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Reading Between the Welfare Lines: Politics and Policy Structure in Post-Communist Europe

CHRISTINE S. LIPSMEYER

COMMUNISM'S FALL HAS CREATED A NEW ERA of dynamic party competition in Central and Eastern Europe. Scholars of post-communist party systems have focused on the ideological and electoral cleavages, finding that party members and voters distinguish between the parties along economic lines, with secondary factors also influencing these party distinctions, for example religion, ethnicity and nationalism.[1] To this point, however there has been little investigation of whether or not these partisan variations lead to diverse policy outcomes.

During the dual transition to markets and democracy, post-communist parliaments began, in various ways, to modify their social welfare systems from universal networks of government-funded programmes to more restrictive, employee and/or employer-funded schemes.[2] These changes offer opportunities to examine the role of political factors in the policy transition. By investigating six post-communist countries—the Czech Republic, Estonia, Hungary, Poland, Slovakia and Slovenia—for the years 1991–1996/97, I seek to address the following question: do political parties play a role in social policy modifications? Are right and left parties different on the preferences they espouse for policy rules and regulations?

This article takes as its point of reference the individual structural characteristics of four policies—unemployment benefits, pensions, health benefits and family benefits. Structural characteristics of social policies are the formulas that define their organisational arrangements: funding arrangements, benefit distributions, income replacement rates and duration periods. Replacement rates, for example, have become a much used indicator of benefit coverage, and since they measure the percentage of a worker's previous wage received as a welfare benefit, comparing them across years and countries shows whether the benefit level of the policy has changed.[3] Means-testing of benefits has also become a frequently employed measure of structural change. By using family or household income as a measuring device to distinguish beneficiaries, the purpose of the policy shifts away from providing universal benefits to supplying targeted poverty assistance.[4] Other social policy adjustments similarly highlight changes in decision making. A decrease in the duration of unemployment benefits or an increase in the percentage of personal income an employee contributes to the government's pension fund, for example, alters the structural characteristics of these policies.

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Previously, work on welfare policy in developed democracies focused on the role of political influences on budgetary expenditures.[5] But parties and parliaments also formulate the structural features of social welfare policies—the rules and regulations that govern their eligibility, generosity and longevity. Because the dual transition is such a recent phenomenon it might take years for changes to affect budgetary figures; structural adjustments can highlight recent alterations that are masked by expenditure levels. Analysing individual policies instead of social welfare as a whole can also expose political influences hidden by a broader study.

In the first section I present background on the use of structural characteristics to compare social policies. Then I explain the data and introduce indicators for four social welfare policies—unemployment benefits, pensions, health care and maternity/family benefits—as well as the political factor. Finally, I compare the policy adjustments and argue that at a preliminary level political parties adjust structural characteristics on the basis of their ideological preferences, with right parties moving toward non-government, insurance schemes.

Structural characteristics and political conflict

Many scholars contend that the ideological leanings of the political parties in power affect social policy expenditures by influencing parties' ideas of government responsibility. Analysing government budgets and social spending, research on America and Western Europe holds that parties manipulate social welfare spending in accordance with their ideological preferences. Therefore, a party of the left will increase welfare expenditures while a party of the right cuts social funding. The imprint of parties' ideologies may also create certain kinds of 'structural biases' in social welfare policies. Using the percentage of total social security expenditures spent on means-tested benefits, Esping-Andersen uncovers a relationship between left parties and means-testing; the percentage of left party seats in the cabinet is 'clearly decisive for restricting the means-tested bias'. Therefore, he contends, the ideology of the party in power influences the structural features of social policies.

Table 1 shows the different strategies that parties can use to adjust the benefits and cost structures based on their ideological leanings. Right-leaning parties will tend towards benefit adjustments and cost structures that emphasise market and individual accountability instead of government responsibility. Means-testing and changes in qualification requirements alter the number of recipients, keeping the total numbers low. In addition, the right will also push for non-government funding of welfare benefits—placing the cost burden onto the shoulders of the employees and employers instead of the government. The socialism of the left differs from the liberalism of the right in that it pushes for either more or constant government intervention in social policy, so the left will choose to alter the durations and levels of the benefits rather than change an aspect of the policy that lowers the number of recipients. Concerning the cost structure, left parties, with their reliance on state intervention, will place a majority of the costs on the government.

Other authors suggest that the effects of party may be different in an economic downturn than in financial conditions of growth. Owing to the economic contractions in the West beginning in the 1970s, parties of all political leanings found it

TABLE 1
STRATEGIES FOR ADJUSTMENT OF SOCIAL WELFARE POLICIES IN POST-COMMUNIST COUNTRIES

Party ideology	*Adjust benefits*	*Adjust cost structure*
Right	Means-test Change who qualifies (retirement age)	Employee-funded Employer-funded
Left	Duration of benefits Benefit levels	Government-funded

economically necessary to decrease social spending. Using data from developed democracies, Huber & Stephens argue that, instead of following ideology, governments consider cutting expenditures in the face of economic downturns. They maintain that rising unemployment, rather than creating political pressure to increase social spending, actually places so much budgetary burden on the welfare system that governments find it necessary to decrease social spending.[6]

Table 2 shows the economic situation of six transitional countries. While all of them suffered through declining economic production, their social spending remained well protected (see Figure 1). Even during economic downturns, political actors set expenditures and guide social assistance, typically with an eye toward electoral consequences of trimming budgets. Nevertheless, the expenditure picture may mask changes occurring at the structural level.

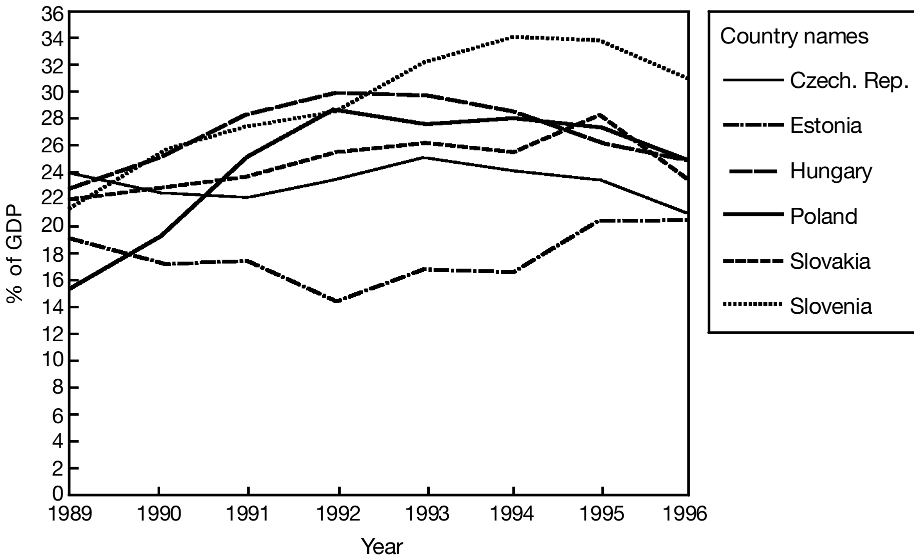
In the article I shall test the following hypotheses:

(1) Political parties will alter structural characteristics on the basis of their economic ideological views.
(2) With the transitional budgetary concerns, political parties will find it economically necessary to narrow welfare programmes.
(3) Owing to economic hardships among the population, political parties will continue the generous communist-era social policies.

