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**Social Policy in Postwar Czechoslovakia.
The Development of Old-Age Pensions and
Housing Policies During the Period 1945-1989**

JOHAN JEROEN DE DEKEN

European University Institute, Florence

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EUROPEAN UNIVERSITY INSTITUTE, FLORENCE
DEPARTMENT OF POLITICAL AND SOCIAL SCIENCES

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Introduction.

This paper sets out to investigate social policy in Czechoslovakia between 1945 and 1989. The main purpose is to give a *descriptive* account of the post-war institutional developments in the field of old-age pensions and housing policies. In addition, the paper will make a first attempt to work out a more *explanatory* account of these developments. However this explanation will largely remain implicit in the structure of the paper. It is only towards the end, in the conclusion, that some more explicitly formulated explanatory arguments will be developed.

In order to understand the postwar changes, it will be necessary to go back to the period of, and prior to, World War II. The inter-war years left an institutional heritage, which in its turn was the outcome of attempts to reform a legacy of Austro-Hungarian rule. The first part of this paper will describe these attempts, though not try to explain them.

As will be argued in part two, the years of the post-Munich Czecho-Slovakia and of the so-called Protectorate of Bohemia and Moravia, did not substantially alter the system that was established during the 1920s. However, the period during which the country was occupied did have a lasting impact on postwar developments as the occupation and the partition of the country both undermined the financial basis of the system, and led to a drastic re-configuration of the social and political landscape. Again the approach here will be more descriptive than analytical. Like in the first section, the main goal will consist of providing a background to contextualise the postwar developments.

The third part will analyze the institutional developments and their political concomitants during first three years after the liberation of the country. This period, known as the Third Republic, culminated with the adoption of the National Insurance Act of 1948, and will be characterised as an era of Social Democratic reform. This goes against the official Stalinist version of Czechoslovak postwar history, which heralds the 1948 Act as the first achievement of the regime that seized power in February 1948. It will be argued that even if the actual law was only passed by Parliament after the Communist coup, both its content and the forces that shaped the law were by and large Social Democratic -- not Communist (at least not of the Stalinist brand that was to rule the country for the subsequent four decades).

Stalinism, it will be argued in part four, only came to be translated in social policy terms throughout the 1950s, culminating with the fundamental reform of 1956 which replaced the 1948 National Insurance Act by the so-called Social Security Act.

The last part of the paper analyzes how during remainder of the period under study, the Stalinist system was consolidated and moderated. The abandonment of orthodox Stalinism first occurred in the housing sector, where the priorities of the accelerated industrialisation had caused an acute crisis. Towards the end of the 1950s a drastic construction program was announced, and in order to facilitate its realisation, the government re-introduced, and even strongly encouraged cooperative building schemes. Social security first went through a backlash period, culminating in the imposition of a tax on pension benefits in 1964, before partial improvements were implemented. In 1968 a reform was prepared to moderate the Stalinist model of social security, but this reform was never carried out. During the two subsequent decades the regime nevertheless implemented some elements of the 1968 proposal, and abolished the pension tax again.

The last three parts of the paper will attempt to develop a more *explanatory* argument. This explanation will try to unveil the process of structuration of the two policies. The paper focuses on changes in legislation, as for a historical-oriented social scientist, laws probably are, empirically the most accessible rules constraining and enabling conduct of social actors. Moreover, it is through the law that political ideas become a structural reality. A focuss upon the law offers a possible way to transcend the sort of cursory impressionistic accounts which have dominated far too much the analysis of former Soviet type of societies. Of course there are limits to such a "legalistic" approach, as it only covers part of the reality of structures in which societal actors operated. Some would even argue that in the countries that were once part of the Soviet orbit, the law primarily used to obscure the way the rulers subordinated their subjects. Even if there probably is some truth in such claims (1); Communists generally did attempt to anchor their policies into a system of laws and rules. A careful scrutiny of these codes can be thoroughly illuminating and reveal more about the functioning of a society than one would expect on the basis of a pure "window-dressing" conception of the law (2).

The paper, though, not only looks at laws as such, but also briefly analyses some of the social and political ideas these laws were supposed to translate into concrete institutions. It thereby seeks to understand the origins and political concomitants of the legislative changes. It only

-
- 1 The most obvious case to corroborate such claims are the constitutional "freedoms" the population of Central and Eastern Europe enjoyed.
 - 2 For example, on the basis of a careful comparative analysis of the labour legislation of Czechoslovakia during and after World War II, Paul Barton and Albert Weil, have quite convincingly demonstrated the continuity between the Nazi labour policies of the Protectorate of Bohemia and Moravia, and those of the Stalinist regime of the People's Republic of Czechoslovakia (see Paul BARTON and Albert WEIL *Salariat et Contrainte en Tchécoslovaquie* Paris: Librairie Marcel Rivière, 1956).

cursory looks at the distributional impact of the policies, as the available data do not really allow for a thorough analysis.

The paper elaborates rather extensively on more general aspects of Czechoslovak politics during the years the country was occupied. The justification for the extensive treatment of what may seem an extraneous matter rests in the absence of a comprehensive English language monograph about the developments during the war years. Even the Czech accounts are fragmentary and for the most part rather partisan studies, if not outright examples of Stalinist hagiography. The developments during the war years are however crucial for a good understanding of the first postwar developments.

1

The Reform of the Austrian Heritage during First Republic.

The purpose of this section is not to explain the very process of social policy formation under the First Republic, but rather to merely describe the architecture of social insurance and of the housing policy system. This section thus only gives an overview of the various regulations that came to be adopted during the inter-war period. It will not attempt to explain why the institutional legacy of the Austro-Hungarian period evolved the way it did (3).

1.1. Old-Age Pensions as a Case of Social Insurance.

The First Republic, established after the first World War, inherited a highly fragmented social insurance system from the Austro-Hungarian empire. The successive coalition governments reformed this heritage by extending coverage and improving benefits, but did not fundamentally alter the social insurance logic upon which the system was based.

1.1.1. Prelude: The First Austrian Social Insurance Laws.

The first pension laws were introduced in the Czech Lands by Maria-Theresia during the 18th century (4). In 1771 and 1781 a pension scheme for civil servants was enacted. Later on this scheme was extended to cover also teachers in state schools and other employees in public service (5). During the 19th century various forms of voluntary institutions developed, which provided pensions in case of invalidity, old age and death. The General Mining Law of 1854 created the basis for the establishment of Mutual Benefit Funds for miners. Social insurance saw the light during the last two decades of the 19th century. In 1887 the Austrian government introduced accident insurance for manual workers,

3 Am early general attempt to offer such an explanatory account can be found in František KRAUS "Czechoslovak Social Insurance" in *The Central European Observer* Vol.21, No.10, 1944, pp.348-350. Kraus emphasizes the interplay between economic constraints, class interests and political action.

4 Part one of "Die Entwicklung der Pensionsversicherung der Privatangestellten" in *Die Sozialversicherung der Angestellten*, *Zeitschrift für soziale Fürsorge der Privatbeamten und Angestellten in der CSR* Vol.7, No.1 (January) 1935, pp.3-5 (p.3).

5 Ludmilla JEŘA'BKOVÁ & Miluše SALCMANOVÁ' *Vývoj důchodového zabezpečení v ČSSR, 1930-1956* [The Development of Pensions Security in Czechoslovakia, 1930-1956] Prague: V'z'kumny' ústav sociálního zabezpečení (Sborník Praci No.12), 1965, p.13.

followed during the next year by a sickness insurance scheme (6). At the time the government also drafted a pension insurance scheme for salaried employees, but this legislation was only adopted by Parliament in 1906 (7). In 1889 the Mutual Benefit Funds for miners were regulated: the administration of sickness insurance and old-age pension insurance were separated, but even after this reform the funds experienced difficulties to meet their responsibilities, and the benefits they paid were low indeed (8).

1.1.2. *The 1906 Salaried Employees Pensions Act.*

Initially the pension scheme introduced in 1906 covered only the better-off salaried employees (9). It was administered by the General Pensions Institute for Salaried Employees (*Allgemeinen Pensionsanstalt für Angestellte*) in Vienna, with the help of 10 regional offices in the regional capitals, and by the so-called subsidiary institutions (*Ersatzinstituten*) which were recognised by the Ministry of the Interior through association agreements. There were almost 800 of such subsidiary pension institutions in the whole of Austria and 350 in the Czech Lands alone. These subsidiary institutions, some of which had as little as 10 members, offered pensions schemes that had to guarantee at least the same rights as the General Pensions Institute in Vienna (10).

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- 6 Alois J. JINDŘICH "Les Assurances Sociales en Tchécoslovaquie et Préparatives en vue d'une Assurance Nationale" in *Bulletin de Droit Tchécoslovaque* Vol.6, No.1-2, 1948, pp.28-35 (p.28).
- 7 Czechoslovak Federal Ministry of Labour and Social Affairs *Social Security in Czechoslovakia. The situation before the reform* Prague: Ministry of Labour and Social Affairs, 1990. In the Slovak part of the country, which was ruled by Hungary, social insurance developments were more retarded. In 1907, a sickness insurance scheme was introduced for employees in trade and industry (Jindřich, 1948a p.28).
- 8 In 1913, the average old-age pension benefit was only 22.6 per cent of the average miner's wage and widows pensions only amounted a mere 9 per cent. In Slovakia, where the 1854 General Mining Law remained in force, the situation was even much worse (see Jerábková & Salcmanová, 1965, p.15).
- 9 The law was actually dated No.1/1907, and was revised by the Imperial decree No.138/1914. In order to enter the scheme an employee had to earn at least 600 crowns per year. This meant that during the period 1909-1914, the number of insured for the whole of Austria circulated around 90,000. In 1914, the scheme was extended to cover also supervisory personnel in industry which increased the number of insured to about 100,000. About 37-40 per cent of them lived in the Czech Lands (see Jan GALLAS "Ein Vierteljahrhundert Pensionsversicherung" in *Die Sozialversicherung der Angestellten. Zeitschrift für soziale Fürsorge der Privatbeamten und Angestellten in der ČSR* Vol.6, No.3, March 1934, pp.25-29 (p.25)).
- 10 In 1924, thus before the Czechoslovak reform of the 1906 law, benefits offered by these subsidiary institutions had to be 20 per cent higher than those granted by the General Pensions Institute (see Lev WINTER "Social Insurance" in *Social Policy in the Czechoslovak Republic* edited by the Social Institute of the Czechoslovak Republic for the International Congress on Social Policy in Prague, Prague: Orbis, 1924, p.158).

The new Czechoslovak Republic thus inherited a very fragmented social insurance system, which in terms of pensions covered only a minor part of the population. In addition Jan Gallas has argued that because of the devaluation caused by the First World War, this system was not even able to uphold an existential minimum for this privileged minority:

"Die Sicherstellung dieser Minderheit für den Fall der Invalidität, des Alters und des Todes war so minimal, daß sie namentlich nach dem Fallen des Wertes der Krone im Kriege nicht im entferntesten auch nur das Existenzminimum gewährleisten." (11)

The Austrian government was well aware of the shortcomings of this system and by the end of the war had prepared a reform. However due to the collapse of the empire this reform was never legislated (12).

1.1.3. The 1918 Administrative Reform.

After World War I most of the norms and regulations from the Austro-Hungarian Empire were incorporated in the legal system of the First Czechoslovak republic (13). The government of the new republic initiated an intense policy of social reform. In December 1918, the General Pensions Institute (*Všeobecný pensijní ústav* or *Allgemeines Pensionsanstalt*) was established in Prague. This institute took over the responsibilities for the insured living in the Czech Lands, whose pensions were previously administered by the Viennese General Pensions Institute. The 1918 reform also halted a further fragmentation of the system by ceasing recognising any new subsidiary institutions, and by no longer allowing the free transition from the General Pensions Institute to one of the subsidiary institutions.

In 1919, the Institute for Social Policy, *Sociální ústav*, was established. This institute, which was attached to the Ministry of Social Welfare, had to develop a scientific basis for the Government's social policies (14). It consisted of social policy experts which in part were directly nominated by the Ministry and partly were chosen by the

11 Gallas, 1934, p.26.

12 Part two of "Die Entwicklung der Pensionsversicherung der Privatangestellten" in *Die Sozialversicherung der Angestellten. Zeitschrift für soziale Fürsorge der Privatbeamten und Angestellten in der CSR* Vol.7, No.2 (February) 1935, pp.20-26 (p.21).

13 Jaroslav HOUSER "Die soziale Verwaltung in der Tschechoslowakei zwischen den beiden Weltkriegen" in *Verwaltungshistorische Studien aus Materialien der internationalen Konferenz über Verwaltungsgeschichte in Pécs-Siklós / 18-20 Mai 1972*, Pécs: Universitas Quiqueeclesiensis Facultas Politico-Iuridica, 1972, pp.109-130 (pp.109-110).

14 In 1924, at the occasion of the International Congress on Social Policy, the Institute published an overview of its activities and of the social policy of the new state, *Social Policy in the Czechoslovak Republic* Prague: Orbis, 1924.

direction of the institute. According to Jaroslav Houser, the institute did not really succeed in its goals, as the inter-war social policy remained largely based on political improvisation:

"die offizielle Sozialpolitik hatte kein klares Ziel und verfolgte kein sorgfältig ausgearbeitetes Programm." (15)

In 1920 the insurance obligation was expanded to include "den ganzen Stand der Privatangestellten ohne nennenswerte Ausnahmen" (16); and in 1922 the scheme was extended to also cover salaried employees in Slovakia and Ruthenia.

1.1.4. The 1924 Reform of the Miners' Scheme.

In 1924 the miners' scheme underwent a basic reform. Eligibility conditions were liberalized and the number of mutual benefit societies was reduced to eight, one for the area of each mining district (17). In their turn these eight societies were associated in the Central Miners Benefit Society (*Ustřední bratrské podkladny*) in Prague. This society was administered by a board of 2 members, of which 16 were chosen by the insured and 4 were assigned by the employers.

The scheme was financed by flat-rate contributions of 87 crowns per month, of which 33 were paid by the miners and 54 by their employers (18). Old-age benefits were granted to insured miners when they reached the age of 55 and had been working for 30 years in an undertaking liable to miners compulsory insurance (19). This pension consisted of a basic amount of 900 crowns per year plus an increment of 8 crowns for each contribution month after the completion of the qualifying period of 60 months (20).

15 Houser, op.cit. p.111.

16 Gallas, 1934, p.26.

17 See Jeřábková & Salcmanová, 1965, p.15 and "International Survey of Social Services 1933. Volume II" in *Studies and Reports. Series M* (Social Insurance) No.13, Geneva: International Labour Office, 1936, pp.82-124 (p.105).

18 In addition, the miners' mutual benefit societies also administered funds that originated from a 10 per cent levy on the profits which the employers were legally required to put at the disposal of the miners for welfare purposes. These funds were usually used to erect and maintain the convalescent homes where the miners could stay free of charge for periods determined by medical opinion (see Josef BELINA *Czechoslovakia. Land of Freedom and Democracy* London: Lincolns-Parger, 1942).

19 Or at the age of 60, if they had completed 15 years of membership of the Central Miners Benefit Society.

20 Jeřábková & Salcmanová, 1965, p.17; Winter, 1924, p.155.

1.1.5. The 1924 Manual Workers' Social Insurance Act.

In 1921, the government started to work on a old-age pension scheme for manual workers (21). This work resulted in the 1924 law introducing generalised sickness, invalidity, an pensions insurance for manual workers (22). The scheme covered all those who were employed and who were not covered by other branches of social pension insurance or by state provisions. Under certain conditions it also covered soldiers and cottage industry workers (*domácké dělníky*). The scheme was administered by the Central Social Insurance Institute (*Ustřední sociální pojišťovna*). The chairman of this institute was appointed by the President of the Republic. Its principle governing organ, the committee, comprised 40 members: 12 representatives of the insured, 12 representatives of the employers and 16 social insurance experts appointed by the government (23). In addition, there were some 295 local institutions acting as agencies of the central institute. These institutions had been responsible for administering the Habsburg sickness insurance scheme, and became also responsible for the new old-age pensions. There were 184 district funds, 67 agricultural funds, 17 enterprise funds, 20 occupational guild funds, 6 friendly society funds and 1 association fund (24). Different institutions often covered the same district, and because of this excessive fragmentation administration was very complicated (25), which in its turn led to an explosion of administrative expenditures (26). This problem had already been anticipated by the Committee of Experts that had drafted the 1924 law. In 1923 this committee had proposed to merge the existing sickness insurance institutions into 120 district institutions based on a strict territorial organisation principle. But this proposal was never translated into a law.

21 Jerábková & Salcmanová, 1965, p.17-18.

22 Act No.221/1924 Sb. The law only took effect in 1926.

23 Houser has argued that the principle of equal representation on the administration boards of the social insurance institutions of the workers scheme was undermined by these supposedly "non-partisan" government experts, who in reality were siding with the employers (Houser, 1972, p.114).

24 These figures originate from Emil SCHÖNBAUM "A Programme of Social Insurance Reform for Czechoslovakia" in *International Labour Review* Vol.51, No.2, February 1945, pp.141-166 (p.147), and refer to the situation of the scheme in 1936.

25 For example, in 1934, the average number of applications and cancellations of membership per 100 insured was as high as 612. Even in the insurance institutions of the district of Prague, which had 100,000 members with a comparatively stable employment, each member on average applied three times a year for membership or cancelled his membership (figures cited by Schönbaum, 1945, p.147)

26 For example in 1936, administrative expenditure amounted as much as 22.13 per cent of the *sickness* contributions (cited by Schönbaum, 1945, p.147), the pension insurance of workers in agriculture used between 6 and 12 percent of its revenue for administrative purposes (quoted by Jan GALLAS and Václav HERAL *Social Security in Czechoslovakia* Prague: Práce, 1952, p.27.

According to the 1924 law, the insurance councils were supposed to be elected, but in reality, not a single election took place and the members of the insurance boards were simply nominated by the political parties.

The scheme was financed through contributions payable in equal parts by the insured workers and their employers. Contributions varied along the wage class to which the insured belonged. There were five such classes, and contributions fluctuated between 4 and 6.5 per cent of the average wage of such a class. In addition the State paid a subsidy which varied in accordance with the category to which the beneficiary belonged. The scheme was based on a mixed system of re-apportioning and capitalisation. Old-age pension benefits were granted to an insured person at the age of 65. They consisted of a basic amount of 550 crowns plus an increment fixed in proportion to the number of weekly contributions paid by or on behalf of the insured workers. The increments also varied along the wage classes (from .60 to 1.75 crowns) (27).

1.1.6. *The 1929 Salaried Employees Pensions Insurance Act.*

In 1923, the Ministry of Social Welfare established a commission within the General Pensions Institute which had to prepare a fundamental reform of the pensions scheme for salaried employees. This commission comprised social insurance experts, representatives of employers and of the insured; its main reporter was Emil Schönbaum (28). The most important innovation of the 1929 reform was that the replacement of the pure capitalisation system by a mixed system of re-apportioning and capitalisation, which was already in use in the workers' scheme:

"Die Kommission stellte das Pensionsversicherungsgesetz auf eine neue finanzielle Grundlage, die bereits bei der Einführung der tschechoslovakischen Arbeiter-sozialversicherung im Anwendung gekommen war. Im Gegensatz zum früheren System der vollständigen Kapitaldeckung der Ansprüche der Versicherten rechnet das neue System mit der ewigen Dauer der Versicherungsträger und

27 International Labour Office, 1936, p.98.

28 Schönbaum was the chief actuary of the General Pensions Institute, and is generally considered to be the founding father of the social insurance system of the First Republic. He designed the new benefit system and the mathematical plan for the financing of the scheme. His work has been the subject of controversy. Critics have questioned the financial foundation of the scheme designed by Schönbaum. For example, in the 1930 issues of the professional journal *Versicherungswissenschaftliche Mitteilungen* (published in Prague), there has been a whole series of articles in which G. Rosmanith shatters the work of the commission, and of Schönbaum in particular. Rosmanith main criticism was his allegation that Schönbaum merely copied an old German actuarial model, instead of designing one which would be in tune with the contemporary Czechoslovak needs; and that the system he designed was bound to go bankrupt within 20 years. For a summary of this criticism see G. ROSMANITH *Zur Diskussion über das Finanzielle Gleichgewicht der Tschechoslowakischen Pensionsversicherung* Prague, 1933.

überwältigt einen bestimmten Teil der Lasten von der gegenwärtigen durchschnittlich älteren Generation auf die in Zukunft in die Versicherung eintretenden Gruppen der Versicherten." (29)

The new scheme also substantially increased the upper level of the salary classes and the maximum benefits granted. The highest salary class was raised from 9,000 crowns to 42,000 crowns; the maximum benefit was increased from 9,000 crowns to 31,500 crowns (30). The number of salary classes was reduced from 16 to 11. As before, contributions were paid in equal parts by the salaried employees and their employers. Their joint contribution varied between 12 crowns and 250 crowns. Pensions were granted at the age of 65 for men and 60 for women (31). The benefit consisted of a basic amount of 3,600 crowns per year, plus an increment based on the number of contribution months beyond the qualifying period, varying from 2 to 50 crowns according to the salary class.

The scheme remained administered by the General Pensions Institution in Prague, which was governed by a board comprising equal numbers of representatives of the employers and the insured (32). The chairman of the Institute was appointed by the President of the Republic. In addition there were 40 subsidiary institutes that were allowed to administer the insurance under a special licence of the Ministry of Social Welfare (33). The 1929 law even foresaw the recognition of more of such institutes, as such reversing the policy of limiting a further fragmentation

29 "Die Entwicklung der Pensionsversicherung der Privatangestellten", 1935, p.24.

30 Part three of "Die Entwicklung der Pensionsversicherung der Privatangestellten" in *Die Sozialversicherung der Angestellten, Zeitschrift für soziale Fürsorge der Privatbeamten und Angestellten in der CSR* Vol.7, No.3 (March) 1935, pp.39-42 (p.39).

31 The qualifying period of 60 months was abolished, at the age of 65 (or 60) the so-called unconditional pensions was introduced. Previously unconditional eligibility required the attainment of the age of 70 for men and 65 for women (see "Die Entwicklung der Pensionsversicherung der Privatangestellten", p.39).

32 Each group elected 14 members of the committee, in addition, the government nominated six members, half of whom were employers and half were employees).

33 Vjlem HAVLIK & Jaroslav PODLIPSKY' *Die Pensionsversicherung in der Cechoslovakischen Republik* Prague, 1929, p.62. As a rule, a salaried employee had to be insured by the General Pensions Institute, however, an employer could decide to insure all his employees with a subsidiary institute to which he was affiliated. The sickness insurance scheme of the salaried employees too was very fragmented. During the 1930s there 4 sickness insurance funds specifically catering for salaried employees and in fierce competition with one another. In addition there were 8 guild funds, the largest in Prague counted 30,352 members who were covered by the Salaried Employees' Pension Insurance Act. In addition there were some 180,000 salaried employees who were covered for their sickness insurance by the district insurance institutions of the workers' scheme. This explains that the district insurance institutions of the workers' scheme opposed in 1928 a proposed unification of the salaried employees' social insurance funds (See Schönbaum, 1945).

that was initiated with the 1918 administrative reform (34). On the other hand, the new financial requirements of the 1929 Act made it impossible for some subsidiary institutions to continue to exist, as these requirements had become too demanding. This explains that by 1938, the actual number of subsidiary institutes had gone down to 33 (35). By the end of 1933, there were 311,937 salaried employees insured by the General Pensions Institute, in addition, 33,000 were insured by subsidiary institutions (36).

1.1.7. *The Amendments of the Social Insurance Laws during the 1930s.*

In 1933, the commission which had prepared the 1929 Act, again met to adjust the social insurance system to the economic crisis (37). The work of the commission resulted in the 1934 amendments. Even though a lot of the amendments, in particular those in the sickness scheme of workers, were for the worse, the account of some postwar Communist authors as if there would be no progressive developments during the 1930s (38) seems to be an exaggeration. Two positive changes were implemented in the invalidity and old-age pension scheme for manual workers. First there was the introduction of so-called ages bonus. This bonus was calculated by taking into account in the calculation of benefits, one third of the uninsured time of those insured who were born before 1899. The second positive change consisted of the lowering of the age limit for claims to widows' pensions from 65 to 60, and the extension of those pensions to also cover divorced wives. In the pension scheme for

34 The recognition of new subsidiary institutions was recognised by paragraph 106 of the 1929 Act. Subsidiary institution had to require contributions which were at least one fifth higher than those to the General Pensions Institute. They had to be administered by equal representation of representatives of employers and employees. They were required by law to be affiliated to the Association of Pensions Institutes of the Czechoslovak Republic, an organisation which had to promote a standardization of procedures, collect statistical data and represent the interests of the insurers and the insured.

35 Edgar P. YOUNG *Czechoslovakia. Keystone of Peace and Democracy* London: Victor Gollancz, 1938, p.165.

36 Gallas, 1934, p.26. By 1938, out of a estimated total of 475,891 salaried employees in the Republic, some 464,807 were covered by the scheme of 1929 Pension Insurance Act (Young, 1938, p.165). The development of the number of insured by the general Pension Institute:

1919: 41,022 (Gallas, 1934)

1924: 171,803 (Winter, 1924)

1933: 311,937 (Gallas, 1934)

37 See "Novellierung des Pensionsversicherungsgesetzes" in *Die Sozialversicherung der Angestellten. Zeitschrift für soziale Fürsorge der Privatbeamten und Angestellten in der CSR* Vol.5, No.2, February 1933, pp.17-19.

38 See, for example, Houser, 1972, p.130.

salaried employees the unconditional old-age pension was abolished, but a so-called social pension (*důchod sociální*) was introduced.

"Diese gebührt als Altersrente ohne Nachweis der Berufsunfähigkeit *männlichen Versicherten*, die das 55. Lebensjahr überschritten haben, und *weiblichen Versicherten*, die das 53. Lebensjahr erreicht haben, wenn sie wenigstens ein Jahr ohne eine Anstellung sind, welche die *Versicherungspflicht* nach dem Pensionsversicherungsgesetze, dem Sozialversicherungsgesetze oder dem Gesetze betreffend die Versicherung der selbständig erwerbstätigen Personen *begründen würde* ... die Novelle setzt für den Anspruch auf diese sogenannte soziale Rente die *doppelte Wartezeit*, d.i. 120 Monate fest." (39)

The justification for the privilege whereby social pensions were only granted to salaried employees, and not to manual workers fails to be really convincing:

"die Arbeitslosigkeit dieser Angestelltenschichten ist anderer Art, als die Arbeitslosigkeit der Arbeiter. Obwohl zwar der Arbeiter öfter beschäftigungslos ist, finde er doch leichter wieder eine Arbeit, wogegen der Privatbeamte, der insbesondere im vorgeschrittenen Alter, beispielsweise nach dem 50. Lebensjahre, seiner Beschäftigung verlustig geht, desöfteren bereits dauernd stellungslos bleibt, weil die Arbeitgeber seines Berufszweiges aus Gründen der Rationalisation die jüngeren Kräfte bevorzugen, deren es im Überfluß gibt und die leistungsfähiger und billiger sind." (40)

It is difficult to see why these arguments did not apply to the situation of manual workers.

In 1936, the miners' scheme was amended to solve its precarious financial situation. In general it became to resemble more closely the worker's scheme. The basic amount was reduced to 800 crowns (from which 500 crowns would be financed through State subsidies). The increments were reduced to 7 crowns for each month of contributions. The 1936 amendments also introduced additional earnings-related contributions: 1 per cent to be paid by the miner and 2.5 per cent to be paid by his employer. In addition there was a contribution related to the coal mined and delivered and a State subsidy of 90,000,000 crowns per year.

39 Part four of "Die Entwicklung der Pensionsversicherung der Privatangestellten" in *Die Sozialversicherung der Angestellten. Zeitschrift für soziale Fürsorge der Privatbeamten und Angestellten in der ČSR* Vol.7, No.4 (April), 1935, pp.51-54 (p.52).

40 Jan GALLAS "Die Novellierung der Pensionsversicherung" in *Die Sozialversicherung der Angestellten. Zeitschrift für soziale Fürsorge der Privatbeamten und Angestellten in der ČSR* Vol.5, No.12, December 1933, pp.171-179 (p.172).

1.1.8. The Pension Schemes for Employees in the Public Sector.

In 1926, the civil servants pension scheme was revised. The 1926 law guaranteed pension rights to civil servants and employees in public enterprises (41). In order to be eligible, the retiring persons had to have at least 5 or 10 years of service (42). The civil servants and public sector employees had to make contributions to their scheme, though most of the costs were covered directly from funds of the State treasury. These contributions were gradually increased from 3 per cent in 1896 to 8 per cent in 1938. The basic benefit amounted to 40 per cent of the last attained salary. It was supplemented by increments of 2 to 2.4 per cent for each additional year up to a full pension (which was attained after 35 or 40 years) (43). In addition there were various supplementary pension schemes administered by several hundreds of superannuation funds (44). Certain categories of state employees like teachers, members of the police force, financial guards and train conductors (45) were subject to special arrangements and enjoyed a more favourable calculation of their service period.

41 The so-called *regulováním soukromoprávním poměru* like the State Railways, the State Tobacco Company, the postal service, the State Forest Company etc.

42 Depending upon the function of the civil servant, disability pensions were generally granted already after 5 years of service.

43 In other words after 35 or 40 years the pensioner would get a pension benefit equal to his last salary. See Jeřábková & Salcmanová, 1965, p.13-14; and *International Labour Service*, 1936, p.109..

44 B. KOLOVRATNÍK "Administering and Financing Social Security" in *Bulletin of the International Social Security Association* Vol.10, No.5, 1957, pp.182-186 (p.182).

45 The pensions for workers and employees in these occupations went through a rather complicated process of development. For instance, originally the private railways had their own pension funds (for example, the Southern Ferdinand Railway, offering service between Vienna and Prague, introduced a pension scheme in 1844). From 1877 onwards, the railways were nationalised, but the private pension schemes remained in force, provided they offered more advantageous arrangements than the State's insurance scheme. In 1920, the new Czechoslovak State established a new pension fund of the Czechoslovak railways, which gradually amalgamated the various private funds. In 1924 a separated invalidity and old-age scheme was established to cover those railway workers who otherwise would be subject to the new workers' scheme, and a similar scheme was set up for the salaried employees of the railways after the 1929 Salaried Employees Act was passed. In general though, the railway employee schemes became more to resembled the regime to which other civil servants were subject. A notable exception was the fact that train staff paid a higher contribution for their pensions (11.5 per cent instead of the regular 8 per cent) (See International Labour Organisation, 1936, p.109).

1.1.9. Other Pension Schemes in the First Republic.

During the 1920s a law covering self-employed persons was also legislated, but it was never implemented (46). The claim of František Nejmec, that the scheme for self-employed persons was not implemented, because of the Munich agreement of 1938 (47), is not very convincing, as the law on accident insurance and pension insurance for self-employed persons had already been legislated in 1925 (48). The law would have covered those persons who at the time the general workers' scheme came into force were too old to enter the new workers' scheme. Instead yet another scheme was legislated in 1929.

In March of that year, a non-contributory pension scheme, the so-called state old-age support (*státní starobní podpory*), was introduced for workers over 60 who were not covered by the 1924 worker scheme (49). This means-tested scheme was administered by the district authorities. The costs were born by the central State, which financed the basic pension of 500 crowns per year. In addition, the municipalities were expected to pay a supplement which varied according to the number of inhabitants (50).

1.1.10. A Comparison of the Five Main Schemes of the First Republic.

Thus during the period 1919-1939, there existed basically five major pension regimes in Czechoslovakia. The following table tries to summarize the main characteristics of the four schemes:

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- 46 TOMESĚ, Igor (1971) "Les Grandes Tendances de l'Evolution et les Problèmes Contemporains de la sécurité sociale en Tchécoslovaquie" in *Schweizerische Zeitschrift für Sozialversicherung* Vol.15, No.1-2, pp.143-158 (p.144).
- 47 Nemeč who was the first Minister of Social Welfare in the London based government in exile of Edward Beneš has argued that "The appropriate legal measures in this direction [of a scheme for self-employed persons] had already passed; they had not, however, been put into practice before Munich." (see F. NEMEC *Social Security in Czechoslovakia* London: Czechoslovak Ministry of Foreign Affairs Information Service, 1943 [Czechoslovak Documents and Sources 2], p.16).
- 48 Law No.148/1925. See Jindřich, 1948a, p.29, and Houser, 1972, p.118.
- 49 Act No.43/1929. See International Labour Office, 1936, p.113 (the date mentioned in the publication of the office is wrong).
- 50 In case of a municipality with more than 50,000 inhabitants, the municipal supplement was 20 per cent of the central State benefit, it was 15 per cent for municipalities with over 200 inhabitants, and 10 per cent for those which were smaller.

Table 1. A Comparison of the Five Main Pension Schemes of the First Republic.

Scheme Basic Laws	Civil Servants (Dec. No.138/1914) (Act No.103/1926)	Salaried Employees (Act No.26/1929)	Miners (Act No.242/1922) (Act No.200/1936)	Manual Workers (Act No221/1924)	State Old-Age Support (Act No.43/1929)
qualifying period:	5-10 years	60 months	60 months	150 weeks	none
pension age men:	65 years*	60 years	55 years	65 years	60 years (after means-test)
pension age women:	65 years*	55 years	55 years	65 years	60 years (after means-tested)
contributions: per month	3-8%	insured: 6-125 crowns empl: 6-125 crowns	insured: 33 crowns empl: 54 crowns	insured: 2-3.25 %** empl: 2-3.25%	none none
basic benefit:	40% of full pension	3,600 crowns	900 crowns (1922) 800 crowns (1936)	550 crowns	500 crowns
increment:	2-2.4% per ad- ditional year	2-50 crowns per month	8 c.per month (1922) 7 c.per month (1936)	2.4-6 crowns per month	100 crowns (20,000 inh <) 75 crowns (200-20,000 inh.) 50 crowns (<200 inhabit.)
average benefit in 1931 ^{*****}	--	8,532 crowns	2,736 crowns	1,272 crowns	--
average benefit in 1937 ^{*****}	--	9,444 crowns	2,820 crowns	1,704 crowns	--
administration:	national state	General Pensions Institute and 40 subsidiary institutes	Central Miners Benefit Society and eight district Mutual Benefit Soc.	Central Social insurance institute	district authorities
board of main insuring inst.	n/a	40% insured 40% employer 10% expert state ins 10% expert state emp.	80% insured 20% employers	30% insured 30% employers 40% experts state	n/a

* or a full pension after 35 or 40 years.

** of the average wage class to which the insured belonged. According to Němec, in 1935, a worker earned on average 4,700 crowns per year, from which he spent 233 crowns per year on social insurance (or to make it comparable with the miners' and the salaried employees contribution, 19.5 crowns per month) (it seems to be the case though that this figure includes both the worker's contribution and that of his employer) (Němec, 1943, p.16. In addition Němec cites a slightly higher average pension benefit for 1935: 1,812 crowns, whereas the times series data of Jirábková & Salcmanová, upon which the other figures in this table are based, estimate this averages at 1,692 crowns).

*** A full pension was equal to the final salary attained at the end of the civil servant's career.

**** i.e. per contribution month beyond the qualifying period.

***** These figures refer to the average of both invalidity and old-age pensions and are not available for the civil servants' scheme. The figures for salaried employees only give an indication of the average benefits paid out by the General Pensions Institute. They do not include benefits paid by the subsidiary institutions which were required by law to grant benefits which were at least 20 per cent higher than those granted by the General Pensions Institute. Thus, on average the benefits of salaried employees must have been higher. This is also evident from calculations made by Edvard Taborsky, who estimated that the average pensions in 1935 were as high as 10,464 crowns (for all insured, he arrived at his figure by dividing the total sum spent on old-age pensions by the number of recipients, using data from the Czechoslovak Statistical Year-book, Ročenka of 1937. For that year Taborsky estimates the average benefit in the workers scheme at 1,652 crowns (See Edvard TABORSKY *Communism in Czechoslovakia 1948-1960* Princeton: Princeton University Press, 1961, p.441. Taborsky cites figures for monthly benefits which I have multiplied by 12.). It is difficult to find aggregate figures on the average benefits of the civil servant scheme, but, Erban has estimated that benefits granted in this scheme were on average 8 times as high as those for manual workers, which would mean more than 10,000 crowns per year (at the same time Erban estimates the difference between manual workers and salaried employees at a factor of five, which more or less corresponds with the differentials represented in this table) (See Evžen ERBAN *The Right to Social Security in Czechoslovakia* Prague: Orbis, 1957, p.14).

***** The two funds for railway employees (salaried and manual) were administered separately, as were some 200 superannuation funds which are not represented in this table.

