, but it had, as it has been mentioned, old pre-communist origins. Nevertheless, in the process of *recalibrating*⁴ the old welfare structure to the new functional necessities of the market economy, an ambiguous recombination of old and new social policy ideas took place. Status maintenance was, as a result of the *habitus* established during communism, coupled to universal aspirations, while work- and contribution-related benefits were forced to deal with the homogenizing principles as spread by the communist regime. The result was then a *recombinant welfare state*, a new *Central and Eastern European welfare regime*, in which elements of the three periods have been mixed together: pre-communist Bismarck social insurance, communist egalitarianism and post-communist market orientation (Cerami 2006a, 2006b). The subsequent section offers a brief overview of the recombination of social policies occurred in three main welfare state sectors (pensions, health care and protection against unemployment) with the aim of clarifying the discursive basis of the new welfare arrangement, while, at the same time, of offering some empirical evidence.

Table 2 Outcomes of Main Social Policy Ideas

Before Communism	During Communism	After Communism
Social policy legitimizes the poorly developed democratic institutions and ensures social peace.	Social policy legitimizes the communist regime and ensures social peace.	Social policy legitimizes the transition towards a market economy and ensures social peace.
The industrial workers and not the citizens are the owners of welfare rights.	The community and not the individual is the supreme owner of welfare rights.	The individual and not the community is the supreme owner of welfare rights.
Social and economic policies primarily serve political objectives.	Social and economic policies primarily serve social and political objectives.	Social and economic policies primarily serve market and political objectives.
Social policy has an extremely residual character. It barely influences market objectives.	Social policy cannot be easily distinguished from market policies. All policies are social by definition.	Social policy can be distinguished from market policies. Not all policies are social by definition.

⁴ Please note that the term *recalibration* has been introduced by Pierson (2001).

2. Recombinant Transformation of Social Policies

2.1. Pensions, Health Care and Protection against Unemployment before Communism

As argued, coverage before communism was primarily ensured for workers, especially those in the industrial sector. The level of protection, however, was minimal, based on Bismarckian principles, and primarily aiming at ensuring and maintaining the status of the industrial professions. Life expectancy was extremely low and, as a consequence, ensuring financial stability of pension and sickness funds was not even an issue. The main problem, by contrast, was that of enlarging the coverage as well as the level and quality of benefits, which, remained, for many aspects, far below tolerable levels of human dignity. What follows are a few examples of individual countries attempts at dealing with these problems.

In Bulgaria, for instance, the Government of the National Liberty Party introduced the obligation for enterprises to create special pension funds for their workers in 1905, but only in 1924 the legislation on old age protection was completed. The establishment of pension funds was not only driven by the emulation of what was happening in the Germany of Bismarck, but it was also the result of a new policy discourse emerging in the public debate, which emphasized the necessity to find solutions for the now recognized problem of poverty. Following the spread of Marxist ideas, left social movements, such as the *Social Democratic Party* and the *Love for Poor*, or journals such as *Poor's Defender*, *Workers' Friend*, *Democratic Review*, *Common Mission*, and *New Times* (Source: Angelova and Popova 2005), came to light and with these movements and journals the agenda on the new social policy discourse was set between social insurance principles and poverty alleviation aims. Sickness and maternity benefits were also introduced for the first time with the legislation of 1918, which opened the door for the establishment of sickness funds, while attempting to provide coverage for pregnant women and their children. This was the end of decades of battles started at the end of the 19th century, when unions of women and medical associations called attention to the need for regulation in the field of preventive health care, child rearing and child protection. The first legislation on protection against unemployment in Bulgaria was introduced in 1925 (Source: ISSA 2002: Bulgaria) and was anchored in the social insurance principle. Coverage, however, was extremely limited and only an infinite small proportion of all workers was ensured, primarily those employed in the industrial sector. Despite the limited coverage, it is important to note how, for the first time, the new social policy discourse

witnessed a drastic shift, recognizing the right to work now as a matter of citizenship, instead as simply as an occasional event that depended solely on the individual.