TABLE 2
ECONOMIC OUTPUT (ANNUAL % CHANGE IN GDP) FOR POST-COMMUNIST COUNTRIES, 1989–1996

	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
Czech Republic	2	− 1	− 14	− 6	− 1	3	5	4
Estonia	− 1	− 7	− 22	− 22	− 7	6	4	4
Hungary	0	− 3	− 8	− 4	− 2	3	2	1
Poland	0	− 12	− 7	3	4	6	7	6
Slovakia	1	− 3	− 15	− 6	− 4	5	7	7
Slovenia	− 2	− 5	− 9	− 6	1	4	5	3

Sources: OECD; World Bank.



Sources: OECD; World Bank; IMF; country statistical offices.

FIGURE 1. PERCENTAGE OF GDP SPENT ON TOTAL SOCIAL EXPENDITURE.

Research design

Data

The welfare data for this article come from a volume published every other year by the United States Social Security Administration, *Social Security Programs Throughout the World.*[7] Using multiple sources from international organisations, foreign country offices and social security institutions, the Social Security Administration compiles the data into concise country summaries. For this study I use country reports from the years 1991, 1993, 1995 and 1997, but the 1991 report does not contain country summaries for Estonia or Slovenia owing to their lack of independence then and the absence of published information pertaining to their budgets and policies. Although Czechoslovakia eventually split, earlier data on the larger entity remain the starting point since the post-communist parliaments did not completely rewrite social welfare guidelines when they assumed office. Starting in 1993, the country summaries represent all six countries in this study: the Czech Republic, Estonia, Hungary, Poland, Slovakia and Slovenia.

The constructive aspect of using these reports is that the terminology is consistent across all countries and years: '… technical terms have been developed and are applied to all programmes. This terminology, created for conciseness as well as comparability, may differ from national concepts and usages'.[8] For the purpose of this comparative study, concise definitions across countries are more important than questions of national usage. The Social Security Administration defines the terms and uses the same format for each country and in each report; therefore, because of the continuity of definitions, these summaries are a valuable research tool for comparing individual policies, as well as for studying entire social welfare programmes.

Indicators and measures

The structural characteristics of social welfare policies continue to be an overlooked aspect of political influence. Instead of overtly changing the budgetary bottom line, political parties can subtly alter benefit levels and duration periods. The indicators of these modifications must show when a structural element changes and in what direction—overall, how will a change affect the amount of government funds allotted to a social policy or alter the amount of society's reliance on government assistance? Unlike Esping-Andersen's analysis of 'de-commodification'[9] in developed welfare states, I do not place normative assumptions on the structural characteristics of these policies. Therefore, I adopt and broaden Esping-Andersen's use of eligibility rules and restrictions as a way to analyse welfare states, but I examine these features for their dynamic effect, not their normative significance.

Firstly, I use replacement rates for unemployment benefits, pension benefits and maternity benefits. These rates measure the level of the social benefit either by the percentage of a worker's previous income or through the use of a mathematical equation, and in some situations the equations for calculating replacement rates can be quite complicated. Estimating Poland's replacement rate for old-age pensions requires knowing the average national salary along with a worker's average earnings and insurance contribution years. Even those countries that have implemented flat-rate plans for old-age pensions, such as the Czech Republic and Estonia, include a flexible element for those workers with longer or shorter work records. Changing the replacement rate percentage or implementing an equation influences the benefit level. Therefore, this indicator measures these alterations and indicates those policies that have seen drastic cuts and those that have remained relatively strong compared with the other policies.

Secondly, I use duration of the welfare benefit to measure the days, weeks or months that a recipient may receive a social benefit. The length of the social assistance appears to be an important companion to replacement rates. If the amount of the benefit remains constant, a researcher may conclude incorrectly that the policy continues to be protected although the legislature has shortened the duration of the benefit. For instance, the unemployment duration fell from a total of 12 months in 1991 in Czechoslovakia to only six weeks in 1993 in the Czech Republic and Slovakia, while the replacement rates only decreased by around 5%.

The third indicator measures who is paying the costs of the individual welfare policies. I use a three-pronged approach, dividing the costs into three categories: the employee, the employer and the national government. In Hungary, for example, the cost of the unemployment policy has gradually shifted from the government to the employer. In comparison, the cost of the same programme in Estonia remains firmly on the shoulders of the government. Previously, communist governments and places of employment balanced the provision of social benefits with the suppression of wages. Governments, for instance, did not deduct amounts from workers' pay in order to fund pensions or maternity benefits, because low wages provided the revenue discrepancy for social assistance budgets. Looking across the policies, this indicator highlights those that have been least protected by the state, shown by their lack of government spending versus those that the legislatures have shielded from decreased government funding.

Fourthly, I use an indicator for means-testing of family benefits. Means-testing is a requirement that a recipient or household be at or below a specific level of income before he or it can receive government assistance. Parliaments can also implement means-testing so that the state distributes different levels of benefits based on the income level of the recipients. When post-communist legislatures have instituted means-testing, they typically have applied it to family benefits.[10]

Finally, the last indicator of structural characteristics is retirement age, which stipulates, by gender, when workers can retire with a full pension. Given the initial low retirement ages and the aging of their populations, some post-communist countries have initiated plans to increase their retirement ages slowly over the next 25 years. Retirement age, along with any plans to penalise workers for early retirement or reward those who work past retirement without a pension, can show how parliaments and political parties attempt to influence policy outcomes through direct policy decisions and indirect public incentives.