1.2. The Housing Policies of the First Republic.

Initially the housing policies of the First Republic were probably more radical than its social insurance reforms. The first postwar

governments introduced strict rent control laws, a far-reaching Tenants Protection Act, and an elaborate system of housing construction subsidies favouring non-profit initiatives. However, it did not take long for the housing laws to be made less strict, and for the scope of housing construction subsidies to be reduced.

1.2.1. *The 1918 Tenants Protection Act.*

During the period immediately following the end of World War I, the prime goals of the Government's housing policy were to safeguard tenants from unjustified ejection and from excessive rent increases (51).

"No one could be ejected from his home without the special sanction of a court of law." (52)

On December 27th, 1918, a Tenants Protection Act was passed, prohibiting the increase of rents for existing apartments or houses, or the ejection of their tenants until other suitable accommodation was available. This act has been gradually relaxed, but remained in force for one-room apartments, throughout the entire inter-war period. Edward Taborsky gives the following figures on the level of average rents in 1937 in Prague (53):

Table 2. *Rent Control and Average Rents in Prague in 1937.*

	one bedroom plus kitchen	two bedrooms plus kitchen
in old house rent controlled:	1,350 crowns	2,492 crowns
in new house without rent control:	3,300 crowns	5,292 crowns

1.2.2. *The Establishment of the National Housing Fund.*

In 1919, the National Housing Fund was established (54). Under the Act of 1919, financial assistance was granted to municipalities, administrative districts and building societies recognised as being of public utility. In 1921 and 1924, eligibility for such subsidies was

51 Joseph GRUBER "Progress and Tendencies of Czechoslovak Social Policy" in *Social Policy in the Czechoslovak Republic* edited by the Social Institute of the Czechoslovak Republic for the International Congress on Social Policy in Prague, Prague: Orbis, 1924, pp.7-26 (p.21).

52 Belina, 1942, p.54.

53 Edward TABORSKY *Communism in Czechoslovakia 1948-1960* Princeton: Princeton University Press, 1961, p.437. Taborsky based his estimates on the *annuaire Statistique de la République Tchecoslovaque* Prague, 1938, p.159.

54 International Labour Office, 1936, p.119, it was amended in 1927, and supplemented by additional regulations in 1930, 1931, 1932 and 1933.

extended towards private builders, though local authorities and recognised building associations received a more favourable treatment. The National Housing Fund guaranteed credits and mortgage loans. The loan guarantee for local authorities and recognised building associations could amount up to 90 per cent of the costs of building tenement houses and 80 per cent for private houses. For other classes of beneficiaries, the State guarantee varied between 60 and 80 per cent of the building costs (55). These loans were to be repaid to the State over a period of 20 to 25 years.

In 1923, the maximum amount for privileged beneficiaries was reduced to 70 per cent, for other builders it was lowered to 50-60 per cent. In 1924 these percentages were further reduced to respectively 45 per cent for privileged and 35 per cent for other builders (56). During the period from 1919 to 1936, 42,000 buildings were erected with the help of state subsidies. These buildings contained a total number of 125,000 dwellings (57).

The social insurance institutions were placed on the same footing as recognised building associations. Those institutions were active investors in housing projects. During the period 1919-1933, the salaried employees' General Pensions Institute invested 690,465,609 crowns or 30.5 per cent of its total assets into loans to building associations. A further 368,516,602 crowns or 16.3 per cent were invested into "other loans" a post which included loans for the construction of family houses, and loans for investments in infrastructure (58). In 1938, of the funds accumulated by the entire social insurance system (6,834,000,000 crowns), 16 per cent were invested into mortgage loans to finance the construction of apartments, family houses and farms (59).

In 1929, the housing legislation was re-organised into a single act. State subsidies, of up to 80 per cent of the building costs, led to the establishment of numerous cooperative building societies (60). By the end of the First Republic, the number of such societies had grown to 1,341

55 In addition, a law was passed in 1921, according to which the State was obliged to pay the interest and amortization of that part of the housing construction expenses which could not be covered by the rents (see Gruber, 1924, p.22).

56 International Labour Office, 1936, p.121-123.

57 Belina, p.54. According to Gruber, during the first five years after World War I, 20,985 were built with state assistance containing 48.780 apartments (Gruber, 1924, p.23).

58 Gallas, 1934, p.28.

59 Vlastimil KALIVODA "The Influence of Social Security Distribution on National Income" in *Social Security in Czechoslovakia* Vol.7, No.2, 1963, pp.1-14 (p.11).

60 Often on a crafts-basis: for example, there were housing cooperatives for municipal employees, for Post Office Workers, for Teachers etc. (see Young, 1938, p.146).

(61). According to Šejmar, the Czech Lands (excluding the Sudeten districts which had been annexed by Germany), still counted some 508 housing cooperatives, with a total of 57,737 members (62). On the other hand Michalovic maintains that the policies of the 1920s and 1930s primarily encouraged the construction of family houses or of family houses in workers colonies (63). The statistics for the 1920s mentioned by the International Labour Office do not really corroborate this claim when it comes to state subsidies from the housing fund, or to houses built under the Housing Act (64); but it may well have been the case that tax-exemptions favoured the construction of family houses. Moreover the data Belina cites for the period 1919-1936 are more supportive of Michalovic's claim: out of 42,000 new houses (containing 125,000 dwellings) more than 35,000 were small family houses (65).

61 Belina, 1942, p.45.

62 Jan ŠEJMAR *Towards a better life. Social Welfare in Czechoslovakia* Prague: Orbis, 1947, p.46.

63 Peter MICHALOVIC "Housing in Czechoslovakia. Past and present problems" in Bengt TURNER, József HEGEDŰS and Iván TOSICS *The Reform of Housing in Eastern Europe and the Soviet Union* London: Routledge, 1992, pp.45-61 (p.47).

64 International Labour Office, 1936, pp.122-123.

65 Belina, 1942, p.55.

2

The Second Republic and the Protectorate.

As will be demonstrated, the institutional changes in the social policy system during the Second Republic (1938-1939) and during the period of the Protectorate of Bohemia and Moravia (1939-1945) (66) were generally of a rather limited nature. This period is more important for the re-configuration of social and political actors it brought about. This section will analyze more in detail this new configuration, as it is of central importance to any attempt to understand the political concomitants of the first reforms that would be implemented after the war.

2.1. Changes in the Old-Age Pensions System.

After the Munich Agreement (67) Czechoslovakia lost 5 out of its 13.5 million inhabitants and 40 per cent of its industrial capacity, 67 per cent of its metal-working plants, 50 per cent of its coal, and 60 per cent of its hop fields (68). Of course these losses significantly affected the material basis of the social security system: in the areas annexed by Germany, the German social insurance system was introduced; and the Central Social Insurance Institute, the Central Miners Benefit Society, and the General Pensions Institute all lost about a third of their members (69). However, during the short interval of the Second Republic (70), there were no significant changes in the social policy legislation.

On March 14, 1939, the Slovak Fascists, led by Monseigneur Josef Tiso, declared an independent Slovak State, and the Hungarian army

66 This paper does not analyse the social policies of the independent Slovak state of Monsigneur Tiso.

67 On September 29, 1938, the four main European powers, Britain, France, Italy and Germany, decided to force Czechoslovakia to give up larger sections of its border regions. The conference at which this decision was taken, to which the Czechoslovak government was not invited, effectively ended the First Republic. In the beginning of October, Dr. Eduard Beneš the last President of the First Republic resigned and went into exile to, ultimately London.

68 William WALLACE *Czechoslovakia* London: Ernst Benn, 1976, p.214; R. DAU & F. SVATOSCH *Neueste Geschichte der Tschecoslowakei* Berlin: VEB Deutscher Verlag der Wissenschaften, 1985, p.88.

69 J.W. BRUEGEL "Social Policy in Occupied Czechoslovakia, 1938-1944" in *International Labour Review* Vol.52, No. 2-3, 1945 pp.154-175 (p.169).

70 The Second Republic only existed for little over half a year, from October 4, 1938 until March 14, 1939.

occupied Ruthenia, the most Eastern province of the Republic. The next day, the Nazis invaded the remainder of the country and established the so-called Protectorate of Bohemia and Moravia. After lengthy negotiations, international agreements were concluded concerning the distribution of funds of the various Czechoslovak social insurance institutions between the Protectorate, Germany, Slovakia and Hungary. The three main social insurance institutions saw their membership halved, but in general the Nazis did not fundamentally alter the existing social insurance system in the Czech Lands (71) -- though some authors have claimed that they depleted the social insurance funds (72). Johannes Wolfgang Bruegel, for instance, has argued that during the occupation, the authorities did not make any provisions to cover the increased expenditures involved in their amendments of the social insurance system and that as a consequence the social insurance reserves were "completely used up" (73).

The remaining of this section will only focus on the institutional changes that occurred in the territory of the Protectorate. It will thus largely ignore the policies of the Slovak "independent" state.

2.1.1. *The Miners' Scheme.*

Most of the amendments of social legislation implemented during the occupation tried to favour those branches of the economy which were most important for the war economy. A series of government decrees in 1940 and 1941 increased both the rates of the basic benefit and those of the increments (74). The impact of these measures was but marginal, and they seemed to have been a mere adaptation to the inflationary pressures caused by the war. More fundamental changes came in 1942 and 1943, when governmental decrees raised the basic benefit to 1,560 crowns (75). The increments came to be divided into two parts: a flat-rate increment for contribution months attained before April 1, 1943; and a percentage of earnings for the months attained after that date. Different rates also applied to each of these two parts, depending upon whether the miner would retire after 65 (to claim the so-called full miners' pension,

71 Only in the system of unemployment insurance was implemented a fundamental reform: the Nazis abolished the Ghent system, and put the system on a similar basis to that which existed in the Reich (Sheila GRANT-DUFF *A German Protectorate. The Czechs under Nazi Rule* London: Frank Cass, 1970 [1942], p.155).

72 Igor TOMĚŠ *Funkce sociálního zabezpečení se zvláštním zřetelem na socialistickou společnost* [The Role of Social Security with special regard to the Socialist Society] Ph.D. dissertation, Právnická Fakulta University Karlovy, May 1965, p.110.

73 Bruegel, 1945, p.172.

74 Decree No.167/1940 Sb. and 398/1941 Sb.

75 Decree 100/1942 Sb. and Notices 781/1943 U.L and 885/1943 U.L.

hornická plná provise), or at 60, and depending upon whether the miner effectively worked underground or performed other work. The following table gives an overview of all these rates:

Table 3. *The Increments in the Protectorate's Pension Scheme for Miners.*

		regular	"full"
flat rate component (period before 01.04.43)	work underground	16 crowns	22 crowns
	other work	13 crowns	18 crowns
earnings-related component (period after 01.04.43) (76)	work underground	1.1%	1.6%
	other work	1.1%	1.6%

In 1943, additional benefits for underground work were introduced: 80 crowns for each year after 10 years, 160 crowns per year after 20 years, and 240 crowns per year after 30 years. That year also saw the introduction of the so-called old-age reward (*strobní odměna*): an old age pension granted, in addition to regular earnings to miners who had reached the age of 55, and who had worked for at least 25 years in the mine. This reward amounted to 5,400 crowns and was paid up to the receipt of a full miner's pension (77). The maximum pension benefits could not exceed 80 per cent of full earnings (90 per cent for underground mining). This meant, according to Schubert, that miners' old-age pension benefits could be as high as 20,520 crowns per year, whereas previously the maximum had been 7,500 crowns (78). By 1944, the average old-age pension benefit in the miners' scheme had reached 6,780 crowns (79).

2.1.2. *The Manual Workers' Scheme.*

Just before the occupation of the country, a fundamental amendment of the manual worker' scheme had been prepared which would have introduced far-reaching changes in the organisation and the benefit structure of the pension insurance scheme. The German occupation however intervened in these preparations so that the overall reorganisation did not go ahead. There were only a few partial

76 Remunerations for work underground and other work already were differentiated, therefore no differentiation was needed in these earnings related rates.

77 Jerábková & Salcmanová, 1965, p.56.

78 Erich SCHUBERT *Deutsche Sozialaufbau in Böhmen und Mähren* Prague: Orbis, 1943, p.7.

79 According to Erich Schubert (1943, p.7), the average miners' pension already in 1943 was as high as 8,760 crowns., but the time series data of Jerábková & Salcmanová give the same figure for that year as the one mentioned above for 1944.

amendments of the manual workers' scheme. In 1941 the basic benefit was raised to 660 crowns, and pensions were raised by 20 per cent (80). In 1942, the qualifying period was increased to 750 contribution weeks, but at the same time the basic benefit was raised to the level which already applied to the miners' scheme: 1560 crowns per year. The state subsidies were abolished, but instead the State reimbursed the Central Insurance Institute for the costs of the basic benefit. In 1944, the average annual benefit amounted to 5,412 crowns.

2.1.3. The Salaried Employees' Scheme.

In June 1941, the so-called Additional Bonus (*zvyšeny o přídavek*) was introduced. This supplementary benefit was fixed at 1,440 crowns per year (81). This Additional Bonus was only paid though if the regular benefit did not exceed 19,440 crowns. The state subsidized the new scheme with 90 million crowns per year. During the same year, Governmental Decree simplified the administration of the scheme for salaried employees by introducing the notion of the Principal Insuring Agency (*hlavní nositel pojištění*) (82). If someone had been insured at various institutions, the Principal Insuring Agency was the institution to which the insured person had contributed during the last 60 calendar months of his career. Other insuring institutions, to which the insured had contributed in the past, reimbursed these contributions to the Principal Insuring Agency. In 1944, the average benefit for salaried employees reached 10,656 crowns.

2.1.4. Changes in the other Old-Age Pension Schemes.

In 1941 new cost-of-living allowances were introduced for the civil servants' scheme, amounting to 3,300 crowns per year. In 1944 contributions for this scheme were abolished. Because of inflationary pressures the state old-age support benefit, which even before the war had been very low, had become insufficient to cover even the most essential needs. In 1940 this benefit was increased to 720 crowns, and in 1944 it was again raised to 1,200 crowns (83).

80 Decree 315/1941 Sb.

81 See Jan GALLAS & Zdeněk NEUBAUER *Nové předpisy o pojištění sokromských zaměstnanců ve vyšších zlužbách* [New Regulations for the Social Insurance of Private Sector Employees] Prague: Českomoravsky Kompas, 1942. This Additional Bonus was the equivalent of what the French call a "majoration".

82 Decree No.96/1941 Sb.

83 Decrees No.266/1940 Sb. and 14/1944 Sb. Even though this section does not cover developments in Slovakia, it is interesting to note that towards the end of the war the Slovak government decided to substantially widen the circle of citizens eligible for this form of support (see Jeřábková & Salcmanová, 1965, p.61).

2.1.5. A Pension Scheme for Farmers.

In March 1945, three weeks before the government of the Protectorate was dissolved, a decree was issued which introduced a comprehensive social security scheme for farmers (84). Adolf Hruby, the Minister of Agriculture in the Protectorate's Government, is considered to have been the main architect of this scheme (85). Even though all laws and decrees of the Protectorate in principle were incorporated into the juridical system of postwar Czechoslovakia (86), none of the overviews of the social insurance system of the immediate postwar years mention this farmers' scheme. But as will be argued below, this scheme indeed did influence some of the arrangements for farmers legislated by the National Insurance Act of 1948. That is why the following paragraph briefly reviews the main thrust of the 1945 farmers' scheme.

The decree legislated sickness and pension insurance for farmers who had a property with a surface area of between 0.5 and 50 hectares (87). The sickness insurance system would be administered by the insurance carriers of the workers' scheme recognised by the law of 1924. The pension insurance system would be administered by the Central Social Insurance Institute. Insured farmers would be eligible for an old-age pension after attaining the age of 65, and provided they had paid at least 120 contribution months. The basic benefit would amount to 2,400 crowns. The decree did not foresee any increments. The scheme was to be financed by contributions and state subsidies. Contributions for the pension scheme would have been flat-rate and set at 40 crowns per month

84 Decree No.29/1945 Sb.

85 Interview with Evžen Erban, former Minister of Labour and Social Affairs, on February 20th, 1993 in Prague. Hruby had been a close collaborator of Rudolf Beran, the Agrarian Prime Minister of the second government of the Second Republic. Hruby had been the first president of National Solidarity (*Národní Souručeství*), the only Czech political organisation that was allowed to be active in the Protectorate. Hruby also participated in General Gajda's "committee for Collaboration with the Germans" (Grant Duff, p.172). After the war he condemned to a life-long prison sentence because of his alleged activities as an agent of the German secret service (Wilhelm DENNLER *Die Böhmsche Passion* Freiburg i.Br.: Dikreiter, 1953, p.237).

86 Interview with Karel Pinc, Professor in Social Policy at the Law faculty of Charles University, on March 18, 1993 in Prague.

87 Earlier, the accident insurance scheme had already been extended to include farmers (and students in technical schools (see Bruegel, 1945, p.171).

(88). The Government also pledged to pay a contribution to the scheme of 50 million crowns during the first five years of its existence.

2.2. The Re-configuration of the Social and Political Forces and the Preparation of a New Social Order.

During the occupation and the war the socio-political landscape was drastically altered (89). A comprehensive overview of these changes goes well beyond the scope of this paper. Rather, discussion of these changes will be limited to the bare minimum necessary for understanding the power configuration which was at the basis of the postwar social policy reforms (90). The discussion will briefly review the five main actors to become involved in the preparation of the new Czechoslovak social order: the political parties within the country, the "non-partisan" London-based Exile Government of President Beneš, the Moscow exiles, the home-resistance movements, and the trade unions.

2.2.1. The Political Parties.

Political life in the First Republic had been dominated by a coalition of five parties (the percentage indicates their share in Parliament after the 1929 elections): the Republican Party of Agrarians (*Republikánská strana zemědělského a malorolnického lidu*, 15.1%), the Czechoslovak Social Democratic Workers Party (*Čsl. sociálně-demokratická strana dělnická*, 12.7%), the non-Marxist Czechoslovak

88 Contributions for the sickness insurance scheme would vary according to size of the farming property. There would be 8 classes:

class	size of farming property	contribution
1	up till 1 hectare	20 crowns
2	between 1 and 2 ha.	30 crowns
3	between 2 and 5 ha.	40 crowns
4	between 5 and 10 ha.	60 crowns
5	between 10 and 20 ha.	80 crowns
6	between 20 and 30 ha.	100 crowns
7	between 30 and 40 ha.	120 crowns
8	40 hectares or more.	150 crowns

89 For a description of the general political evolution during the Second Republic see Theodor PROCHAZKA "The Second Republic, 1938-1939" in Victor S. MAMATEY & Radomír LUŽA *A History of the Czechoslovak Republic 1918-1948* Princeton [N.J]: Princeton University Press, 1973, pp.255-270.

90 For a more comprehensive discussion see Helmut SLAPNICKA "Die Böhmisches Länder und die Slowakei 1919-1945" in Karl BOSL, ed. *Handbuch der Geschichte der Böhmisches Länder* Volume IV, Der Tschechoslowakische Staat im Zeitalter der modernen Massendemokratie und Diktatur, Stuttgart: Anton Hiersemann, 1970, pp.2-151; and Wallace, 1976, pp.194-247.

National Socialist Party (*Čsl. národně-socialistická strana*, 10.7%)⁽⁹¹⁾, the catholic-oriented Czechoslovak Peoples Party (*Čsl strana lidová*, 8.3%), the Czechoslovak National Democratic Party (*Čsl. strana národně-demokratická*, 5.0%). The Czechoslovak Small Traders Party (*Čsl. zivnostensko-obchodnická strana stredostavovská*, 4.0%) also often participated in the coalitions but was not part of the group of five. The most important opposition parties were the Communist Party (*Komunistická strana*, 10%) and the non-Social Democratic German parties (together good for 22% of the seats), and the Slovak People's Party (*Slovenská strana ľudová*, 6.3%)⁽⁹²⁾. Initially the coalitions had been constructed around a "red-green" alliance of Agrarians and Social Democrats. However, after the break-way of the left-wing of the Social Democrats, this coalition could no longer be maintained.

The Social Democrats first played a minor role in supporting basically reactionary governments, and even left the coalition for a few years. In 1929 though, the "red-green" axis was re-installed, this time reinforced by the support of the German Social Democratic Party (7.0%). It has been argued that, in the First Republic, the real executive power had been under the control of the so-called *Pětka*, a liaison committee between the five most important parties and the government of experts, which ruled the country during the first months of 1921. This government was short-lived, but the Committee of Five continued to exist, and in the end became more powerful than the actual government⁽⁹³⁾.

With the establishment of the Second Republic, the number of political parties was reduced to three: the National Unity Party⁽⁹⁴⁾, the National Labour Party⁽⁹⁵⁾, and the Communist Party. However, a few

91 This party was created before World War I by the Czech bourgeoisie in order to limit the influence of Marxism upon the working class. Apart from its name, it had nothing in common with its Nazi namesake. Most of its members were recruited from the lower middle class, civil servants, and the intelligentsia.

92 For a discussion of the historical background and ideological profile of these parties, see Slapnicka 1970, pp.20-28; and Young, 1938, pp.115-133). When in government, the Social Democrats always controlled the Ministry of Social Welfare. Thus this post was occupied by Lev Winter (1918-1920, and 1925-1926), Gustav Habrman (1921-1925), Ludwig Czech (contrary to his name, a German Social Democrat, 1929-1935), and Jaromír Něcas (1935-1938).

93 This is claimed by, among others, one of the leaders of the post-war Social Democratic Party in exile, Jiri HORA'K in his Ph.D. dissertation *The Czechoslovak Social Democratic Party, 1939-1945* Ph.D. dissertation Columbia University, 1960 (facsimile of University Microfilms, Ann Arbor, Michigan No.63-3684), p.55..

94 which initially comprised the Agrarians, the National Democrat, the Small Traders, and later also was joined by most politicians from the People's Party and the right-wing of the National Socialists.

95 which comprised most Social Democrats and the left-wing of the National Socialist Party.

months later, in December 1938, the Communist Party was finally outlawed (96). This concentration

"represented determination, bewilderment and fear. It also represented a certain disillusionment with the politics of the first republic that had brought only self-destruction Czechoslovakia." (97)

After the German invasion and the establishment of the Protectorate in March 1939, the two other parties were also dissolved. A Czech National Committee (*Česky národní výbor*) was established with representatives of all political parties, under the leadership of the Czech fascist Rudolf Gajda (98). But this Committee only existed for four days. On March 21st, the President of the late Second Republic, Emil Hácha took the initiative to establish National Solidarity (*Národní Souručeství* or NS), which was to become the only Czech political organisation allowed to be active in the new Protectorate (99). The agrarian politician, Adolf Hrubý became chairman of National Solidarity. The organisation was dominated by those parties that would be banned after the war, the National Democrats, the Small Traders, the Fascists, and the Agrarian Party (100). However, the resolution dissolving the National Labour Party also had called upon its members to join the new National Solidarity.

96 Several key-figures like party leader Klement Gottwald escaped to the Soviet Union; a few like the leader of the "red" trade unions, Antonín Zápotocký were captured while attempting to escape and ended up in German concentration camps; another group went to Paris before joining the leaders in Moscow; finally, a comparatively small group, including the Slovak Vladimír Clementis ended up in London (Wallace, 1976, p.221).

97 Wallace, 1976, p.215.

98 Arno HAIS *Odborové Hnutí za druhé Republiky a Okupace. 1938-1942* [The Czechoslovak Trade Union Movement during the Second Republic and the Occupation 1939-1942] Paris, 1956 (stencilled publication 198., Av. du miane Paris XIVe (available in ILO Library Geneva), p.7-9; and Slapnicka 1970, p.119. This National Committee still included prominent (right-wing) Social Democrats like the former Minister of Social Welfare, Jaromír Něcas, and the Secretary-general of the Union of Railway Employees, Frantisek Nemeč (who was to become Minister of Social Welfare in the London government in exile. Němec was not adverse to the sort of corporatist policies that the new order would bring. Already in October 1938, as secretary general of the Union of Railway Employees (*Unie železničnických zaměstnanců*), he had developed a plan for a corporatist organisation of employees in the public sector.

99 According to Jon Bloomfield, "its stated aims were national self-preservation and national unity". However, "these were merely empty phrases attempting to hide blatant collaboration" (Jon BLOOMFIELD *Passive Revolution. Politics and the Czechoslovak Working Class 1945-8* London: Allison and Busby, 1979, p.30).

100 With respect to the Agrarians, Korběl has argued that its "varied constituents could not conceivably be held responsible for the political machinations of some of its leaders at the time of the Munich crisis and during the war." (Josef KORBĚL *Twentieth Century Czechoslovakia. The Meaning of its History* New York: Columbia University Press, 1977, p.219). After the war, the parties that were involved in the

Slapnicka has described National Solidarity as a "mechanical amalgamation of all existing political groups" (101). However, it seems to be the case that some politicians were reluctant to join this single organisation. For instance, after the dissolving of the National Labour Party, most leading Social Democrats had created an illegal party underground. By the end of 1939, this underground party had completed a program which called for the introduction of a comprehensive social security system (102). This illegal party was hit by a Gestapo raid in February 1940: most of its leaders were arrested and sent to concentration camps (103).

The Communists too developed an extensive underground network, and in the end were the only party which preserved its structure. Even if the members of one illegal Central Committee after another was arrested, the Party as such always emerged intact. Some authors have linked this resilience to large scale collaboration of the many communists with the Gestapo. Josef Korbel, for instance, argues that "both shared undoubtedly one common interest: to liquidate democratic leaders". He substantiates this claim by several concrete examples based on statements of, amongst others, Jaroslav Drábek, the chief prosecutor in the war crimes trials for Czechoslovakia. Drábek has claimed that an examination of the archive of the deputy of the Reichsprotector for Bohemia-Moravia, K.H. Frank, confirmed a large scale infiltration by Gestapo agents of the Communist underground (104).

government of the independent Slovak state were also banned (in particular the Slovak Popular Party).

101 Slapnicka, 1970, p.119.

102 See *Zpráva ilegálního vybory* January 30, 1940, referred to by Horák, 1978, p.44.

103 Jiri HORA'K "Wandelungen in den Jahren 1938 - 1945. Die Zweite Republik, Okkupation, Widerstand und Exil" in Jaroslav KREJCI, ed. *Sozialdemokratie und Systemwandel. Hundert Jahre tschechoslowakische Erfahrung* Berlin: Dietz, 1978, pp.39-50 (in particular, pp.40-43).

104 See Josef KORBEL *The Communist Subversion of Czechoslovakia 1938-1948. The Failure of Coexistence* Princeton, NJ: Princeton University Press, 1959, pp.58-67, p.162; and Radomír LUZ'A "The Communist Party of Czechoslovakia and the Czech Resistance, 1939-1945" in *Slavic Review* Vol.28, No.4, 1969, pp.561-576. This infiltration is confirmed by the head of the London-based Information Service for Free Czechoslovakia, Josef Josten, who claims that "the ill-famed K.H. Frank stated more than once that the Communist underground movement was no danger, because it was not only controlled, but to a certain extent directed by the Gestapo, which [during the time of the Soviet-German non-aggression pact] had planned its agents right at the top positions of the underground, Politburo" (Josef JOSTEN *Oh My Country* London: Latimer House, 1949, p.33) (before the war Josten had been a journalist of the left-liberal newspaper *Lidové Noviny*, during the war he became an assistant of the Minister of Foreign Affairs Jan Masaryk).

2.2.2. *The London-based Government in Exile and the Communist exiles in Moscow.*

The last President of the First Republic, Eduard Beneš went into exile and formed a government in London (105). By the end of 1942, this government was led by the former president of the People's Party, Monseigneur Šrámek and comprised three Social Democrats (106), three National Socialists (107) two Slovak Agrarians (108) and four non-party members (109). The Social Democrats again provided the Minister of Social Welfare.

The government in exile was supposed to conduct political affairs on the premise that party politics were to be excluded. This policy was strongly contested by the main leader of the Social Democratic Party in London, Rudolf Bechyne, who therefore came to be excluded from the Czechoslovak politics in London. Jiří Horák has argued that such rivalries led to a decrease of the influence of the Social Democrats in the London-based Government. It does seem to be the case that "the Government was of predominant rightist character" (110), that the National Socialists were over-represented in the Beneš government, and that the centre and left-wing of the Social Democratic Party was virtually

105 For a more detailed description of these events, see Wallace, pp.199-228; Slapnicka, 1970, p.132-136; and Korbel, 1977, pp. 164-165.

106 František Němec, former secretary of the union of railway employees, who first became Minister of Social Welfare, and later Minister of Economic Reconstruction; Jaromír Nečas, former Minister of Social Affairs, who had participated in the first Protectorate's Government, while maintaining contacts with the resistance, but after the Gestapo had discovered the groups with which he had contacts, had left the country and joined the government in exile; Jan Bečko who became Minister of Social Welfare. In 1942 Nečas was excluded from the government, but by the end of the war, the right-wing Social Democrat, Václav Majer became Minister of Industry and Trade (before the war, Majer had been close to the farmer's organisation of the Social Democratic Party).

107 Jaroslav Stránský, who became Minister of Justice; Hubert Ripka, a renowned journalist who became deputy Minister of Foreign Affairs; and Ladislav Feierabend, a former Agrarian politician who had been Minister of Agriculture in the Second Republic and in the first government of the protectorate, but who like the Social Democrat Nečas had left for London and joined the government in exile in London to become Minister of Finance when he also became a member of the National Socialist Party.

108 Jan Lichner, who had participated in the First Slovak autonomous government, and later escaped to London, to become Minister of Agriculture; Juraj Slávik former Minister of the Interior who was granted the same position in the government in exile.

109 Jan Masaryk, the son of the late founding President, who became Minister of Foreign Affairs; General Sergej Ingr and General Rudolf Viest who respectively became Minister of Defence and vice-Minister of Defence. The Slovak Štefan Osuský, who had been the Czechoslovak envoy in Paris for twenty years, left the government in exile in 1942 because he disagreed with the government appointments. Except for Masaryk, these "non political personalities" were clearly political conservatives.

110 Horák, 1960, p.210.

excluded. According to Horák, this partly explains the left-turn (leading for some time to a strongly pro-Communist stance) of centrist Social Democrats like Rudolf Bechyně, Václav Patzak and Bohimil Laušman.

In 1940 Beneš issued a decree to establish a state council, an advisory body which in a way was the functional equivalent of a Parliament without legislative power. Apart from the parties represented in the government in exile, the council also contained some Communists. However, after the German invasion of the Soviet Union, most Communists had ended up in Moscow, under the leadership of Gottwald, who before the war had brought the party into line with the prevailing Stalinist principles, and who had kept it there since (111).

2.2.3. *The Resistance within the Protectorate.*

During the first year of the German occupation, a multitude of small resistance groups emerged, but, due to the stick and carrot policies of the Germans, these groups remained rather insignificant. A complete description of all resistance groups goes beyond the scope of this paper (112). Only those who would in some way become involved in the conception of post-war social policy will be briefly discussed here.

In February 1939, the Political Centre (*Politické ústředí* or PU) was established (113). Two members of the government in exile, the Minister of Finance Ladsilav Feierabend, and the Minister of Social Welfare Jaromír Něčas, had been in contact with this group.

Arguably a more important group was the Petition Group We Shall Remain Faithful (*Petiční vy'bor Věrní zůstaneme* or PVVZ) (114). The group was led by Social Democratic trade union officials like Josef Pešek (the leader of the teachers trade union), intellectuals of the Workers Academy (115), like Josef Fischer (the strongest theoretical thinker of the

111 Wallace, 1976, p.235. On the Bolshivisation of the Czechoslovak Communist Party by Gottwald, see Jacques RUPNIK *Histoire du Parti Communiste Tchécoslovaque. Des origines à la prise du pouvoir* Paris: Presses de la Fondation Nationale des Sciences Politiques, 1981, pp.86ff..

112 For a more comprehensive account see Korbel, 1977, p.160-164, Bloomfield, 1979, pp.32-35, for a discussion of the "glorious" role played by the Communist underground see Dau & Svatosch, 1985, pp.98-130.

113 In 1940 this group was enlarged into Central Leadership for Home Resistance (*Ústřední vední odboje domácího* or U'VOD), to include other resistance organisations. According to Korbel, U'V was composed of intellectuals who for years had been closely associated with President Benes, whereas Slapnicka maintains that all the former coalition partners were represented in it (see Korbel, 1977, p.161; and Slapnicka, 1970, p.123).

114 The name of this group referred to the last words of President Benes over the coffin of T.G. Masaryk in September 1937.

115 The *Dělnická Akademie* was founded in 1897 with the cooperation of the late President Masaryk. Its task was threefold: teaching socialism on a scientific basis, general education and culture, and technical training. It was financed by the

group), and by left-wing National Socialist politicians, like Milada Horáková, who had been active in the PU⁽¹¹⁶⁾. As early as 1941, the group published a long and detailed manifesto which called for the establishment of a welfare state based on democratic foundations (117).

The program differed both from views represented by the old Social Democratic leadership of the First Republic, and from the program formulated together with the Communists at the end of the war. In comparison with the former the authors of the program abandoned the system of half-solutions and proposed instead radical solutions which the coalition minded leaders of the old Social Democratic guard would never have dared to propose. In contrast to the latter, it placed more emphasis on democratic principles and individual rights.

However, the aspirations for this democratic socialism diminished with the elimination by the Nazis of almost everyone who had anything to do with formulating the program, and with the entry of the Soviet Union in the war. Most of the members of this group died in the Nazi concentration camps, though a few like Václav Patzak managed to escape to London.

2.2.4. The Trade Unions.

Before the war, the trade union movement was split along national and ideological lines. Every major political party had a trade union organisation of its own (118). In addition there were "non-political" trade

Czechoslovak Social Democratic Labour Party, but also received subsidies from public funds. During the 1930s more than 300,000 trade unionists belonged to the Academy, under a system of collective membership. In 1935, its lectures were attended by some 575 people (Belina, 1942, p.47; Young, 1938, p.180).

116 Detlef BRANDES *Die Tschechen Unter Deutschem Protektorat. Teil I. Besatzungspolitik, Kollaboration und Widerstand im Protektorat Böhmen und Mähren bis Heydrichs Tod (1939-1942)* München: Oldenbourg, 1969, p.59-60. The real power basis of PVVZ consisted though of Social Democratic trade union officials who were partly occupying positions in the official trade unions of the Protectorate.

117 *Za Svobodu. do nové Československé republiky. Ideový program domácího odbojového hnutí vypracovaný v letech 1939-41* [For Freedom towards the New Czechoslovak Republic. Ideological Program of the Home Resistance Movement Elaborated in 1939-1941] reprinted in Prague by Orbis in 1945. For a discussion see Horák, 1960, pp.169-174.

118 In 1936 31.1 per cent of the unionized workers were members of a union affiliated to the Social Democratic Party, 15.2 per cent to a union controlled by the National Socialists, 10.0 per cent to unions oriented towards the agrarian-oriented Republican Employee Centre, 6.9 per cent to Communist unions, 5.8 per cent to unions affiliated to the Public Employees federation, 5.6 per cent to Christian Social unions, 14 per cent to various small, predominantly right-wing unions, and 11.2 per cent to crafts unions that were not affiliated to a central council (data from Alois ROZEHNAL *Odborové hnutí v Československé republice* New York 1953, quoted by Paul BARTON and Miroslav TUČEK "Die Gewerkschaften und die Lage der

unions (119). In 1937, there were 18 central trade union federations, each including a large number of small disparate organisations (120). Various sections, in particular those in the state and public sector, were organised on a "guild" basis according to standards of education, with separate unions for messengers and porters, lower officials, secondary school graduates, and university graduates. Lawyers and engineers again formed independent bodies. As a result there were 707 unions with a total membership of 2,750,000 members (121).

Shortly after the Munich agreement (122), the Social Democratically oriented unions took the initiative to establish a unitary trade union federation. These first attempts faltered because of the opposition of small right-wing unions and the Communists (123). After the German occupation, in April 1939, the agrarian unions took the initiative by establishing a temporary coordination commission to prepare the establishment of an all-encompassing united trade union, the National Trade Union Centre of Employees (*Národní odborové ústředny zaměstnanecké* or NOU'Z) (124). By the end of July 1939, after several months of negotiations within this commission and between the commission and National Solidarity and the government of the Protectorate, a new organisational structure was established. The new

Arbeitenden" in Jaroslav KREJCI, ed. *Sozialdemokratie und Systemwandel. Hundert Jahre tschechoslowakische Erfahrung* Berlin: Dietz, 1978, pp.121-148, p.123).

119 Gustav BEUER *New Czechoslovakia and her Historical Background* London: Lawrence & Wishart, 1947., 1947, p.211-213; Paul E. ZINNER *Communist Strategy and Tactics in Czechoslovakia, 1918-1948* New York: Praeger, 1963, p.160.