In Hungary, the development of social policies coincided with the rapid industrial and urban development, which resulted in the rise of the working class. The first social insurance legislation, which followed the German system of social protection, was introduced in 1891, and declared that all industrial workers had the right and obligation to be insured. In the following years, social insurance included not only old age, but also work injuries, medical treatments, and family benefits. By the beginning of the 1930s, Hungary was already one of the leading countries in Europe as far as social protection legislation is concerned (1891 on sickness and maternity benefits, 1928 on old age protection, 1938 on family allowances), even though coverage was still characterised by substantial lacks. Even in the Hungarian case, however, the introduction of the new social policy legislation was not simply a top-down procedure, but rather it was the result of a complex discursive process, in which political and social forces were actively involved. By the end of the 19th century, for example, numerous charity, civic and religious organizations were already existent, taking part in numerous activities that aim at improving the miserable social condition of the population. Among the most notable organizations, one could mention *The Charitable Women's Association* of 1816, the *Green Cross*, the *Israelite Women's Association of Pest*, the *National Alliance of Hungarian Jews*, the *National League for Child Protection*, the *National Stefánia Association*, and the *Social Mission Society* of the 1920s (Source: Juhász et al. 2005). Protection against unemployment, by contrast, developed later and only in 1957 the first legislation was emanated (Source: ISSA 2002: Hungary). Its real implementation, however, was limited due to fact that the communist system guaranteed full employment. Only a small, involuntarily and non-working minority of citizens, such as the handicapped, was in theory covered. All other citizens were supposed to take part to the communist economic development.

Similarly in Latvia, the social welfare system, which also followed the Bismarckian model with pension and sickness funds established by the legislation of 1922 and 1924, equally financed by employers and employees, developed thanks to the work of many civic associations, such as the *Aid Society Women's Work*, the *Latvian Women Union*, the *Poor Jew Patient Care Society "Bikur Cholim*, the *Riga Jew Society of Cheap Canteens*, the *Baltic*

Blind People Assistance, the *Latvian Disabled Soldiers Union* and the *Latvian Disabled Workers Society* (Source: Osis et al. 2005). Even in this case, the system was closed to a policy discourse that promoted social insurance in case of sickness and old age. As the main principle in the newly established system of social protection, civic unions also focused on the necessity to include other professional groups not covered by the compulsory social insurance scheme. These groups included women and disabled workers, but also ethnic, cultural, religious and linguistic minorities. Despite the fact that social insurance in Latvia had a substantially developed legislation, especially if the dependence of the country from Russian and German forces is taken into account, protection against unemployment remained extremely underdeveloped, with the first social legislation being entered into force only in 1991 (Source: ISSA 2002: Latvia).

In Poland, social insurance was also heavily based on the Bismarck model, with pension and sickness funds established in 1927 for salaried employees and in 1933 for wage earners (1920 in case of sickness and maternity funds) (Source: ISSA 2002: Poland). Despite the clear Prussian orientation of the system of social protection, the development of the welfare state was also influenced by social policy ideas promoted by the Roman Catholic Church through numerous associations, which emphasized charity, humanitarianism and poverty relief as main moral principles. The impact of such ideas, however, varied with a different intensity according to the zones of influence. The Roman Catholic influence was stronger in the Austrian part of the country, while substantially lower in the German and Russian one (Source: Szczepaniak et al. 2005), where the system more strongly relied on Bismarckian social insurance mechanisms of financing and redistribution. This included also protection against unemployment established in the form of allowances since 1918 and regulated by law since 1924, when the first Unemployment Fund, financed by employers, employees and the State, was finally introduced. Also in the Polish case, however, numerous civic organizations facilitated the introduction and implementation of new social policies, which complemented the Bismarck orientation of the system. Just to quote few examples of the most notable associations which contributed to the introduction of new ideas, the *Polish Society of Social Policy* created in 1924, the *Institute of Social Affairs* founded in 1931, and the journal *Review of Work Safety* (Source: Szczepaniak et al. 2005).

In Romania, the first social insurance legislation concerning old age, sickness and maternity protection dates back to 1912, when the establishment of the first pension and sickness funds were envisaged. Protection against unemployment, by contrast, did not appear until the first laws in 1991 (Source: ISSA 2002: Romania), but this does not necessarily mean that poverty alleviation measures in case of incapacity or impossibility of work were not considered before the fall of communism. In the beginning of the 20th century, numerous philanthropic associations and institutions were already existent, aiming at improving the social condition of women, children and other minorities (cultural, religious and social). These included, for instance, the *National Council of Romanian Women*, the *Christian Association of Women from Romania*, the *St. Caterina Nursery*, or the *National Office for Disabled, Orphans and War Widows* with its 22 local divisions. In the middle of 1930s, the Romanian Central Institute for Statistics counted 1101 charity organizations, 248 institutions that primarily dealt with children assistance, and 341 that focused on family assistance (Source: AA.VV. 2005, pp. 15-34). As it happened in other countries, the development of the welfare state was, thus, the result of a formal state-led system of social insurance coupled with a semi-formal, philanthropic-oriented scheme of assistance relying on voluntary associations. This second sub-system greatly influenced the introduction of new social policy priorities, which aimed at enlarging, until that moment limited, coverage for citizens.