In this study my political indicator measures the strength of the left-wing and right-leaning parties in the lower house of the parliaments.[11] The ideological gauge relies on how parties view the role of the state in the economy, not the role of the state in society. Therefore, the right parties seek to reduce state activity in the economy, in contrast to the left-leaning factions that desire state intervention in economic activity. Placing post-communist political parties along an ideological scale relies extensively on works by Evans & Whitefield, Kitschelt, Kitschelt *et al.* and Whitefield & Evans.[12] In conjunction with these studies, I also use articles from Radio Free Europe/Radio Free Liberty, *Keesings Archive*, *Political Risk Yearbook*, *Political Handbook and Atlas of the World* and country publications to ensure the proper coding of each country's parties on a left-right axis based on their economic agendas or views. I measure party influence by using the percentage of seats held by the different ideological camps—right and left with a 'centre' category that denotes a mixed economic agenda (see Table 3 for classifications and Table 4 for parliament composition). This indicator of ideological strength in parliament captures the real political change in post-communist countries—right party strength.[13] Since communist countries had extensive welfare provisions, a change away from left parties toward centre or right-leaning parties should alter these universal programmes.

Analysis

Unemployment benefits

In command economies, communist governments dealt with unemployment by guaranteeing all citizens jobs. As a result, these economies did not record official discrepancies in employment figures—there was no unemployment. With the turn toward marketisation and privatisation of firms, the parliaments felt the social need to create programmes for the newly unemployed. As Table 5 indicates, unemployment

TABLE 3
IDEOLOGICAL POSITIONS OF CENTRAL AND EAST EUROPEAN POLITICAL PARTIES, BY COUNTRY

Czech Republic		
KDU-CSL	Christian and Democratic Union-Czech People's Party	Right
KDS	Christian Democratic Party	Right
ODA	Civic Democratic Alliance	Right
ODS	Civic Democratic Party	Right
CSSD	Czech Social Democratic Party	Left
SD	Free Democrats	Right
	Left Bloc	Left
LSU	Liberal Social Union	Left
Estonia		
KMU	Coalition and Rural People's Union	Left
EKe	Estonian Centre Party	Left
EK	Estonian Coalition Party	Centre
ERSP	Estonian National Independent Party	Centre
ER	Estonian Popular Front	Left
ER	Estonian Reform Party	Right
ERP	Estonian Royalist Party	Right
EM	Estonian Rural Union	Left
ESDP	Estonian Social Democratic Party	Left
	Liberal Democratic Party	Left
M	Moderates	Left
	Pro Patria	Right
Hungary		
SzDSz	Alliance of Free Democrats	Right
FiDeSz	Federation of Young Democrats	Right
KDNP	Hungarian Christian Democratic People's Party	Right
MDF	Hungarian Democratic Forum	Right
MSzP	Hungarian Socialist Party	Left
FKgP	Independent Smallholders' Party	Left
Poland		
POC	Centre Citizens' Alliance	Right
ZChN	Christian National Union	Centre
KPN	Confederation for an Independent Poland	Left
SLD	Democratic Left Alliance	Left
UP	Labor Union	Left
KLD	Liberal Democratic Congress	Right
BBWR	Nonparty Bloc in Support of Reform	Right
PSL	Polish Peasant Party	Left
PZPR	Polish United Workers' Party	Left
S	Solidarity	Right
Slovakia		
KDH	Christian Democratic Movement	Right
DVS	Democratic Union of Slovakia	Centre
SZS	Green Party of Slovakia	Left
MK	Hungarian Coalition	Right
HZDS	Movement for a Democratic Slovakia	Left
SDL	Party of the Democratic Left	Left
SNS	Slovak National Party	Centre
SDSS	Social Democratic Party of Slovakia	Left
Slovenia		
ZLSD	Associated List of Social Democrats	Left
ZS	Greens of Slovenia	Left
LDS	Liberal Democratic Party	Left
SKD	Slovenian Christian Democrats	Centre
SNS	Slovenian National Party	Right
SLS	Slovenian People's Party	Right
SDSS	Social Democratic Party of Slovenia	Left

TABLE 4
COMPOSITION OF PARLIAMENTS IN POST-COMMUNIST COUNTRIES, 1989–1996

	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*
Czech Republic								
Right	0	8.9	8.9	59.5	59.5	59.5	59.5	58.5
Centre	0	67.3	67.3	7	7	7	7	0
Left	100	23.8	23.8	33.5	33.5	33.5	33.5	41.5
Estonia								
Right	0	0	0	55.4	55.4	43.6	37.6	37.6
Centre	0	46.7	46.7	0	0	9.9	0	0
Left	100	53.3	53.3	44.6	44.6	27.7	62.4	62.4
Hungary								
Right	0	72	72	72	72	32.9	32.9	32.9
Centre	0	16.6	16.6	16.6	16.6	12.7	12.7	12.7
Left	100	8.8	8.8	8.8	8.8	54.4	54.4	54.4
Poland								
Right	40.9	40.9	26.7	23.2	19.5	19.5	19.5	19.5
Centre	0	0	24.6	25.3	0	0	0	0
Left	59.1	59.1	46.3	49.9	79.6	79.6	79.6	79.6
Slovakia								
Right	0	40.0	40.0	21.4	21.4	32.6	32.6	32.6
Centre	0	41.3	41.3	59.3	59.6	46.7	46.7	46.7
Left	100	18.7	18.7	19.3	19.3	20.7	20.7	20.7
Slovenia								
Right	0	11.3	11.3	11.3	31.1	31.1	31.1	25.6
Centre	0	30.4	30.4	16.7	16.7	16.7	16.7	11.1
Left	100	48.3	48.3	50.0	50.0	50.0	50.0	61.1

Note: The numbers denote the percentage of seats held by each ideological grouping in the lower house of the parliaments. See endnotes for sources. Table does not include independents.

was, and in some cases still is, a problem of grand societal proportions. Early in the transition, legislatures of all ideological camps created unemployment programmes, often reverting in part to earlier pre-communist versions or even to models implemented during the latter years of communism.[14]

Table 6 shows the replacement rates and duration periods for unemployment benefits in our six post-communist countries. As other researchers have shown, the unemployment benefits of the early laws were quite generous.[15] In 1991 legislatures of all ideological stripes implemented or oversaw policies that had replacement rates starting at no less than 50% and with duration periods of up to two years. But beginning in 1992 right and centre parties were more likely than their left counterparts

TABLE 5
UNEMPLOYMENT RATES IN POST-COMMUNIST COUNTRIES, 1989–1997

	1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Czech Republic	0.0	0.7	4.1	2.6	3.5	3.2	2.9	3.0	4.4
Estonia	0.0	0.0	0.1	1.9	6.5	7.6	9.7	10.0	10.5
Hungary	0.0	0.4	1.9	7.8	13.2	12.1	10.9	10.4	8.7
Poland	0.0	6.1	11.8	13.6	15.7	16.2	14.7	13.6	10.7
Slovakia	0.0	1.5	7.9	11.0	12.8	14.8	13.1	12.5	11.6
Slovenia	0.0	4.7	8.2	11.1	14.5	14.5	7.4	8.0	7.1

Sources: OECD; EBRD.