120 For a more detailed, though not complete, overview of trade union organisations and their membership in 1935, see Young, 1938, pp.184-185. Young counts (for 1935) only 17 councils, Jaroslav Šíma proposes (for 1937) the number of 18, and Gustav Beuer claims that (in 1937) there were 19 councils.

121 Jaroslav ŠÍMA *Czechoslovakia's Path to Socialism. The Labour and Social Policy of the People's Democratic Czechoslovakia* Prague: Orbis, 1951, p.79.

122 In the Sudeten border regions that were incorporated into the Reich, all trade union organisations and works' councils were dissolved as early as November 1938.

123 Barton & Tuček, 1978, p.124. The Communist Gustav Beuer, on the other hand claims that at that time the "red" (i.e. Communist lead) industrial unions and the Social Democratic unions merged into one single trade union centre (Beuer, 1947, p.211).

124 Hais, 1956, p.11; and Lubomír LEHAŘ "Vy'voj Národní odborové ústředny zaměstnanecké v prních letech nacistické okupace" [The Development of the National Trade Union Centre for Employees during the First Years of the Nazi Occupation] in *Historie a vojenství* 1966, pp.584-619, p.585. The secretariat of this commission resided in the building of the *Republikánském ústředí zaměstnaneckém* (the union close to the Agrarian Party), and included by Arno Hais (for the Social Democratic OSČ), Ludvík 'Votický' (secretary of the National Socialist ČOD), J. Nepras (secretary the Christian-Socialist Trade Union), František Havelka (secretary of the agrarian federation), and Fejteck (secretary of the union of civil servants, *úřednické savzy*).

structure consisted of twenty seven trade unions, two federations and one centre for coordinating. There was one federation for manual workers, the Federation of Workers Trade Unions (*Ustředí dělnický'ch jednot* or UDJ), and one for salaried employees, the Federation of Private Employees (*Ustředí jednot soukromý'ch zaměstnanců* or UJSZ) (125). The Social Democrat Antonín Zelenka became the first president of NOU'Z, which coordinated the two federations (126).

In January 1940, Zelenka resigned and returned to his former job as director of the Central Social Insurance Institute (127). Officially Zelenka had resigned "for health reasons", but the real reason seems to have been the necessity to replace him with someone who was better placed and more prepared to collaborate with the Nazi's. The rumour circulated that the Germans might try to abolish the trade unions altogether. In order to prevent this both the Prime Minister of the Protectorate's "government" Eliáš, and the leader of the Metal Workers trade union, Antonin Hampl called for a closer collaboration with the Germans, and for a change at the top of NOU'Z. The former Social Democrat Václav Stočes seemed to be the perfect man to take over the presidency of Zelenka

"because of his good contacts with the German authorities, and with the Protectorate's Minister of Social Welfare, Dr. Klumpar, the Prime Minister Eliáš, as well as with Antonin Hampl." (128)

Once Stočes became president of NOU'Z, the collaboration of the trade unions with the Nazis reached its apex. Contacts were institutionalised with the German Labour Front, DAF, through the creation of the so called "Verbindungsstelle des Reichsprotector zu den Gewerkschaften" directed by the DAF official Wilhelm Köster. Köster dissolved the two federations (UDJ and UJSZ) and reduced number of trade unions from 27

125 Formally, the manual workers federation was presided over by a National Socialist Ludvík Votický, the salaried employees' federation by a Christian Socialist, Josef Nepras; but behind the scenes, it was Antonin Hampl, the leader of the powerful and strategically important Union of Metal Industry Workers, who was pulling the strings (Lehár, 1966, p.595)

126 Zelenka was a rather unknown Social Democrat who before he became president of NOU'Z, had been an actuary at and had succeeded Vladislav Klumpar as director of the Central Social Insurance Institute when the latter had become Minister of Social Welfare.

127 Until Klumpar returned in January 1942, after the Germans closed the Protectorate's Ministry of Labour and Social Welfare (see the account of the German assistant of the Minister Klumpar, Wilhelm Dennler, in his *Die Böhmisches Passion* (1953)).

128 Hais 1956, p.23. During the First Republic, Stočes had been the assistant of the secretary of the Social Democratic trade union federation, *Odborováho sdružení československého*, Tayerle. Before he took over from Zelenka, he had directed the economic department of NOU'Z (Lehár, 1966, p.607; and Hais, 1956, p.23).

to 11 (129). In Köster's view, those unions should refrain from politics, and only be concerned with the welfare of the workers: wages, social security and leisure (130). As part of this policy NOU'Z introduced the "Joy and Work" (131), a Czech imitation of the DAF's "Kraft durch Freude" scheme. The participants were treated to "unpolitical" entertainment: sports matches, music concerts, musicals, sentimental films, and theatre plays (132). NOU'Z also inaugurated the "Heydrich Action", which offered several thousand workers special ratios and free vacations in well known spa resorts (133). Contrary to quisling unions in other countries occupied by the Nazis, NOU'Z was quite successful in maintaining its membership. In the spring of 1945, more than 500,000 workers paid dues to the union (134).

However, NOU'Z was not simply a quisling organisation. A substantial number of former Social Democratic trade union leaders occupied positions in *both* NOU'Z and in the resistance group PVVZ. Together, with a few Communists who from 1942 onwards had joined NOU'Z and had been ordered by the party to struggle for power within this organisation (135), they formed the nucleus of what was to become the

129 Brandes, 1969, p.228; Léhar, 1966, p.610; Bruegel, 1945, p.174. Köster's policies were ratified by an order of the Protectorate's government of August 14, 1941. This order also granted the authorities the right to transfer members from one union to another (see Bruegel, 1945, p.174-175).

130 Except of course when these political activities were in support of the Nazi regime, like in May 1942 when, after the Reichsprotektor Reinhard Heydrich was assassinated by a commando sent by the London government in exile, NOU'Z organised a series of mass demonstrations in support of the Nazi regime:

"Als der große Freund der tschechischen Arbeiterschaft der Stellvertretende Reichsprotektor Reinhard Heydrich durch die Hand eines Meuchelmörders fiel, hielt die NGdA, eine Reihe großer Versammlungen, an denen Hunderttausende von Tschechen teilnahmen, ab, um das schmählische Verbrechen zu verurteilen."

(from an article in *Narodní Práce* reprinted and translated in Schubert, 1943, p.44.)

131 Czech sources write about *radost ze života* which literally means "joy from life", whereas German sources write about *Freude und Arbeit* meaning "Joy and Work" (see Hais, 1956, p.27; Schubert, 1943, p.45).

132 Vojtech MASTNY *The Czechs Under Nazi Rule. The Failure of National Resistance, 1939-1942* New York: Columbia University Press, 1971, p.195, see also Schubert, 45-46.

133 See "Tschechische Arbeiter Nach Luhatschowitz" in *A-Zet* May 26, 1942 (reprinted and translated in Schubert, 1943, pp.32-33).

134 Zinner, 1963, p.160.

135 In 1942, the Communist Party had instructed its member to join NOU'Z (see Korbel, 1959, p.156; and *Za svobodu českého a slovenského národa Sborník documntů k dějinám KSČ v letech 1938-1945* [For Freedom of the Czech and Slovak Nations: A Collection of Documents of the History of the Czechoslovak Communist

Revolutionary Trade Union movement after the war (136). In 1943, they established the Central Trade Union Council (*U'strřední rada odborů* or U'RO).

"Die illegale Gewerkschaftsbewegung, die gegen Kriegsende hin sich entwickelte, war in der Lage, die Körperschaften der offiziell zugelassenen Gewerkschaften gewissermaßen als Deckmantel zu benutzen."⁽¹³⁷⁾

According to some historians, U'RO developed a widespread illegal network of organisations in large factories throughout the Protectorate, and thereby played a central part in the Prague rising (138). Others have argued that underground leadership was in fact very small (139) and that, at end of the war, they simply seized the headquarters of NOU'Z in Prague, gave the organisation a revolutionary label, and replaced some of the quisling leaders by Communists flown in from

Party in 1938-1945] Prague: Státní nakladatelství politické literatury, 1956, pp.204-208 -- the latter publication is a one-sided selection which tries to prove the predominant role of the KSČ in the war-time resistance).

- 136 They included Václav Cipro, Josef Kubát, František Jungmann, Jiří Veltruský, Josef Knapp, and Evžen Erban (the latter was a secretary in the NOU'Z) (See Stansilav ZA'MECNÍK "U'RO a české kvtnové povstání v roce 1945" [U'RO and the Czech May Rising in 1945] in KABINET DĚ JIN ODBURŮ *Odbory a naše revoluce: sborník studií* Prague, 1968, pp.9-47, p.12). Of course the line between collaboration and resistance was a very precarious one, but some evidence points in the direction that some of the founding fathers of U'RO had been betting on two horses. For example, right after the Nazi occupation had started, Erban as the leader of the student section of the Federation of Salaried Employees (*Jednotného svazu soukromých zaměstnanců*), had been the only trade union leader who was prepared to work with the Fascist-led "Czech National Committee" (*Česky národní výbor*); whereas in 1942 Václav Cipro is reported to have been "very cooperative" with the Germans (see Hais, p.9 and p.26). According to Josten, Erban became Secretary-general of NOU'Z after he had been organisational secretary and one of the main organisers of the Heydrich Action (Josten, 1949, p.147-8). It is difficult to judge to what extent these allegation are part of cold war defamations, but the former official historian of the Communist Party, Karel Kaplan, too has argued that Erban "mußte viel Sachen machen welche nicht gut waren" (interview with Karel Kaplan, on April 5th, 1993 in Prague). In general these issues are very poorly documented and what little evidence there is consists of rather partisan accounts by advocates or opponents of the Stalinist regime. Josef Josten, for instance, was a war-time assistant of Benes who after the Communist coup went again into exile; Arno Hais was a Communist trade union leader who during the 1930s opposed the "bolshivisation" of the "red" trade unions, and had rejoined the Social Democratic federation; in 1941 he had become the right-hand of NOU'Z president Stočes; after the war he was convicted for collaboration, and ultimately went into exile in France; Evžen Erban, on the other hand, became a notorious pro-Communist Social Democrat and a rising star in the Stalinist regime).

137 Barton & Tuček, 1978, p.126

138 See for instance, Zámečník, 1968, p.18, Beuer, 1947, p.213.

139 See for example, Barton & Tuček, 1978, p.127.

Moscow, or returning from the concentration camps (140). Some go even as far as to argue that the labour quislings were promised immunity by the new Communist controlled Ministry of the Interior if they would stand ready, whatever their past, to cooperate with the party (141)

140 See in particular Zinner, 1963, p.160.

141 Ivo DUCHACEK "The Strategy of Communist Infiltration: Czechoslovakia, 1944-48" in *World Politics* Vol.2, 1950, pp.345-372. Duchacek was from 1945 till 1948 the chairman of the Foreign Relations Committee of the Czechoslovak Parliament and editor of the journal *Obzory* which defended positions close to the right-wing of the People's Party. However, Karel Kaplan too, has argued that Social Democrats who were incriminated because of their war-time activities could avoid persecution in exchange for close collaboration with the Communists. In fact Kaplan argues these quislings formed the hard core of the pro-Communist faction within the Social Democratic movements, and should be distinguished from the extreme leftist syndicalist wing of the party (see Karel KAPLAN "Tschechoslowakische Sozialdemokraten und Tschechoslowakische Kommunisten 1944-1948" in Dietrich STARITZ et al. eds. *Einheitsfront Einheitspartei. Kommunisten und Sozialdemokraten in Ost- und Westeuropa, 1944-1948* Köln: Verlag Wissenschaft und Politik, 1989, pp.280-304 (p.302).

3

The Social Democratic Reform during the Third Republic.

This chapter will argue why institutional changes that were implemented during the so-called Third Republic, the first three years after the liberation of the country (1945-1948), can be characterised as being Social Democratic, both in terms of their actual content, as well as in terms of their political concomitants.

3.1. The Preparatory work on National Insurance during the War.

Plans for Social Security reforms were prepared by two teams: one under the direction of the London Exile Government, and one active within the home resistance. Whereas the former team to some extent was inspired by the Beveridge reforms, the latter got primarily its inspiration from a program formulated by intellectuals from the Social Democratic Workers Academy at the very beginning of the war. Both teams were dominated by experts who had been involved in the design or administration of the inter-war system, and whose views were mainly marked by this experience.

3.1.1. Plans by the London Exiles.

The main principles of National Insurance were already formulated during the war, by both the resistance and the London-based government in exile (142). The *Za Svobodu* program of We Shall Remain Faithful group (PVVZ) already contained the first consistent formulation of the main principles of what would become the National Insurance Act of 1948: universal coverage and securing a socially acceptable existential minimum for everybody:

"The social insurance system should cover all people, also those who are self-employed, so that all citizens of the Republic will have the same life security and the same social rights ... Without delay, old age pensions have to be arranged such as to guarantee an existential minimum." (143)

The idea of national liberation was closely related with the idea of universal comprehensive social protection. Social insurance came to be

142 "Social Security in Czechoslovakia" in *International Labour Review* Vol.58, No.2, August 1948, pp.151-186 (p.152); Tomes, 1971, p.144.

143 p.103-104).

seen as "one of the most important factors in the just and equitable distribution of the national product." (144)

The government in exile too prepared a drastic reform of the social insurance system. In January 1943, a 60 page Czech summary of the Beveridge Report was published, with explanatory notes to facilitate the comprehension by Czechoslovak readers, a special foreword of Lord Beveridge, and an introduction by the Exile Government's Minister of Labour and Social Affairs, Ján Běčko (145). The Beveridge Report became subject of the propaganda war waged within the Protectorate. In March 1943, the paper *Lidové Noviny* wrote in this respect that

"Während die englischen Plutokraten über den Plan des Lord Beveridge diskutieren, demzufolge die englischen Arbeiter nach dem Kriege eine Sozialversicherung erhalten sollen, die wohl kaum derjenigen gleichen wird, die der Reichskanzler Bismarck im Reich bereits in der zweiten Hälfte des vergangenen Jahrhunderts eingeführt hat, die also, am heutigen Maßstab gemessen, bedeutend hinter den heutigen Bedürfnissen der Arbeiter zurückbleiben würde, verbessert das Reich inmitten eines gigantischen Ringens mit bewundernswerter Konsequenz die Sozialgesetzgebung im Protektorat Böhmen und Mähren." (146)

However, it seems that the Report only had a marginal influence upon the actual Czechoslovak social security reforms. If anywhere, one could expect it to have had an impact on the work of the government in exile. But even there, the Report was more heralded for the public discussion that went along with it, than for its substantial contents. In a speech delivered for the Czechoslovak State Council in London, Becko said with respect to the Report that

"We are interested not only in its contents but also in the negotiations and discussions among the public. For us the different points of the Beveridge report do not mean anything new or of revolutionary character." (147)

More influential in London was the work of Emil Schönbaum, the main architect of the social insurance system of the First Republic. In 1942, Schönbaum had become the principal actuarial consultant of the

144 Evzen ERBAN "Introduction" in *Czechoslovak National Insurance. A Contribution to the Pattern of Social Security* Prague: Orbis, 1948, pp.7-34 (p.11).

145 Jirí FISCHER *Plán Sociální Bezpečnosti. Vy'tah z Beveridgeovy Zprávy* London: Cechoslovákia, 1943. Běčko's introduction was entitled "Sociálna Bezpečnosť Zaisť Mier Národom a Svetu" [Social security in the interest of peace of the nation and the world] (pp.6-10).

146 Reprinted and translated in German in Schubert, 1943, p.54 (see also p.47).

147 A translation of this speech was enclosed in an airgraphed letter, dated April 19th, 1943, from Jiri Fischer of the Czechoslovak Ministry of Social Welfare in London to E.J. Phelan at the ILO in Montreal. See ILO file "Post War Reconstruction -- Czechoslovakia" File No. PWR 1/17.

International Labour Office in Geneva. In July 1943 the government in exile decided to invite Schönbaum to participate in the preparatory work of the social insurance reform. He started to work for the Czechoslovak government in August of that year (148). In September 1944 he arrived in London to present his report to the government in exile (149).

Schönbaum's proposals were not very radical. They focussed primarily on the sickness insurance scheme as that had been the crux of the old system. Even though he recognised that one of the main deficiencies of the inter-war system was his excessive fragmentation, he rejected the establishment of a single central agency for sickness insurance for the entire country:

"The radical solution ... lies in the establishment of a single central body for sickness insurance for the whole territory of the Republic, such as exists in several other countries, is not desirable in Czechoslovakia for various reasons." (150)

However, he failed to mention these reasons. Instead, he proposed to go back to the reform which was already drafted in 1923, but never implemented, according to which all sickness insurance institutions, as carriers of sickness insurance and as agencies of invalidity and old age insurance, would be merged into 120 district institutions of a single type (151). Schönbaum proposed to create uniform territorial carriers of social insurance, the so-called district insurance institutions, which would be in charge of administering sickness insurance, pension insurance, and -- as far as possible" -- unemployment insurance.

Schönbaum also rejected a complete general revenue financing as in the context of the Czechoslovak tax system, this would mean a non-progressive method of financing:

"Proposals that the State should finance the entire cost of social insurance out of taxation can form a basis for discussion and are acceptable especially in those countries where income tax is the main source of revenue. Where, as in Czechoslovakia, State revenue is based to a great extent on indirect and excise taxes, such a system

148 Mentioned in a letter to E.J. Phelan from late 1945, International Labour Office SI-ACT 2-17-1 "Correspondence with Emil Schönbaum".

149 Emil SCHÖNBAUM *Návrh na reformu sociálního pojištění v Československé republice* London: Politická knihovna «Čechoslovákia» No.22, 1945. In January, 1945 Schönbaum's report was published by the government to facilitate its discussion. It was also translated into English and published as "A Programme of Social Insurance Reform for Czechoslovakia" in *International Labour Review* Vol.51, No.2, February 1945, pp.141-166.

150 Schönbaum, 1945, p.149.

151 Schönbaum 1945, p.148. In addition, part of the surpluses obtained by those autonomous funds which would be in a "favourable" condition would have to be transferred to a common fund to make up for the deficits of institutions with "unfavourable" economic results (p.149).

could mean an increased burden for the poorer classes of the population." (152)

Schönbaum also proposed to extend eligibility for the social pension to manual workers (153), and to increase the importance of the flat-rate basic amount in the pension benefits:

"The present structure of pensions, which consist of a basic amount and graduated supplements, should be maintained, and emphasis should be placed on the basic amount; the minimum pensions should be higher than those introduced by the Government of the Protectorate." (154)

The general pension insurance would have to provide uniform minimum benefits, but at the same time would have to be coupled to a system of higher supplements to be granted under more liberal conditions than had been the case in the past. A "large part" of the basic pension amount would be borne by the State. The autonomy of the social insurance institutions and the participation of impartial experts in their administration would be maintained, but the funds would have to be used "more than in the past" for investments to alleviate housing needs by granting loans to individual and collective housing for the insured (155). A definitive program for the reform of social insurance was to be worked out by a committee of experts which would have to consist of representatives of the insured persons, the employers, and the insurance carriers and of social insurance experts. This commission would have to use Schönbaum's proposals as a starting point. Its tasks were to be completed within two years, and a strict time limit should be determined in advance.

3.1.2. *The Role of the Revolutionary Trade Union Movement.*

In May 1945, a few days after the liberation of the country, the Revolutionary Trade Union Movement (*Revoluční odborové hnutí* or ROH) was officially established with the Central Council of Trade Unions (*Ustřední rada odborů* or U'RO) as its supreme body. As has been argued, the nucleus of U'RO had already been formed in 1943, as an underground organisation operating within the official Nazi-sponsored

152 Schönbaum 1945, p.160. A similar argument was made by the main expert on the home front, Antonin Zelenka (see Antonin ZELEŇKA *Socialní Bezpečnost* [Social Security] Prague: ROH (Svaz Zaměstnanců sociální a zdravotní služeb), 1948, p.6).

153 This "social pension" had been introduced in 1933 for salaried employees of older age who had been unemployed for some time (see above).

154 Schönbaum 1945, p.163.

155 Schönbaum 1945, p.164.

trade union NOU'Z (156). According to Evžen Erban, the official structures of trade unions and social security institutions within the protectorate had enabled to create an umbrella for the resistance movements within these legal organisations; this underground prepared the modern concept of social security (157).

The initial cadre of the new unitary union was largely dominated by Social Democrats, but this group was relatively small and when the occupation came to an end, it needed to be enlarged as quickly as possible (158). During the occupation, the Social Democrats had suffered much more losses in their leadership than the Communists

"Während die meisten Führer der sozialdemokratischen Arbeiterbewegung in den Nazi-Kerkern und den Konzentrationslagern umgekommen waren, kehrte der harte Kern der kommunistischen Parteiführung praktisch unversehrt aus dem Moskauer Exil zurück -- dazu hatten noch einige führende Kommunisten das Konzentrationslager überlebt..." (159).

A particular severe blow had been the death of Antonin Hampl in 1942 who had been chairman of the party and head of the metal workers union. Along with him the entire leadership of this union, the largest and most militant one was decimated. By contrast Antonin Zapotocky, the senior Communist trade-union leader, survived a six-year stretch in concentration camps and became chairman of U'RO. From the depths of the USSR reappeared Josef Kolsky, who had been once the leader of the Communist metalworkers in Czechoslovakia: he was flown to Prague from Moscow immediately after the liberation and became the organisational secretary. True, a "Social Democrat", Evžen Erban became the first secretary general of U'RO. However, Erban was part of a group of Social Democrats who wanted to join the Communist Party right after the war, but who were sent back by the Communists "mit dem Auftrag, innerhalb der Sozialdemokratie kommunistische Aufgaben zu erfüllen." (160). In addition, the Social Democrats lost almost their entire

156 Its first official postwar presidium consisted of Václav Cipro, the pro-Communist Social Democrats Evžen Erban and Josef Kubát, the Communists Josef Knap and František Jungmann, the National Socialist Františka Koptána, Rudolf Jirásk of the union of employees (Zámečník, 1968, p.18-19).

157 Erban claim seems to be supported by Horák (1960) who refers a testimony of Vaclav Majer on meetings of the Social Democratic underground movement which took place in the Rosy Room of the Pensions Institute (*Pensijní ústav*) (Horák, 1960, p.162).

158 In addition the top leaders included several Social Democrats who strongly sympathised with the Communists.

159 Barton and Tucek, 1978, p.127.

160 Karel HRUBY "Zwischen Radikalismus und Reformpolitik" in Jaroslav KREJCI, ed. *Sozialdemokratie und Systemwandel. Hundert Jahre tschechoslowakische Erfahrung* Berlin: Dietz, 1978, pp.173-192 (p.181).

Sudeten German basis. In the First Republic their had been an important German Social Democratic party and trade union led by Ludwig Czech and Wenzel Jaksch. They had actively participated in the construction and defense of the democratic state, but after 1938 they were persecuted and disseminated by the Nazi's, and in the new ethnically cleansed Czechoslovakia there was no room for returning exiles or for the few who had managed to survive in the anti-Nazi resistance (161).

The Communists thus managed to occupy most of the newly created positions in the leadership with highly disciplined party activists (162). But even if the leadership of union had come to be dominated by Communists or Social Democratic fellow travellers, its social insurance experts, who were involved in the preparation of the National Insurance Act, were almost exclusively Social Democrats or non-Stalinist Communists (163).

After the war U'RO presented a report highlighting the principles of the new social policies (164). The report proposed a step-wise introduction of national insurance "according to the possibilities of the economy". National insurance was to be implemented in three steps: a first step concerned the general organisation, a second step, health and sickness insurance, and a third step would concern old-age pensions. The report also proposed special measures aimed at reforming the miners' pension scheme:

"It is quite necessary to implement a new insurance for the miners, which, in view of its quality, will serve as an example for a general pensions reform. It should be recognised that the heavy work of the miners has a special value for the state." (165)

As early as July 1945, the traded unions council formulated a legislative proposal to establish a system of National Insurance built around one single organisation, the Central National Insurance Office (*U'střední národní pojišťovnu* or U'NP) (166), which would operate via

161 see Karel KAPLAN *Das verhängnisvolle Bündnis. Unterwanderung, Gleichschaltung der Tschechoslowakischen Sozialdemokratie. 1944-1954* Wuppertal: POL-Verlag, 1984, p.36f.

162 Most important here was the parachuting of the Stalinist Antonin Zapotocky as the new chairman of ROH.

163 Barton & Weil, 1956, p.104.

164 See Václav CIPRO *Zásadní hlediska ROH k sociální politice* [Viewpoints of ROH on Social Policy] URO, 1945, available in Všeodborový Archiv (Archives of the Central Trade Union Council in Prague), "Sociální Oddělení" URO-SOC, Kart 1, No.1/1b).

165 Cipro, 1945, p.13.

166 Jan GALLAS "U'koly a organisace národního pojištění" [The Tasks and the Organisation of National Insurance] in Josef ŠOLTES, Jan GALLAS, František

local administrative units, the district and regional social insurance offices. This proposal would become the basis of the organisational law of 1946 which would unify the various branches of the social insurance system. An auxiliary report, specified some issues more in detail (167). This report announced that the new scheme of national insurance would have to cover at least 95 per cent of the population. It would not only cover manual workers, salaried employees, and civil servants, but also persons employed in agriculture, self-employed, shop-owners and the members of their families. A third report specified technical details on contribution rates and benefits (168). This report proposed a system that would "not differentiate between various categories of workers". The retirement age would be fixed at 65 (60 if the pensioner had been insured for more than 20 years, and upon taking up his pension was not earning more than half of average earnings). Benefits could at most amount to 85 per cent of the average annual earnings. The minimum benefits would be set at 9,600 crowns per year (169), but for miners the minimum benefit was set at 14,400 crowns. A new "social pension" would be granted to those who had worked, but who were not eligible for a statutory pension. This social pension was set at 8,400 crowns per year for singles and 12,600 crowns for couples. This new system would be financed by state subsidies and by insurance premiums. Initially both the insured and their employers would contribute, but it was expected that in the future only employers would have to pay contributions. The new scheme would be administered by public authorities. There would be one national insurance institution with branch offices in each district, as to allow for close contact with the insured. The district-level national insurance administrations would be directly elected by the insured. There would also be established a series of appeal courts at various levels.

The 1945 U'RO reports had already been prepared during the war by a group of legal experts within the Central Social Insurance Institute, who were close to the underground trade union movement. This group was chaired by the law professor Jan Gallas, and included social insurance experts such as Antonin Zelenka, Vlastimil Kalivoda, and

JANOUCH *O Národním Pojištění* [On National Insurance] Prague: Svoboda, 1946, pp.13-18 (p.17). A copy of this proposal can be found in the Všeodborový Archiv, as "Sociální oddelení Narod Pojištění" Fond: URO-SOC, Kart 1, No.1/6).

167 Dr. MAŘIK *Zaklady a Zásady Narodního Pojištění* U'RO: 1 October 1945 [The principles of national insurance] Všeodborový Archiv, as "Sociální oddelení Narod Pojištění" Fond: URO-SOC, Kart 1, No.1/6).

168 *Národní Pojištění* [National Insurance] U'RO, 1945 Všeodborový Archiv, as "Sociální oddelení Narod Pojištění" Fond: URO-SOC, Kart 1, No.1/6).

169 At the time, the minimum benefit in the statutory scheme was only 4,200 crowns per year, which was considered to be insufficient to even cover basic needs.

Zdeněk Neubauer (170). It foresaw the extension of sickness insurance to farmers, craftsmen, students, unemployed, traders and other self-employed persons.

In June 1945, U'RO created a commission with representatives of different political parties (171). This U'RO commission had three working groups to elaborate more in detail the reform of the social insurance system (172). A first group had to prepare the organisational law, a second group was responsible for reforming the sickness insurance scheme, and a third group discussed the reform of the old-age pensions system. Initially these parts were to be legislated separately, but by 1948 they would be integrated into one law.

170 Interview with Evžen Erban, on February 20, 1993 granted in Prague. Before the occupation, Gallas was professor in law at the university of Brno and during the war he became one of the directors of the Central Social Insurance Institute. He was a student of Schönbaum, but politically was much closer to the Social Democratic Party. Erban described Gallas' performance during the occupation as follows: "Gallas was a typical scientist sociologist with no ambition for a career. He was very precise in the fulfilment of the claims of the underground." Before and during the war, both Zelenka and Gallas, had been Social Democratic trade union representatives in the administration of the social insurance institutions. After the liberation of the country, Zelenka became a member of the central executive committee of the Social Democratic Party.

171 This commission had 36 member, including prominent figures such as Antonin Zápotocky (U'RO and KSC), Václav Cipro (U'RO and SD), František Jugmann (U'RO and KSC), Ottokar Wunsch (U'RO and NS) and Ladislava Cígler (SD).

172 Jan SOUKEP & M. MATĚJKOVA "K 30. vy'ročí zákona o národním pojištění" [thirty years of the law on national insurance] in *Národní Pojištění* No.2, 1978, pp.6-33. Initially the commission was presided by Jaromír Hlavacek who later on was replaced by Jan Gallas (for transcripts of these meetings see Všeodborovy' Archiv, "Social. Pojistovou Komise URO Zápisu Schuzi" Fond: URO-SOC, Kart 17, No.26/1).

3.2. The New Political Context (173).

The framework for postwar politics was determined by an agreement between the London Exile Government and the Moscow-based Communists. The Czech resistance did not any influence in the formulation of this agreement and its representatives were not admitted to the postwar government. However, the investigatory commissions took the blueprints produced by the resistance as their starting point, and referred most of the preparatory work of the London exiles to the trash can of history.

3.2.1. *The Košice Program.*

Since the fall of 1943, the London-based government in exile and the Communist exiles had been negotiating in Moscow on the postwar Czechoslovak order (174). These negotiations ultimately led to the agreement formally reached on April 5th, 1945 in Košice, a provincial capital in Eastern Slovakia which had been recently liberated. This so-called Košice Program defined the general framework for the politics in postwar Czechoslovakia (175). It outlawed fascist organisations and inhibited "the renewal, in any form, of the political parties which transgressed so gravely against the interests of the nation and the Republic..." (176). This prohibition extended not only to the National Democratic, the Slovak Populist, the Small Traders and Fascist Parties but also to the Agrarian Party. The parties that were allowed to regroup (177) were brought loosely together within the framework of a National

173 For a detailed analysis of the politics during the period 1945-1948 see M.R. MYANT *Socialism and Democracy in Czechoslovakia 1845-1948* Cambridge: Cambridge University Press, 1981.

174 For a general discussion of these Moscow meetings see Korbelt, 1977, pp.201-217.

175 The full text of the Košice Program can be found in *Za svobodu českého a slovenského národa: Sborník dokumentů* Prague, 1956, pp.368-390. For a discussion see Korbelt, 1977, pp.218-222; Radomír LUŽA "Czechoslovakia between Democracy and Communism, 1945-1948" in Victor S. MAMATEY & Radomír LUŽA *A History of the Czechoslovak Republic 1918-1948* Princeton [N.J.]: Princeton University Press, 1973, pp.387-415; Bloomfield, 1979, pp.59-67.

176 quoted by Korbelt, 1977, on p.219.

177 In the Czech Lands these included the Communist Party of Czechoslovakia (*Komunistická strana Československa* or KSC), the Social Democratic Party (*Socialně-demokratická strana* or SDS), the National Socialist Party (*Národně-socialistická strana* or NSS) and the People's Party (*Lidová strana* or LS); in Slovakia these included the Communist Party of Slovakia (*Komunistická strana Slovenska* or KSS) and the Democratic Party (*Demokratická strana* or DS). In 1946 two additional parties were formed in Slovakia: the Labour Party which was established by Slovak Social Democrats (with the assistance of the Czech Social Democrats) who regarded the 1944 fusion with the Communists as a shotgun marriage; and the Freedom Party a left-wing split off from the Slovak Democratic Party after the latter had moved sharply to the right.

Front that would govern the country. Technically there were no opposition parties. When the government returned to Prague on May 10th, both the Moscow and London exiles were united in refusing to offer the Czech resistance leaders any representation in the cabinet, despite the fact that during the war both had emphasized the primary importance of the home front. The political system that emerged and that would last till February 1948 was called the Third Republic.

The Košice program incorporated the general ideas of the exiles and the resistance on social insurance reforms. Chapter 11 of the declaration stipulated that

"Le gouvernement s'appliquera à ce que tous les travailleurs soient assurés pour le cas du chômage, de la maladie, de l'accident, de l'invalidité et de la vieillesse, et que ces soins soient progressivement étendus aux personnes travaillant à leur propre compte, si elles n'ont pas d'autres possibilités d'existence ... Les frais des assurances sociales de tout genre seront couverts dans le cadre du budget global de l'État."
(178)

New was the explicit mentioning of the necessity to include in the long run independent workers into the scheme and the idea of general revenue financing.

3.2.2. *The Political Parties and the 1946 Elections.*

In May 1946 the first proper elections were held (179). Of the Czech parties, the Social Democrats had the most concrete and detailed social policy program (180). Even though the introduction of the section on National Insurance limits its scope to "workers" (181), a bit further it defines the category of workers in a very broad sense as

"all actively employed individuals in the ČSR, both employees in enterprises, institutes and offices, and independently employed individuals carrying out their own work in companies and also members of families working with them and so-called self-employed

178 quoted on p.31 by Bohumil ERBEN "La Sécurité Sociale" in *Bulletin de Droit Tchécoslovaque* Vol.15, No.1-2, 1957, pp.29-56.

179 During the first months after he liberation, the government had ruled without public control. From October 1945 until May 1946 a provisional National Assembly had been active (see Wallace, 1976, p.252-253; Josten, 1949, pp.65-67; Luža, 1973, pp.395-404).

180 This section is based on *Koho volit? Programy politických stran* [Who to Choose. Programmes of the Political Parties] Prague: Nakladatelství Naše Vojsko, 1946 (for the Czech parties); and on *Koho Volit?. Programy politických stran* (Form whom to vote? The programs of the political parties) Prague: Nase Vojsko, 1946 (for the Slovak Parties). The page numbers in the subsequent footnotes refer to either of these two publications.

181 Literary it states "every worker has the right to be socially protected".

workers as well as those individuals preparing themselves with professional training for their future occupation." (182)

Thus even though the Czechoslovak Social Democrats did not formally define entitlement to social security in terms of citizenship rights, their operational definition came close to resemble it.

The Social Democrats proposed a scheme financed by the state and by enterprises (183), which was to be provided by a single agency, which would be administered by insured through self-management (*samosprávě pojištěnců*). The Social Democrats also favoured special arrangements for the miners (within the unitary structure) and measures to improve immediately their situation.

Like the Social Democrats, the National Socialists want to extend social insurance towards the whole *working* population (184), which they define as

"all individuals whose existence is dependent upon work ... whether they are employees or self-employed persons." (185)

Even though the National Socialist recognise the need for a single administrative *principle* they stress much more than the their Social Democratic comrades the necessity to maintain a decentralised structure with autonomous institutions:

"All social insurance must be administered according to a single principle, although the organisation of insurance should consistently preserve the autonomy of the insuring institutions and provide for the greatest possible decentralisation." (186)

"A single principle for certain benefits and pensions will enable a simplified organisation of insurance which must however be governed by the principle of decentralisation." (187)

In contrast to the two socialist parties, the program of the People's Party explicitly defines entitlement in terms of citizenship rights, though not truly universal. For the People's Party the system should be tailored towards the different needs of various groups of citizens:

"We must aim .. for care for all citizens ... creating insurance for all who do not have it, insurance has to be organised so as to have a

182 p.55.

183 p.56.

184 p.97.

185 p.97-98.

186 p.97.

187 p.98.

basically unified structure though the necessary concern for the needs and differences of individual groups of citizens." (188)

For the People's Party, the emphasis on citizenship seems to have been linked to its explicit rejection of class politics and to its concept national unity. The opening section of the social policy chapter of their program begins with the phrase:

"The nation is a single unity ... Agricultural workers and labourers, shop workers and office workers, pensioners and artists, all have the same right to social protection and care. The only standard must be social need and justice." (189)

They also advocate some typical catholic concerns like the promotion of single family housing:

"A cosy home influences the maintenance of the family and moral life ... It will for example be necessary to provide hundreds of thousands of healthy homes, especially single family houses." (190)

In its 1946 election programme, the Czechoslovak Communist Party had very little concrete to say about social policy. There basically was only one general phrase relevant in this context:

"In the area of social insurance we will prepare the great undertaking of national insurance, which, in the sense of the government programme, will insure not only manual workers, but also farmers, tradesmen and those doing intellectual work against illness, accidents and old age." (191)

However, their Slovak comrades elaborated in more detail on social policy issues. According to Slovak Communist Party National Insurance had to cover all the strata of the population, regardless of their occupational position (192). The Slovak Communist were the most precise of all parties in enumerating the steps to take in the introduction of National Insurance.