Finally, in Slovenia, protection in case of old age, sickness and maternity legally dates back to 1922, while the first legislation in case of unemployment was introduced few years later, in 1927, following the Bismarck model of social insurance. Crucial for the understanding of Slovenian social policy is, also here, the role played by civic organizations. These involved: (a) Christian organizations (such as the *Caritas* or the *Virgin Mary Association of the Christian Love*) which had their primary focus on poverty relief measures; (b) women's unions (such as the *General Slovenian Women Association*, the *Women's Gymnastic Association* or the *Association of Labour Women and Girls*) which emphasized in demonstrations and through feminist journals (*Slovene Women* and *Unity*) the need for gender equality at home and in the work place; and (c) civic associations (such as *Association Charity*, *Association of the Jewish Women in Murska*, *Association for the Support of Poor Pupils*, *Association for the Health Protection of Children and Youth*, *Institution St. Nikolai*) which attempted to provide some kind of protection for the most vulnerable groups of the

Slovenian society, notably children, unemployed and members of ethnic and religious minorities (Source: Leskošek and Zaviršek 2005; ISSA 2002: Slovenia).

To summarize, even though the countries of Central and Eastern Europe did not share the same political system, the forms how the welfare state developed during the years were not very dissimilar. These included a residual, industry-based social protection scheme for workers (with some exceptions for agrarians), while poverty alleviation measures for the whole population were primarily promoted by charity, religious and/or civic organizations. In this context, it can be argued that, at the time, established welfare arrangement, made of formal and informal welfare institutions, positively contributed, on the one hand, to ensure coverage for an always larger section of the population, while, on the other, to a great extent helped to modernize the now “post-agrarian” societies (or “agrarian societies on the move”).

2.2 Pensions, Health Care and Protection against Unemployment during Communism

With the end of World War II and the inclusion of Central and Eastern Europe in the Soviet Union sphere of influence great efforts to re-organize these systems of social protection were made in order to bring them in line with the new communist ideas. The communist social policy re-organization primarily involved a shift in the perception of responsibility from the individual to the community. In the area of pensions, this took the form of a unified system, based on one pay-as-go pillar, which equally distributed the resources and contributions collected from workers. Retirement age was low, but this did not constitute a serious problem, since the entire communist system was based on central planning. In the central planned economy, state bureaucrats developed five-years plans, which regulated all economic inputs and outputs (Kornai 1992). This included not only industrial production and food, but, obviously, also the workforce. Health care was provided free of charge in state-owned hospitals. The universal right to protection in case of illness was ensured, however, at the expenses of efficiency and quality of services provided to the population. The Semashko health care model was universal in coverage, but, unfortunately, residual in scope. Numerous Central and Eastern European citizens were, in fact, used to (or forced to) pay *gratitude money* to the doctors in order to have access to better services (Kornai 2000). As far as protection against unemployment is concerned, this was not even an issue, since the communist system was based on the key social policy idea: *employment for all*. Unfortunately, statistics were often unreliable and forms of hidden unemployment existed (Cerami 2006a).

For example, it has now come to light that communist planners set the number of the workforce to be employed in the factories not according to the real necessity of one sector, but rather on the basis of the individuals that were in need of a job. As a consequence, two or more persons were often employed for the tasks in which one worker would have been more than enough. The warped result of this policy-making was an artificial increase in the real value of the product coupled with a substantial decrease in the purchase power of workers.

Interestingly, the introduction of new social policy ideas in pension, health care and employment, which emphasized equality, standardization and universal accessibility, had to be mediated with the pre-existent institutional structures and the associated set of interests. These corresponded to a top-down form of *corporatism* as part of the Bismarck social insurance environment, as well as to new forms of bottom-up *social solidarity* as promoted by religious, charity and civic associations as well as by leftist movements. Putting it very briefly, the communist welfare state could be described in terms of a *universal corporatism* in which the professional orientation of the system was coupled to universal and solidaristic aspirations.