TABLE 6

UNEMPLOYMENT REPLACEMENT RATES AND DURATION (STARTING AMOUNT AND SUBSEQUENT CHANGES THROUGHOUT THE DURATION)

	1991	*1993*	*1995*	*1997*
Czech Republic	65%, 60% (6 mn, 6 mn)	60%, 50% (3 mn, 3mn)	60%, 50% (3mn, 3mn)	60%, 50% (3mn, 3mn)
Estonia		80% (180 days)	180EEK (180 days)	240EEK (180 days)
Hungary	70%, 50% (1 year, 1 year)	75%, 60% (3mn, 9mn)	75%, 60% (3mn, 9mn)	75%, 60% (3mn, 9mn)
Poland	70, 50, 40% (3mn, 6mn, +)	36% (9mn, 12mn)[a]	36% (9mn, 12mn)	36% (9mn, 12mn)
Slovakia	65%, 60% (6mn, 6mn)	65%, 50% (3mn, 3mn)	60%, 50% (3mn, 3mn)	60%, 50% (3mn, 3mn)
Slovenia		50% (3–24mn)	50% (3–24mn)	50% (3–24mn)

Note: [a]Nine months for those with complete secondary school or university; 12 months for everyone else.
Source: SSA.

to decrease replacement rates or durations. As Table 7 highlights, decreasing replacement rates occurred under right or centre legislatures in four out of the six countries—the Czech Republic, Estonia, Poland and Slovakia. In Estonia, for example, a right-leaning parliament implemented a flat rate for benefits, while the only legislature to keep unemployment assistance constant was the left-wing one in Slovenia. This pattern continues with the benefits' durations, for the three countries that decreased durations had right or centre parliaments—the Czech Republic, Hungary and Slovakia. In the Hungarian case, the right moved the duration from a generous length of two years to a total of 12 months.

These adjustments often coincided with alterations in the unemployment cost structure. As Table 7 highlights, four of the five countries with right or centre-leaning legislatures also implemented shifts in their cost plans, placing more of the burden on the employee, and especially the employer, while diminishing the role of state funding. The right wing in the Czech Republic, for example, ended the state's monopoly on unemployment funding by implementing a 3% tax on employers' payrolls and a 1% tax on employee pay (see Table 8). While Poland exempted employees from unemployment taxation, the centre-led parliament increased the cost on employers by a 1% rise in the payroll tax.

Although the economic transition played a large role in the development of unemployment benefits, a relationship between economic growth and benefit changes is not apparent (see Table 2). The adjustments in benefit structures correspond with party ideology, not economic growth or social hardship patterns. After beginning the transition with generous benefits and government budgetary backing, right and centre parliaments began trimming unemployment benefits in 1992 at a time when the economic conditions and unemployment rates remained discouraging. But left governments were more likely to continue existing systems without cuts.

TABLE 7
UNEMPLOYMENT BENEFIT ADJUSTMENTS

Replacement rates	*Increased*	*No change*	*Decreased*
	Hungary(R)	Slovenia(L)	Czech Republic(R) Estonia(R) Poland(C) Slovakia(C)
Duration	*Increased*	*No change*	*Decreased*
	Poland(C)	Estonia(R/L) Slovenia(L)	Czech Republic(R) Hungary(R) Slovakia(C)
Cost structure	*Government*	*No change*	*Non-government*
		Estonia(R/L)	Czech Republic(R) Hungary(R) Poland(C) Slovakia(C) Slovenia(L)

R = Right legislatures;
C = Centre legislatures;
L = Left legislatures.

Old-age pensions

All of these post-communist countries have pay-as-you-go (PAYG) pension systems. Initially, they were wholly government-funded entities, but most changed to off-budget, independent programmes based on employee and employer contributions with government funding of budget deficits. Under this scheme, present-day workers' contributions fund present-day pensioners, instead of investing the workers' contributions toward their own retirement needs. Scholars from multiple fields—economics, business and public policy—have begun debating the issue of privatising aspects of the countries' pension plans.[16] But an analysis of the opinions and arguments for and against these changes goes beyond the scope of this article.

Retirement ages in post-communist countries, as Table 9 shows, have been notoriously low, with many countries distinguishing between men and women when stipulating requirements. I find that three of the six countries increased the retirement age in various ways.[17] But all three parliaments that implemented this change were right-leaning at the time of the change—the Czech Republic, Estonia and Hungary (see Table 10). Although Poland and Slovenia already possessed higher retirement ages, neither moved toward equalising the age for the sexes.

With the transition, all of the post-communist countries have changed their replacement rate schemes from their communist versions to reflect the number of years worked. Old-age pension replacement rates in these countries consist of one of three plans: (1) a percentage of previous earnings (i.e. 100%); (2) a percentage of previous earnings with the addition of a percentage for excess years worked or contribution years (i.e. 50% + 1%) or (3) a flat-rate scheme with an additional portion

TABLE 8
UNEMPLOYMENT COSTS, 1991–1997

	1991	*1993*	*1995*	*1997*
Czech Republic				
Employee	0	1%	0.75%	0.4%
Employer	0	3%	2.25%	3.2%
Government	Total	Deficit	Deficit	Deficit
Estonia				
Employee		0	0	0
Employer		0	0	0
Government		Total	Total	Total
Hungary				
Employee	0.5%	1%	1.5%	1.5%
Employer	1.5%	5%	5%	5%
Government	Deficit	Own employees	Own employees	0
Poland				
Employee	0	0	0	0
Employer	2%	3%	3%	3%
Government	Deficit	Deficit	Deficit	Deficit
Slovakia				
Employee	0	1%	1%	1%
Employer	0	3%	3%	3%
Government	Total	Deficit	Deficit	Special programmes
Slovenia				
Employee		Varies by region	0.7%	0.6%
Employer		0	0.7%	0.6%
Government		0	0	Subsidies

Source: SSA.

for extra years worked (see Table 11). Table 10 shows that those parliaments which moved to decrease replacement rates tended to occupy the right and centre areas of the spectrum; three of the five undertook this change. The two with right-leaning parliaments—the Czech Republic and Estonia—switched to a flat-rate scheme that included a personalised deduction for early retirement or an added percentage for extra pension contribution years. The third right/centre legislature, Poland, implemented a semi-flat rate scheme which altered the mathematical equation for its replacement rate from 100% to a formula based on an average national salary with multiple additions for pension contribution years and credit years. Therefore, of the three right-dominated parliaments, the Czech Republic and Estonia found it possible to reduce the generosity of pensions and to alter the retirement age (with small increases), which would significantly decrease the number of pensioners, while altering the replacement rate.