"National Insurance wants to reduce the differences between the insured. It will only maintain differential treatment where they are determined by the different working conditions (for example for the miners), or where it is too complicated to integrate right from the start the very different insurance schemes (for example, in the scheme for civil servants. The insurance carriers will be amalgamated into one

188 p.76.

189 p. 75.

190 p.76.

191 p.131-132.

192 pp.45-46.

National Insurance Institute. This will simplify administration, which in its turn will allow improvements in the benefits." (193)

The program already announces the regulating law (*rámcový zákon*) which was to provide the organisational preconditions for the introduction of National Insurance. The Slovak Communist also stressed that the new system was to be run by a genuine democratic administration. The insured were to elect the administering organs. The Slovak Communist claimed that the new system would cover 97 per cent of the population, and that it would cover for the first time small farmers and workers in agriculture, small business men and self-employed persons.

A possible explanation for the detailed outline of the social insurance reform in the program of the Slovak Communist Party, is that at the time the Minister of Social Welfare was Josef Šoltész. Šoltész was a Slovak Communist who had been a Social Democrat before his party had been forced to merge with the Communists during the Slovak uprising in 1944. One could argue that the social policy detail of the Slovak Communist Party did not that much mirror Leninist ideas, but rather was in part a reflection of the persistence of some Social Democratic ideas in the merged party.

Finally, the Slovak Democratic Party had very little to say on social policy. It advocated some archaic ideas like the obligation of industrial enterprises to construct family-houses for their employees (194), opposed complete etatisation of health care (195), but also agreed with the other parties that the new system would have to cover "all strata of the population, regardless of their occupation" (196).

3.2.3. *The Investigatory Commissions and the Political Debates on the Introduction of National Insurance.*

In April 1946, the Fierlinger government presented to the provisional national assembly a first proposal to reform the organisation of the social insurance system (197). This proposal was the outcome of a social pact (*smlouva*) between the National Front parties, and was largely based on the proposals of the experts commission of U'RO. The U'RO

193 p.66-67.

194 Ironically these proposals would be realised during the heydays of Stalinism, just like their proposal whereby "the State is obliged to secure and protect the work of those willing to work, but should also force to work those who try to avoid working" (in Slovak, (p.30).

195 p.34.

196 p.34. According Karel Pinc, the Slovak Democrats launched in the midst of the electoral struggle, the rather demagogic idea to lower the general retirement age to 55 years (Interview with Karel Pinc, on March 18, 1993 in Prague).

197 Igor TOMĚŠ "Pokrokové Tradice Stále Aktuální" [the Continuing Relevance of the Progressive Tradition] in *Sociální politika* Vol.15, No.8, 1989, pp.4-7 (p.4).

proposal had been revised by the social insurance expert of the London exiles, Emil Schönbaum, who had returned to Prague in December 1945 and participated in the work of the U'RO commission (198). However, the provisional assembly failed to discuss the proposal before the elections of May 1946, and the pact was never implemented.

Instead the proposal was referred back to a new investigatory commission established by the National Front Government. This commission was active from 13 June 1947 till 16 January 1948 (199). It was composed of representatives of U'RO, of the six National Front parties and of social insurance experts such as Vlastimil Kalivoda (200). The new commission again had three working groups respectively dealing with general organisation, sickness insurance and old-age pensions. It remains somehow un-clear why the 1946 pact was referred back to an investigatory commission, and why it took six months to establish this commission. The delay may be related to disagreements within the National Front government. Judging on the ensuing debates in the press, it seems that the representatives of the right-wings of the National Socialist and of the People's Party have been the main opponents of the 1946 social pact (201). According to Zelenka, the new investigatory commission, most of the issues were resolved by unanimity, and by September 1947 a new accord seemed to be eminent (202). However,

198 The role of Schönbaum has been systematically played down in postwar accounts of the origins of the National Insurance Act. For example, according to Erban, "Schönbaum was not considered progressive enough to play a role in the postwar reforms" (Interview with Evz'en Erban, on February 20, 1993 in Prague). Erban claims that Schönbaum did not play any role in the postwar investigations. However, there is clear evidence which suggests the opposite. For example, in a letter addressed to Henry Raymond of the ILO, Schönbaum has reported on his return to Prague. He wrote he found "an enthusiastic welcome in Prague, and that he resumed lecturing at Charles University in January 1946. On his involvement in the preparation of the National insurance Act he said: "I am also working on the Program of Reconstruction and Unification of Social Insurance. I am now at request of our Government revising the Preparatory Law about the organisational basis for the new National Insurance which will be probably presented to the Provitory National Congress in April." (see International Labour Office, File No. SI-ACT 2-17-1, "Correspondence with Emil Schönbaum") (see also the letter from Schönbaum to Pehlan in File No. RL 17-1, "Relations Government-Czechoslovakia").

199 Zdenek POPEL *Boj Dělnictva o Sociální Pojištění v době předmnichovské Republiky* [The Workers' Struggle for Social Insurance during the period of the pre-Munich Republic] Prague: Práce, 1953, p.62.

200 See letter from Vaclav Cipro and Jan Gallas to David Morse, General Director of the ILO, dated October 17th, 1949 (ILO File No. TA 6-17-1); and Erban, 1948, p.11.

201 Both parties had shifted to the right in an attempt to recuperate the electorate of the banned parties (in particular those people who before the war voted for the Agrarian Party, and to a lesser extent the electorate of the National Democratic Party).

202 In a letter of September 17th, 1947, addressed to Maurice Stack of the ILO, Antonin Zelenka (who in 1946 had become the successor of Schönbaum at the ILO, but who undertook several missions to Prague to participate in the investigatory commissions)

during the subsequent months a fierce debate again developed in the press on the reform proposals of the commission (203).

The National Socialists apparently gradually had abandoned the idea of a universal *comprehensive* social insurance system, and instead advocated a scheme resembling the Swiss pension system (204). The People's Party opposed the pension eligibility of common law wives, and opposed the new broad concept of social pensions (205). Both parties criticised the inclusion of self-employed persons. However, as exclusion of independent farmers would not be very popular amongst a substantial part of their own constituency, those parties fought for lower pensions based on unusually high contributions (206).

Another point of disagreement was related to the composition administration of the national insurance offices. Whereas the Communists and the Social Democrats favoured an administration consisting solely of representatives of the insured, the Populists, the Slovak Democrats and the National Socialists advocated equal representation of employers and insured.

Compared to 1935, the 1946 elections were a success for the Communists and to a lesser extent for the National Socialists and the People's Party, even if the latter two parties failed to obtain together the

writes that after 14 plenary sessions most questions had been resolved or been referred to future negotiations, and that the commissions was only waiting for the actuarial calculations of Vlastimil Kalivoda, the chief actuary of the Social Insurance Institute (See International Labour Office File No. SI-01-4).

203 Erban (1948, p.13) refers to fifteen attacks which appeared in the "bourgeois press" during the month of January 1948.

204 See for example the article in the National Socialist newspaper *Svobodné Slovo* of December 25, 1947. Such a system would have three layers: a universal minimum benefit system financed by contributions supplemented with mutual benefit funds and private insurance schemes. For a brief discussion of the Swiss postwar social insurance reforms see Max HOLZER "Die Sozialpolitik" in Erich GRUNER, ed. *Die Schweiz seit 1945* Bern: Francke, 1971, pp.116-136.

205 See for example, *Lidova Demokracie* January 1, 1948, and V. Mocha "Veřejnost a národní pojištění" [The Public and National Insurance] in *Lidova Demokracie* January 3, 1948 (*Lidova Demokracie* is the paper of the People's Party). The basic idea behind social pensions was that of "a social guarantee of a minimum standard of living, accorded to individuals fulfilling all the eligibility conditions except the time of insurance, and who did not have an income of a certain level" (Tomeš, 1989, p.4).

206 See for example, F. ŠTAMBACHR "Slovo o národním pojištění" [On National Insurance] in *Lidova Demokracie* January 23, 1948; Tomeš, 1989. p.4; and Erban, 1948, p.13.

majority they had hoped for. The Social Democrats fared poor and even experienced an actual decline in their share of the votes (207).

Table 4. The Relative Share of Czech Parties in the 1946 Elections Compared to 1935.

	Bohemia		Moravia	
	1935	1946	1935	1946
Communists	11	43	10	34
National S.	17	25	16	21
Peoples P.	9	16	13	28
Social Dem.	19	15	19	17
Total	57	100	59	100

The poor showing of the Social Democrats was related to several factors. The party experienced difficulties in asserting its identity *vis-à-vis* the Communists. In the "unification mania" the party had lost most of its auxiliaries: the Social Democratic cooperatives, their insurance company Slavia, their youth organisation, their cooperative bank, their consumer cooperatives, "cooperative associations with hundred thousand members were literally «given away»" (208). The strongest blow to the Party was the loss of control over its trade unions.

"The party handled this case of its most trustworthy and influential auxiliary through the unification process with negligence bordering on the criminal" (209)

The Communists also effectively played on the "errors" committed by the Social Democrats prior to the war, when the latter allegedly "betrayed" the working class by participating in almost every "bourgeois" coalition government.

The election results led to a reshuffle of the National Front Government. The pro-Communist Social Democrat Fierlinger yielded the premiership to the Communist Gottwald. The Slovak Communist Minister of Labour and Social Welfare, Šoltész (who before the merger with the Communists had been a Social Democrat), was replaced by

207 In Slovakia, the Communists did much poorer, only obtaining 30 per cent of the vote. The Slovak Democrat Party won a landslide with two third of the votes, the remaining of the votes were split between the Labour Party and the Freedom Party. In the case of Slovakia a comparison with the 1935 elections does not make any sense, as most parties did not exist at the time.

208 Horák, 1960, p.469.

209 Horák, 1960, p.471.

Zdněk Nejedlý' who officially had no party affiliation, but in fact was a staunch supporter of Stalinism. The new government pledged to establish a National Insurance system, and to take immediate steps to improve the existing social insurance arrangements by gradually removing the differences between the various branches of the system, and the differences between the Czech and Slovak parts of the country. The Gottwald government also announced the price policy, which would become a cornerstone of Communist social policy, whereby prices would be progressively reduced; and announced, as part of the first two-year plan, an ambitious housing construction programme, whereby by the end of 1948, 125,000 dwellings were to be (re-)constructed. The government also pledged to establish the foundations for a highly industrialised and mechanised construction industry, even if it still was committed to a pluralist housing policy:

"le Gouvernement soutiendra l'initiative de tous les éléments de la vie économique: des coopératives de construction et de logements pour l'édification d'immeubles coopératifs, des entreprises nationales pour la construction de logements ouvriers, des communes pour celle de logements municipaux, des particuliers pour celle de petites maisons familiales, etc." (210)

3.3. The Step-wise Introduction of National Insurance.

Political disagreements complicated and delayed the implementation of the social security plans that had been worked out during the occupation. In addition, the Government first had to resolve a number of urgent social insurance problems, arising out of the diversity of occupational regimes the different parts of the country had been subjected to. While a comprehensive reform was bounced back and forth between various investigatory commissions and the Government, a partial reform of the scheme for miners was implemented. The reform of this scheme was to stand as a model for the more comprehensive reform leading to the new system of National Insurance.

3.3.1. *Ad hoc Measures and the Organisational Law.*

During the immediate postwar period, the social insurance administration faced a number of urgent problems, demanding immediate attention, arising out of the re-incorporation of the territories that had been occupied by Germany, Hungary, and from the re-integration of the

210 See *Le programme de reconstruction nationale du cabinet Gottwald* Prague: Ministère de l'Information, 1946, pp.21-22, and pp.48-52.

territory of Slovakia (211). Like most countries coming out of the war, Czechoslovakia implemented a currency reform (212). This reform was carried out in November 1945, and resulted in a substantial increase of prices (213). In order to compensate for this price hike, the reform was accompanied by a special pension benefit (granted only once), and by the introduction of a flat-rate bonus paid out of government funds (214). This bonus was set at 1,800 crowns for single persons and 3,600 crowns for married men (215). The State Assistance Old-Age Pension was increased from 1,200 crowns to 6,000 crowns per annum (216).

A first step towards the introduction of a unified system of National Insurance consisted of the unification of wage groups of the sickness schemes of workers, miners and salaried employees. From 1946 onwards, all branches of social insurance used the same 16 income classes (217). That year also saw the introduction of a special bonus

211 For example Presidential Decree 93/1945 Sb. which regulated the situation in the former Sudetenland.

212 For a general discussion of the 1945 currency reform see the article of the Director of the National Bank, Leopold CHMELA "La Réforme Monétaire en Tchécoslovaquie" in *Bulletin de Droit Tchécoslovaque* Vol.5, No.3-4, 1947, pp.81-89; Jan MICHAL *Central Planning in Czechoslovakia. Organisation for Growth in a Mature Economy* Stanford: Stanford University Press, 1960, p.139; Jaroslav KREJČÍ "die Wechselwirkung von Wirtschaft und Politik" in Jaroslav KREJČÍ, ed. *Sozialdemokratie und Systemwandel. Hundert Jahre tschechoslowakische Erfahrung* Berlin: Dietz, 1978, pp.63-91 (p.83); and "The Aims of the Czechoslovak Currency Reform" in *Central European Observer* Vol.22, No.20, 1945, p.313.

213 Šejmar reports the following changes in the price index: (March 1939=100):

	Aug.1945	Nov.1945	Jan.1946	July 1946
food	146.3	144.3	326.7	318.6
energy (*)	137.8	151.5	228.6	229.6
rent	118.9	118.9	118.9	118.9
clothing	207.4	224.1	319.9	355.9
misc.	219.3	261.2	410.4	410.7
total	164.7	176.0	306.7	307.3

(*) lightning, heating, etc.

214 Comparable to what is called in French "majoration". However important these bonuses were, the social policy impact of the currency reform as such was probably even more important. Jaroslav Krečí has argued that the 1945 currency reform and the restructuring of wage hierarchies that went along with it probably was "die tiefgreifendsten einkommenausgleichenden Maßnahmen der Nachkriegszeit" Because of the currency reform and the measures that accompanied it, the range of workers' wages dropped from 253:100 in 1939 to 145:100 after the 1945 reform. The Difference between wages in agriculture and wages in industry dropped from a ratio of 290:100 to a mere 155:100 (Krečí, 1978, p.83, based on data from *Průběh plnění dvouletého hospodářského plánu* Prague, 1949).

215 Act No.159/1945 Sb.

216 See Šejmar, 1947, p.29-31.

217 Act No.158/1945 Sb.

(distinct from the one to offset the impact of the currency reform) which was only granted if the total annual pension benefit did not exceed 40,000 crowns per year. This bonus was set at 500 crowns per month and paid from the state budget (218).

In the beginning of 1947, the organisational law was finally adopted by Parliament (219). This law unified the terms and conditions of the various branches of the pension insurance system. It regulated in a uniform way such issues as protection times, the renewal of pensions, the voluntary continuation etc.

3.3.2. *The Reform of the Miners Scheme of 1947.*

In March 1947 a fundamental reform of the Miners' scheme was adopted by Parliament (220). The law regulating the new miners scheme would serve as a model for the National Insurance Act. Under the new miners' regulations, the basic benefit was made similar to that of the scheme of salaried employees. It was fixed at 6,000 crowns per year. In addition, to this flat-rate basic benefit there were earnings increments. Like under the regulations of the Protectorate, the level of these increments was different for time worked underground and on the surface. If the miner had worked at least 10 years underground, the increments amounted 2 per cent of average earnings. If he had worked on the surface, the increments amounted only 1.4 per cent of average earnings. Average earnings were calculated over the previous 20 years, or if the miner had been insured for a shorter period, on the basis the entire period of insurance. Underground work was also rewarded by an extra bonus of 40 crowns per month worked underground, but the final miners' pension benefit could not exceed 90 per cent of average earnings. The new miners' scheme was financed by contributions, a special tax on coal, and by a state subsidy. The contributions were set at 15 per cent of earnings, of which the miner had to pay one third and his employer the remaining two thirds. The tax of coal was maintained at the same level that had been established by the Protectorate (221) and was extended towards Slovakia. The State contribution covered the expected annual deficit of the insuring institutions (i.e. the Central Miners Benefit Society in the Czech Lands, and the Central Social Insurance Fund in Bratislava).

3.3.3. *The National Insurance Act of 1948.*

The official Communist history tends to attribute the delays between the completion of the work of the investigatory commission and

218 Act No.156/s1945 Sb. and No.157/1945 Sb.

219 Act No.18/1947 Sb.

220 Act No.44/1947 Sb.

221 Decree No.398/1941 Sb.

the actual adoption of the National Insurance Act to manoeuvres of the parties of "the right" (i.e. the National Socialists, the People's Party and the Slovak Democratic Party (222). The Communist argument is most clearly put forward by Evžen Erban in a speech he made introducing the National Insurance Act to the international public at the occasion of the International Labour Conference in San Francisco in June 1948:

"There could be no doubt that the supporters of the ancien régime were prepared to go to any lengths to prevent or at least delay the adoption of the Bill, which, -- as they rightly assumed - could not fail to undermine their remaining power. I have before me no less than fifteen attacks against the Bill published in the official newspapers of those parties during less than a month which are simply demagogic and misleading assertions." (223)

Erban concluded that in February 1948,

"a state of affairs was reached where the scheme was prepared, but it was more than doubtful whether it would ever come into being." (224)

Those who left the country after the Communist coup of February 1948 tell quite a different story. According to the leading National Socialist Hubert Ripka, the Communist Prime Minister Klement Gottwald had deliberately postponed the presentation of the legislative project to the cabinet by two months, "in order to more greatly impress the public mind on the eve of the elections" which were scheduled to take place during the subsequent month (225). But also left-wing emigres have argued that Gottwald used such tactics to delay the adoption of the National Insurance Act. Paul Barton, a leftist anti-Stalinist syndical leader, also claims that

"Le projet de loi -- élaboré par des experts en majeure partie non stalinien -- était prêt depuis plusieurs mois, mais sa présentation à

222 They try to substantiate this claims by referring to articles critical of the proposed reform which were published in newspapers close to those parties (see for example, Popel, 1953, pp.62-63).

223 Erban, 1948, p.13. Tomeš too refers to a series of attacks in the newspapers of the National Socialist and the People's Party. He argues that "the idea behind these attacks was clearly an attempt to ensure the postponement of the legislation of national insurance until after the elections. The political aim of these attacks of obvious at first sight if we consider that these people criticised with one breath the insufficient financial backing and the unreliability of the economic resources and blocked the state contribution, and at the same time in the battle for the electors called for improved security for pensioners." (Tomeš, 1989, p.6).

224 Erban, 1948, p.13.

225 Hubert RIPKA *Czechoslovakia Enslaved. The Story of the Communist Coup d'Etat* London: Victor Gollancz, 1950, p.194.

l'Assemblée nationale était retardée par le premier ministre stalinien M. Klement Gottwald." (226)

In any case, the National Insurance Act was finally presented to the council of Ministers (227) on March 19, 1948 and was adopted by Parliament on April 15 (228).

The most important features of the National Insurance Act (229) were that it united the different branches of the social insurance system, that it generalised the social pensions, and that it announced the inclusion of self-employed persons and the members of their family who worked with them. However, initially self-employed persons were only entitled to pension insurance; their inclusion into the sickness scheme was

226 Barton and Weil, 1956, p.105. Paul Barton (or Pavel Bartoň) is the pen name of one of the core leaders of underground trade unions. He was a metalworker who during the occupation continued the syndicalist struggle underground. He was one of the main organisers of the Prague uprising in 1945, but was forced to resign from the leadership of ÚRO when he attempted to prevent a takeover of the control over the unions by the Stalinists returning from Moscow and the concentration camps. He escaped in 1948 after having been molested by the police.

227 After the Communist coup of February 25, a new government under Communist dominance had been formed, which still included some Ministers who formally belonged to other parties, but who in reality were mostly Communist fellow travellers: the Social Democrats Evžen Erban (Labour and Social Welfare) and Ludmilla Jankovcová (Food supply), the National Socialists Alois Neumann (Post) and Emanuel Šlechta (Technics), the Populists Josef Plojhar (Health) and Alois Petr (Technology -- an euphemism for war industry). The only other non-Communists Ministers were the Social Democrat Bohumil Laušman (one of the three Deputy Prime Ministers), Vavro Šrobar of the Slovak Freedom Party (Unification of Laws), two non-party Ministers: Jan Masaryk (Foreign Affairs) and Ludvík Svoboda (Defence), and Ján Ševčík of the Party of Slovak Revival (State Secretary of Defence). The story of the Communist coup has been told time and time again. For a right-wing account see Hubert Ripka, 1950; or Ivan DUCHAČEK *The Strategy of Communist Infiltration. the Case of Czechoslovakia* New Haven 1949; for a left-wing account see Bloomfield, 1979, chapter 4, for more balanced views see Slapnicka, 1970, pp.323-328 and Myant, 1981, chapters 8, 9 and 10. For an official view see Dau & Svatosch, 1985, pp.152-171.

228 By that time, the Government did not want to delay the presentation of the project to Parliament, to such an extent even that some technically desired changes were referred to the negotiations that would take place in the Parliamentary Commissions. One of these changes was related to the bonuses, which according to Zelenka would lead to an excessive increase in newly granted pensions (see his letter to Maurice Stack of April 12nd, in which he reports on the concluding work of the investigatory commission (International Labour Office File SI-01-4 "Relations between Social Insurance Section Montreal and Geneva").

229 In Czech Act No.99/1948 Sb. was called *zákona o národním pojištění*. The entire text has been translated for the International Labour Conference in San Francisco and published as *Czechoslovak National Insurance. A Contribution to the Pattern of Social Security* Prague: Orbis, 1948.

postponed to a later date. According to Zelenka, the new act was to be implemented in three stages (230):

- (1) In July 1, 1948 all existing social insurance institutions were to be merged into the new Central Social Insurance Institution. During a transitional period of three months, this institute would administer the insurance on the basis of the old legal arrangements.
- (2) From October 1, 1948, the new system would be applied to all salaried employees, workers and to civil servants.
- (3) For independent workers and their families, the new pension system would take effect, but sickness and maternity insurance would only take effect for these groups on January 1, 1950.

Qualifying Conditions. The National Insurance introduced a standard qualifying period for pension insurance. Except for social pensions, a person had to have been insured for at least four of the five calendar years prior to the benefit claim (231). Certain periods were considered on a par with insured periods: time spent in secondary or higher education, military service or service in the allied armies, periods of involuntary unemployment, incapacity for work, marital life, care for children (232), etc. The new act generalised the principle of *ipso jure* insurance, which was previously only used in the sickness insurance system. The insurance contract arose with the mere fact of being employed. Old age pension could be claimed at the age of 65 (for both men and women) if the basic conditions had been met, i.e. if a person had been insured for at least 20 years.

Contributions and Benefits. Both contribution and benefit rates were to be calculated by means of the so-called *basis of assessment*

"this being all the income which the insured person derives from work carried out under contract. In the case of self-employed persons, the basis of the assessment is considered the rate of pay of a worker of

230 See his letter of April 2nd, 1948, addressed to Maurice Stack, section Head of Social Insurance at the ILO Montreal, International Labour Office File SI-01-4 "Relations between Social Insurance Section Montreal and Geneva".

231 Jerábková & Salcmanová, 1965, p.111. For seasonal workers in agriculture and forestry, the qualifying period was fixed by Decree No.174/1949 Sb, at 730 days in the previous five years.

232 The period during which a women was in charge of two children under 8 provided she was insured afterwards for at least one year.

such qualification that he could replace the employer in directing the undertaking, plus one fourth." (233)

The method of calculation of the basis of assessment for farmers was reminiscent of the system Adolf Hruby had proposed during the final days of the Protectorate. The amount would be determined by the Ministry of Social Welfare in concurrence with the Ministry of Agriculture. The calculation would take into account such factors as the area of land, the production region, the quality of degree of cultivation of the soil and the manner of its cultivation. The maximum basis of assessment was fixed at 2,400 crowns per week, i.e. about three times the average weekly income of an employed person, and it could not be lower than 115 crowns per week.

The basic pension benefit was set at 8,400 crowns per year (i.e. 21 per cent of average earnings); in addition, after twenty years of insurance, an increment of 28 per cent of average yearly earnings (234), and a further 0.8 per cent for each additional year. Where the beneficiary had been insured beyond the age of 60, the annual increments were set at 2 per cent. The total pension benefit was not allowed to exceed 85 per cent of average earnings, and had to be at least 9,600 crowns per year (i.e. 24 per cent of the average annual earnings). The benefit for wives or unmarried wives was set at 6,000 crowns per year (or 15 per cent of average earnings) (235). In addition there were educational supplements of at least 72 crowns per week for each child (i.e. about 9 per cent of average weekly earnings).

Contributions to the pension scheme were set at 10 per cent of the basis of assessment (236). According to the act, the contributions for wage-earners were to be paid entirely by the employer

233 Erban, 1948, p.21. For more details see Act No.99/1948 Sb. article 20.

234 Gallas and Heral give the following figures for the average monthly earnings (in post currency-reform crowns) during the first years after the war:

	manual workers in industry	office workers in industry
1946	2,663	4,343
1947	3,218	5,038
1948	3,611	5,378
1949	3,829	5,658
1950	4,545	6,359

(see Gallas & Heral, 1952, p.16)

235 Widows pensions were set at 70 per cent of the deceased husband's pension or at least 8,400 crowns per year.

236 The contributions to the sickness scheme amounted to another 6.8 per cent, and accident compensation required a 1 per cent contribution (article 117). Thus social insurance required a total contribution of 17.8 per cent of the assessment basis, of

"Only for a transitory period until the necessary economic estimations had been worked out -- that is, up to 1952 -- part of the contributions was deduced from wages." (237)

The Government decided to introduce this transitory period in order to prevent a too sudden increase in the production costs. The Ministry of Labour and Social Welfare justified the transitory measure as follows:

"the Act provides that the employer shall be liable to pay contributions in respect of [wage-earners], but it is prescribed in the transitional provisions that the present method of sharing the liability between employer and employee shall be preserved for the time being. There is thus no question of a sudden departure from the present practice or any likelihood of a sharp rise of insurance contributions expenditure implying a rise in the cost of production." (238)

The State also pledged to subsidize the scheme in such a way as to form a reserve fund to cover the needs resulting from temporal fluctuations in the economy.

The Social Pensions. The social pensions replaced the former old age support. They were intended as a benefit for persons unprovided for "as a result of the deficiencies of the social insurance system prevailing before 1948 (239). There were two types of social pensions: (1) social pensions which were automatically granted to persons who were not eligible to a social insurance or civil servants' pension, but who did carry out an activity which according to the law would have been subject to a insurance; (2) social pensions which were only granted after some sort of a means-test (240). The benefit of a social pension was fixed at 8,400 crowns per year. Even though the social pension to some extent had its antecedents in the State Old Age Support scheme of the First Republic,

which the insured paid 8.4 per cent. The employers paid the entire 4 per cent contribution for the family allowance scheme, 1 per cent for the unemployment relief (officially called a scheme for "relief in the assignment of work"), and the 1 per cent for the accident insurance scheme. Self employed paid a 10 per cent contribution for their pension, and a 6.7 per cent contribution for their sickness insurance (thus a total of 16.7 per cent of their assessment basis). They did not participate in the accident insurance scheme. Finally, civil servants only paid a 5 per cent contribution to the sickness insurance scheme. They maintained their own pension scheme (for which since 1944 they no longer had to contribute), and their own superannuation schemes, and they did not participate in the accident insurance scheme (see Alois J. JINDŘICH "L'Assurance Nationale en Tschécoslovaquie" in *Bulletin de Droit Tschécoslovaque* Vol.6, No.3, 1948b, pp.87-95 (p.94); and Gallas & Heral, 1952, pp.33ff.

237 Kolovratník, 1957, p.183.

238 Erban, 1948, p.32.

239 Vlastimil Kalivoda, 1963, p.6.

240 See "Social Security in Czechoslovakia" in *International Labour Review* Vol.58, No.2, August 1948, pp.151-186 (p.175).

the benefits under the new arrangements were much more generous and the allocation procedure far more liberal. This can be illustrated by the following figures. Before the war, the annual number of recipients of State Old Age Support varied between 147,000 and 198,262. During the first postwar years, before the adoption of the National Insurance Act, this number varied between 29,000 and 99,000. After the introduction of the social pension, i.e. from 1949 onwards, the number of people receiving such a benefit varied between 244,253 and 313,294 (241). Finally, of a total of 129,925 applications for a social pension made by April 16, 1949, only 16,201 were disallowed (242)

The Special Arrangements for Miners and for Civil Servants. Even though the National Insurance Act intended to standardise procedures for all wage-earners, it kept the privileges which had previously been granted to miners, and for the time being maintained the separate (more favourable) pension arrangements for civil servants (243). Miners remained eligible for a pension at the age of 55 (244) and still enjoyed higher increments of 1.2 per cent for the time they worked on the surface and 2 per cent for the period they worked underground. Miners were at any rate guaranteed a minimum pension of 14,400 crowns per year; and the maximum benefit they were allowed to receive remained higher: 90 per cent. Thus apart from unequal minimally guaranteed benefits, the differences in benefits only were the result of different increments:

241 Expenditure for these pensions went through a similar development: before the war between 63,000 and 92,000 old crowns was spent on State Old Age Support. During the occupation this fell to an all time low of 29,000 old crowns. In 1948, about 350,000 new (post currency-reform) crowns was spent on State Old Age Support, whereas the Social Pensions granted in 1949 required 2,468,179 crowns, and in 1950 even 3,031,500 crowns. All data from Jerábková & Salcmanová, 1965, tables IIa, p.163 and IVa, p.170.

242 *Czechoslovakia's New Labour Policy* (published at the occasion of the 32nd Session of the International Labour Conference, Geneva), Prague: Orbis, 1949, p.36.

243 The Act nevertheless did incorporate the employees of semi-governmental enterprises such as the State Railways, the postal service, the National Theatre, the Post Office Savings Bank, the Tobacco Factories, etc. The superannuation pension funds of these organisations were dissolved, their assets, liabilities and personal were taken over by the Central Social Insurance Institution. The Central Miners Benefit Society, the District Miners Mutual Benefit Societies and the State Miners Pension Institute were also incorporated into the Central Social Insurance Institution.

244 if they worked at least 25 years underground or 35 years in the mining industry of which 15 underground.

Table 5. *Increments in the Pensions Scheme of the National Insurance Act.*

Up to 20 years of insurance:	0.4 % per year
Each additional year:	0.8 % per year
Insured periods after 60	2.0 % per year
Insured periods after 60 and 20 years of insurance:	4.0 % per year
Periods employed in mining industry -- surface:	1.2 % per year
Periods employed in mining -- underground	2.0 % per year

The old-age pensions granted under the National Insurance Act had the following typical compositions (245):

Table 6. *Typical Compositions of Benefits under the National Insurance Act.*

	wage- earners	mining surface	mining underground	social pension
up to 20 years of insurance:	8,400+28%	8,400+44%	8,400+60%	8,400
30 years of insurance:	--	8,400+53%	8,400+80%	n/a
above 30 years of insurance:	8,400+36%	--	--	n/a
35 years of insurance:	--	8,400+62%	8,400+90%	n/a
above 40 years of insurance:	8,400+44%	--	--	n/a
<i>maximum allowed benefit:</i>	<i>85% earn.</i>	<i>90% earn.</i>	<i>90% earn.</i>	<i>n/a</i>

Administration. The National Insurance Act established an autonomous public institution, the Central Social Insurance Institution (*Ustřední národní pojišťovna*), as the sole insuring institution for the entire territory of the state (246). Direct contact with the insured was to be maintained by the district national insurance institutions, which were branches of the

245 In practice these benefit formula would mean that for normal wage-earners (i.e. excluding miners) *annual* old-age pension benefits could vary between 16,800 crowns, if the pensioner had worked 20 years and had earned one average 42,000 crowns, over 21,600 crowns, if he/she had been insured for 40 years; or 42,000 crowns if he/she had been insured for 20 years with an average annual income of 120,000 crowns, and 61,200 crowns, if he had been insured for 40 years with such an income. These calculations are based on data from Gallas and Heral, 1952, pp.51-52, who offer a full breakdown of benefits for the various wage classes and insurance periods.

246 See Act No.99/1948 Sb. articles 152-173. One of the main advantages of this administrative unification was a drastic reduction in administration costs, where before the war these costs had varied between 6 to 12 per cent for the pensions schemes alone, and up to 25 per cent for the sickness insurance schemes, the new system only took a mere 4 per cent (Gallas & Heral, 1952, p.27).

central institution (247). These district institutions were to receive the registrations for insurance and the notice for its discontinuance. They were to assess and collect contributions and distribute the sickness benefits. There were two regional offices, one for Slovakia and one for the Czech Lands, which were entrusted with the payment of pension benefits. All these institutions were to be administered by elected representatives of the insured persons. The district offices were to be administered by 10 elected representatives.

"The trade unions, together with the trade and professional associations of self-employed persons, are responsible for submitting lists of candidates for the elections to the governing bodies of the insurance institutions." (248)

The elected members of the district institutions elected the 12 members of the administrative council of the regional offices. All the members of these regional councils also had a seat in the assembly governing the Central National Social Insurance Institution. The central institution also had a management committee composed of a chairman, two vice-chairmen and nine members, elected by the assembly of delegates. The election of the chairman and the two vice-chairmen was to be subject to confirmation by the President of the Republic. The Act also established a system of specialised insurance courts, superior insurance courts, and a supreme insurance court, for appeals against the decisions of the insurance institutions (249).

Supplementary Pension Insurance. On the same day when the National Insurance Act was adopted, Parliament also passed a law which integrated the various supplementary pension schemes for salaried employees (250). The National Insurance Act also foresaw individual and collective superannuation contracts (251). This provision had been central to the proposals of the London-exile experts, and was initially, at least formally, built into the architecture of the new system. However, as shall

247 See Act No.99/1948 Sb. articles 174 and 175. The locally competent district national insurance institution was always that in whose area of jurisdiction the insured was employed, or enterprise in which he/she worked had its headquarter.

248 Erban, 1948, p.28.

249 For more details see Act No.99/1948 Sb. articles 228-240.

250 Act No.98/1945 Sb. For a discussion see Jindrich, 1948, "l'Assurance Nationale en...", p.88. The unification of the supplementary schemes had been subject of fierce debates in the 1946 investigatory commission. Already before the war, some enterprises, like the Prague-based engineering company Ringhofer-Tatra (which later became part of the huge CKD Kombinat), had organised pension funds and group insurances for their employees.

251 See Act No.99/1948 Sb. article 143-146. See also Tomeš, 1971, p.145; and Tomeš, 1989, p.4.

be argued in the next part, the government implicitly discouraged the development of these superannuation contracts, and later on liquidated this option.

The Impact on Average Benefits of the 1948 Reform. The war-induced inflation, the 1945 currency reform and the introduction of state bonuses already drastically reduced the variation between miners, manual workers and salaried employees. Whereas in 1938, the average newly granted old-age pension benefits for salaried employees were five times as high as those granted to manual workers, by 1948, this ratio had been reduced to 1:1.5 (252). After the introduction of National Insurance, the distinction between salaried employees and manual workers was completely abolished (253); the balance had even toppled in favour of the miners who in 1950 received pension benefits which on average were 50% higher than those of salaried employees (and of other manual workers). The following table gives an overview of this reversal of the benefit ratio's (254):

Table 7. *The Impact of National Insurance on Pension Benefits.*

	in 1938 (in Kč)	Before Sep 1948 (in Kčs)	After Sep 1948 (in Kčs)	in 1950 (in Kč s)
Old-Age Miner	235	1,192	2,189	2,839
Old-Age Manual Worker	158	1,092	1,616	1,788
Old-Age Office Worker	851	1,572	--	1,788
Widow Miner	106	616	1,152	1,218
Widow Manual Worker	72	501	998	1,120
Widow Office Worker	863	762	--	1,120

252 This reduction was probably also due to the fact that the difference between the time the salaried employees scheme was started, and the date when the manual workers' scheme became operational became relatively less important.

253 Pensions which started before 1948 could of course still be substantially more favourable for salaried employees, and even after 1948, salaried employees could theoretically have a supplementary pension on top of their National Insurance pension.

254 Data based on Šíma, 1951, p.69, they refer to *monthly* benefits. Jeřábková & Salcmanová (1965) give figures for September 1948 which are slightly lower, thus reducing the impact of the National Insurance Act. They claim that after the act took effect the average miner benefit was only 1,884, the average manual worker benefit was only 1,492 and the average benefit for salaried employees was still as high as 1,976 (it is possible that this includes superannuation supplements). After 1948, the Jeřábková & Salcmanová data no longer make the distinction between miners, manual workers and salaried employees, so it is impossible to verify Šíma's data for 1950.