To summarize, a recombinant transformation of policy ideas characterized the communist social policy re-organization in pension, health care and employment, in which the myth of full occupational coverage was enlarged to the entire population by the central planning, and whereas the private responsibility of the individual in case of old age, illness or employment was subordinated to the state responsibility of providing the means for which such tasks/duties would have been accomplished. The possible problems associated with the refusal of market mechanisms were now also a responsibility of the state, called to ensure the capacity of production and allocation of the economy. The standardization of treatments, benefits and income was also the natural result of the political ideas linked to dismantling the privileges caused by the corrupt, capitalist system.

2.3 Pensions, Health Care and Protection against Unemployment after Communism

With the fall of the Berlin Wall, the main social policy orientation in pension, health care and employment changed again, but, this time, old social policy ideas were recombined with new discourses, as required by the new market economy. The main political discourse during the first years of transition emphasized individualization in the management of new social risks

and market orientation as the basis of the new system of social protection. In the field of pension, this corresponded to the re-establishment of contribution related benefits, which were now more strictly linked to the individual's professional achievements, as well as to the introduction of second and third private tiers in the light of the three pillar scheme reforms as recommended by the World Bank (1994) and by other international organizations. By the late 1990s, three pillar schemes were introduced in Hungary and Poland, and by the early 2000s, also in Bulgaria, Estonia, Latvia, Lithuania⁵, Romania and Slovakia. The Czech Republic and Slovenia are the only countries that have not yet fully introduced the three pillar scheme, a voluntary third private tier is, however, available. Privatization and individualization in pension insurance was not only functional to the new economic environment, but it was also necessary to re-establish a feeling of independence and of national identity for so many years frustrated by the Soviet occupying forces. The introduction of pensions based on Bismarckian principles was, in this context, one of the best ways to remind people of the long historical tradition of these countries as autonomous entities, when peculiar institutional structures, distinct from the communist ones, were in place. This also reinforced the idea of Eastern Enlargement as a natural "Return to Europe" issue, as emphasized by numerous political leaders of the region.

Similarly, in the health care sector, individualization of responsibilities and market orientation were the new leading principles of the reform process. By 2004, systems based on health insurance were functioning in Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Slovakia and Slovenia⁶, where the payment of social contributions was linked to the access of benefits. In reality, the work orientation of the newly introduced pension and health care systems had still to deal with the necessity of ensuring universal coverage. Strong universal social policy ideas developed during the forty years of communism made the possible exclusion of numerous citizens, due to the raising problem of unemployment, clearly not a viable political option, both for humanitarian reasons and in terms of possible electoral losses. As a consequence, in pension and health care, close to the main insurance-based scheme, the State has now been called to cover an always larger part of the population (unemployed, students, dependants and poor people in general) either through cash transfers to the health funds, or through the establishment of a so-called fourth pillar of pension

⁵ In Lithuania the second pillar is available on voluntary and not on a compulsory basis.

⁶ Please note that in Latvia health care has a strong tax-financed component.

(Wagener 2002; Tomka 2004; Cerami 2006a, 2006b), which greatly enlarges the scope and coverage of social assistance benefits.

Finally, as far as protection against unemployment is concerned, the main change in the social policy paradigm has, undoubtedly, involved the attribution of responsibilities given to the non-working individual. If it can be affirmed that the unemployed was still negatively perceived by the society as someone not entirely willing to contribute to the positive economic development of the country or as a *free rider* who preferred to stay at home while receiving benefits (the so-called “welfare dependency” or “welfare without work” issue), then more recently, the political discourse concerning the unemployed has drastically changed. Being unemployed has suddenly become something that can occur without the individual’s fault and, as a consequence, a special attention to the new problem has been given. In particular, from the first period of transition, where relatively generous unemployment benefits were granted to the citizens dismissed by the state-owned enterprises, primarily in order to cushion the negative effects of transition and to ensure social peace, social policy makers unexpectedly turned to a phase where the unemployed was the one to be blamed for his/her own situation. In the mid 1990s, for example, almost all governments in CEE cut unemployment benefits, while, at the same time, raised the minimum contribution requirements and entitlement criteria. In a third period, from the beginning of 2000s onwards, a new attitude towards the unemployed is observable. The main characteristic here is the development of activation measures, while attempting to couple selectivity with universal aspirations. A three tier system of unemployment insurance is now present in almost all ten Central and Eastern European countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia), including, usually, a main scheme based on unemployment benefits and unemployment assistance, coupled with an additional third tier which relies on the Guaranteed Minimum Income⁷ (see also Cerami 2006b).