On the issue of pension costs in Table 12, the pattern appears to be for parliaments to turn away from the communist model and implement some level of non-government funding. Right and centre parliaments showed some uniformity in costs by spreading the expenses to non-government sources. Three of the four right/centre parliaments increased the wage tax percentage on employees and/or employers. For example, the Czech Republic and Slovakia, with their right and centre majorities respectively, implemented cost-sharing schemes between employees and employers that removed some of the pressure from the government budget. Although the right

TABLE 9
RETIREMENT AGES, 1991–1997

	1991	*1993*	*1995*	*1997*
Czech Republic				
Male	60	60	60	62
Female	53–57	53–57	53–57	57–61
Estonia				
Male	60	60	65	65
Female	60	60	65	65
Hungary				
Male	60	60	60	60
Female	55	55	56	56
Poland				
Male	65	65	65	65
Female	60	60	60	60
Slovakia				
Male	60	60	60	60
Female	53–57	53–57	53–57	53–57
Slovenia				
Male	63	63	63	63
Female	58	58	58	58

Source: SSA.

legislature in Hungary decreased the amount charged to these non-government factors, it nevertheless continued to require funds from both sources.

In general, changes in pension replacement appeared to have an ideological component (see Table 10). Right legislatures were more likely to increase the

TABLE 10
OLD-AGE PENSION BENEFIT ADJUSTMENTS

Retirement age	*Increased*	*No change*	*Decreased*
	Czech Republic (R) Estonia(R) Hungary(R)	Poland (C) Slovakia(C) Slovenia(L)	
Replacement rates	*Increased*	*No change*	*Decreased*
	Hungary(R)	Slovakia(C) Slovenia(L)	Czech Republic(R) Estonia(R) Poland(C)
Cost structure	*Government*	*No change*	*Non-government*
		Estonia(R/L)	Czech Republic(R) Hungary(R) Poland (C) Slovakia(C) Slovenia(L)

R = Right legislatures;
C = Centre legislatures;
L = Left legislatures.

TABLE 11
OLD AGE PENSION REPLACEMENT RATES

	1991	*1993*	*1995*	*1997*
Czech Republic	50% + 1%[a]	50% + 1%	50% + 1%	Flat rate[b]
Estonia		85%	Flat rate[c]	Flat rate[d]
Hungary	33, 55, 75%[e]	53%, 75%	53%, 75%	53%, 75%
Poland	100%	24 + 1.3 + 0.7%[f]	24 + 1.3 + 0.7%	24 + 1.3 + 0.7%
Slovakia	50% + 1%[g]	50% + 1%	50% + 1%	50% + 1%
Slovenia		35% (40% for women)[h]	35% (40% for women)	35% (40% for women)

Notes: [a]50% of average earnings + 1% of earnings per year of employment between 26 and 35 years.
[b]Increase of 4% per year of work and deferral of work beyond normal retirement age. Also, reduction of 4% for unemployed or 2.4% per year in case of early retirement.
[c]Plus an amount equal to a percentage of the national pension for every year of pensionable coverage: 15–19 years, 1%; 20–24 years, 1.1%; 25–29 years, 1.2%; 30–34 years, 1.5%; 35–39 years, 1.6% 40 or more years, 1.7%.
[d]An increase in 1995 percentages: 15–19 years, 3.2%; 20–24 years, 3.3%; 25–29 years, 3.4%; 30–34 years, 3.7%; 35–39 years, 3.8%; 40 or more years, 4.0%.
[e]33% if 10 years covered; steps to 55% for 20 years coverage and 75% for 42 years.
[f]24% of the average national salary + 1.3% of worker's earning base times the number of contribution years + 0.7% of worker's earnings base times number of credit years (this is to give credit to child-rearing years).
[g]See note a above.
[h]Also increment of 2% (2–3% for women) of earnings for each year of insurance over 15 years and up to 20 years.
Source: SSA.

retirement age, while decreasing replacement rates and shifting the cost structure away from government funds. While these adjustments based on ideology are rough estimates, those based on economic growth are even less helpful. While the legislatures implemented many changes after stabilising their economies, the right or centre parties were more likely than the left to reduce the generosity of the benefits during these times, adding credence to the ideological argument.

Health care benefits

In communist countries the state traditionally funded and controlled health care benefits through general tax revenues.[18] Often factories, institutes and other places of employment took an active role in the health care needs of their employees by providing clinics but, with the demise of communism, the provision of health benefits became ambiguous territory. While the privatisation and closing of enterprises terminated some of the health care facilities, budgetary concerns caused the government to search out funding solutions for the government-sponsored clinics.

At the beginning of the transition these countries inherited health care systems that relied solely on government funding. The year 1991 in Table 13 displays this situation; the entire cost of health care was on the shoulders of the state.[19] Starting around 1991, most of the legislatures began to shift the economic burden of health care to employees and employers through the use of social insurance systems. The Social Security Administration, citing the Hungarian process, described the insurance schemes as 'medical services provided directly to patients through facilities of public health services in contractual relationship with the health insurance scheme'.[20] But

TABLE 12
PENSION COSTS, 1991–1997

	1991	*1993*	*1995*	*1997*
Czech Republic				
Employee	0	6.8%	6.8%	6.5%
Employer	50%	20.4%	20.4%	19.5%
Government	Deficit	Deficit	Deficit	Deficit
Estonia				
Employee		0	0	0
Employer		20%	20%	20%
Government		Deficit	Deficit	Deficit
Hungary				
Employee	10%	6%	6%	6%
Employer	43%	24.5%	24.5%	24.5%
Government	Deficit	Own employees	Own employees	0
Poland				
Employee	0	0	0	0
Employer	43%	45%	45%	45%
Government	Deficit	Deficit	Deficit	Deficit
Slovakia				
Employee	0	5.9%	5.9%	5.9%
Employer	50%	20.6%	20.6%	21.6%
Government	Deficit	Deficit	Deficit	Deficit
Slovenia				
Employee		31%	31%	15.5%
Employer		50%	50%	8.5%
Government		Deficit	Deficit	Deficit

Source: SSA.

unlike Hungary and the other countries, the Polish state continued throughout the transition to underwrite the entire health care system.