The Method of Financing. Even though this is not that much emphasised in the Czechoslovak literature, one of the most important innovations of the National Insurance Act was the change from a mixed system based on capitalisation and re-apportioning to a system based solely on re-apportioning. Under the new system of financing there still was to be a reserve fund, but only to overcome temporary fluctuations in the economy. The State subsidies had to be of such a level as to allow the reserve fund to reach by December 31, 1956, three times the amount spend on benefits in 1949 (255), i.e. roughly 54,000,000 crowns. After 1956, the State would only subsidize the scheme as to keep this reserve fund at this level. This innovation was partly enforced by the consequences of the war. The prewar insurance funds had been depleted by the German occupant (256), and what was left had been devalued by the war-time inflation. If the postwar government wanted to introduce a reform that would lead to an immediate liberalization of eligibility conditions and to a significant increase of benefits it could do nothing but to move towards a pay-as-you-go system. However, there were also ideological reasons for the change in the method of financing. Vlastimil Kalivoda, one of the main architects of the 1948 Act (257), has argued that under a capitalisation regime such as the one which existed in the First Republic, employees and pensioners were suffering a certain loss in their standard of living as it often took more than 20 years before the total volume of benefits reached the amount paid in contributions by the insured. In addition, he argued, the reserve funds were to a large extent invested into infrastructure investments or were used to finance projects to the benefit for the public at large

"it follows the insured persons could benefit from the constructions built with their contributions no more than any other group of inhabitants, who had not contributed to them and had thus no special advantage from the fact he constriction of these facilities had been enabled at the expense of their reduced standard of living for a prolonged period of time." (258)

The transition from capitalisation to re-apportioning implied that the social insurance institutions ceased to be the great investors of the pre-war days, "and thus also ceased to be interested in maximum rates of

255 Act No.99/1948 Sb. article 137.

256 Bruegel, 1945, p.172; Tomeš, 1968, p.110; see also the speech delivered by Jan Bečko, London-exile Minister of Social Welfare, for the Czechoslovak State Council on April 27th, 1943 (International Labour Office File No. PWR 1/17 "Post War Reconstruction -- Czechoslovakia").

257 Kalivoda was responsible for the actuarial calculations of the new system.

258 Kalivoda, 1963, p.12.

interest" (259). Before the war the capacity to steer the capitalist economy by means of these huge publicly controlled social insurance funds, into a socially desirable direction had been heralded as one of the main advantages of the capitalisation system (260), but as the economy was now predominantly coming under public control, there was no longer a need for such a countervailing power. In addition, Evžen Erban, at the time Minister of Labour and Social Welfare argued that the new economic system based on a plan made it possible to

"depart from the previous system based on a maximum accumulation of capital and to replace it with the planned distribution of benefits with a minimum reserve fund, used only to tide over fluctuations caused by temporal economic difficulties."

The new re-apportioning system was "in contradiction with the capitalist system in which the national economy is divided into innumerable private economies unconnected by any plan whatever." (261)

3.4. The Housing Policy during the Third Republic.

After the liberation of the country, the Government resumed the thread of the housing policies of the early 1920's. However, as the country had suffered comparably little damage, and because of the large housing stock which became available because of the expulsion of the Sudeten German population, housing production remained comparatively low. Even if the new policies severely constrained the private sector, the Government remained committed to a policy of tenure pluralism.

3.4.1. *The Legacy of the War.*

Compared to other countries in Europe, Czechoslovakia suffered relatively little destruction during the war. According to the Economic Commission for Europe, a total of 122,642 dwellings were destroyed, amounting to 3.4 per cent of the housing stock of 1939 (262). The figures Sejmar gives for the Czech provinces suggest a similar image: 67,513

259 Erban, 1948, p.31.

260 See for example Němec, 1943, p.17.

261 Erban, 1948, p.18.

262 The comparable figures for Belgium are respectively 156,300 and 6.2 per cent. Data from Economic Commission for Europe, Committee on Housing, Building and Planning *European Housing Problems* E/ECE/110 Geneva: United Nations, 1949, Appendix I table 2 and table 3. In addition there were some 382,393 dwellings "slightly damaged" (compared to 300,000 in Belgium).

dwellings were totally destroyed or heavily damaged (263). However, what is probably more important is that during the period 1939-1947 construction did *not* come to a virtual stand still like it did in most other countries afflicted by the war. During that period, there were still 353,931 dwellings built, amounting to 9.9 per cent of the 1939 housing stock (264).

Where other countries, after the liberation embarked, on ambitious construction programs, in Czechoslovakia construction only resumed at a relatively slow pace. In 1948, about 20,000 new dwellings were completed, which is about the same amount as the achievements of Belgium or Denmark, two countries with respectively only two third or less than half of the population-size of postwar Czechoslovakia (265). There is of course an important factor which made new construction far less imperative in Czechoslovakia, compared to other countries. The expulsion of three and a half million of its citizens, the so-called Sudeten Germans (almost one fourth of the population), made vacant about 200,000 single-family houses alone (266). This is more than the most ambitious construction program could ever have achieved. Even if most of these dwellings did not become available in places where they were most urgently needed (267), they could at least partly serve to alleviate the housing shortage.

3.4.2. An Undecided Housing Policy.

Under the first two-year plan (1947-1948), 125,000 dwellings were to be made available. Of this 70,000 homes would be provided for by

263 Šejmar, 1947, p.46. He estimates the number of slightly damaged dwellings in the Czech provinces at 201,185. Šejmar also gives figures for the number of *buildings* which are about half of the number of dwellings.

264 In Belgium construction during that period came to a virtual standstill; even in Sweden which remained outside the war, there were only 290,000 dwellings built or 15 per cent of its 1939 housing stock.

265 Economic Commission for Europe, Committee on Housing, Building and Planning *European Housing Problems* E/ECE/110 Geneva: United Nations, 1949, Appendix IV table 1.

266 Slapnicka, 1970, p.320. The expulsion of these ethnically German Czechoslovaks, the first program of ethnic cleansing in postwar Europe, is another issue which has been poorly documented, as the historiography on the subject often is divided into two extremist camps: one linked to the revanchist Sudeten German *Landmannschaften*, and the other close to Czech nationalists. For a reasonably balanced account and more references see Slapnicka, 1970, pp.318-322. In the course the expulsion 240,000 Sudeten Germans were killed.

267 In fact a lot of the houses that were vacated would never be occupied again. Even today, the so-called border territories are characterised by abandoned villages, despite the continuous effort by the Government to attract new settlers by various kind of incentives.

repairing war damaged buildings (268), 30,000 would be newly built to replace accommodation destroyed during the war, and 25,000 "entirely new dwellings" were planned. The government also established the so-called *Building Contribution Fund* to make up the difference between the frozen rents and the interest and capital repayments the owners of rentable property had to pay.

During the Third Republic, the government remained committed to a pluralist tenure policy. There were four types of tenure that would be promoted: housing cooperatives, enterprise housing, municipal housing and single family housing. The enterprise based housing was primarily erected in the economically important mining districts of Ostrava to attract labour to the mining industry. The first large housing estate in Prague, "Solidarita", was built on a cooperative basis and consisted of 600 detached two-storey houses, as well as a number of three-room flats in four storey blocks (269). The government guaranteed loans to cover up to 90 per cent of the building costs. However, some comments seem to imply that this commitment to tenure pluralism was only of a provisional nature. In 1947, Šejmar, for instance, argued that the

"new legislation ... is designed to stimulate the growth of building activity, by helping building cooperatives and private owners of limited means in their effort to improve the present unsatisfactory housing situation, until it becomes possible for Local Authorities and smaller firms to take the initiative." (270)

Solidarita indeed was to be the last important estate to build on a cooperative basis. All the subsequently erected housing estates were built by the state. The first of these planned neighbourhoods, the so-called *Komplexní Bytová Vystavba* was the Sporilov estate in the Southwest of Prague. These sort of estates included stores, schools, polyclinics, movie theatres, and various communal services such as the *osvobozená domácnost* or "liberated household", which offered laundry services, garment repair, etc.

The new housing policies did manage to reduce the average cost of housing for working class families from 15 per cent before the war to a mere 5.2 per cent, but the construction targets of the Two-Year Plan were not fulfilled. The government attributed this failure to the fact that the construction industry had remained almost completely in private hands. This "provided the most fertile ground for sabotage", as instead of

268 In 1946 legislation was passed to finance the restoration of war-damaged houses (Act No.86/1946 Sb.).

269 Jaroslava STÁNKOVÁ' et.al. *Prague: Eleven Centuries of Architecture* Prague: PAV Publishers 1992, p.309. Solidarita was modelled after the idea of the garden city, and as such sharply contrasted with the drab developments that would be initiated during the 1950's.

270 Šejmar, 1947, p.49.

constructing normal dwelling houses, two thirds of all construction consisted of "illegal projects, such as villas and villas of black marketeers and private entrepreneurs, for whom these buildings represented a safe investment." (271)

3.4.3. *The Role of the National Committees in the Administration of Housing.*

In 1946, a special housing law was passed which set out the framework for the administration of the housing stock (272). This law gave the so-called National Committees the authority to allocate dwellings. These National Committees were crux of the new system of local government. They were the outcome of a compromise between the London-based government in exile and the Moscow Stalinists. The former had wanted to democratise and decentralise the "Double Track system" (273) the First Republic had inherited from the Austro-Hungarian empire, and introduce a British type of self-government. The latter had wanted to introduce replicas of the soviets in the USSR (274). The National Committees developed from the provisional organs of local government set up by the resistance during the liberation of the country (275). There were National Committees at three levels: local, district, and regional (276). In addition there were National Committees for the major cities like Prague, Brno, and Ostrava, which had the same powers as the

271 *Czechoslovakia's New Labour Policy*, 1949, p.43. Under the first grand-scale nationalisation decree signed by the President in October 1945, only 2.8 per cent of construction enterprises, employing 13.4 per cent of the work-force in that sector, had been nationalised (Bloomfield, 1979, p.84).

272 Act No.163/1946 Sb.

273 in which autonomous administrators elected by the people coexisted with a centralised executive power (the district Hetmen and the Provincial Presidents) installed by the central government.

274 See Beuer, 1947, p.115-121. Josten, 1949, pp.44-59; Duchacek, 1950, pp.355-356.. For a description of the system of local government of the First Republic see Edward TABORSKY "Local Government in Czechoslovakia, 1918-1948" in *Slavic Review* 1951. The initial outcome was indeed a compromise as the committees enjoyed a considerable autonomy and were composed on the basis of equal representation of the National Front parties. It is only after the Communist coup of 1948, that the Soviet model of democratic centralism was imposed on the structure of local government and Austro-Hungarian despotism returned in a Stalinist version.

275 Their authority was confirmed by a Presidential Decree No.4/1945 Sb. See also Miroslav CIHLAŘ "L'Evolution des Comités Nationaux" in *Bulletin de Droit Tchecoslovaque* Vol.9, No.1, 1951, pp.227-246.

276 Initially there were 306 districts (*okres*) and 19 cantons (*kraj*) after the administrative and constitutional reform of July 1960, there remained 108 districts and 10 cantons in the country, with the cities of Prague and Bratislava having a comparable status (Dau & Svatosch, 1985, p.212).

district level National Committees (277). It were these district level committees which were granted the authority to distribute dwellings, and which would become the main initiators of new construction projects.

The 1946 housing law made it mandatory to report the vacancy of dwellings at the district-level National Committee. The committee could then allocate the flat within 15 days. If there would be no order from the National Committee within 15 days, the owner could allocate the flat to a tenant of his choice (278). In case of dwellings in cooperatively built estates, the 1946 law subordinates the decisions of the National Committee to those of the cooperatives, i.e. the National Committee had to assign the cooperative dwellings to tenants proposed by the cooperative. The law also gave the committees the right to annul and revise rental contracts signed after May 20, 1938 (i.e. after the First Republic was dismantled). The law also specified the criteria for "overcrowding" and "under-occupation". A situation of "overcrowding" existed when the number of tenants in a household exceeded the number of residential rooms. A dwelling was considered to be "under-occupied" when its total floor space exceeded at least twice the area the household was entitled to. This area was set at 12 square meters per member of the household. The concept of "under-occupation" would later be used to force tenants to give up (part of) their house.

3.5. Was the Third Republic an Era of Social Democratic Reforms?

Even though the actual law only came to be adopted by Parliament after the Communist coup of February 1948, one of the main thesis this

277 See Jaroslav POŠVAŘ "La Nouvelle Organisation de l'Administration Publique en Tchécoslovaquie" in *Bulletin de Droit Tchécoslovaque* Vol.5, No.3-4, 1947, pp.60-72. Slovakia had initially a different structure of local government with the Slovak National Council as the equivalent of the Regional National Committees of Bohemia and of Moravia. The regulations governing National Committees have often been amended. For official descriptions of these changes see Cihlár, 1951; Zdeněk JIČÍNSKY "Les Comités Nationaux at la nouvelle Constitution de la République Socialiste Tchécoslovaque" in *Bulletin de Droit Tchécoslovaque* Vol.18, No.1-2, 1960, pp.84-97; Zbyněk KIESEWETTER "Condition et Rôle des Comités Nationaux en République Socialiste Tchécoslovaque" in *Bulletin de Droit Tchécoslovaque* Vol.28, No.1-2, 1972, pp.19-29; Zbyněk KIESEWETTER and Jaroslav CHOVANEC "National Committees - Local Representative Bodies" in *Bulletin of Czechoslovak Law* Vol.16, No.2-3, 1977, pp.117-125. For an analytic overview see Alois SOJKA & Jva TOMOSOVA "Die Entwicklung der Staatsverwaltung nach 1945 in der CSSR" in *Die Verwaltung* No.2, 1966, pp.175-191.

278 Vy'skumny' U'stav Sociálného Rozvoja a Práce Vy'voj Státní Bytové Polityky v ČSSR; v *Dokumentech KSČ a Základních Právních Předpisech* [The Development of State Housing Policy in Czechoslovakia according to Documents of the KSC and according to Basic Laws] Bratislava: VU'SRP, February 1985, p.38-39.

chapter has tried to demonstrate is that the system established by the National Insurance Act of 1948, and the social policy of the first three postwar years in general, can be characterised as an era of Social Democratic reforms. The Stalinist historiography propounds the dubious thesis that the first postwar reforms were primarily inspired by the Leninist program for social insurance (279), or were a conscious attempt to emulate the "Great Soviet Example" (280). More recently it has become fashionable to attribute the main inspiration to the British Beveridge Plan. Even if the architects of the Czechoslovak reform were well aware of the developments in both Britain and the Soviet Union (281), they also carefully studied developments in other countries (282); and they did *not* simply try to emulate this or that model. In this context Antonin Zelenka, the main architect of the 1948 reform, has expressed concisely his vision upon the issue of international learning as follows:

"if we want to learn from foreign examples ... we should do it after careful research of the reasons behind a country accepting or rejecting this or that solution. It really would not be wise to accept something without appropriate analysis and consideration. However, it would not be any wiser not to take an interest in the experience and opinion of others because we can learn everywhere, not only from successful solutions, but perhaps even more important from mistakes, neglect and rashness." (283)

The postwar reforms found their ideological inspiration in the programme of the resistance formulated by scholars from the Social Democratic Workers Academy. Even if this group was disseminated by the Nazi's, its ideas were translated into concrete policy proposals by Social Democratic

279 V.I. LENIN "The Party's attitude to the workers' state insurance Duma bill" (Resolutions of the Sixth (Prague) All-Russia Conference of the Russian Social Democratic Labour Party) held in Prague on January 5-17, 1912 reprinted in V.I. LENIN *Collected Works* Volume 17, December 1910 - April 1912, Moscow: Progress 1974, pp.475-477. For a more general discussion of the official Leninist position on social security see V. AČARKAN "Leninské Idje sociálního zabezpečení" [Lenin's Theses Concerning Social Security] in *Sociální Revue* Vol.3, No.4, 1957, pp.121-127.

280 Both theses are for instance defended by Soukep and Matejkova, 1978, in particular page 7-8. They argue that during the occupation, the underground resistance was primarily inspired by the 1912 Leninist Program; and that preparatory work also was inspired by the practices as they had evolved in the Soviet Union from 1917 onwards culminating in the system legislated in 1933.

281 See in particular Zelenka, 1948, pp.3-5.

282 For example, at the time he was trying to resolve the conflict about the terms under which self-employed persons were to be included in the National Insurance scheme, Zelenka demonstrated a strong interest in the 1946 Swedish Pension reform (see his letter to Maurice Stack of the ILO from May 27th, 1947, International Labour Office File SI-01-4 "Relations between Social Insurance Section Montreal and Geneva").

283 Zelenka, 1948, p.6.

trade unionists like Antonin Zelenka, or by scholars such as Zdeněk Neubauer and social insurance administrators like Jan Gallas who were close to the Social Democratic labour movement.

This Social Democratic hegemony is the more surprising as the party did not at all benefit from the postwar electoral swing to the left. Whereas after World War I, the Social Democrats had been the single largest party in the country, they had become the smallest Czech party in the 1946 elections. In general the party still was in the process from recovering from the injuries it suffered during the occupation, and had difficulties to assert its identity *vis-à-vis* the Communists. One of the main reasons for its hegemonic strength in the social insurance reform also partly accounts for its political weakness: the involvement of several leading Social Democrats in the labour institutions of the Protectorate had allowed them to leave their imprint on the preparatory work of the postwar reforms, but also had made them liable to charges of collaboration. The line between resistance and collaboration was a slim one, and this situation led some Social Democrats to adopt extreme pro-Communist positions, and induced many rank and file members to join the Communist Party. In addition, the exclusion of some left-wing Social Democrats from the London-based government in exile had driven them too in the arms of the Communists (284). All this led to a situation in which it was difficult to distinguish the Social Democrats from the Communists.

But it is not only because of the political background of its main architects, that one can classify the reforms prepared during the Third Republic as an era of Social Democracy. With its emphasis on universality and integration of various systems (285), and by partially abandoning the principle of "merit" in favour of the principles of need and social rights, clearly distinguished the new system from both the social insurance system of the First Republic *and* the one in force in the Soviet Union. Even if the National Insurance Act still carried the imprint of past institutional legacies, the law initiated a development based on Social Democratic principles that soon would be abandoned. Igor Tomeš has argued in this context that

284 For a detailed of the Social Democratic Party and its relationship with the Communist Party see Kaplan, 1984.

285 True, as Minister of Labour and Social Affairs, the ardent Stalinist Nejedlý succeeded in passing legislation favouring the miners, but this can hardly be considered a benchmark of a Leninist system, as similar preferential treatment was legislated by Social Democrats and Christian Democrats in Belgium, Germany, the Netherlands, Italy, France, Austria and even Japan. At least the early retirement age was a pragmatic non-ideological measure, as it made possible to maintain a propositional higher statutory age for eligibility to old-age pensions by setting aside occupations which accelerated the process of invalidisation.

"Certainly the close linking of benefits with the period and level of contributions paid were survivors of previous measures rather than harbingers of future development, but its basic principles -- unity of administration, universal coverage, equality of participants, solidarity, complexity of the benefit system, proportionality of the level of benefits and democratic control of the specialised administration -- are timeless, eternally valid principles which were not always fully respected in subsequent developments." (286)

286 Tomeš, 1989, p.5.

4

The Stalinist Reforms during the People's Democratic Republic.

In May 1948 a new constitution was adopted and the Third Republic was renamed Peoples Democratic Republic. The "Czechoslovak Road to Socialism" was abandoned. The country was now on the way of a "constant rapprochement towards the Soviet example" (287). The Social Democratic policies of the Third Republic were refashioned as to make them conform to the prescriptions of Marxism-Leninism, and to meet the requirements of Stalinist Industrialisation.

4.1. The End of the Czechoslovak Road to Socialism.

The launching of the Truman Doctrine in March 1947, signalled the beginning of a major ideological crusade against Communism and the beginning of the Cold War. Within this new geo-political power configuration, there was no longer room for a distinct "Czechoslovak Road to Socialism". The end of this road was symbolised by the Soviet pressure on the Czechoslovak Government to reverse its position of accepting an invitation to attend the Paris conference on Marshall Aid. A conflict on the removal of non-Communist security and police chiefs by the Communist Minister of the Interior led to what officially are called the "February Events": the "constitutional" Communist takeover of February 1948.

4.1.1. Stalinisation of the Political and the Public Sphere.

After the Communist takeover in February, Czechoslovakia effectively ended its own special path to socialism, and the Soviet model came to be publicly proclaimed by the regime (288). Political pluralism became a formal matter without any substance. The non-Communist parties were checked and cleared by "Action Committees". They became bare skeletons consisting almost only of fellow travellers and officials holding party or public offices. The Social Democratic Party was swallowed up by the Communist Party. Elections were run with one list

287 See Viktor KNAPP "Zákon stálého přiblížování sovětskému příkladu" [The law of the constant rapprochement towards the Soviet example] in *Právník* No.92, 1953, pp.220-228. The new constitution abolished the historical partition of the country between regions (Bohemia, Moravia, ...), and replaced it by an administrative division into 19 cantons (*kraj*). The juridical system was reformed along Soviet lines (for a brief discussion see Slapnicka, 1970, p.339).

288 See Korbelt, 1977, chapter 10.

upon which the other parties were attributed a few places by the Communist Party (289).

The trade unions lost all their autonomy. Even if during the Third Republic, the Revolutionary Trade Union Movement (ROH) had systematically supported the Communists, they had been the strongest independent force in the country (290). After the February coup they lost all their societal importance, authority and power. The rank and file lost its functions to technical commissions of the "giant union conglomerate"; and the official purpose of the unions came to be to increase production and implement the plan (291).

The triad of the Central Committee of the Communist Party, the Government, and the State Planning Commission became the only institutional actors capable of actively determining policy outcomes (with the first being certainly the most important of the three). Other societal actors were reduced to transmission belts. They could only exert some passive resistance. At best, they could have a marginal indirect influence upon policies (292).

4.1.2. *The Stalinist Critique of National Insurance and of the Housing Policies of the Third Republic.*

Soon after the adoption of the National Insurance Act, Stalinist experts started to criticise some of its basic principles. This criticism was foremost directed against "the excessive egalitarianism" of the 1948

289 For example, in the 1954 "elections", out of a total of 368 deputies in the National Assembly, 19 were assigned to the Czechoslovak Socialist Party, 20 to the People's Party, 5 to the Slovak Renaissance Party (the new name of the Slovak Democratic Party), and 3 to the Slovak Freedom Party. The number of Communists was put at 266 and there were 55 "non-party" deputies. See Edward TABORSKY "Noncommunist «Parties» in Czechoslovakia" in *Problems of Communism* Vol.8, No.2, 1959, pp.20-26.

290 And initially there had been a strong conflict between the syndicalist "council faction" of ROH and the Communist leadership of U'RO (for a discussion of this conflict see Rupnik, 1981, p.184 and p.257).

291 Robert K. EVANSON "Regime and working Class in Czechoslovakia, 1948-1968" in *Soviet Studies* Vol.37, No.2, 1985, pp.248-268; Bloomfield, 1979, part IV; Kaplan 1984, pp.184-187). Barton and Weil have demonstrated how the Stalinists systematically emulated the methods used by the Nazi's to subordinate the labour movement (see Barton and Weil, 1956, chapters 4-7). Even if the unions no longer had any real power, their membership nevertheless kept on growing, to reach an all time high of 3,500,000 in 1951 (Šíma, 1951, p.80).

292 Only twice would this passive resistance turned into a more open manifestation of discontent: around the time of the 1953 currency reform and around 1968. The regime also created unintended a few secondary institutional actors which in the end succeeded in acquiring a relative autonomous position in the new power-structure. The most noticeable case is that of the large construction enterprises.

system (293). It was argued that a system which covered the entire population in the same way, under the same conditions "became increasingly inconsistent with the socialist production relations" (294). The 1948 pension scheme failed to take into account the "special importance" of some occupations (apart from mining). Furthermore, it was argued that the length of an employment career did not enough influence the level of pension benefits. The National Insurance was considered to be the outcome of the "popular democratic revolution" of 1945, and thus had served the aim of "uniting the nation under the leadership of the working class" (295). As this goal was achieved, the regime could enter a new phase in the process of "building socialism".

According to Zdeněk Popel (296), the 1948 system was far too egalitarian. The pension system introduced in 1948 suffered from

"une uniformité malsaine et ne constituait point un moyen servant au relèvement de la productivité du travail et à l'acquisition et au maintien de la main-d'oeuvre dans les secteurs de production les plus importants." (297)

The sickness insurance system was not sufficiently "in the hand of workers". It was still run by "career civil servants", which led to far too many abuses. The 1948 system was therefore held responsible for the sharp increase in absenteeism. Prime Minister Zapotocky declared in November 1951 before a plenary meeting of the Central Trade Union Council:

"the methods of insurance still reflect a capitalist viewpoint, and the great tasks to be faced in the building up of socialism are entirely neglected. If this were not the case absenteeism would not be

293 The egalitarian element in the National Insurance pension scheme was the relative importance of the basic benefit, the flat-rate component everyone was entitled to regardless of how long [s]he had been insured, how long [s]he had worked and how much [s]he had earned (see Evžen ERBAN "Une Oeuvre de l'Humanisme Socialiste" in *Bulletin de Droit Tchecoslovaque* Vol.15, No.1-2, December 1957, pp.1-4 (p.3)).

294 A good summary from within of the Stalinist argument can be found in "Hlavní zásady nových zákonů o sociálním zabezpečení" [Principles of the New Social Security Acts] in *Sociální Revue* Vol.2, No.4, 1956, pp.145-155, in particular on p.147-148.

295 Valter VERGEINER "Nová koncepcce starobního důhodu v ČSR" [New Conception of Old Age Pensions in the ČSR] in *Sociální Revue* Vol.3, No.1-2, 1957, pp.4-8 (p.4).

296 Popel had been one of the few Stalinist experts involvement in the preparation of the National Insurance Act. He had been regularly commenting in the party's newspaper, *Rude Pravo*, on social insurance issues. He was close to the Stalinist Minister Zdenek Nejedly, Minister of Labour and Social Welfare from 1946 till 1948, and Minister of Education from 1948 till 1953.

297 Zdeněk POPEL "Les Changements Opérés en Matière d'Assurance Nationale" in *Bulletin de Droit Tchecoslovaque* Vol.10, No.1, 1952, pp.31-37 (p.34).

increasing and insurance abuses would not be as frequent as they are today. Insurance matters are settled without the interests of Socialist production. Sickness insurance and its administration are not in close contact with undertakings and do not understand the needs of production." (298)

Sickness insurance had to be separated from pension insurance, and be brought under the direct control of the trade unions (299). The National Insurance system lagged behind the requirements demanded by "the building of socialism". The law had become outdated in view of the accelerated socialisation that had taken place. As a trade-union manual from that period concisely formulates it:

"Im Laufe der weiteren Jahre, als bei uns durch die fortschreitende Sozialisierung ein stürmischer Aufschwung unserer Volkswirtschaft eintrat, entsprach sowohl die Organisationsform als auch das Leistungssystem der Nationalversicherung allmählich nicht mehr den sich ändernden Verhältnissen und den Interessen der Werktätigen und blieb hinter den Bedürfnissen des sozialistischen Aufbaus zurück." (300)

The National Insurance system had to be fundamentally amended as to bring it into close "harmony" with the development of production. Such a harmony as a matter of fact was believed to be inherent to the new relations of production. The transition from capitalism to socialism abolished exploitation, and as a consequence, the promotion of labour productivity and the development of social security had become one and the same goal (301).

In 1950, in his address to the Social Policy Committee of the National Assembly, the Minister of Labour and Social Welfare, Evžen Erban, called for the consolidation and expansion of the preferential treatment of "those occupational groups which have achieved greater merit in the building of the socialist state than others". He announced the preparation of a major amendment of the National Insurance Act which was going to

298 See the Explanatory Memorandum to Act No.102/1951 Sb.. Quoted and translated in "The Development of Social Security in Czechoslovakia, 1948-53" in *International Labour Review* Vol.69, No.5, May 1954, pp.494-512.

299 In addition, commissions for sickness insurance were established which had to transform social insurance into an instrument for the building of socialism" (Vaclav Cipro, vice president of U'RO and director of the National Insurance Institute, quoted in Barton and Weil, 1956, p.106).

300 Jaromír MAŘI'K *Die soziale Fürsorge für die Werktätigen. Handbuch für Gewerkschafts- und Wirtschaftsfunktionäre in den Betrieben* Prague: Prace, 1961, p.3.

301 Evžen ERBAN "U'vodem" [Introduction] in *Sociální Revue* Vol.1 No.1, 1955, pp.1-3.

"eliminate the egalitarian principle of rates of benefits by granting benefits at a higher rate and on more favourable conditions in relation to the degree in which a worker or group has contributed to the building of Socialism." (302)

He had already launched this idea in 1948 at the end of his address to the 1948 San Francisco Conference:

"national insurance should increasingly make those occupations which are most valuable for the national economy most attractive to workers. This principle has so far been fully applied only in the case of miners; there are however, a number of other employments calling for a future increase of benefit rates." (303)

This time the new social policy was inspired by the "Great Soviet Example". The system of preferential treatment for workers in heavy industry had been introduced in the Soviet Union during the early 1930s, and now was becoming one of the basic principles for the new Czechoslovak policy. It indeed was based on Lenin's later writings on distribution under communism. In his work "State and Revolution" Lenin specified the implications of the Socialist principle of "the same pay for the same work": social security was to be granted to those unable to work, *not* on an egalitarian basis, but with consideration of the quantity and the quality of the work which they had done in the past (304). Social security benefits had to be earnings-related, and reflect "the real conditions for work". The system should "secure the number of workers necessary for the most important branches of the economy" (305).

This preferential treatment was not to be limited to the social insurance system. It also became one of the basic guide-lines in other areas of "social policy", in particular in the allocation of housing. The

302 Evžen ERBAN *Budget of Peace and Social Progress* Prague: Orbis, 1950, p.37.

303 Erban, 1948, p.34.

304 V.I. LENIN "The State and Revolution. The Marxist Theory of the State and the Tasks of the Proletariat in the Revolution" in *Collected Works Vol.25 June-September 1917* Moscow: Progress Publishers, 1974, pp.385-497 (in particular pp.470-472). Lenin does not explicitly discuss social security, but his arguments on distributive justice are generally referred to by Communist authors to legitimate the social security system that was implemented under Stalin. Ačarkan for instance argues that the implications of the "socialist principle" of "an equal amount of products for an equal amount of labour" implied that "Social Security was granted to those unable to work not on an egalitarian basis, but with consideration for the quantity and quality of the work which they had done in the past. Social security reflected the level of earnings which the worker had earlier received and the real conditions of work." (Ačarkan, 1957, p.125)

305 Ladislav PISCA "Nové črty v spoločenskom rozdeľovaní z hľadiska vyvoja sociálneho zabezpečenia. K Programu KSSS a k rokovaniu XXII. sjazdu KSSS" [New Features in Social Distribution from a Social Security Perspective. The Program of the Communist Party of the Soviet Union and its 22nd Congress] in *Sociální Revue Vol.VII No.3*, 1962, pp.97-112 (p.108).

policy of tenure equality (of indiscriminately granting subsidies to various forms of tenures) was considered to have worked to the advantage of the "bourgeoisie". The Minister of Labour and Social Welfare described the problematic nature of the past policy as follows

"While it is generally known that under the previous legislation relating to building activity the bourgeois strata participated almost entirely in the state subsidy, the present state aid is designed *exclusively* for the working population." (306)

The new policy would have to accord special privileges to the priority sectors (mining, iron, steel and heavy engineering) for the purpose of securing permanent labour. But the Government did not consider that the new policy implied the granting of privileges:

"We can only distribute what the workers produce by their labour. If we accord preferential treatment to certain sectors, this does not mean that we are handing out privileges, but that we are carrying out a reasonable Socialist policy, a brilliant instance of which is demonstrated by the Soviet Union during the period of struggle for the realisation of Socialism." (307)

4.2. Stalinist Amendments of the National Insurance Act 1949-1955.

4.2.1. *Changes in the Implementation of the National Insurance Act.*

In December 1949, a first important amendment of the National Insurance Act postponed the coming into force of the sickness insurance scheme for self-employed "until a date to be determined by the Government". According to the 1948 act, this scheme should have come into force on January 1, 1950. The 1949 amendment also provided that certain national insurance tasks could be transferred from the Ministry of Labour and Social welfare to the appropriate organisations of the Revolutionary Trade Union Movement. From 1950 onwards the trade unions started to establish national insurance committees within enterprises.

In May 1950, all branches of National Insurance were extended to civil servants and to the employees of all nationally owned undertakings, such as the railways, the postal service, the state farms and forests (308). Initially these groups had only been covered by the health care branch of National Insurance, and had kept their own superannuation schemes, but

306 Erban, 1950, p.33, my italics.

307 Report of the discussion following the Ministerial address on the Budget of the Ministry of Labour and Social Welfare to the Social Policy Committee of the National Assembly, in Erban, 1950, p.59.

from April 1950 onwards, the pension and sickness insurance schemes of the National Insurance Act also applied to them (309). At this stage, civil servants were nevertheless still guaranteed "the right to benefits acquired up to that date" (310).

4.2.2. *The Sovietisation of National Insurance.*

Amendments Concerning the Administration and Organisation.

Towards the end of 1951 the National Insurance Act was amended (311). The administration was transferred to the Central Trade Union Council. Symbolically, the first skyscraper of Prague, a building that had been erected in the Žižkov district during the 1930s to house the Central Social Insurance Institute, became the new headquarters of the trade union council. The transfer of administration had been demanded by the ROH congress of 1951 and was inspired by "the long-term experience of social insurance in the USSR." (312). At the same time, the Ministry of Labour and Social Welfare was abolished (313). The 1951 amendment

308 Act No.66/1950 Sb. Some employees of the public sector had already been fully incorporated in 1949. In July of that year, Decree No.170/1949 Sb. had abolished the pension funds of the railway workers and the superannuation fund of the postal employees. But these measures had already been announced by the National Insurance Act.

309 They still remained outside the family allowances scheme, as these benefits were paid to them directly by the state. In 1951, the administration of the family allowances scheme for wage-earners was transferred to the trade unions.

310 Kolovratnik, 1957, p.183.

311 Act No.102/1951 Sb. For a translation see International Labour Office *Legislative Series* 1951 Cz.5.

312 Gallas & Heral, 1952, p.30. Thus the sickness came to be administered by the unions and the enterprises, whereas health insurance was separated from National Insurance, and became the authority of the Ministry of Health Care (*Ministerstvo zdravotnictví*) (see also Erich MACH [ed. of a Authors Collective of Associates of the Central Trade Union Council, U'RO] *Die Hauptaufgaben und die Arbeitsteilung des Versicherungsaktivs* Prague: Práce, 1954). The transfer to the trade unions was only formal, in fact the scheme came under the control of the heads of enterprises who used the scheme to discipline and subordinate their workers (see Barton and Weil, 1956, pp.105-107). The rank and file union officials did have some influence in the new system, and managed to gain some popularity by falsifying records, re-classifying workers into higher wage categories and covering absenteeism (see Evanson, 1985, p.256).

313 Officially the Ministry of Labour and Social Welfare was transformed into the Ministry for Labour Force (*Ministerstvo pracovních sil*) by the same decree (No.74/1951 Sb.) which had divided the Ministry of Industry into six separate ministries: Heavy Industry, Energy, Mines and Forges, Chemical Industry, Heavy Engineering, General Engineering. Nothing could symbolise better than this decree the main thrust of Stalinist industrialization. The new Ministry of Labour Force no longer dealt with social welfare issues. It became responsible for employment and such issues as apprenticeship schools, training programs etc... (from an interview with Jaroslav Havelka, Minister of Labour Force from 1951 till 1953, and Deputy

reconstituted pension insurance under the authority of a new state organ, the State Office for Pension Security (*Státní úrad důchodového zabezpečení*). This reorganisation amalgamated all pension schemes which previously resorted under National Insurance, the schemes for pension relief for disabled soldiers, and all the superannuation schemes (314). With respect to pension security, the new central office took over the responsibilities of the Ministry of Labour and Social Welfare, the implementation of pension policies remained the responsibility of the Czech Board for Social Security (*Ceska Správa Sociálního Zabezpečení*) in Prague, and the Slovak Board for Slovak Security (*Slovenska Správa Zabezpečení*) in Bratislava (315). In 1952, the district national insurance offices, which up to that date had been responsible for accepting and transferring applications for pensions, established special pension sections which were directed directly by the State Office for Pension Security. These district offices were also responsible for collecting the contributions from farmers and self employed persons. In April 1953, their functions were transferred to the district-level National Committees (316). The National committees established a pension section *within* their general departments. In 1954, the National committees were reorganised and these pensions sections were transformed in separate departments for social security. The granting of social pensions was completely transferred to these new departments, but the two Pension Boards in Prague and Bratislava remain responsible for the normal pensions. From 1959 onwards, applications for normal pensions were submitted to the social commissions of the trade union enterprise committees. Apart from assisting employees in their application for pension benefits, these commissions also included a "work performance profile", "cadre opinions" (political character opinion), and a "moral

Minister of Labour and Social Affairs of the Federal Government from 1969 till 1989, on March 19, 1993 in Prague).