3. Discussion

In the previous sections, the important role played by social policy ideas and policy discourses in the development of Central and Eastern European welfare states has been emphasized. It

⁷ The Guaranteed Minimum Income strictly regulates the access to social assistance benefits in Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia. The sole exceptions are Hungary, which has no statutory minimum subsistence level (although numerous similar provisions exist for certain groups) and, to some extent, Poland, due to the discretionary character for having access to benefits.

has also been called attention to the necessity of looking at the social policy making process as a complex mechanism of institution-building in which ideas, interests and institutions have mutually influenced each other, contributing to the final outcome of change. It has been argued that the development of the welfare state in Central and Eastern Europe has been the outcome of a recombinant transformation of social policy ideas which had their origin in the pre-communist and communist period, then adapted to the post-communist environment. One thing, however, has been neglected in this analysis. While the main focus of research has, so far, been on endogenous causes of policy change (such as internal institutional structures or the role played by civic associations), exogenous factors (such as the role of international organizations) should not be ignored.

Certainly, it cannot be denied that international organizations have greatly influenced the policy debate of the countries in transition, introducing not only new social policy ideas, but also influencing the agenda-setting process. These have taken the form, for example, of the World Bank's recommendations for the three pillar scheme, of the OECD's call for active labour market policies, of the IMF's requests for financial sustainability or of the EU's demands for a socially responsible transformation in the light of the priorities set by the Lisbon European Council. Nevertheless, the mechanisms according to which these policy recommendations have been metabolized by the recipient country have often been misunderstood. The common assumption here is that policy convergence has been the result either of an aseptic policy transfer (a policy that has silently been transposed from an institution to another) or, in the best case, in terms of a semi-silent acceptance through diffusion of social policies (Cerami 2006b).

By contrast, changes in any of the social policy areas taken into account in this study have been incremental and characterized by an on-going process of recombinant transformation. In fact, every new social policy idea introduced had to deal with existing institutional structures as well as the associated set of interests that had been established in the previous phase. As it has been shown, the main social policy ideas introduced by policy-makers followed the main political discourses of the time, and, in particular, the ones promoted by Bismarck for the pre-communist period, by Marx and Lenin for the communist time, and by Reagan and Thatcher for the post-communist era. These three different periods of ideas also coincided with three different types of interests, primarily involving: (1) the industrial working class for the pre-

communist period; (b) the communist worker and nomenklatura for the communist phase; and (3) the private business for post-communist era. These three different interests finally corresponded to three different set of institutions, which were respectively characterized by corporatist, universal and market-oriented principles. However, what is important to remember are the ways in which these ideas, interests and institutions have mutually influenced each other during the years and in which international organizations have unquestionably been important *facilitators* of reforms⁸, but certainly not able to let introduce policies in systems that did not have the necessary structures to metabolize their recommendations. As a recent study on the development of US social policy has also highlighted, the “transferability of policies depends on their viability⁹” (Manning forthcoming) and this is clearly something that has a lot to do with the environment in which policies have to be transferred.

Conclusion

This paper has highlighted the important role of ideas, interests and institutions in the making of contemporary social policies. It has been argued that the development of the Central and Eastern European welfare state has been the outcome of a recombinant policy transformation in which ideas, interests and pre-existing institutional structures, have influenced each other mutually. The main argument and conclusion of the paper has thus been that policy makers in the region have combined old with new social policy ideas in order to make the new welfare arrangement sustainable to internal and external pressures. In other words, they *recasted the welfare state from within*. The brief historical overview of the social policy change has also highlighted how new social policies developed thanks to the work of many charity, religious and civic associations, which promoted new discourses concerning basic human rights. The role of women, among the most active individuals in these organizations, should also not be forgotten, thus re-emphasizing the importance of the feminist critique to current welfare state research accused of having neglected, for too much time, the gender dimension of reforms (see, for instance, O’Connor et al. 1999).

⁸ On the role of international organizations as important *facilitators* of reforms, see Ekiert (2003), Inglot (2003), O’Connor (2005), Cerami (2006b).

⁹ According to Manning (forthcoming), the growth of the American welfare state should go beyond old systems of classifications, but need to be re-appraised in terms of time/history, and to a lesser in terms of policy transfer.

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