Table 14 shows the general adjustments to health care benefits. The most striking finding is that the three countries that have devolved parts of their health care systems to regional or local levels did so under right parliaments. No left-leaning parliaments have implemented this reform. The distinctions between countries also appear in their divisions between employee and employer payments during their moves away from government funding. Analysing the changes in 1991–93, I find an ideological pattern in the amount of health care costs paid by non-government sources. In general, three of the five right/centre legislatures required that both employees and employers fund health care from their payroll and wage taxes. But those countries with centre or right-led parliaments at the time of the change from government-centred health care systems required a larger total percentage of payroll tax from employees and employers for health care than those countries with left-leaning legislatures. For example, Hungary and the Czech Republic, both with right parliaments, stipulated that a total tax rate of 23.5% and 13.5% respectively come from these non-government sources. Slovenia, the country with a left-leaning parliament during the installation of post-communist health care systems, had the lowest total employee and employer health care tax burden of all six countries.

The wide discrepancy between the amounts paid by the different actors in these countries and the divergent political ideologies lead to the conclusion that there is a

TABLE 13
HEALTH CARE COSTS, 1991–1997

	1991	*1993*	*1995*	*1997*
Czech Republic				
Employee	0	4.5%	4.5%	4.5%
Employer	0	9%	9%	9%
Government	Total	Deficit	Deficit	Deficit
Estonia				
Employee		0	0	0
Employer		13%	13%	13%
Government		Subsidies	None	None
Hungary				
Employee	0	4%	4%	4%
Employer	0	19.5%	19.5%	15%
Government	Total	Own employees	Own employees	Own employees
Poland				
Employee	0	0	0	0
Employer	0	0	0	
Government	Total	Total	Total	Total
Slovakia				
Employee	0	1.4%	3.7%	3.7%
Employer	0	4.1%	10%	10%
Government	Total	Special groups	Special groups	Special groups
Slovenia				
Employee		6.4%	6.4%	6.36%
Employer		6.4%	6.4%	6.36%
Government		Subsidies	Subsidies	Subsidies

Source: SSA.

correlation between the ideological leanings of parliaments and those health care rules and regulations instituted after the fall of communism. All of these countries, except Poland, instituted social insurance programmes that shifted health care funding from the state to employees and employers. But their decisions on the structural aspects of the health care costs reveal their political agendas. Right and centre legislatures turned over a larger portion of the funding to non-government sources, thereby moving away

TABLE 14
HEALTH CARE BENEFIT ADJUSTMENTS

Devolution	*No change*	*Change*	
	Poland(C/L) Slovakia(C) Slovenia(L)	Czech Republic(R) Estonia(R) Hungary(C)	
Cost structure	*Government*	*No change*	*Non-government*
		Estonia(R/L) Poland(C/L) Slovenia(L)	Czech Republic(R) Hungary(R) Slovakia(C)

R = Right legislatures;
C = Centre legislatures;
L = Left legislatures.

TABLE 15
MATERNITY BENEFIT REPLACEMENT RATES AND DURATION

	1991	*1993*	*1995*	*1997*
Czech Republic	90% (28 weeks)	67% (28 weeks)	69% (28 weeks)	69% (28 weeks)
Estonia		100% (126 days)	100% (126 days)	100% (126 days)
Hungary	100% (24 weeks)	100% (24 weeks)	100% (24 weeks)	100% (24 weeks)
Poland	100% (16 weeks)	100% (16 weeks)	100% (16 weeks)	100% (16 weeks)
Slovakia	90% (28 weeks)	90% (28 weeks)	90% (28 weeks)	90% (28 weeks)
Slovenia		100% (365 days)	100% (365 days)	100% (365 days)

Source: SSA.

from state funding of health benefits, while also devolving part of the system to regional or local levels.

Maternity and family benefits

The purpose of maternity and family benefits was to provide a basic level of economic support to offset the added cost of giving birth and raising children. In communist countries it was common for both parents to work outside the home in order to earn a living family wage, but when a woman could not work because of pregnancy or a newborn child, the state provided a stipend to the family to compensate for her loss of income. During the transitional changes, all six of the countries in this study preserved the practice of subsidising families' incomes, lending some credibility to the economic hardship hypothesis.

Table 15 presents the replacement rates and benefit durations for maternity benefits in post-communist countries, showing that very few legislatures from any ideological camp lowered replacement rates or payment durations for these benefits.[21] In Table 16, which shows the overall adjustments, there were very few changes; most replacement rates provided 90–100% of the previous wage, while duration periods ranged from 126 days in Estonia to 365 days in Slovenia.[22] Only the Czech Republic under a right legislature decreased its replacement rate, from 90% in 1991 to around 68% in 1993. Otherwise, the rates in four of the other five countries remained at 100%, with Slovakia keeping a steady 90% rate. To explain this pattern one can look to the economic situation—the high replacement rates and durations of maternity benefits assisted these governments in appeasing a portion of society while also reining in the unemployment situation. While the ideological hypothesis lacks substance, the economic and hardship hypotheses offer some explanation why these benefits remained intact—unemployment concerns coupled with social issues of transition.

TABLE 16
MATERNITY BENEFIT ADJUSTMENTS

Replacement rates	*Increased*	*No change*	*Decreased*
		Estonia(R/L) Hungary(R/L) Poland(C) Slovakia(C) Slovenia(L)	Czech Republic(R)
Duration	*Increased*	*No change*	*Decreased*
		Czech Republic(R) Estonia(R/L) Hungary(R/L) Poland(C) Slovakia(C) Slovenia(L)	

R = Right legislatures;
C = Centre legislatures;
L = Left legislatures.

Although spending on family benefits remained generally small in these countries, legislatures actively governed their use. For instead of moving away from government funding and toward individual contributions, the costs of these benefits shifted toward the state. In 1991 the funding of family benefits was tied to pension funding (see Table 17); therefore, employees' and employers' payroll taxes that went toward pension programmes also funded family benefits policies. In theory, the state's role was to supply funds if and when the policy ran a deficit, but in reality this meant the government funded a large portion of the policy. The cost distribution began to shift toward official state funding, for instance in 1993 with a Hungarian amendment that placed the burden squarely on the shoulders of the government.[23] The one exception to this pattern was Slovenia, where the cost of family benefits had always resided with the state. By 1997 all of the countries had completely replaced their pension funding schemes for family benefits with an alternative government funding plan. Legislatures with differing ideological agendas, from the right-leaning Czech regime to the left parliament in Slovenia, had provided the state with an active role in funding family benefits.