314 Only the army and the security forces kept their own separate schemes. Pension provisions for these groups were regulated by act No.89/1952 Sb. The pensions for the members of the armed forces became the province of the Ministry of National Security, and the Ministry of the interior had its own scheme to provide for the members of the security forces. These schemes are said to have been identical to the wage-earner scheme, except that they distinguished between "categories of function". The first category could already retire at the age of 55, the second had to wait till 57, provided, in both cases, that the pensioner had worked for 25 years (see Jaromír MAŘÍK "Pension Securities and Social Services" in Jan KOLOUŠEK and Jaromír MAŘÍK *Social Security in Czechoslovakia* Prague: Orbis, 1962).

315 These boards had been established during the first Republic to administer the complicated card-system which kept record of contributions, or latter when these were abolished, of earnings, on the basis of which benefits were calculated. Sometimes these institutions are referred to in the literature under a different name.

316 Order No.46/1953 Sb.

evaluation" of the applicant (317). A trade union manual of 1961 has pointed to the importance of the 1959 reform from a "class perspective":

"Sehr wesentlich verstärkt wird der Einfluß der Gewerkschaftsorganisation auf die Durchführung und Kontrolle der sozialen Fürsorge. Gesichert wird die Möglichkeit, bei der Entscheidung über die Leistungen die Klassengesichtspunkte berücksichtigen zu können."
(318)

Changes in the Benefits and the Method of Financing. In November 1952, the tax system was reformed (319). The national insurance contribution which was previously paid by the insured was incorporated into the new wage tax (320). The new tax had a progressive scale

317 Jaromír MARÍK *Die Aufgaben der Gewerkschafter in der Sozialen Fürsorge. Handbuch für die Gewerkschaftsfunktionäre in den Betrieben* Prague: Pracé, 1960, p.8. See also "Das Wirken der Revolutionären Gewerkschaftsbewegung auf dem Gebiet der sozialen Sicherheit" in *Die Soziale Sicherheit in der Tschechoslowakei* Prague: Prace, 1974, pp.61-62.

318 Marik, 1961, p.5.

319 The 1952 Income Tax Act (No.76/1952) has been published as "Act No.76 of December 11, 1952 Concerning The Income Tax as amended by subsequent regulations" in *Bulletin of Czechoslovak Law* Vol.25, No.3-4, 1986, pp.129-133. For a general description of the tax system in Communist Czechoslovakia, see Miloš BOROVIČKA and Marie KARFIKOVÁ "Taxes Paid by Individuals" in *Bulletin of Czechoslovak Law* Vol.16, No.2-3, 1977, pp.84-93. There basically were five sort taxes to which individuals were subject: income tax (regulated by the 1952 reform), general income tax (introduced in 1953 to "suppress private enterprise and restrict unearned income", but abolished in 1961, as its goals had been realised), agricultural tax (containing a land tax and an income tax), a tax on income from literary and artistic activities (progressively scaled ranging from 3 to 33 per cent), and a house tax (paid by individual house owners, not cooperatives).

320 See Act No.76/1952. This measure affected the contributions for the sickness and the pension schemes. The employers continued to pay a contribution for these two schemes, and also contributed to the family allowances scheme: these contributions amounted 15 per cent of the wage of employees who were subject to the family allowances scheme, 10 per cent for other wage-earners, and 3 per cent for employees of the regular police forces.

Table 8. The Progressive Scale of the 1952 Income Tax.

Monthly wage in crowns	Amount of tax
1,001 - 1,500	5%
1,501 - 2,000	8%
2,001 - 3,000	160 crowns + 10% of part of wage exceeding 2,000 crowns
3,001 - 4,000	260 crowns + 11% of part of wage exceeding 2,000 crowns
4,001 - 5,000	370 crowns + 12% of part of wage exceeding 2,000 crowns
5,001 - 6,000	490 crowns + 13% of part of wage exceeding 2,000 crowns
6,001 - 7,000	620 crowns + 14% of part of wage exceeding 2,000 crowns
7,001 - 8,000	760 crowns + 15% of part of wage exceeding 2,000 crowns
8,001 - 9,000	910 crowns + 16% of part of wage exceeding 2,000 crowns
9,001 - 10,000	1,070 crowns + 17% of part of wage exceeding 2,000 crowns
10,001 - 12,000	1,240 crowns + 18% of part of wage exceeding 2,000 crowns
12,001 and over	1,600 crowns + 20% of part of wage exceeding 2,000 crowns

According to the 1948 Act, in the future all insurance expenses would have been covered by the employers. The 1952 amendment made it possible to propagate that this promise had become reality, even if in fact things had hardly changed for the purses of the insured:

"Contributions by the employees were replaced by increased wage tax rates ... official propaganda « forgot » about this and claimed that employees no longer contributed to insurance." (321)

In any case, from 1953 onwards wage-earners and employees formally no longer paid any contributions to the pension scheme. Employers continued to pay contributions, determined as a percentage of the total age fund. In 1957, this employers contribution became part of the general deductions from the gross corporate profits (322).

The 1951 reorganisation had amalgamated the supplementary insurance schemes. In 1951, there still were about 330 of such

321 Pinc, 1994, p.6. Within the context of the benefit structure of the National Insurance Act, it is likely that the new method of financing through a steep progressive income tax was more redistributive than the previous contributory financing. See also Alois ROZEHNAL *Unfulfilled Promises. Social Insurance in Czechoslovakia* Roma: Accademia Cristiana Cecoslovacca, 1960, pp.34-36.

322 According to Kolovratník, employers continued to pay a contribution amounting to 10 per cent of the wage fund of the enterprise, to cover the expenses of the sickness insurance and the family allowances scheme (see B. KOLOVRATNÍK "The Financing of Social Security in Czechoslovakia" in *Social Security in Czechoslovakia* Vol.8, No.3, 1964, pp.7-9). Rozehnal (1960) reviews the complicated process of successive amendments of the employers' contribution. On the whole the system was rather confusing as it made a distinction between on the one hand "employees of budgeting organisations and of organisations resulting under the State budget" and on the other hand "other employees". Employers of the former category were liable to a 10 per cent contribution, whereas employers of the second group had to a 15 per cent of their total wage fund. This distinction was even public admitted to be confusing (see for example the article in *Národní pojisteni* of October 15, 1953).

institutions. These included the "subsidiary institutions" for the pension insurance of salaried employees. The liquidation of these subsidiary institutions had already been announced by the National Insurance Act. The 1951 amendment also concerned the supplementary insurance institutions, which under pressure of the London-exiles, had been included as a essential element in the architecture of the 1948 system. These superannuation schemes allowed wage-earners (predominantly of the so-called "higher services") to increase the old-age benefit they were legally entitled to by a supplement. These supplements were administered by self-help funds and directly financed by the enterprises. The Stalinist regime saw them as a hangover of the bourgeois area (323). The total number of members of both type of institutions, was estimated at 200,000. Their total assets amounted to some 13,000,000,000 crowns. In 1952 all these schemes were placed under the State Office for Pension Security. The Chairman of the office was granted the right to liquidate funds which only had a small number of members (i.e. less than 100). The remaining institutions could only use the interests on the funds they had accumulated up to December 31, 1952. The subsidiary institutions were finally liquidated in 1954 (324).

4.2.3. *The "Class Viewpoint" and the 1953 Currency Reform.*

At the height of the Stalinist "increased class struggle", the Government passed a decree according to which pensions of individuals who were "enemies of the establishment of the People's Democracy" could be retroactively "adjusted" (325). These enemies included "prominent representatives of the former political and economic system", persons who had been private entrepreneurs or who had been employed by foreign companies, or simply persons who had been convicted to a sentence of more than two years for "willful criminal acts against the republic, against the economy, or against property held in socialist ownership." An article published in 1958 in the party's newspaper, *Rudé právo*, listed more in detail who was to be targeted by these policies:

"former Ministers, outstanding reactionary politicians, important economic exponents as former directors, and head clerks of big banks, owners of large estates, big shareholders, outstanding representatives of the State machinery, such as chiefs of divisions in the Ministries, presiding judges of the supreme, superior and regional courts, high officers and similar persons." (326)

323 Tomes, 1968, p.13. See also Rozehnal, 1960, pp.71-72.

324 Decree No.18/1954 Sb.

325 Decree 22/1953 Sb. Initially these decisions did not have a clear legal mandate, but in 1958 Act No.40/1958 and Act No.41/1958 "legalised" this discriminatory policy.

326 *Rudé právo* July 4, 1958 (quoted and translated by Rosehnal, 1960, p.189). For example, Karl Engliš, Minister of Finance and social policy expert during the First

In some "severe" cases pension-rights could even be removed altogether. The decisions to lower pension benefits or withdraw pension rights were taken by special commissions within the district-level National Committees. These commissions were composed of members of the National Committee, of employees of the social security commissions of the district National Committees and of representatives of the trade unions (it were the same commissions who had been granted the authority to decide on the allocation of social pensions). They were primarily active during the period 1953-1958, but it was only in 1968 that the laws were revoked and at that most persons who had been sanctioned by them were rehabilitated (327).

Even if the open discriminatory policies of the Stalinist class war were very startling, the measures accompanying the second currency reform, adopted by Parliament on May 30, 1953, affected far more people in revoking pension privileges acquired before 1948 (328). The reform used two conversion rates. The basic rate was set at 1 new crown to 5 old crowns. But individuals could only benefit from this rate for a sum up to 300 new crowns. Any surplus was converted at 50 to 1. In practice this meant that personal savings, pensions, wages and cash deposits were subject to a confiscation of 90 per cent. In addition, the 1953 reform invalidated all the accounts blocked during the first currency reform of 1945 (329), and repudiated the entire public debt (330). The high priced

Republic, saw his generous civil servant pension reduced to a social pension (Igor TOMESŠ "The Right to work and Social Security" in *Bulletin of Czechoslovak Law* Vol.8, No.2, 1967, pp.192-208 (p.205); and interview with Igor Tomeš, on March 8, 1993 in Prague). Though no official statistics were kept on the impact of this policy of "adjustment", it is estimated that about 3,000 members of the former elite of the First Republic were affected by these discriminatory measures (Interview with Jiří Tuháček, assistant of the director, Antošik, of the Česka Správa Sociálního Zabezpečení, on March 23, 1993 in Prague).

- 327 Contrary to the Soviet Union, Czechoslovakia never specified exact legal provisions to divest individuals from their pension rights. The decision ultimately was left to the free consideration of local governments, which of course occupied an essentially subordinate position not only in relation to higher government and party organs, but also *vis-à-vis* the bureau of the local party organisations (see Igor TOMESŠ "Old Age Pension, Conditions of Eligibility" in *Acta Universita Carolinae Juridica* Monograph VII, Prague: Universita Karlova, 1967, p.78) The rehabilitation was regulated by Act No. 82/1968 Sb.
- 328 For a discussion of the impact of the 1953 currency reform see Krečič, 1978, pp.18-20; Kaplan, 1984, p.187-188; Michal, 1960, p.140-141; Barton & Tuček, 1978, pp.134-135. For an official justification of the reform see Jaromír BERAČ "La Réforme Monétaire Tchécoslovaque" in *Bulletin de Droit Tchécoslovaque* Vol.11, No.4, 1953, pp.287-292. One of the justifications put forward by Berák was that "the conspiratorial centre of Slansky" had disorganised production and created an "excessive" purchasing power which no longer corresponded to the quantity of goods.
- 329 In other words, the state simply confiscated the savings in these accounts, which in 1947 were estimated at some 70,000,000,000 crowns.

state "free" market and the low-priced rationed market were merged into a uniform market, which on the whole led to a significant increase in the cost of living (331).

In order to compensate part of the risen cost of living, the government decided to adjust pension benefits by progressively smaller increases as the pensions rose. For example, benefits under 200 (new) crowns per month were increased by 70 crowns, pensions between 500 and 600 crowns by only 20 crowns (332). The social pension was increased to 190 crowns for single persons and 285 crowns for married couples.

4.2.4. *The Pension Scheme for Cooperative Farmers.*

The 1953 currency reform paved the way for the collectivization of agriculture. The farmers had been affected most badly as they had lost most of their savings. At the same time, the government initiated its discriminatory policy *vis-à-vis* independent farmers. Already in 1949 the government had postponed the implementation of that part of the 1948 Act that would have fully incorporated farmers and self-employed

330 Amounting to another 83,000,000,000 crowns. On the whole the effect of the 1953 reform has been estimated to amount to a two thirds confiscation. On the basis of official macro economic indicators Jaroslav Krejčí has estimated the average conversion rate at 15:1 (Jaroslav KREJČI *Social Change and Stratification in Postwar Czechoslovakia* London: Macmillan, 1977).

331 The reform was carried out according to the instructions of Soviet experts. But in following the "Great Soviet Example", Czechoslovakia also experienced its "Kronstadt-rebellion". The currency reform prompted the first large scale demonstrations in the postwar Soviet orbit (more than two weeks before the uprising in East Germany). During the first weeks of June strikes broke out in most industrial centres throughout the country. In some cities these strikes led to manifestations. To the surprise of the Communist leadership the largest manifestations occurred in what were supposed to be the strongholds of the Stalinist regime: the mining district of Ostrava-Karvina, the huge Engineering works of ČKD in Prague, the Steeltown of Kladno, the "Manchester of Moravia" Brno, and last but not least, in the Skoda armament factories in Pilsen. In the latter city the demonstrators actually took over the town hall and the government was only able to re-establish "order" after two days. Before 1948, Pilsen had been a Social Democratic stronghold. Contrary to most of the territory of Czechoslovakia, the city had been liberated by the American army. Both elements were used by the Stalinists to explain the unrest. For an eyewitness account of the Pilsen revolt and the ensuing repression see Otto ULC "Pilsen: The Unknown Revolt" in *Problems of Communism* Vol.14, No.3, May-June, 1965, pp.46-49. At the time of the revolt, Ulc was an Assistant Judge in the district of Pilsen. Official statistics -- which even though they were never published, strongly underestimated the magnitude of the protest -- claim that there were strikes in 129 enterprises, involving more than 32,000 participants. See also Paul BARTON "La résistance ouvrière en Tchécoslovaquie" in *Revue Socialiste* July, 1954, pp.164-168; and Paul BARTON "La guerre sociale en Tchécoslovaquie" in *Preuves* No.29, 1953, pp.62-64.

332 "The Development of Social Security in Czechoslovakia, 1948-53", 1954, pp.511-512. For a complete overview of the currency reform bonuses see Rozehnal, 1960, pp.106-107.

persons into the National Insurance system (i.e. the part concerning their sickness insurance). In 1952 the pension scheme for self-employed persons was made more strict in terms of enforcing the payment of contributions as a necessary requirement for benefits (333), and the next year the government increased the discretionary powers of district National Committees with respect to the pension rights of self-employed persons. According to the an order issued on September 9, 1953, those local government agencies had to give their consent if self-employed persons wanted to cease their activities at 65.

At the same time the government launched a new pension system for the members of what it called "advanced" cooperatives. The term "advanced" cooperatives was used more or less as a euphemism for what was basically the emulation of a Soviet-type of collective farm -- even if the government was careful in avoiding the term "kolchoze". Instead of introducing the collectivization of agriculture overnight, the government had proceeded step-wise by distinguishing four types of Unified Agricultural Co-operatives (*Jednotné zemědělské družstvo* or JZD). In the *type-I* JZDs the land remained divided between the members and was only collectively worked. In the *type-II* JZDs the farmers pooled their land; the distribution of the harvest and the profits remained based on the size of the land the members of the cooperative had handed over to collective control. In the *type-III* JZDs not only land, but also buildings, machines, tools, and livestock were pooled. However, the distribution still remained based on how much the farmer had given up to the cooperative. Finally, in the *type-IV* JZDs, in addition to the requirement of the third type, the distribution of income no longer had to be based on ownership (on the share contributed in terms of land, buildings, machines, and live stock), but on work performance. The *type-III* and *type-IV* JZDs were considered to be of a "higher" type, and are generally referred to in the official literature as "advanced cooperatives" (*družstva vyšších typů*) (334).

The more favourable pension scheme for the members of those "advanced" cooperatives was first introduced in 1951 and improved throughout the subsequent years. Whereas the members of the "non-advanced" cooperatives remained subject to the pension rules for self-

333 Decree No.46/1952. See Jan GALLAS "Sociální zabezpečení v CSR" [Social Security in the Czechoslovak Republic] in *Sociální Revue* Vol.1, No.1, 1955, pp.3-9.

334 Ondřej FELCMAN, et.al. [authors collectif] *K Dějinám Socialistického Československa* Prague: Svoboda, 1986, p.217; and Slapnicka, 1970, p.341. It was the council of the regional-level National Committee which decided to which type a cooperative belonged. It seems to be the case that the qualification "advanced" was later narrowed to only cover the type-IV cooperatives. In 1965 Mařík defined the "advanced" cooperatives as those which were characterised by "planned state purchases of agricultural products, and which introduced a system of regular remunerations" (see Mařík, 1962, p.83-84).

employed, which as mentioned above, were made more strict. In addition, as the arrangements in this scheme were not adjusted to economic developments, the benefits it granted gradually lost their real value. The new scheme on the other hand, lowered the retirement age from 65 to 60 (335), and introduced a new, more generous, benefit formula which varied according to the amount of the premiums and years worked at the cooperative. The following table compares the monthly premiums and their corresponding monthly benefits in the schemes *type III* and *type IV* cooperatives, and the scheme for self-employed persons and *type I* and *type II* cooperatives. As the contribution formula in the two schemes was fundamentally different (self-employed persons had to pay a contribution of 10 per cent of the assessment basis, or 11 per cent for associated members of their family), the figures for the latter group are only rough estimates and exclude some intermediate categories. The benefits reported for self-employed persons and members of *type I* and *type II* cooperatives presume 10 years of insurance. If the pensioner had been insured for a shorter period, his benefits would even be substantially lower (in particular for the higher contribution groups). The scheme required a minimum of 4 years of employment (336).

Table 9. A Comparison of the Benefits of the Pension Scheme for "Advanced" Cooperative Farmers with the Benefits of the Pensions Scheme for Self-Employed Persons

type III and type IV		type I and type II & self-empl.	
premiums per month	benefit per month	premiums per month	benefit per month
16	230	17.5	230
26	270	17.6 - 27.5	260
40	310	37.5 - 47.5	298
54	350	47.6 - 65.0	314
70	390	65.0 - 85.0	336
88	440	more than 85	350

The basic rates for the "advanced cooperatives" increased by 1 per cent for every year worked at the cooperative farm. The total increase

335 provided they had been insured for 8 (men) or 5 (women) years. for self-employed and farmers working in *type I* and *type II* cooperatives, the retirement age remained 65 if they discontinued their activities and 70 if the refused to discontinue their activities, both conditional upon a minimal qualifying period of 8 years of insurance.

336 See also Rozehnal, 1960, p.104. The figures provided by Rozehnal are expressed in pre-1953 currency reform units, whereas the figures presented here are in post-1953 currency reform units.

achieved this way, could not exceed 20 per cent of the basic rate. The government was quite open about its policy of discriminating private farmers. In 1957, the President of the State Office for Social Security wrote that by

"introducing higher pensions for co-operative farmers than for private farmers the aim has been to encourage the development of the socialist form of agriculture, which in itself raises the standard of living of farmers." (337)

The following table compares the replacement ratios under the new "advanced cooperative" scheme, with the scheme for wage-earners, and with the scheme for self-employed persons and *type I* and *type II* cooperatives (338). The table clearly demonstrates that the new cooperative scheme offered far higher replacement ratios than the scheme for self-employed farmers. In the lower income brackets, the new scheme even was more generous than the scheme for wage-earners.

Table 10. A Comparison of Replacement Ratio's of the Three Main Schemes in 1952.

basic income	(scheme)	years of insurance			
		4	10	20	40
8,400	(wage-earners)	114.3	114.3	114.3	114.3
	(type III & IV)	114.3	125.7	137.1	160.0
	(type I & II, SE)	100.0	114.3	114.3	114.3
24,000	(wage-earners)	63.0	63.0	63.0	79.0
	(type III & IV)	62.5	68.7	75.0	87.5
	(type I & II, SE)	43.3	65.0	65.0	65.0
52,000	(wage-earners)	43.9	43.9	43.9	59.9
	(type III & IV)	34.1	50.0	54.5	63.6
	(type I & II, SE)	22.7	39.8	39.8	39.8

This pensions policy probably contributed to the eradication of the class of self-employed persons. In 1949, there still more than 22 per cent of the total number of insured covered by the scheme for self-employed persons. In 1951, the year when the scheme for "advanced" agricultural cooperatives was introduced, the scheme for self-employed still covered

337 Evžen ERBAN *The Right to Social Security in Czechoslovakia* Prague: Orbis, 1957, p.23.

338 Calculations based on data from "The Development of Social Security in Czechoslovakia, 1948-53".

more than 18 per cent of the insured, whereas the new scheme covered less than 1 per cent. In 1954, the respective shares were 10 per cent and 5 per cent, and by 1958 the ratio had reversed: only 4 per cent were covered by the scheme for self employed persons or members of non-advanced cooperatives, whereas the scheme for "advanced" cooperatives covered more than 10 per cent of the total number of insured. During this period, the share of the wage-earner scheme went up from a little over 70 per cent to more than 85 per cent (339).

4.3. The Social Security Act of 1956.

The 1956 Social Security Act was the pinnacle of the Stalinist reform period (340). Since 1954, a reviewing commission had been preparing a new social insurance system. The secretary of U'RO, V. Vesely' described the purpose of the commission as "to bring the pension insurance closer to production" (341). Officially the new system was hailed as completing the transition from National Insurance to Social Security (342). The 1956 Act therefore is often referred to as the Social Security Act. The act comprised three fundamental changes: benefits became to be calculated in relation to wages, they were made dependent upon the numbers of years the pensioner had worked, and they became differentiated according to kind of work he or she had done. In addition there were three less fundamental changes: unconditional social pensions were abolished, the retirement age was lowered, and it became possible to continue to work while receiving a pension benefit. The law also legislated various measures to reward political loyalty: it introduced "long service pensions", "personal pensions", and the "adjustment" of some pensions granted in the past.

4.3.1. The Three Categories of Work.

The 1956 Act definitively abandoned the goal of universalism by re-introducing a differentiation of social security based on an occupational classification of the insured. However, contrary to the system which existed in the First Republic, the new occupational classification introduced a marked preference for manual over intellectual work. This classification was the result of what the regime saw as

339 These calculations are based data from *Statistická ročenka* [Statistical Yearbook] Prague, 1958 (p.394) and 1959 (p.456).

340 Act No.55/1956 Sb. For an English translation of this law (without the articles regulating social security for the members of the armed forces) see International Labour Office *Legislative Series* 1956 Cz.3.

341 See his article *Práce* of November 15, 1953, cited in Rozehnal, 1960, pp.68-69.

342 See for example Vergeiner, 1957, p.4.

"the consequent application of the principle of rewarding according to merit by dividing the workers into three working categories according to the importance and difficulty of their work, by giving preference to the employees who do work in the first and the second employment categories ..." (343)

This positive discrimination of manual work in heavy industries was not entirely new, as the more favourable arrangements for miners already had introduced a bias in favour of part of this sector. In fact what happened was that these privileges were extended to other selected occupations, which the regime considered to be more deserving and of strategic importance for "the building of socialism". The new law thus distinguished three categories of work. The actual content of these categories has varied over time. Initially, the first category comprised only underground mining and the work of persons working on air planes (344), but by 1987, this category also included underground construction and repair, foundries and hazardous chemical plants, occupations in environments with high levels of ionization or radiation (for example the processing of radioactive materials in nuclear power plants), work in quarries, in environments with a high concentration of fibroplastic dusts etc... (345).

From the start, the second category was only loosely defined as "comprising work done in particular arduous conditions". The 1956 Act left it to the Government to "specify which occupations [we]re to be classified in category II." (346). In a trade union manual, published in the year after the adoption of the social security act, the second category was described by a list of more than seventy pages (347). This list comprised primarily various occupations in heavy industry, construction, surface mining, or unhealthy jobs. In addition, it included seamen who sailed on the open sea, physicians working in closed psychiatric clinics; as well as such rarities as acrobats, operators of tractors in lumber exploitation, sorters of old paper and old textile and physicians working in hazardous conditions (such as a TBC environment). Finally, engineers, foremen and

343 "Hlavní zásady novy'ch zákonů o sociálním zabezpečení", 1957, p.150.

344 It is obvious that the inclusion of the latter group had less to do with the strenuousness of the work, than with a carrot to persuade airplane personnel not to defect to the West.

345 E. BURDOVA "The Determination of the Level of Retirement Benefits According to the Occupational Sector in Czechoslovakia" in *Relationship Between Pensions and Occupations International Social Security Documentation European Series No.13*, Geneva: International Social Security Association, 1987, pp.59-67 (p.62).

346 Act No.55/1956 Sb. article 5.

347 Jaromír MAŘÍK, František HERMAN, Jiřina RESLEROVA' *Die Leistungen der Rentenfürsorge Handbuch für Gewerkschafts- und Wirtschaftsfunktionäre in den Betrieben* Bibliothek der Gewerkschaften ROH, Prague: Pracé, 1957, pp.22-70.

technicians who were responsible for workers in the second category also enjoyed category II status. The third category has always been a residual category, comprising all other occupations not included into the first two categories. In 1983, the number of people covered by the first and the second category was estimated at 8 or 9 per cent of the total work-force (348).

4.3.2. *The new Conditions for Eligibility and the New Benefit Structure.*

The Social Security Act saw old age pension benefits no longer as a compensation for lost earnings, but as a reward for completed work (349). That is why the flat-rate component in the pension scheme was abolished and benefits became to be calculated solely as a percentage of past earnings (350). The Government did not opt for a single, universally applicable percentage of the wages, but for a rather complicated formula. The official reason for this choice was that it "allowed the government to value to the maximum only the highest working merit" within the budgetary constraints it faced (351). What this meant in reality was that benefits were composed of a fixed percentage for the minimum required period of employment, increased by an increment for each year worked beyond this period. Both this fixed percentage and the increment varied according to the category of work, as did the retirement age and the qualifying period. The following table summarizes the eligibility conditions and benefit formula for the three occupational categories.

Table 11. *Conditions for the Three Occupational Categories under the 1956 Scheme.*

<i>Occupational Category</i>	<i>I</i>	<i>II</i>	<i>III</i>
Minimum Employment	20 years	20 years	20 years
Retirement Age Men	55 years	60 years	60 years
Retirement Age Women	55 years	55 years	55 years
Basic Rate	60%	55%	50%
Increments	from 21th year 2%	from 21th year 1.5%	from 26th year 1%
Minimum benefit			
if employed 5-20 years	300 Kcs	300 Kcs	300 Kcs
if employed > 20 years	400 Kcs	400 Kcs	400 Kcs
Maximum Benefit	90%	85%	85%

348 Jaroslav HAVELKA and Dana ŠPAČKOVÁ' *A Contended Old Age in Czechoslovakia* Prague, Orbis, 1983, p.13-14.

349 The National Insurance Act by contrast, was precisely defined in terms of providing a compensation of lost earnings, and not a reward for years of service (see Tomeš, 1967, p.86-87).

350 The past earnings that were taken into account were those which were subject to the wage tax.

351 Vergeiner, 1957, p.6.

Thus, the replacement ratio's under the new scheme could vary from 50 per cent for a worker in the third category who had been employed for 20 years, over 55 per cent for a worker in the second category with a career of the same length, 60 per cent for a worker in the first category with a career of the same length, to 60 per cent for a worker in the third category with a career of 35 years, 77.5 per cent for a worker of the second category with a career of the same length, and 90 per cent for a worker in the first category with an equally long career. Maximum replacement ratios are 90 per cent for the first category, 85 per cent for the second and 65 per cent for the third (352).

In 1987, the head of the Social Security Office of the new Federal Ministry of Labour has assessed the ratio of newly granted pensions compared to wages for the three categories as follows:

Table 12. The Average Replacement Ratio's of Newly Granted Pensions for the Three Occupational Categories.

year	1th category	2nd category	3rd category	total
compared to gross wages:				
1980	89.2%	71.1%	51.7%	53.3%
1984	91.4%	70.7%	53.6%	55.4%
compared to net wages:				
1980	110.9%	88.4%	64.2%	66.3
1984	114.4	88.6%	67.1%	69.2%

Taborsky has estimated the monthly pension benefits under the new rules for four typical wage-earners, presuming they worked for 25 years, and their average wages of the last five years were equal to the average wages in 1957.

352 which could be achieved after 40 years of employment (for a detailed breakdown see Mařík, 1957, p.96).

Table 13. Pension Benefits of Four Typical Wage-Earners in 1957.

underground miner:	1,260 Kčs
engineer in manufacturing:	835 Kčs
clerk in manufacturing:	555 Kčs
employee in retail trade:	520 Kčs
<i>average wage-earner:</i>	<i>625 Kčs</i>

The pension for self-employed persons was not changed and thus varied between a 230 crowns and 350 crowns. In 1958, the average pension benefit amounted to 462 crowns. According to Michal, the personnel gross income of pensioners varied that year from a mere 100 to 190 crowns for formerly self-employed persons, 280 crowns for former factory workers who retired before 1957, 480 crowns for former factory workers who retired after 1957, to 1,000 crowns for former heavy industry workers (who retired after 1957) (353).

Thus the system of three categories of employment was particularly advantageous for specific occupations within the sector of heavy industry. However as benefits became to be calculated on the basis of the past 5 or 10 years of employment (depending upon which time span was more favourable for the pensioner), the Stalinist reversal of wage hierarchies also had an important impact on old-age pension benefits (354).

353 The same year, the personal gross income of a factory worker in light industry was 1,100 crowns, in heavy industry 1,800 crowns, in Coal Mining, 2,000 crowns. For a chief engineer of a factory with 400 employees this was 3,000 crowns, for its director, 5,000 crowns. Finally the editor in chief of the daily of the Communist Party, *Rudé Pravo* had a personal gross income of 9,000 crowns. These calculations refer to total money income including premiums, before taxation. They do not include collective wages (social services) and the value of french benefits such as vacations in selected resorts free of charge or at reduced charge, the allocation of housing or the permission to buy a car at a "normal price" (see Michal, 1960).

354 With respect to the new wage hierarchy, Jan Michal gives the following figures on averages monthly earnings for selected sectors of the "socialised" sector (the figures are all expressed in post 1953 currency units).

The new formula did not apply to pensioners who retired before January 1957. The Social Security Act thus introduced the distinction between "old" and "new" pensioners. In order to compensate for the depreciation of benefits caused by the monetary reform of 1953, the government also granted special bonuses to "old" pensioners. However, according to Taborsky, only about half of the "old" pensioners were effectively granted such special bonuses (355). The decisions whether or not to grant these bonuses was taken by the newly created Social Security Commissions of the district National Committees. These commissions took into consideration "the pensioner's merits in the past period of the socialist construction" (356). Taborsky concluded that this selective policy was "probably the most heartless of the Communist class struggle devices" (357).

4.3.3. *The Abolishing of the Retirement Condition.*

Until 1956, effective retirement was a qualifying condition for receiving a pension benefit. However, in 1956, this condition was considered to be outdated. The introductory report of the Social Security Act argued that the retirement condition

	1948	1953	1958
average in socialist sector	819	1,096	1,277
industry manual work	759	1,182	1,357
industry techn. staff	975	1,522	1,756
industry office work	975	1,093	1,172
construction	829	1,256	1,455
agriculture	--	790	1,054
trade	--	848	1,034
health and social welfare	--	1,009	1,126
education	--	985	1,168

Jaroslav Krejčí has calculated the impact of Stalinist wage policies on the differentials between technical and administrative personnel. Whereas in 1948 technical and administrative personnel in industry on average had the same wages (i.e. 148.6 per cent of an average worker's wage), by 1953 technical personnel received a wage amounting 129.4 per cent of the average wage, whereas administrative personnel received only 88.2 per cent (see Krejčí, 1977, p.70).

355 He cites the following figures. In 1956 there were 2,025,000 persons receiving an old age an invalidity benefit. Of these only about 1,012,000 were chosen to receive increases (see Taborsky, 1961, p.441). These figures are confirmed by the president of the State Office for Social Security, Evžen Erban. According to Erban, in 1959, 343,000 pensions were increased, in 1960 another 219,000 and in 1961, 125,000. On average these increases varied from 10 to 23 per cent of their original rate. By the end of 1961, 47 per cent of old-age and disability pensions had been increased (see Evžen ERBAN "Social Targets of the Czechoslovak Third Five-Year Plan" in *International Labour Review* Vol.85, No.3, March 1962, pp.234-247).

356 *Práce* March 8, 1959, quoted by Taborsky, 1961, p.451.

357 Taborsky, 1961, p.450.

"increasingly appeared incompatible with the guiding principles of socialist society because it was prejudicial to those individuals who although entitled to a pension continued to work and thus helped to enlarge our national income." (358)

It became possible to continue to work while at the same time receiving a old-age pension benefit, "within the capacity of the budgeted means" (359). Initially this "capacity" allowed the Government to pay to working pensioners a part of the benefit they were entitled to, while at the same time increasing future benefits by an annual increment calculated on the basis of the average annual remuneration of the years of employment after the age of entitlement was reached.

Table 14. Advantages for Working Pensioners under the 1956 Act.

	Occupational Category		
	I (360)	II	III
percentage of benefit	before 60: 33% after 60: 100%	before 65: 33% after 65: 100%	before 65: 33% after 65: 100%
increment per year of employed beyond retirement age	until 60: 4% after 60: 2%	until 65: 4% after 65: 1.5%	until 65: 4% after 65: 1%

As will be argued in the next chapter, this arrangement turned out to be too costly for the state's budget, and was to be changed soon after it had been introduced.

4.3.4. The Development of other Pension Schemes.

The 1956 reform dismantled the *social pension*. Under the National Insurance system there had been two types of social pensions: (1) those to whom everyone who had been gainfully employed in his life had an unconditional right, provided he was not covered by the regular pension schemes of the National Insurance system; (2) those who were granted to everyone who was in need, but only after a means test. The 1956 reform abolished the first type of social pensions, and made the second subject to a more stringent means-test carried out by the Social

358 Introductory report of Act No.55/1956 Sb. as quoted by Tomeš, 167, p.89. See also Evžen ERBAN "Principy sociálního Zabezpečení a jejich aplikace další fází vývoje naší společnosti" [Principles of social security and their application in the Ensuing Phase of Social Development] in *Sociální revue* Vol.8, No.6, 1962, p.244.

359 "Hlavní zásady nových zákonů o sociálním zabezpečení", 1956, p.150.

360 The category I conditions also applied to women in category II and III.

Security Commissions of the district level National Committees. Under the new regulations, the amount of social pensions was determined by considering the family conditions of the applicant, his income and by the extent he/she could be supported by his children or close relatives. As Tomes correctly has pointed out, this amendment was "le retour partiel au système des secours philanthropiques accordés aux pauvres" which the 1948 reform precisely had wanted to eliminate (361).

The Social Security Act introduced *Long-service pensions* for "employees engaged in occupations which, owing to their special nature, place an exceptional strain on the abilities and physical capacities of those engaged therein..." (362) The 1956 law did not give any further specifications on the nature of these pensions and only stated that "details shall be determined by the Government". According to an internal report of the Federal Ministry of Social Affairs of 1990, the scheme had two branches, one applying to airline personnel and test pilots, and the other applying to artists (363). The eligibility conditions and benefit structure of both branches can be summarized as follows:

Table 15. *The Conditions for the Long-Service Pensions.*

	<i>Air personnel</i>	<i>Artists</i>
Period of Employment	25 years	20-30 years (364)
Retirement Age	when activity is discontinued	
Basic Rate	50%	50%
Increase for Length of Employment	3 per cent of average monthly earnings	
Maximum Benefit	75%	50%

The main purpose of the long-service pensions seems to have been to encourage airline personnel and artists not to defect to the West by giving

361 Igor TOMES "Les Grandes Tendances de l'Evolution et les Problèmes Contemporains de la sécurité sociale en Tchécoslovaquie" in *Schweizerische Zeitschrift für Sozialversicherung* Vol.15, No.1-2, 1971, pp.143-158 (p.148).