Another interesting aspect of family benefits that did not correspond with an ideological strategy was the implementation of means-testing for family benefits by five of the six countries. We would expect from Table 1 that only right legislatures would implement such a change but, as Table 18 shows, a majority of countries used means-testing as a way to narrow family benefits. In many post-communist countries the state distributed family benefits on the basis of the number of children in the household. For example, in 1997 an Estonian family received '150 EEK per child with an additional 35 EEK for [a] second, [and] 85 EEK for each subsequent child'.[24] Instead of continuing to use these social benefits as society-wide assistance, countries began to use these funds to target poor families, those hurt by the transition. At the same time that the government funded this programme, the benefits were becoming

TABLE 17
FAMILY BENEFIT COSTS, 1991–1997

	1991	*1993*	*1995*	*1997*
Czech Republic				
Employee	0	Part of pension	Part of pension	0
Employer	Part of pension	Part of pension	Part of pension	0
Government	Deficit	Deficit	Deficit	Total*
Estonia				
Employee		0	0	0
Employer		Part of pension	0	0
Government		Deficit	Total	Total
Hungary				
Employee	Part of pension	0	0	0
Employer	Part of pension	0	0	0
Government	Deficit	Total	Total	Total
Poland				
Employee	0	0	0	0
Employer	Part of pension	Part of pension	0	0
Government	Deficit	Deficit	Total	Total
Slovakia				
Employee	0	0	0	0
Employer	Part of pension	0	0	0
Government	Deficit	Total	Total*	Total*
Slovenia				
Employee		0	0	0
Employer		0	0	0
Government		Total*	Total*	Total*

Note: *denotes means-testing of benefits.
Source: SSA.

more concentrated, with fewer recipients. Therefore, the changes toward government funding of family benefits that appear from 1992 offer some justification for the economic argument. While the governments' takeover of funding occurs before economic stabilisation, the implementation of means-tests generally happened in the later years when society had started to adjust to the transition, making family benefits a buffer for the truly needy.

Conclusion

The structural characteristics of social welfare policies offer political scientists an in-depth view of how party ideology influences these policies. Instead of studying the budgetary bottom line, this article has focused on the rules and regulations of four individual policies—unemployment benefits, pensions, health care benefits and maternity/family benefits. Specifically, I analysed their replacement rates, payment durations, cost structures and other features in search of party ideological reasons for the reallocation of their costs and benefits during the transition. What I found is a complex relationship between parties and the economy, but one that offers some support to the party ideology hypothesis in post-communist countries.

By investigating the strategies of adjustment involved with altering social policies, I find that on a preliminary level political party ideology can influence structural characteristics. First, owing to the economic hardship of the transition, parties of all

TABLE 18
FAMILY BENEFIT ADJUSTMENTS

Cost structure	*Government*	*No change*	*Non-government*
	Czech Republic(R) Estonia(R) Hungary(R) Poland(L) Slovakia(C) Slovenia(L)		
Means-testing	*Implemented*	*Not-implemented*	
	Czech Republic(R) Hungary(L) Poland(L) Slovakia (C) Slovenia(L)	Estonia(R/L)	

R = Right legislatures;
C = Centre legislatures;
L = Left legislatures.

ideological leanings implemented unemployment policies and benefits. But the policy changes corresponded with a political pattern—a combination of budgetary belt-tightening with right or centre-led parliaments instigating cuts in unemployment replacement rates and duration periods while shifting the cost burden to non-government funding sources. Second, pension adjustments also witnessed ideological changes. Right or centre parliaments were more likely to implement a drastic measure, increasing the retirement age, than the left wing. And the modification to replacement rates and the cost structure also followed this pattern of right influence with decreases and non-government funding respectively. Finally, health care continued the pattern of right and centre legislatures shifting policy costs to non-government sources, and we also saw where the right was the only group to devolve elements of health care to the regional or local levels.

Yet not all of the policies fit the party ideology hypothesis. The adjustments to maternity and family benefits lack an ideological component. Five of the six countries did not decrease maternity replacement rates or durations, although the legislature that did slash replacement rates was the right-wing one in the Czech Republic. Family benefits appear even more complicated, with all governments, regardless of party ideology, moving towards government funding and five of the six countries implementing means-testing of benefits. While the movement towards government funding adds weight to the economic hardship hypothesis that misfortune will cause parties to continue generous funding, the use of means-tests counterbalances that by narrowing the recipient numbers.

Looking at the changes across the policies and countries provides us with a sense of the complex workings of these party systems. While three of the four policies offer some confirmation of the party ideology hypothesis, maternity/family benefits also point to a complicated relationship between economic transition and social policy. In a transitional context, which policies help a country to buffer its people from hardship? Will social policy adjustments reflect the larger economic difficulties of the transitional period?

This article has investigated the influence of political party ideology in post-communist legislatures on social welfare policy adjustments. While the findings substantiate the claims that ideological cleavages exist in these new democracies by showing that policy decisions can reflect the effects of political factors, the article also importantly highlights the next step in the transitional party literature: are post-communist parties not only ideologically similar to developed models, but do their differences appear in policy decisions?

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[1] Geoffrey Evans & Stephen Whitefield, 'Identifying the Bases of Party Competition in Eastern Europe', *British Journal of Political Science*, 23, 4, 1993, pp. 521–548; Geoffrey Evans & Stephen Whitefield, 'Social and Ideological Cleavage Formation in Post-Communist Hungary', *Europe-Asia Studies*, 47, 7, 1995, pp. 1177–1204; Geoffrey Evans & Stephen Whitefield, 'The Social Bases of Electoral Competition in Eastern Europe', paper prepared for the Annual Meeting of the American Political Science Association, Chicago, IL, 1996; Geoffrey Evans & Stephen Whitefield, 'The Structuring of Political Cleavages in Post-Communist Societies: the Case of the Czech Republic and Slovakia', *Political Studies*, XLVI, 1998, pp. 115–139; Herbert Kitschelt, 'The Formation of Party Systems in East Central Europe', *Politics & Society*, 20, 1, 1992, pp. 7–50; Herbert Kitschelt, Zdena Mansfeldova & Gábor Tóka, *Post-Communist Party Systems: Competition, Representation, and Inter-Party Cooperation* (Cambridge, Cambridge University Press, 1999).