362 Act No.55/1956 Sb. article 27.

363 The following artists were entitled to a long-service pension: soloists in operas, conductors and members of orchestras, ballet artists of all the State theatres, representatives of ensembles (such as the Czechoslovak State Ensemble of Songs and Dances), conductors and members of permanent symphony orchestras and professional chamber ensembles.

364 for soloists of a ballet company 20 years, for other dancing artists 22 years, for opera soloists 25 years, and for other artists of musical ensembles 30 years (see "Social Security in Czechoslovakia", 1959).

them a Bonapartist stake in the state (the most favourable consideration was given to pilots testing prototypes, "because this include[d] the largest risks").

Another special pension scheme introduced by the Social Security Act was that of the *Personal pensions*. This scheme was even less formalised than that of the long-service pensions. The 1956 Act stipulated that "personal pensions may be granted to specially deserving workers in the economic, scientific, cultural or administrative fields or any other fields of public life" (365). Again the law prescribed that details "will be determined by the Government". The amount of the personal pension was fixed personally by the President of the State Office for Social Security (366), on the basis of proposals submitted to him by the chief bodies of the Governmental administration or by other public organisations. There are no official statistics on these pensions, but according to an expert-adviser of the Czech Board for Social Security, during the period 1957-1990, there were granted approximately 20,000 of such pensions (367) -- a former deputy Minister of Labour and Social Affairs, even estimates their number at 30,000 (368). The level of the benefit varied significantly. In some cases it was only a few hundred crowns above the legal pension, in some cases it was "huge" (several thousands of crowns). Normally the Personnel pension could not exceed the most favourable maximum legal pension, but it seems to have been the case that there were exceptions to this rule.

The Social Security Act also incorporated the allowances for pensioners children and the wife's pension (369). The Ministry of the Interior and the Ministry of Defence kept their own separate schemes. The scheme for "advanced" cooperatives underwent a few minor changes (370). Finally in selected branches of the economy (the railways,

365 Act No.55/1956 Sb. article 28.

366 Later this decisions was taken by a special commission consisting of official from the Ministry of Labour and Social affairs and from the Ministry of the Interior, of social insurance experts, and was chaired by the Minister of Labour and Social Affairs. This commission met four times a year and examined proposals originating from National Committees.

367 Interview with Jiří Tuháček on March 23, 1993 in Prague.

368 Interview with Jaroslav Havelka, on March 19, 1993 in Prague. This figure, though, also includes the special pensions for party cadres which did not have any legal foundation whatsoever, and which have hardly been documented. According to Havelka, the Communist Party only had to "inform" the commissions for personal pensions when they granted a party-cadre pensions.

369 Both already existed in the system of National Insurance, for details Act No.55/1956 Sb. articles 26, 30 and 31.

370 Act No.56/1957 Sb. For a discussion see Bohumil ERBEN "Social Insurance for Czechoslovak Farmers" in *For Socialist Agricultural Science* Vol. 7, No.1, 1958,

metallurgy and in the construction industry) there were special pension grants which were not part of the legally sanctioned pension system. They were granted by the employer and were paid out to about 0.3 per cent of the total number of pensioners (371).

The system introduced by the 1956 Social Security remained more or less unchanged until 1989. The subsequent amendments tried to adjust the system to the changing economic realities, but never touched its foundations.

4.4. Stalinist Housing Policies of the 1950s.

4.4.1. *The Allocation of Houses by the National Committees.*

In 1948 the housing law was amended and the National Committees were granted the right to assign apartments (372). For this purpose they kept a register. In fact there were four housing registers, one kept by the local National Committees, one kept by enterprises, one kept by the LBD cooperatives, and one kept by the army and the Ministry of the Interior. An applicant for housing could only be included in one of these four registers.

The order of the applicants on the register of the local National Committees was determined by two main factors: "urgency of need" and the "significance of work" of the applicant (373). The "urgency of need" was based on criteria such as overcrowding, number of children, whether the applicant suffered from TBC, the state of his current dwelling (374) and various social factors like being divorced being an alcoholic, etc. The rank order on the register was based on a points system. An applicant received points for each criterion, but the social welfare commissions could interpret the criteria rather discretionary as there were no strict guide-lines. This left ample room for regional variations and the creeping in of unofficial criteria like party membership or sheer clientilism. The chairman of a local welfare commission in Prague, goes even as far to argue that the whole point system was not much more than

pp.39-44. The scheme was more fundamentally amended in 1963. This will be discussed in the next section.

371 Burdova, 1987, p.65.

372 Act No.138/1948 Sb. The law was revised in 1956 by Act No.67/1956 Sb.

373 The law says literary "*podle naléhavosti bytové potřeby a se zřetelem na význam své práce přicházejí v nejbližším časovém údobí v úvahu pro přidělení bytu, a zároveň podle ty'chž skutečností určí pro každého uchazeče zapsaného do pořadníku jeho poradí.*" This did not apply to the registers of the army which were determined by the commanding officer (see articles 9 and 12 of Act No.67/1956 Sb.).

374 Families which were displaced because their former dwelling was demolished for reasons of slum clearance or for mining exploitation were granted first priority.

window-dressing, and the real decision was taken by the chairman of the housing department of the local National Committee: "The criteria were more used as excuses for his decision" (375). The register of the local National Committees nevertheless had to be made public and the rank order had to be justified in some way or another. The lists of LBD cooperatives and enterprises were accessible to respectively members and employees; and the lists of the army and the Ministry of the Interior were available for soldiers and employees of the Ministry.

The "significance of the work" of the applicant was judged by the executive body of the local National Committee in consent with the enterprise committee of the trade union. In fact, it seems to be the case that "importance of work" could have two basic meanings. One meaning concerned the usefulness of the applicant's occupation to the local community -- for example, a teacher or a doctor in a border region. In this case it was the judgment of the National Committee which was decisive. The other meaning seems to have been related to the policy of general labour recruitment, i.e to the traditional favourable treatment of shock workers in heavy industry. In the latter case, the judgement of the trade union and its housing and social commission seems to have been decisive. More in general, the trade unions also had to make sure that

"the National Committees housing departments respect the class criterion in the administration of the houses..." (376)

The "importance of work" was a criterion that could overrule all the other criteria, though generally it simply added some points to the total of the applicants record. About 10 to 20 per cent of the housing administered by the local National Committees was kept on a black list and was used to reward loyal party cadres (377).

The registers of LBD cooperatives and enterprises were run along similar lines, though of courses access was restricted to respectively members of the cooperative or employees of the enterprise. The cooperative flats, the enterprise houses, and the dwellings of the Ministry of the Interior were in end also allocated by the local National Committee, "according to the proposals of the enterprise, local office or cooperative" (378).

375 Interview with Milan Tuček, chairman of the Social Welfare Commission of the district of Prague 8, on March 31, 1993 in Prague.

376 In Jaroslav SCHREIBER *1,200,000 Bytov. Na Pomoc Bytovy'ma Sociálnym Komisiámz* [1,200,000 Houses. Guidelines for the housing and social commissions] Bratislava: Praca, 1960, p.44.

377 Interview with Igor Tomeš, on March 8, 1993 in Prague.

378 Act No.67/1956 Sb. article 19. Only the following houses were exempted from the allocation rights of the National Committees: dwellings of the army, flats in family

4.4.2. The Forced Merger of the prewar Cooperatives.

In 1950, the cooperative housing associations, the so-called *bytová sdružení* that had been established during the First and the Third Republic, were dissolved or forcefully merged into large district housing cooperatives, the so-called Peoples' Housing Cooperatives or *Lidové Bytové Družstvo* (LBD). In case the cooperatives were dissolved, their property was transferred to local authorities; if they were merged, members of the old cooperatives automatically became members of the new LBD cooperative, except if they explicitly cancelled their membership (379). Whereas the size of the old cooperatives on average varied between 50 and 100 dwellings, the new LBD cooperatives were huge conglomerates administering often several thousand dwellings (380). The Ministry of Labour and Social Welfare was responsible for supervising the LBD cooperatives.

4.4.3. The Phasing Out of the Private Sector.

Housing owned by private enterprises, built to house their employees was transferred to the State. In addition, by 1951, the state confiscated a total of 138,250 family houses from "capitalists and collaborators" (381). Most larger multi-family houses were nationalized. This was done in a subtle way. Since the war rents had been frozen. The state imposed relatively high taxes on owners of large houses, and in particular after the 1953 currency reform, rents no longer even covered the costs of the most basic maintenance. Formally, the owner could apply for state subsidies to cover these maintenance costs, but only to the extent

houses in which the owner or one of his close relatives (children) wanted to move (see Act No.67/1956 Sb. article 27).

379 See Act No.110/1950, articles 4 and 5; and Act No.195/1950 articles 9 and 10.

380 The regime apparently considered the LBD's a hangover from the *ancien regime*, and has been very scarce in providing data on these organisations. According a study published in 1987, there still were about 22 LBD cooperatives left in the Czech part of the country. Those cooperatives administered some 31,554 apartments and 2,482 single family houses (*Česky Svaz Bytových Družstev Bytové Družstevnictví Faktografický materiál pro delegáty V.sjezdu ČSBD* Brno: DRUPOS, 1987). According to Ferdinand Koudelka (a professor in Urban Sociology), in the beginning of the 1980s, there still were about 35,000 dwellings in Prague administered by LBD's, in Northern Moravia, there were about 4,000, with another 10,000 spread throughout the rest of the country (Interview with Ferdinand Koudelka on March 26, 1993 in Olomouc).

381 TERPLAN -- Česka Komise Pro Vědeckotechnický a Investiční Rozvoj [Czech Commission for Planning and Investment Development] *40 Let Bytové Vystavby v Socialistickém Československu* [40 Years of Housing Construction in the Socialist Republic of Czechoslovakia] Praha: TERPLAN, March 1986, p.8.

he could not cover them from his own means (382). The end result was that most owners "donated" their buildings to the National Committee.

The National Committees also were granted the right to allocate the few flats that had remained in private hands, as well as parts of large private houses. All new building sites became state property. Ownership was abolished and replaced by the so-called personal use right (*osobního užívání*), a hybrid institution which had some features in common with rental tenureship, and others with traditional ownership rights (383). A privately built owner-occupied house no longer became part of the land upon which it was built. The plot and the house thus became to be the subject to two different juridical regimes. The new system found its legal basis in the new civil code, which argued that

"Le terrain, vu son caractère de moyen de production de base, ne peut jamais faire l'objet de la propriété personnelle du citoyen et c'est pourquoi, même lorsqu'une maison de famille a été construite sur le terrain, ce dernier appartient au citoyen en vertu d'un autre droit; il peut faire notamment l'objet de son droit privé. Au cas où le terrain fait l'objet de la propriété socialiste, le propriétaire de la maison de famille a, à l'égard du terrain, le droit d'usage personnel du terrain." (384)

Also in terms of construction firms, the private sector was phased out. Within five years the Government completely eradicated the what was left of the private construction industry (385).

382 In 1950, private renting still represented almost 21 per cent of all tenures (23.6 per cent in the Czech Lands and 14 per cent in Slovakia). But the new regulations made private renting completely unviable. The owner had to forfeit the right to his own property, income accruing from his property went into a special blocked account at the State Bank, and was released only for repair and maintenance. In addition this "revenue" was subject to a housing tax varying from 25 to 50 per cent. See David SHORT "Housing Policy in Czechoslovakia" in J.A.A. SILLINCE, ed. *Housing Policies in Eastern Europe and the Soviet Union* London: Routledge, 1990, pp.82-134 (p.90), and Přemysl RABAN *Housing Policy in Czechoslovakia* Prague: Orbis, 1986, p.14.

383 For a critical discussion of this institution in relation to the use of dwellings see Vojtěch CEPL "Problémy Osobního Užívání Bytu" [Problems involved in the Personnel Use of Flats] in *Právník* Vol.125, No.6, 1983, pp.514-525.

384 Article 198 of the Civil Code as quoted by Štefan LUBY "La Propriété Personnelle des Maisons de Famille et des Habitations" in *Bulletin de Droit Tchèque* Vol.7, No.2/4, 1966, pp.202-221 (p.206).

385 Státního úřadu Statistického *Československé Stavebnictví* Prague: Státní Uřad Statistický v Praze, 1960, p.10.

Table 16. The Phasing Out of Private Construction Enterprises 1948-1953

	end of 1948	1950	1953
National Enterprises	77%	80%	83%
Municipal Enterprises	2%	13%	15%
Cooperatives	1%	2%	2%
Private Enterprises	20%	5%	0%

The 1950 law liquidated the subsidies that had been introduced in 1946 and 1947 for renovating damaged and constructing new buildings. However, commitments from the past (previously granted state guarantees for mortgages loans and subsidies) would be honoured by the newly created Fund for the Administration of Housing (*Fondu bytového hospodářství* -- hereafter referred to as Housing Fund). This Housing Fund was to play a central role in the new housing policies. It would not only administer a new system of subsidies for the construction of new dwellings, but grant as well subsidies to owners to allow them to maintain their property. However, the latter subsidies were only to be granted "pour autant qu'il ne sera pas en état de les couvrir de ses propres moyens." (386). In effect, the government became the only building contractor and administrator for multi-dwelling housing. The only other type of construction and tenure that was tolerated was owner-occupied family housing erected under a "self-help" scheme.

4.4.4. Housing Construction and Central Planning (387).

In Communist Czechoslovakia the main institutional actors responsible for the planning of housing construction were the State Commission for Investment Building, the State Planning Commission, the Ministry of Construction, and the district-level and local National Committees (388). This formal command structure was closely integrated with the hierarchy of the party apparatus. This was not only assured by organisational and political lines of authority, but also by the fact that key persons had dual offices, thus creating personal linkages (389).

386 Jaromír BERA'K "Les principes de la Nouvelle Politique des Logements" in *Bulletin de Droit Tchécoslovaque* Vol.8, No.4, 1950, pp.393-402 (p.400)

387 For a useful general introduction to the Czechoslovak system of Central Planning see Michal, 1960.

388 See Jiří MUSIL *Housing Needs and Policy in Great Britain and Czechoslovakia* Edinburgh: Oliver & Boyd, 1966, pp.30-31.

389 For a perceptive analyses of this sort of integration in the case of the former GDR see Dietrich RUESCHEMEYER "Planning Without Markets: Knowledge and State Action in East German Housing Construction" in *East European Politics and Societies* Vol.4, No.3, 1990, pp.557-580). Rueschemeyer argues that even if the leading role of the Communist Party was never questioned, the state apparatus nevertheless did enjoy a certain autonomy from the party. "In fact, due to the

The State Commission for investment coordinated investments in the different sectors of the economy. The State Planning Commission prepared the "short term" (i.e. five to ten years) plans for housing construction, and allocated the planned number of dwellings to different sectors of the economy, and to various parts and regions of the country (390). Programmes for each sector were worked out, and implemented by a large number of Ministries -- the Ministry of Construction being the department principally responsible for the enterprises that built housing, though not for the preparation and implementation of the plan itself. This Ministry's local building enterprises also constructed factories, schools and other buildings to designs prepared in the Ministries responsible for the sectors and services concerned. The State Planning Commission allocated quota's to the twelve cantonal (*kraj*) administrations, each averaging a little over a million in population. These dwellings were distributed by the smaller units of district National Committees and special authorities established for major projects such as new towns. The construction programmes were financed through the state budget from revenue raised largely from taxes on productive enterprises (391).

The distribution of the housing programme among particular towns and cantons was based on estimates of shortage, population growth and the growth of employment, and the process of allocation called for a good deal of discussion and bargaining between these central and local authorities, i.e between the State Planning Commission and the planning departments of the district and local National Committees. However in these negotiations, lower levels of government were severely restricted in their autonomy. The various levels and strands of the planning system were integrated by two principles: strict hierarchization (the so-called "democratic centralism"), and "double subordination". It is through the latter principle that territorial and branch planning was integrated. It meant that the local planning of a small city was on the one hand controlled by the local National Committee, but at the same time received instructions from the planning department of a district National

concentration of technical and administrative expertise in the offices of the state machinery, one can even speak of a « far-reaching dependence of the party on the state in matters of professional competence »."

390 The first two-year plan (1947-1948) was not an all encompassing central plan. In addition, it had been directed by a pluralist Central Planning Commission composed of economic experts and representatives of all political parties, and of the trade unions. This commission was abolished in 1949 to be replaced by a Soviet type of State Planning Commission, and office which had the rank of a Ministry to which all the other industrial Ministries were subordinated. The first "real existing" five-year plan was in force from 1949 till 1953. During the years 1954 and 1955 there was no plan, and from 1956 onwards there normal cycles of five-year plans (1956-1960, 1961-1965, 1966-1970, 1971-1975, 1976-1980, 1981-1985, and 1986-1990).

391 D.V. DONNISON *The Government of Housing* Harmondsworth: Penguin Books, 1967, pp.124-126.

Committee, or from the work and welfare department of a district National Committee (392).

The actual construction was executed by five types of construction enterprises: enterprises controlled by the Ministry of Building and Construction (393), enterprises controlled by other Ministries, enterprises controlled by the 12 cantonal national committees, the district building enterprises, and cooperative building corporations. The 65 enterprises controlled by the Ministry of Building Construction were organised in 15 associations (394).

The first houses erected after the war had a relative high standard compared to the housing of the First Republic. However by the end of the 1940's it became to be considered "irresponsible" to construct such comparably large dwellings during a period of considerable housing shortages (395).

"in the course of the Two-Year Plan, housing schemes were based on the view that the then existing dwelling stock, primarily consisting of single- and two-room dwellings, should be supplemented by three-room dwellings with floor space of 50 sq.m. But the small number of flats completed at that time showed that such a conception was beyond the planned funds." (396)

From 1950 onwards, the standards were gradually lowered, as illustrated by the evolution of the average floor space of newly built dwellings. In 1949 this space still amounted 54.3 square meters, by 1951 it had declined to 48.2 square meters, in 1952 it dropped to a mere 41.6 square meters, in 1954 it amounted 39.4 square meters; and in 1959 it reached an all time low of only 35.9 square meters (397).

392 In this respect the system was comparable to that which existed in the GDR, which is analyzed in Rueschemeyer, 1990.

393 Which during the 1960s came to be regionalised. In 1985, the Czech and the Slovak Ministry of Building Construction realised 62 per cent of total housing construction.

394 Economic Commission for Europe, Committee on Housing, Building and Planning (internal report) *Country Monograph of the Czechoslovak Socialist Republic* Prague, July 1987,

395 See Musil, 1966, p.53.

396 Jiří VOŽENÍLEK "On the Problems of Housing in Czechoslovakia" in *Bydlení v Československu. Přehled bytové výstavby od roku 1945* Prague: Vyzkumny Ustav Vystavby a Architektury v Praze, 1958, pp.30.

397 Statistical Yearbook *Ročenka* 1959, p.123, and 1960, p.117. The sharp decline in 1952 occurred simultaneously with a sharp increase in the share of the state in the total number of dwellings, and is probably due to the completion of a series of new housing estates built according to a lower standard that corresponded more with "the economic possibilities". After 1960, the average size of dwellings started to go up again (1960: 38.9; 1965: 41.0; 1970: 45.0; 1975: 45.3; 1980: 49.6; 1985: 52.6 -- data from Short, 1990, p.87).

During the 1950s the Government also started with the large-scale industrialization of the construction industry. Even if the first large-scale housing designs were imported from the Soviet Union, including the production plant (398), the ideas underlying this policy were in fact a return to the constructivist concepts developed in Czechoslovakia during the First Republic. In 1956 the construction of Petřiny estate, the country's first *panalak*, was started in the Northwest of Prague. This estate was built using the so-called panel method, a system of "load-bearing wall-units with ceiling panels, the dimensions of the elements corresponding to whole rooms" (399). The panel method was to become the principal technology of construction during the three subsequent decades. It is on the basis of the panel method that the massive monotonous tower block developments occurred in the suburban fringe of the major cities of the country. The most striking of these estates were the Southern Town (*Jižní Město*), the Northern Town (*Severní Město*), and the South-Western Town (*Jihozápadní Město*), all agglomerations of estates on the outskirts of Prague, with a population varying between 80,000 and 150,000 inhabitants.

The 1958 reform of industry and construction established the large enterprise groups in the construction industry, the so-called Economic Production Units (*Vy'robní hospodářská jednotka* or VHJ), comparable to the East German *Kombinate* (400). In 1985, the construction sector was divided into 15 of such production units, comprising 65 construction enterprises (401). This concentration led to a monopoly situation which drove up prices. The construction industry became a strong relative autonomous institutional actor deriving its power base from its control over labour and construction materials. According to some calculations, the housing estates could in fact be built at half of the prices which were actually charged (402). This partly explains the failure of more recent planned neighbourhoods (*Komplexní Bytová Vystavba*). As the actual costs often dramatically exceeded the planned costs, savings had to be made by not building the surrounding infrastructure (grocery stores, play grounds, movie theatres, public transport etc.).

398 Francis W. CARTER "Prague and Sofia: an analysis of their changing internal city structure" in R.A. FRENCH & F.E. Ian HAMILTON, eds. *The Socialist City: Spatial Structures and Urban Policy* New York: John Wiley & Sons, 1979, pp.425-459 (p.429-430).

399 Voženílek, 1958, p.31.

400 See Dau & Svatosch, 1985, p.207.

401 The size of these enterprises varied between 100 and 9,000 employees (see *Country Monograph of the Czechoslovak Socialist Republic*, 1987, p.28).

402 A study of the engineer-architect Václav Xasalický, referred to by Koudelka in an interview on March 20, 1993 in Prague.

4.4.5. Housing Policy and the Stabilization of the Labour Force.

Attracting labour to the "key" sectors of the economy became one of the cornerstones of Stalinist housing policy (403). The problem was not only to convince workers to come and work in heavy industry. More important was to keep them there. The problem of labour fluctuation was manifested most characteristically in the mining industry, where as little as 17 per cent of new recruits stayed on their mining job. Housing came to be considered an ideal tool to "convince" workers not to change employment. As it took a few years to reorganize the construction industry, the Government decided to incorporate the construction of *single-family* houses into this policy of recruiting labour. Two categories of workers were to have priority access to such family houses: those who decided to go and work in what the regime considered to be the key sectors of the economy -- which basically meant the mining and the steel industry. The second group to have priority were

"les personnes ayant particulièrement mérité de la reconstruction de la patrie, notamment celles ayant été décorées de la Médaille tchécoslovaque du travail ou les vainqueurs de l'émulation socialiste ou celle de travailleur de choc tchécoslovaque." (404)

Enterprises in key industries constructed family houses for the first priority group. Once completed these houses were sold to the workers, with the enterprise covering one-third of the construction costs. The worker could borrow the remaining two thirds from the enterprise, and was only expected to pay half of the amortisations (amounting to 3 per cent per annum) of this loan, provided he remained in the same

⁴⁰³ The problem of an instable labour-force became particularly pressing after the abolishing of the stiff State Labour Reserve system of compulsory work assignments for graduates of the Labour Reserve Schools. This system had been introduced in December 1951, by the State Labour Reserve Act, Act No.110/1951 Sb., and Government Decree No.128/1951 Sb. In May 1952, the Government Decree No.20/1952 Sb. had extended the system to graduates from universities and professional schools (see also Decree 56/1953 Sb. and Act No.70/1958 Sb.). The system had reached its apex July 1952, when a decree *de facto* re-introduced serfdom by stipulating that no worker could be hired unless he had first obtained a proper release from his previous employment, which was only possible with the consent of the management and the approval of the labour department of the district National Committee. However this decree was never fully implemented and subsequently abandoned. Instead manpower came to channelled through a combination of semi-coercion, material enticement, and psychological pressure. Apart from the pension security and the sickness insurance system, housing came to play a central role in this policy (see Taborsky, 1960, pp.460-461 and Igor TOMĚŠ "Social reform: A cornerstone in Czechoslovakia's new economic structure" in *International Labour Review* Vol.130, No.2, 1991, pp.191-198).

⁴⁰⁴ Berák, 1950, p.398; also see Act No.195/1950 Sb.

production sector for 15 years (405). The worker was exempted from this 15 year rule if he became disabled, or if he was not responsible for the cancellation of his employment contract. If he decided to leave his employment before the expiration of the 15 years term, the house was bought back by the enterprise. The construction of family houses for the second priority group was financed by the Housing Fund.

In 1951 the policy shifted towards the construction of two-room flats. According to Evžen Erban, at the time Minister of Labour and Social Affairs, this type of flats would "provide the most effective means for the recruitment of young workers as permanent cadres". Heavy industry was granted an even larger share than the one it had enjoyed in 1950:

"The house-building investment programme for 1951 gives clear priority to heavy industry, whose share of the house-building quota has risen from 48 per cent in 1950 to 79 per cent in the Czech Provinces. On a national scale the share of heavy industry is 77.7 per cent." (406)

In addition the Government made the local National Committees

"liable to proceed in the allocation of available flats consistently in favour of those workers who are fulfilling their tasks under the Five-Year Plan in an exemplary fashion, and whose employment is of particular importance in the light of our planned economy." (407)

Shock workers were to be allocated flats irrespective of their place in their place on the waiting lists set up by the local National Committees.

405 Exposé of the Minister of Labour and Social Welfare on the Budget for the 1950, delivered in the Social Policy Committee of the National Assembly on March 21, 1950; reprinted as Erban, 1950, p.34.

406 Exposé by the Minister of Labour and Social Affairs on estimates, delivered in the Social Policy and Health Committee of the National Assembly on March 13, 1951, reprinted as Evžen ERBAN *The Czechoslovak Budget for 1951 for Peace and Social Progress* Prague: Orbis, 1951, p.26.

407 Erban, 1951, p.26.

5

The Consolidation and Moderation of the Stalinist Model under the Socialist Republic.

Czechoslovakia was the first East European country to claim to have completed the transition from capitalism to socialism. In July 1960, the 1948 constitution of the People's Democracy was replaced by a new constitution whereby the country called itself a Socialist Republic (408).

During this period, the Stalinist model of social policy was both consolidated and moderated. Initially, the Stalinist pension system was further developed. The scheme for cooperative farmers was more integrated into the wage-earner scheme, and during the 1960s this scheme experienced an economically induced backlash which resulted in the imposition of a tax on pension benefits. The moderation first occurred in the housing sector, where the accelerated industrialization had caused an acute shortage. In order to overcome this shortage, the regime re-introduced cooperative schemes to finance an ambitious housing construction program. In 1968 a reform of the pension system was prepared but not implemented. Some elements of this reform program were implemented from the 1970s onwards which extended the moderation of the Stalinist model into the sphere of social security.

5.1. The Reappearance of Cooperative and Enterprise Housing.

In November 1958, a "Letter from the Communist Party to the Workers" announced the launching of a massive building program to erect 1,200,000 new housing units by 1970. This ambitious program was to be realised by means of a large scale industrialization of the housing construction industry, and by the re-introduction of cooperative schemes of financing. Already in 1956, a few cooperative schemes had reappeared here and there, but now they were to become the principal means of financing new housing projects. There were two main reasons behind the re-introduction of cooperative schemes: (1) the use of private

⁴⁰⁸ The 1960 constitution more formally incorporated Marxist-Leninist concepts such as the Communist Party being "the vanguard of the working class" and the precept of "democratic centralism". It abolished "relics of the bourgeois era". Private property of the means of production (including land) was abolished. Only cooperative and state property were recognised by the new constitution (for a brief discussion see Slapnicka, 1970, pp.344-345; and Taborsky, 1961, p.178). For a general background to the developments during the 1950s and 1960s see Benjamin B. PAGE *The Czechoslovak Reform Movement 1963-1968. A Study in the Theory of Socialism* Amsterdam: B.R. Grüner, 1973, chapter 6.

purchasing power in a direction considered to be socially desirable (409); and (2) the further incorporation of the informal "administrative market" into the construction industry (410).

Cooperatives were thus re-introduced "with the aim of speeding up construction by recruiting the aid of citizens and their financial resources" (411). They were considered to be

"la forme typique sous laquelle la liaison des intérêts sociaux et des intérêts individuels peut être le mieux mise en valeur." (412)

In addition, they could reduce the costs of construction by involving the population in the process of supplying construction materials obtained via local networks, and in the maintenance of the buildings once they had been erected. The enterprise which employed the members of a cooperative also were to participate by supplying materials at a lower cost, by lending craftsmen and machinery, etc.

5.1.1. SBD Housing Construction Cooperatives.

The new cooperative schemes were legislated in the beginning of 1959 (413). The 1959 law regulated the so-called Housing Construction Cooperatives (*Stavebních bytovy'ch družstev* or SBD). Such cooperatives had to have a minimum of 12 members. A member had to be at least 18 years old and had to be employed in the socialist sector of the economy, or had to be a pensioner who had worked in that sector.

In order to join a cooperative a prospective member had to pay a *registration fee*, fixed at 100 crowns. Once the construction plans were ready, the future tenant had to pay the *membership fee* (the down-payment), which was determined by dividing that part of the construction costs which was not covered by state subsidies or banking credits. This part was divided between the members in accordance with the size and

409 See Economic Commission for Europe, Committee for Housing, Building and Planning *European Housing Progress and Policies in 1955* E/ECE/HOU/62 Geneva: United Nations, 1956, p.54.

410 The concept of administrative market has been developed by Elmer Hankiss in the context of Hungary. Hankiss defines it as "... an arena where the heterogeneous logics of the market and the redistributive economy, and those of the bureaucratic, one party, oligarchic and neo-corporatist forms of governance compete with one another in an informal chaotic way." (see Elemér Hankiss *East European Alternatives* Oxford: Clarendon Press, 1990, p.194). The concept seems to capture quite well the essence of former Soviet type of economies, as complete central planning was always more of an ideologically desired fiction than an empirical reality.

411 These are the words of the former Minister of Labour and Social Affairs, Evzen Erban (see Erban, 1962, p.241).

412 Jaromír ŠÍPAL "l'Édification Coopérative de Logements en Tchécoslovaquie" in *Bulletin de Droit Tchécoslovaque* Vol.17, No.3, 1959, pp.196-212 (p.198).

413 Act No.27/1959 Sb. For a discussion of this law see Schreiber, 1960, pp.95-104.

the equipment of their prospective flat. This membership fee could be reduced if the member participated in the actual construction work. In general, the membership fee amounted to 40 per cent of the total cost, the state subsidy financed another 30 per cent, and the remaining 30 per cent was covered by a loan granted by the State Bank at an interest rate of 3 per cent. The instalments of these loans generally were included in the "rents" paid by the cooperative tenants, in such a way that the loan was paid off after 30 years. The "rent" also covered the costs of maintenance, the insurance of the dwelling and various operational and administrative costs.

Basically there were two ways to establish a SBD cooperative: either the inhabitants of the same neighbourhood or the same district associated into a cooperative, or the employees working in the same enterprise cooperated. The membership of a SBD cooperative expired when a member died, when he left the cooperative, when he was expelled, or when the cooperative was abolished. However, in case of death, the membership claims could be passed on to the heir. A member could be expelled if he subleased (part of) his apartment without still living in it, or if he failed to pay the rent within the specified time limit. A member could appeal at the district National Committee against a decision by the members' meeting to expel him. Members could transfer their rights to other persons "under serious circumstances such as a change of employment or serious family problems" (414), and only with the consent of the cooperative.

SBD cooperatives were administered by four organs: the members' meeting (*členská schůzka*), the administrative board (*predstavenstvo*), a control commission (*revízní komisia*), and the house trustees (*domovní důvěrníci*). The members' meeting was the highest organ. It decided such issues as the membership fee, the allocation of dwellings, and more in general, it had to approve the decisions of the administrative board. Both the administrative board and the control commission were elected by the members' meeting. The members of the control commission could not be members of the cooperative or of the administrative board. The house trustees were elected by the tenants of a building and had to preserve order in the building, and mediate complaints of members with the administrative board. The activities of the SBD cooperatives, and the actual construction were supervised by the district National Committee (415).

414 Schreiber, 1960, p.100.

415 These "elections" were similar to other ballots in Soviet type of societies; and in practice, it was the chairman of the administrative board who took most of the important decisions. This chairman too was "elected" by the members' meeting, though in reality he was a Nomenklatura member appointed by the party. The administrative board also consisted predominantly of such nominated candidates

Under the law, cooperative schemes could only erect multistory buildings, containing at least 12 dwellings. The cooperative estates were exempted from the allocating power of the local National Committees. It was therefore possible to exceed the under-occupation standard, as the committees could not order the evacuation of a dwelling that was considered too large. However, if the size of the dwelling exceeded the national standard, the tenant became liable to a housing tax. Tenants were allowed to transfer their rights, only if they had to move for occupational reasons. If the tenant died the rights could be transferred to the heirs (if they wanted to join into the cooperative).

After the adoption of the new legislation, cooperative schemes developed rapidly (416).

Table 17. *The Early Development of the SBD Cooperatives.*

<i>date</i>	<i>tot. number of cooperatives</i>	<i>of which are employee-based</i>	<i>tot. number of members</i>	<i>of which employees</i>
30.11.59	239	137	13,173	6,717
30.04.60	544	295	30,000	14,735
31.12.61	842	442	75,281	36,219

Soon cooperation would become the most important form of tenure among the newly erected housing, and this would remain the case until the end of the Communist regime (417).

(about 15 to 18 out of a total of 20) (Interview with Miroslava Bakošková, affiliate of State Planning Commission from 1977 till 1990, on March 20, 1993 in Prague; and interview with Milan Tuček, chairman of the Social Welfare Commission of the district of Prague 8, on March 31, 1993 in Prague).

416 Jaroslav SCHREIBER *O Praci Zavodního Vyboru ROH na Bytovém a Sociálním Úseku* [On the work of the Works Committees of the Revolutionary Trade Union Movement in the Housing and Social Departments] Prague: Práce, 1962, p.20.

417 TERPLAN, 1986, p.15, p.22. The data for the period 1981-1985 are planning-targets which according to a graph in the *Country Monograph of Czechoslovakia*, 1987 (annex 3) were over-fulfilled as some 495,000 houses were actually built during that period.

Table 18. Dwellings Completed during the postwar Period by Type of Investor.

period	total	communal (state)	cooperative	enterprise and JZD	owner-occ. family h.
1945-1950	110,245	72.6%	0%	0%	27.4%
1951-1955	196,114	73.4%	0%	0%	26.6%
1956-1960	314,031	57.5%	3.2%	2.0%	37.3%
1961-1965	408,561	36.8%	27.7%	6.2%	29.3%
1966-1970	439,185	18.0%	48.5%	8.5%	24.9%
1971-1975	615,199	20.4%	30.7%	21.7%	27.2%
1976-1980	648,218	23.0%	30.5%	17.8%	28.7%
1981-1985	485,000	19.3%	43.5%	3.6%	32.8%

5.1.2. Enterprise Housing and Stabilization of the Work Force.

Cooperative schemes were favoured in part because they created a long-term relationship between the tenants and their flat and thereby contributed to the stabilization of the work-force (418). In addition, in cooperatives established by employees of a particular enterprise, one of the criteria used in drafting the waiting lists was "a certain appreciation of the worker by the enterprise" (419). The year 1959 also saw the reappearance of enterprise housing (420). This housing was allocated to the employees of the enterprise in agreement with the trade union committee of the enterprise (421). The employee had to pay a rent corresponding to that of a comparable communal dwelling (422). What in fact seems to have happened in 1959 was that the task of recruiting labour and of stabilizing the work-force by offering attractive flats was gradually transferred from the communal sector to the enterprises, which became

418 Irena LEROVA' The Relationship Between Housing and the National Economy pilot study of the Working Party on Housing of the Committee on Housing, Building and Planning of the Economic Commission for Europe of the United Nations, 22-24 April 1978. See also Vladimír TESAR "Social Welfare Programmes in Czechoslovak Enterprises" in *International Labour Review* Vol.117, No.4, July-August 1978, pp.441-451 (p.443).

419 "The Development of State Housing Policy in Czechoslovakia according...", 1985, p.63.

420 See Act No.47/1959 Sb. See also Oldřich NAVRA'TIL "The Role of Trade Unions in Public Control" in *Bulletin of Czechoslovak Law* Vol.22, 1983, No.1-2, pp.35-45.

421 See also Schreiber, 1962; and Jaroslav TYC "Joint Action and Joint Decision-Making with Trade Union Organs" *Bulletin of Czechoslovak Law* Vol.22, No.1-2, 1983, pp.25-34.