[2] Tomasz Inglot, 'The Politics of Social Policy Reform in Post-Communist Poland: Government Responses to the Social Insurance Crisis During 1989–1993', *Communist and Post-Communist Studies*, 28, 1995, pp. 361–373; Morgan A. Tracy & Martin B. Tracy, 'The Impact of Market Economy Transition on Social Security and Social Welfare in Poland', *Journal of Sociology and Social Welfare*, 23, 1996, pp. 23–39.

[3] The rules differ from country to country and policy to policy, but often governments factor replacement rates on the basis of an average wage over a set number of years. For example, Hungarian pension rules in 1991 set the replacement rate at 33% of the worker's average wage for the highest paid three of the previous five years. Social Security Administration (SSA), *Social Security Programs Throughout the World* (Washington DC, US Departments of Health and Human Service, 1991), p. 133.

[4] See especially Paul Pierson, 'The New Politics of the Welfare State', *World Politics*, 48, 1996; Paul Pierson, *Dismantling the Welfare State* (Cambridge, Cambridge University Press, 1994); and Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge, Cambridge University Press, 1990).

[5] See for example Harold Wilensky, *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditures* (Berkeley, CA, University of California Press, 1975); Francis G. Castles, *The Impact of Parties: Politics and Policies in Democratic Capitalist States* (London, Sage, 1982); André Blais, Donald Blake & Stéphane Dion, 'Do Parties Make a Difference? Parties and the Size of Government in Liberal Democracies', *American Journal of Political Science*, 37, 1, 1993, pp. 40–62; Manfred G. Schmidt, 'When Parties Matter: A Review of the Possibilities and Limits of Partisan Influence on Public Policy', *European Journal of Political Research*, 30, 1996, pp. 155–183.

[6] See Esping-Andersen, *The Three Worlds* …, pp. 126–128; Evelyne Huber & John D. Stephens, 'The Politics of the Welfare State After the Golden Age: Quantitative Evidence', paper presented at the Annual Meeting of the American Political Science Association, Washington DC, 28–31 August 1997. Huber & Stevens do note that changes in the United States and British cases have been more ideologically driven than in other countries, where partisan effects are in decline.

[7] SSA, *Social Security Programs Throughout the World* (Washington, DC, US Department of Health and Human Services, 1991, 1993, 1995, 1997).

[8] SSA, *Social Security Programs* … (1991), p. v.

[9] He states that 'de-commodification occurs when a service is rendered as a matter of right, and

when a person can maintain a livelihood without reliance on the market'. Esping-Andersen, *The Three Worlds* …, pp. 21–22.

[10] Slovenia is the only case of means-testing for unemployment benefits.

[11] The executive branches in these post-communist countries vary in their constitutional and empirical power and these differences may affect the structural aspects of public policies, but owing to their length and complexity this possible influence requires an analysis of its own.

[12] For specific works see note 1.

[13] See Castles, *The Impact of Parties*.

[14] Dates for the first post-communist unemployment laws are: Czech Republic 1991; Estonia 1991; Hungary 1989; Poland 1989; Slovakia 1991; Slovenia 1991. The first unemployment protection in Slovenia dates back to 1952, but the current system is from 1974. World Bank, *Slovenia: Labor Market Issues* (Washington DC, World Bank, 1999), p. 34. In December 1988 the Hungarian government guaranteed workers the right to unemployment aid for those laid off due to economic restructuring, Centre for Co-operation with the Economies in Transition (CCET), *Social and Labour Market Policies in Hungary* (Paris, OECD, 1995), p. 70.

[15] See for example David Fretwell & Richard Jackman, 'Labour Markets: Unemployment', in Nicholas Barr (ed.), *Labour Markets and Social Policy in Central and Eastern Europe: The Transition and Beyond* (Oxford, Oxford University Press, 1994); Giovanni Andrea Cornia, Gaspar Fajth, Albert Motivans, Renato Paniccià & Enrico Sborgi, 'Policy, Poverty and Capabilities in the Economies in Transition', *MOCT-MOST*, 6, 1, 1996, pp. 149–172; Mark Kramer, 'Social Protection and Safety Nets in East-Central Europe: Dilemmas of the Postcommunist Transformation', in Ethan B. Kapstein & Michael Mandelbaum (eds), *Sustaining the Transition: The Social Safety Net in Postcommunist Europe* (New York, Council on Foreign Relations, 1997).

[16] See for example Iain Batty, Radomil Stumpa & István Kovari, 'Pension Reform in Eastern Europe: Hungary and Czech Republic Lead the Way', *Benefits and Compensation International*, 23, 1994, pp. 8–14.

[17] The Czech Republic is gradually increasing the retirement age from 1 January 1996 to 31 December 2006 by two months per year for men and four months per year for women. The final outcome is age 62 for men and 57–61 for women. In Hungary the government is raising the retirement age in stages for women to age 60 by 2003. Then the sexes will have the same retirement age. SSA, *Social Security Programs* …, 1997, p. 100.

[18] Ellen Goldstein, Alexander S. Preker, Olusoji Adeyi & Gnanaraj Chellaraj, 'Trends in Health Status, Services, and Finance, Vol. 1', World Bank Technical Paper No. 341: Social Challenges of Transition Series. (Washington DC, The World Bank, 1996).

[19] The dates of the first health care law in each country after communism are: the Czech Republic 1992; Estonia 1991; Hungary 1992; Poland still uses a 1974 law with modifications; Slovakia 1992; Slovenia 1992.

[20] SSA, *Social Security Programs* …, 1993, p. 147.

[21] The Hungarian system is unique among these countries in that it calculates the replacement rate on the basis of the employee's days of insurance instead of only on her average wage: '100% of daily average net earnings if 270 days of insurance within last 2 years before confinement, or 60% if at least 180 days insurance', SSA, *Social Security Programs* …, 1997, p. 165.

[22] Poland initiated a system that distinguishes between first births, subsequent births and multiple births: '100% of earnings, payable for 16 weeks for first birth, 18 weeks for subsequent births, and 26 weeks for multiple births'. SSA, *Social Security Programs* …, 1997, p. 287.

[23] Cornia *et al.*, 'Policy, Poverty and Capabilities in the Economies in Transition', argue that governments expanded family benefits at the beginning of the transition (1989–91) in order to counteract the removal of price subsidies, although I find that the initial budgetary shift toward the state occurred later in some countries (1993–95).

[24] SSA, *Social Security Programs* …, 1997, p. 122.