422 Irena LEROVA' *Financing of Housing* United Nations. Economic Commission for Europe, Committee on Housing, Building and Planning, Working Party on Housing, Eight Session 23-27 April, 1979, (HBP/WP.1/R29).

again themselves financially responsible for the construction of the housing for their employees (423).

From 1964 onwards it also became possible for enterprises to help their employees to buy a share in SBD cooperatives (424). The workers were required to repay 10 per cent of this credit within a period of 2-5 years after they moved into the flat. If the workers stayed within the enterprise for 10, 12 or 15 years (depending upon their occupation) they did not need to repay the rest of the loan. In 1976 this system was reformed, and enterprises were granted a stronger voice in the allocation of part of the dwellings erected under cooperative schemes. The scheme under which these dwellings were built was called "stabilisation cooperatives" (*Družstevní Stablizační Vy'stavba* or DSV). The new regulations made it possible to "allocate directly cooperative dwellings to specific branches of the economy and to selected enterprises" (425). From 1981 onwards traditional enterprise housing was phased out and its stabilizing functions were entirely taken over by the DSV cooperatives (426). This development is illustrated by the following figures from an internal report of the State Planning Commission (427).

423 The enterprises could deduct from their "profits" a contribution towards housing construction up to 50 per cent of the estimated costs, "thus reducing the basis upon which profits were calculated" (Irena LEROVA' *Mobilization of the Savings of the Population for Housing Construction in Czechoslovakia, Hungary and Poland* United Nations. Economic Commission for Europe, Committee on Housing, Building and Planning, Working Party on Housing (Internal Report for the Preparatory meeting for the seminar on financing on housing 14-16 February, 1973, p.8).

424 Act No.191/1964 Sb.

425 Irena LEROVA' *The Relationship Between Housing and the National Economy* United Nations. Economic Commission for Europe, Committee on Housing, Building and Planning, Working Party on Housing, Seventh Session 24-28 April, 1978 (HBP/WP.1/R22). Some of the more important districts in terms of stabilization cooperatives were the mining district of Choumutov in Northern Bohemia (3,016), the mining district of Ostrava (5,443), the districts of Žilina (2,054) and Martin (2,120), both centres of the armament industry in Slovakia, the district of Mláda Boleslav (1,016) the centre of S^akoda car manufacturing, the district of Pardubice (783) home of the Semtex factory, but also Prague capital (9,809), and Brno (4,259) (the figures refer to the number of stabilization dwellings built during the seventh five-year plan).

426 Economic Commission for Europe, Committee on Housing, Building and Planning, Working Party on Housing *Distributional Aspects of Housing and Taxation Policies* Prague, September 1989 (internal report), p.25.

427 TERPLAN -- Státní ústav pro územní plánování *Bytova Vy'stavba v U'zemích ČSSR v 7.Petiletce* (Housing Construction on the Territory of the CSSR during the 7th Five-Year Plan) Prague: TERPLAN, October 1986. The first percentage column refers to the share of all stabilization housing (enterprise based and cooperative based) of the total housing construction.

Table 19. *The Shift from Enterprise-based to Cooperative Stabilization Housing.*

Plan Period	Stabilization		Enterprise based (% of stab.)	Cooperative based (% of stab.)
	Absolute	% of total		
1961-1965	25,448	6.2%	25,448	0
1966-1970	37,803	8.6%	37,803	0
1971-1975	133,586	21.7%	133,586	0
1976-1980	218,004	33.6%	115,289 (52.9%)	102,715 (47.1%)
1981-1985	174,674	35.7%	30,584 (17.5%)	144,090 (82.5%)

5.1.3. *The Changed Nature of SBD Cooperatives.*

A unintended side effect of this shift towards cooperative based stabilization housing was an increased pressure on the cooperative sector. This pressure is illustrated by the following table representing the share of stabilization housing on the total number of apartments built under cooperative schemes (428).

Table 20. *The Share of Stabilization Housing of Total Cooperative Construction.*

Year	Total	of which are		Share of Stabilization
		Citizens	Stabilization	
1975	39,089	39,089	0	0%
1976	33,106	21,130	5,892	17.8%
1977	39,318	21,130	18,188	46.3%
1978	40,190	16,281	23,909	59.5%
1979	39,337	13,736	25,601	65.1%
1980	45,974	16,849	29,125	63.4%
1981	33,593	12,688	20,905	62.2%
1982	42,040	14,254	27,786	66.15
1983	44,996	13,972	31,024	68.9%
1984	43,520	14,845	28,675	65.9%
1985	49,916	14,216	35,700	71.5%

During the period 1984-1989, the share of stabilization was even as high as 89 per cent. The end result was that the waiting lists for dwellings reserved for "normal" citizens became very long, and that they came to be governed by similar considerations as the registers of the Communal sector. Social need became a more important criterion than the duration

428 Data from TERPLAN, 1986, p.22.

of membership (429). Membership became a mere investment, and if no case of urgency applied it took years before a flat was allocated (430).

The allocation procedures also came to be differentiated depending upon whether the dwellings were built by a large construction firm -- the so-called delivery cooperatives (*družstva dodavatelská*) -- or whether it were the future tenants themselves who had been constructing the building -- the so-called self-help cooperatives (*družstva svépomočná*). The registers for dwellings built under self-help schemes not only used social criteria and membership length, but also took into account the vocational skills of the applicant (i.e. to what extent his skills were useful for the construction of the building). The delivery cooperatives which were not used for stabilization purposes were attributed for one third using the criterion of length of membership, for two thirds they were allocated using similar criteria as in the communal sector (431).

In 1975 the relatively small SBD cooperatives were merged into much larger units per district (large districts, in particular the large cities of Prague, Bratislava, Brno and Ostrava were divided into several large units, and some of the huge enterprise conglomerates kept their own cooperative) (432). After the merger, there remained about 200 cooperatives in the Czech part of the country. Whereas before the merger, most SBD cooperatives administered only a few hundred

429 Already during the 1960s, state intervention in the allocation of dwellings built under cooperative schemes had been advocated. As the State bore part of the costs, it argued it had the right to have a say in determining which members were going to get which dwelling (see for example, the article "New Principles for Housing Construction Cooperatives" in *Práce* November 10, 1963).

430 For example, in 1985 about 29 per cent of the members of SBD cooperatives (i.e. 49,494 applicants) were waiting for a dwelling. This was already a considerable improvement compared to 1982 when more than 43 per cent of the members were waiting for an apartment (Česky Svaz Bytových Družstev Bytové Družstevnictví, 1987).

431 Tuček, 1993. In addition, Tuček mentioned a practice whereby some of the dwellings which were contracted by the state, under a scheme whereby they ought to have been administered by the regime of Communal dwellings, were given to SBD cooperatives. Probably this way the district National Committees tried to counterbalance the high losses in the communal sector, as the "rents" and other costs for the tenants in the cooperative sector, and thus the revenue for the administering institution, were much higher in the cooperative sector compared to the communal sector.

432 This merger only concerned the delivery cooperatives. The self-help cooperatives continued to exist on a smaller scale. The legislation (Decree No.47/1974 Sb. for the Slovak Republic and No.116/1975 Sb. for the Czech Republic) made a distinction between "A" type SBD cooperatives and "B" type cooperatives. "A" type cooperatives were directly administered by the tenant. This category consisted primarily of the self-help cooperatives. The other "B" type were indirectly administered by elected delegates. This category comprised the delivery cooperatives (see "The Development of State Housing Policy in Czechoslovakia according...", 1985, pp.45-46).

dwellings, the new large units controlled on average more than 3,000 dwellings. In 1985, the largest SBD cooperative was that of the Skoda factories in Plzeň which administered more than 12,500 dwellings; second came the Družba ("Fraternity") cooperative of Brno with 12,379 dwellings; third came two cooperatives in the mining district of Ostrava, both administering about 11,800 dwellings. In terms of their size, the SBD cooperatives in the Czech part of the country could be broken down as follows (433)

Table 21. Breakdown of the SBD Cooperatives in the Czech Part of the Country according to their Size in 1986.

size	number	percentage
more than 10,000 dwellings	9	4.5%
between 5,000 and 9,999 dwellings	34	17.0%
between 1,000 and 4,999 dwellings	101	50.5%
between 500 and 999 dwellings	31	15.5%
between 100 and 499 dwellings	20	10.0%
less than 100 dwellings	4	2.0%

5.1.4. The Communal Sector and the Role of the National Committees.

In 1964, the general regulations governing the administration of housing also were amended (434). Under the new regulations, the National Committees directly allocated the Communal dwellings, and also approved the allocation of dwellings that belonged to LBD cooperatives, to enterprises, to the army or that were owned by the Ministry of the Interior. They had no allocating authority for the apartments built under SBD cooperative schemes, though they did supervise in general the activities of those building associations.

In terms of design and construction, the delivery cooperatives were the same as the apartments in the communal sector, but the cooperatives catered for people who could afford the considerable down-payment and the higher "rents". In effect, the communal sector increasingly became a residual sector accommodating exclusively for low-income and/or large families, people displaced by slum clearance or mining operations, and

433 Calculations based on Český Svaz Bytových Družstev Ročenka. Vybrany'ch ekonomicky'ch ukazatelů organizací bytového družstevnictví ČSR za Rok 1986 June 1987 (annual report of the Czech Association of Construction Cooperatives for the year 1985).

434 See Act No.41/1964 Sb. For a translation in French of this law see *Bulletin de Droit Tchecoslovaque* Vol.7, No.3/4, 1966, pp.304-327.

other "cases of social interest" (435). However, what most official publications fail to mention is that a substantial part of the communal sector was reserved for the army and for persons "of public interest". In 1981, the State Planning Commission projected to allocate the 160,000 communal dwellings that were to be constructed under the seventh five-year plan as follows (436):

Table 22. Projected Allocation of Communal Dwellings under the Seventh Five-Year Plan.

compensation for slum clearance:	60,000	38%
armed forces	30,000	19%
social welfare (opatření)	40,000	25%
public interest	15,000	9%
health or hygienic reasons	10,000	6%
remaining	5,000	3%

Thus almost one-third remained reserved for what one could call "non social purposes".

The policies initiated during the second half of the 1950s were effective in boosting the production of housing. Whereas during the early 1950s Czechoslovakia had clearly lagged behind other countries in Europe, in terms of number of houses built per 1000 inhabitants, from 1960 onwards its housing production came closer to the European average, and the country even outpaced some countries in the West (437).

435 LEROVA', 1973, p.1. Large families also benefited from progressive rent reductions varying from 5 to 50 per cent, depending upon the number of children.

436 *Zpráva o průběhu realizace koncepce bytové politiky na 6. pětiletku* [Report on the implementation of the concepts of housing policy of the sixth five-year plan] Internal Document of the State Planning Commission [Státní plánovací komise] Prague, 1981.

437 Economic Commission for Europe, Committee on Housing, Building and Planning *Major Long-Term Problems of government Housing and Related Policies* Geneva: United Nations, 1966 (ST/ECE/HOU/20) Volume II, Annex II, p.22, Table B.9.

Table 23. A Comparison of Dwellings Completed per Thousand Inhabitants.

Year	Europe			Belgium	Czechoslov.	Sweden
	Whole	West	East (438)			
1954	5.1	6.5	2.7	4.4	3.2	8.1
1955	6.2	7.1	3.1	4.4	4.2	7.9
1956	6.5	7.2	3.5	4.3	5.1	7.8
1957	7.6	7.3	4.5	4.8	5.1	8.8
1958	8.3	6.9	5.0	4.5	4.3	8.4
1959	9.0	7.4	5.2	4.9	5.4	9.3
1960	8.9	7.6	5.4	5.3	6.0	9.1
1961	8.6	7.6	5.9	5.6	6.7	9.8
1962	8.4	7.6	5.6	4.9	6.6	10.0
1963	8.3	7.6	5.4	4.7	6.4	10.7
1964	8.5	8.4	5.6	4.7	6.2	11.4

5.2. Social Security Act of 1964.

The main goal of the 1964 reform of the Social Security Act was to limit the cost explosion caused by the relatively generous system that had been introduced in 1956. In January 1964, the party's newspaper *Rude právo* wrote "the increase in expenditures for social security has outrun the economic capacity" (439). And indeed, in 1964 national income had decreased for the first time since the end of the Second World War (440).

5.2.1. The Amendments of the Eligibility Conditions and of the Benefit Structure.

The 1964 reform moved some occupations from the second to the first category, increased the minimally required period of employment from 20 to 25 years, and created a sort of intermediate class between the

438 excluding the USSR.

439 *Rude právo* January 26, 1964 as quoted and translated in Alois ROZEHNAL "Public Welfare in Today's Czechoslovakia" in Miloslav RECHCIGHL, ed. *Czechoslovakia Past and Present* Volume II The Hague: Mouton, 1968, pp.524-536. According to the chairman of the State Social Security Office, Evžen Erban, by 1956 Czechoslovakia had become the country with the highest per capita social spending in the world. The country spent on average 900 crowns, whereas Sweden spent 750 crowns, West Germany, 650 crowns, France and Britain 600 crowns and Denmark 500 crowns (article in *Práce* October 27, 1956, quoted by Rozehnal, 1960, p.118).

440 Whereas in 1961 national income had grown by 6.6 per cent, this had dropped to 1.5 per cent in 1962, to become negative, -3.2 per cent in 1963. For a discussion of this recession see Miroslav BERNASEK "The Czechoslovak Economic Recession, 1962-1963" in *Soviet Studies* Vol.20, No.4, 1969, p.460; and George FEIWEL *New Economic Patterns in Czechoslovakia* New York: Praeger, 1968, pp.131-159.

first and the second category of work where the retirement age was set at 58 years (441). Pensions were incorporated into a pro-natalist policy by making the retirement age of women dependent upon the number of children they brought up. If a women had been employed for 25 years her retirement age could be as follows:

at 53 if she had brought up five children or more
 at 54 if she had brought up three or four children
 at 55 if she had brought up two children
 at 56 if she had brought up one child
 at 57 if she had not brought up any children

The law also counted adopted children and "children for whose care the women had assumed responsibility in substitution for the parents." (442)

The 1964 reform also made the acquisition or extent of a pension entitlement entirely contingent upon the period of an employment contract. Until 1964, employment prior to 1957 was only taken into consideration in the calculation of the benefits if it had been covered by insurance contributions. Under the new system, actual employment became the decisive criteria for evaluating pension claims. This was the final step to eliminate discrimination between manual workers and salaried employees, as up to then

"the pensions of workers were lower for the same period of employment than those of other employees because social insurance for workers was not introduced in Czechoslovakia until 1926." (443)

By no longer using the period of insurance but rather the period of wage employment, this comparative disadvantage was finally overcome (444).

5.2.2. *The Taxation of Pension Benefits.*

Probably the most important reform was the introduction of a special pension tax "in order to eliminate the discrepancy between taxed and untaxed incomes". This tax was "naturally" also expected to have "an effect on the social security expenditure" (445). The tax was levied on pension benefits which exceeded 700 crowns per month, and had a progressive scale with rates ranging from 1 per cent to 12.5 per cent. The

441 For more details see Act No.44/1964 Sb. articles 5 and 11.

442 Act No.44/1964 Sb. article 11, paragraph 4.

443 J. ŠIKL "The Amendment of the Social Security Scheme" in *Social Security in Czechoslovakia* Vol.9, No.1, 1965, pp.1-10 (pp.2-3).

444 See also Tomeš 1967, p.67 and the introductory report to Act 101/1964 Sb.

445 See also Šikl, 1965, p.7.

savings achieved by these curtailments were said to be used for adjusting lower pensions (446). The law also re-confirmed the authority of the district National Committees

"to make suitable adjustments to pensions which have been granted under a pension scheme or pension insurance scheme and which they consider unduly high, having regard to the fact that the pensioners concerned were representatives of the former political and economic system or were former employers who exploited the labour of other persons or were persons who took a particularly active part in the repressive machinery of that system, if they have not reacted favourably to the educative influence of socialist society." (447)

Another measure aimed at limiting expenses was the ultimate liquidation of what was left of supplementary pensions (448).

5.2.3. *The Status of Working Pensioners.*

The 1964 act replaced the system whereby working pensioners received one third of their benefit by a system in which pension benefits were increased in proportion to the length of the economic activity after reaching the official retirement age (449). Under the new regulations the pension claim was raised by 4 per cent of average earnings, for each additional year beyond the official retirement age.

5.2.4. *The Integration of the Various Schemes.*

The reform brought closer the integration of the pension scheme for the members of the armed forces (450), and the pension scheme for members of "advanced" cooperatives into the normal wage-earner social security scheme (451). The scheme for members of cooperatives had

446 Josef SUCHEL "Financing of the Pension Scheme and Adjustment of Pensions in the Czechoslovak Socialist Republic" in *Pensions and Inflation. An International Discussion* Geneva: International Labour Office, 1977, pp.83-88.

447 Act No.44/1964 Sb. article 141.

448 In 1956, out of a total of 7,373 million crowns, about 10 per cent or 72 million were spent on supplementary pensions (Kolovratník, 1957, p.184).

449 Ladislav PISCA "Some Remarks on the Development of Social Security in Czechoslovakia" *International Labour Review* Vol.92, July-December 1965, pp.223-233 (p.230).

450 These were included in the wage-earner act, but kept some of their privileges and their own two-category system. In the first category, the retirement age was kept at 55 years, in the second category at 57, conditional upon a minimum service period of 25 years (for more details see Act No.44/1964 Sb. articles 96-104).

451 In 1964, the scheme for cooperative farmers still was regulated by a separate law (Act No.45/1964 Sb.). In this law "advanced" cooperatives are referred to as "cooperatives having a high standard of economic efficiency".

already been brought closer to the wage-earner scheme in 1962 (⁴⁵²). It seems to be the case that the criteria for attributing the quality label of "advanced cooperative" were changed. According to the new regulations, a cooperative was "advanced" if it had "a higher level of management" and if it had "consistently fulfilled its obligations towards the state. The cooperative also had to have introduced a system of cash wage payments. In effect it seems that under the new regulations, only what previously were called *type IV* JZDs were eligible for the "advanced" quality label. In addition the cooperative had to display "above average results" compared to other cooperatives in the production region.

The members of "advanced" cooperative became subject to the same basic provisions and no longer had to pay contributions. Their contributions came to be paid directly out of the operational funds of the cooperative and amounted to 11.2% of total remunerations (⁴⁵³). Their retirement age was made similar to that of normal wage-earners (i.e. 60 for men and 53 to 57 for women depending upon the number of children they had raised, provided they had been engaged in a gainful activity for 25 years). The rates of the pension benefits they were entitled to became similar to those of the persons who applied to the third category of work in the wage-earner scheme.

⁴⁵² Act No.32/1962 Sb. These amendments are discussed at large in Bohumil ERBEN "Social Insurance of Cooperative Farmers in Czechoslovakia" in *For Socialist Agricultural Science* Vo.12, No.1, 1963, pp.1-9.

⁴⁵³ Šikl, 1965, p.8.

Table 24. Conditions for the Three Occupational Categories and for Members of Agricultural Cooperatives under the 1964 Scheme.

Occupational Cat.	I	II	III	Adv. Coop
Minimum Employment	25 years	25 years	25 years	25 years
Retirement Age Men	55 years	60 years	60 years	60 years
Retirement Age Women	53-57 years	53-57 years	53-57 years	53-57 years
Basic Rate	60%	55%	50%	50%
Increments (from year)	2% (21th)	1.5% (21th)	1% (26th)	1% (26th)
Minimum benefit (454)				
if employed > 15 years	300 Kčs	300 Kčs	300 Kčs	300 Kčs
+ 1	330 Kčs	330 Kčs	330 Kčs	330 Kčs
+ 2	360 Kčs	360 Kčs	360 Kčs	360 Kčs
+ 3	400 Kčs	400 Kčs	400 Kčs	400 Kčs
if employed > 25 years	400 Kčs	400 Kčs	400 Kčs	400 Kčs
+ 1	440 Kčs	440 Kčs	440 Kčs	440 Kčs
+ 2	480 Kčs	480 Kčs	480 Kčs	480 Kčs
+ 3	520 Kčs	520 Kčs	520 Kčs	520 Kčs
Maximum benefit	2,200 Kčs	1,800 Kčs	1,600 Kčs	1,600 Kčs
Relative maximum benefit				
normal retirement age	no limit	70%	60%	60%
if worked beyond n.r.a.	90%	90%	90%	90%

Members of "non-advanced" cooperatives remained subject to a pension scheme which still much resembled the old scheme for self-employed persons (455).

454 The formula was rather complicated. The figures refer to the guaranteed minima, provided the pensioner worked one, two or three years beyond his official retirement age, and make a distinction whether he had been gainfully employed for at least 15 years or at least 20 years.

455 It is not entirely clear how they were expected to contribute. Presumably the "non-advanced" cooperative too was subject to the 11.2 per cent contribution tax on its wage fund. Except for some marginal increases in both the contributions by the insured and the benefits, this scheme had hardly been adjusted to economic developments, and therefore lagged behind the other schemes, even more than before.

Table 25. The Basic Monthly Pension Benefit for Members of "Non-Advanced" Cooperatives under the Rules of the 1964 Act.

pension class	average monthly earnings	basic monthly benefit
I	less than 300 Kčs	230 Kčs
II	300 Kcs to 449 Kčs	270 Kčs
III	450 Kcs to 599 Kčs	310 Kčs
IV	600 Kcs to 749 Kčs	350 Kčs
V	750 Kcs to 899 Kčs	390 Kčs
VI	900 Kcs to 1199 Kčs	440 Kčs
VII	1,200 Kčs to 1,499 Kčs	500 Kčs
VIII	1,500 Kčs and more	560 Kčs

These basic rates were increased by 1 per cent for every year of gainful employment, but no more than 20 per cent, and with an absolute maximum of 600 crowns, even if the pensioner continues to work after the official retirement age.

5.3. The Reform that was not Implemented: 1968.

The 1964 amendments were strongly criticised during the years leading to the Prague Spring of 1968⁴⁵⁶. In April 1968, the State Office for Social security was transformed into a new Ministry of Labour and Social Affairs. The last director of the office, the Slovak Michal Štancel, became the new Minister. He immediately called upon an expert commission to prepare a fundamental reform of the social security system. This commission consisted of Jan Koloušek -- a representative of the trade unions, Igor Tomeš -- a professor in social security, Valter Vergeiner -- a social insurance expert of the former State Office for Social Security and editor of the theoretical journal *Sociální Revue*, and Karel Pinc -- a professor in social law⁴⁵⁷. This group prepared a radical reform blueprint, the so-called Social Program (*Sociální Program*)⁴⁵⁸.

⁴⁵⁶ For a brief discussion of the developments leading to the 1968 uprising see Wallace, 1976, pp.295-316. For a more comprehensive analysis see Vladimír V. KUSIN *Political Groupings in the Czechoslovak Reform Movement* London: Macmillan, 1972; or Page, 1973, in particular, chapter 1. An official account of this "Crisis of Socialism" and of the subsequent "Normalization" can be found in Dau & Svatosch, 1985, pp.230-255.

⁴⁵⁷ Pinc, 1993.

⁴⁵⁸ Though never implemented, some parts of the report were published by the Ministry of Labour and Social Affairs during the year following the Soviet invasion as Ministerstvo Práce a Sociálních Věcí CSSR *Sociální program. Se zvláštním zaměřením na sociální zabezpečení* Prague, April 1969. At the time, Tomeš also wrote an article discussing the main traits of the reform proposals "to present them to and expert public opinion" (see Igor TOMĚŠ "Sociální Politika v Sociálním

5.3.1. *The Re-establishing of a Separate Social Fund.*

Probably the most important proposal was the call for a separation of the means of social welfare from the incomes and expenses of the state budget: the program proposed to re-introduce separate "fund" management for the social security system (459). However, the Central Committee vetoed the very idea of establishing a separate social fund and accused the authors of the Social Program of being "revisionists". One of the authors of the program, Karel Pinc described the situation as follows:

"Il y avait certaines de nos propositions qui étaient inacceptables pour le gouvernement, surtout celles concernant la séparation du financement de la sécurité sociale du budget national parce que cela aurait enlevé la possibilité d'utiliser les ressources sociales pour d'autres buts budgétaires. On nous appelait le clan révisionniste qui voulait ré-introduire l'économie de fonds ... nos propositions étaient surtout opposer par certains membres du Comité Central du PC. Il était difficile de trouver des adversaires qui étaient prêts à se battre ouvertement avec des arguments, par ce qu'il n'y avait pas des arguments crédibles pour défendre ce refus de créer un fond social séparé. On pouvait discuter avec Mr. Stancel, mais il devait expliquer cela devant le Gouvernement sans que le Premier Ministre ne se fache, et cela dépendait de ce qu'on lui avait dit à la dernière reunion du Comité Central du PC." (460)

5.3.2. *The Problem of the Valorization of Benefits.*

The Social Program also proposed the introduction of a valorization mechanism which would better take into consideration the standard of living attained by the whole population. One of the authors of the Social Program, Igor Tomeš, has commented on this proposal that

"On envisage l'introduction d'un système d'adaptation des pensions selon les modifications survenues dans les conditions de vie (prix et salaires)." (461).

In 1969 Tomes was still optimistic about the prospects of such a system.

Zabezpečení" [Social Policy in Social Security] in *Sociální Zabezpečení* No.8-9, 1968, pp.12-16).

459 See in particular, *Sociální program...*, 1969, p.51-52.

460 Interview with Karel Pinc, on March 18, 1993 in Prague.

461 Up to then, occasional increases of the lowest pensions had been a sort of functional equivalent of a valorization mechanism. However these increases, by only affecting the lowest pensions, led to an increased levelling of the benefit structure. Between 1956 and 1975 there have been 7 of such occasional increases. The valorization proposals had been developed during a symposium on social security which took place in Prague in May 1966 *Sociální Zabezpečení v Socialistické Společnosti* [Social Security in Socialist Society] Economic and Legal Symposium on Social security held in Prague, May 17-20, 1966.

"On commença par la valorisation des pensions en augmentant la pension minimum de 11% et les autres de 45 à 100 Kcs et en fixant pour les basses pensions, un taux d'allocation supérieur. Par là, le gouvernement s'est engagé sur la voie de la valorisation des prestations sociales par rapport à la hausse du coût de la vie." (462)

But as will be argued below, this avenue was not further pursued.

5.3.3. *Liberalising Social Pensions.*

Another core element of the Social Program was the proposal to re-introduce unconditional social pensions "sur une base unique, pour toutes les citoyen nécessaires" (463). This would have meant a return to the 1948 concept of a social pension as a social right. This proposal was partly implemented in 1969. That year saw the introduction of a "minimum pension as the sole source of income" (464). This minimally guaranteed pension was initially fixed at 445 crowns.

Finally, the Social Program wanted to reunite the whole system, introduce uniform benefits, abolish the system of occupational categories, and reinstate a system of multiple pillars allowing for superannuation schemes. These proposals did not find any response in the amendments that would be implemented during the last two decades of the Communist regime.

5.4. **Partial Improvements in the Pension System during the Period of Normalization.**

5.4.1. *The New Federal Structure of the Country and its Impact on the Organisation of the Pension System.*

In 1969 the country was transformed into a federal state. This of course had repercussions for the administration of the social security system. Under the new state structure, there was a Federal Ministry of Labour and Social Welfare and two regional ministries of labour and social affairs, one for the Czech Republic, and one for the Slovak Republic. The Czech and the Slovak State Boards for Social Security became directed by these two regional ministries. The two regional ministries were expected to cooperate with the Federal Ministry in order

462 Tomeš, 1971, p.151 (this article was written in 1969). The demand for a system of automatic valorization goes back to 1947, when the trade unions, at the occasion of their second congress advocated a system of valorization (for a discussion of the debate on valorization see Tomes, 1965, pp.453-454).

463 Tomeš, 1971, p.157.

464 Miroslav HIRŠL *The Development of the Minimum Social Benefits in Czechoslovakia* Prague: Vy'zkumny' sociálního rozvoje a práce, 1991, p.2. In fact it seems to be the case that this was not a real novelty, but rather an amendment of the existing means-tested social pension.

to carry out "all duties in the social security field that derive from the uniform application of social policy". The tasks and the competencies of the National Committees were not significantly affected by the federalisation.

5.4.2. Valorization Again.

As argued, the proposal of the Social Program to introduce a system of automatic valorization was not implemented. However, in 1971 the Communists Party did promise to introduce such a mechanism in due time (465). The rejection in 1969 had been related to both ideological and empirical considerations. Ideologically the regime had been committed to a policy of reducing prices, and during the second half of the 1950s the government had been quite successful in implementing this policy: the official price index dropped from 100 in 1955 to 91.2 in 1960. However, starting with the economic crisis of 1963, this policy gradually became untenable. Initially, the government tried to keep price levels constant by increasingly subsidising basic consumer products. However, towards the end of the 1960s, prices started to go up again. The price index reached 101.8 in 1970 (466). The government started to abandon the policy of limiting wage increases which had accompanied its restrictive price policy throughout the postwar period. Towards the end of the 1960s the country experienced sharp wage increases (467). In 1969, some form of valorization was introduced which adjusted current pensions by means of increments keyed to price increases. According to Suchel this "had the practical effect of preserving their value" (468). However, this assertion remains debatable as these sort of measures did not imply a systematic mechanism. In fact they were simply a continuation of the policy of arbitrary ad-hoc increases which dated back to the 1953 currency reform.

During the early 1970s the government seemed to have been successful in returning to a policy of price stability. The official price index only marginally increased from 101.8 in 1970 to 102.2 in 1975. This empirical evidence partly explains why a new proposal for automatic valorization, worked out in 1975 by the Deputy Federal Minister of

465 See the documents of the XIV Congress of the KSČ in 1971.

466 Data from *Statistická Rocenka Československé Socialistické Republiky* [Statistical Year-book of the Czechoslovak Socialist Republic] 1986 p.24-25.

467 In 1959, average nominal wages amounted to 15,888 crowns; by 1964 they only went up to 17,472 crowns; however, by 1968 they had jumped to 21,000 crowns (see Krejčí 1977, p.63). During the 1970s wages continued to grow substantially to 23,134 crowns in 1970, 31,644 crowns in 1980 and 36,648 crowns in 1988 (data from the Federal Ministry of Labour, 1992).

468 Suchel, 1977, p.85.

Labour and Social Welfare, Jaroslav Havelka, was again rejected. Commenting on this rejection, Havelka has argued that

"in view of the available statistical information, this was a logical decision: there had only been an increase in prices of two per cent during a period of twenty years." (469)

However, in view of the relative important inflation that was to take place during the subsequent decade (470), he also concluded that "a systematic indexation would have been desirable" (471).

5.4.3. *The Amendments of the Social Security Act in 1975.*

In 1975 the Social Security Act was again revised, but, with the exception of the abolishing of the tax on pensions, this revision did not lead to fundamental amendments (472). The 1975 reform formally integrated the scheme for cooperative farmers into the wage-earner scheme. It was argued that this formal unification had been made possible "in view of the level achieved in the socialisation of agriculture" (473). The law explicitly mentioned the contributions cooperatives were required to make to cover part of the expenses of the social security system. These contributions were fixed at 12.5 per cent of the total remunerations paid. However, these contributions were primarily intended to cover the expenses of the sickness scheme and the family allowance scheme. The law does not mention a similar contribution which other enterprises were again required to make since 1971 (474).

469 Interview with Jaroslav Havelka, on March 19, 1993 in Prague. Havelka substantiated his claim by referring to data from the Statistical Year-books. However, according to a study of the *Wiener Instituts für internationale Wirtschaftsvergleiche*, there was a much more significant inflation. According to this institute, the price index in 1965 was at 70, in 1970 at 87, to reach 100 by 1975 (See Bruno SCHÖNFELDER *Sozialpolitik in den sozialistischen Ländern* München: Günter Olzog, 1987).

470 In 1980, the official price index reached 113.2, by 1985 it was as high as 123.0. This thus amounted to an average *annual* inflation of more than two per cent.

471 The government nevertheless regularly increased the minimum guaranteed pension benefit in 1971 (550 crowns), in 1976 (600 crowns), in 1979 (780 crowns), in 1982 (880 crowns), in 1985 (950 crowns) and finally in 1987 (1,000 crowns). In addition, a study of Jana KLIMENTOVA, published in *Informační zpravodaj*, an information journal of the VUSRP Prague branch, revealed that by 1986, the real value of pension benefits had dropped to 85.8 per cent of its 1975 value.

472 A translation of the 1975 revised Social Security Act (Act No.121/1975 Sb.) can be found in *Bulletin of Czechoslovak Law* Vol.17, No.3-4, 1978, pp.217-296. The reprint of the International Labour Office *Legislative Series* 1975 Cz.3 has left out some important paragraphs.

473 Suchel, 1977, p.87.

474 These contributions were regulated by the legislation "on income tax and social security contributions". Two laws were relevant in this respect. According to Act No.11/1971 Sb. the normal state enterprises were required to pay a contribution/tax

The 1975 reform increased the maximum allowed benefit for the first category of work from 2,200 crowns to 2,500 crowns, and for the second category of work from 1,800 crowns to 2,150 crowns (475). The minimum basic benefit was set at 400 crowns. Total pension benefits, including all increments could not exceed 3,000 crowns. The new regulations removed the relative ceilings of benefits granted at the normal retirement age, though they maintained the 90 per cent limit on total pension benefits (i.e. including increments due to continued employment after the official retirement age). The law also legislated an important increase of pensions which were granted before 1957 and which had become inadequate. This measure affected 93 per cent of pensions or some 3,000,000 people. The increases varied between 60 and 200 crowns per month, depending upon the level of the benefit (higher benefits were granted larger bonuses).

The 1975 amendment increased the increments granted to pensioners who continued to work after the official retirement age from 4 per cent to 7 per cent for each additional year (or 1.75 per cent for every three months if continued employment was less than a year). In addition, the pensioner could decide to receive his full pension and work at short term jobs for a full wage, up to 180 days per year. In 1977, working pensioners formed 8.2 per cent of the labour force of the national economy. Most of them worked in agriculture (21.2 per cent of the labour force in that sector), in communal services (7.9 per cent), in trade (6.8 per cent), in health care (6.9 per cent), in education (6.3 per cent) (476). By 1983 there were 692,000 working pensioners in the country. In addition there were some 185,000 persons of pensionable age working on cooperative farms. Thus, almost one out of three pensioners still had some form of employment (477)

On the whole one can conclude that the 1975 reform in a way restored the 1956 Security Act and tried to repair some of the injustices which the system had developed. According to official interpretations,

amounting to 25 per cent of their wage fund. Enterprises "with predominantly commercial functions and research development institutes" only paid 10 per cent. According to Act No.113/1971 Sb. cooperatives, communal enterprises and district building corporations were required to pay a contribution of 10 to 15 per cent of the total wages paid (see Suchel, 1977, pp.84-85).

475 The 1975 does not mention a maximum for the basic rate for the third category, but that is presumably because it was assumed that it was technically impossible to accumulate a pension exceeding the maximum of the second category.

476 Jan ADAM "Regulation of Labour Supply in Poland, Czechoslovakia and Hungary" in *Soviet Studies* Vol.36, No.1, 1984, pp.69-86.

477 Havelka & Špačková, 1983, p.67.

this was made possible by "the results achieved in economic development" (478).

5.4.4. *The Partial Amendments of the Social Security Act from 1988 onwards.*

After the 1975 reform the pension system basically remained the same until the collapse of the Communist regime. In 1985 another major reform was started to be prepared. This reform should have been implemented during the period 1988-1990, but because of the ousting of the Communists in 1989, only some elements have actually been legislated. Under this reform, a system of automatic valorization along the lines proposed in 1968 would have finally been realised (479). The automatic valorization was never implemented, but some other elements of the prepared reform actually were legislated. In 1988, for example, the benefit formula was improved by increasing the part of the average annual remunerations which was fully taken into account for the calculation of the benefit (480). Maximum pensions granted at the normal retirement age were increased to 3,300 crowns (first category), 2,900 crowns (second category) and 2,800 crowns (third category). The maximum pension including increments for continued employment after the official retirement age were increased to 3,800 crowns, and the means-tested social pension was increased to 1,000 crowns.

5.5. **Housing Policies during the Period of Normalization.**

The so-called period of normalization did not bring any substantial changes in the field of housing policies. Despite a policy of systematically favouring the construction of multi-family cooperative housing, owner-occupation remained the most important form of tenure. Towards the end of the period analysed the Government took some timid

478 Jaroslav LUHAN "The Guiding Principles of Social Security in Czechoslovakia" in *Bulletin of Czechoslovak Law* Vol.17, No.3-4, 1978, pp.173-181.

479 The system was to take effect in October 1990. Pension benefits were to be "increased by 4 per cent up to 5 years after being awarded and thereafter regularly every 5 years. Such a system could not ensure the adjustment of pensions either to the growth of prices or the growth of wages, even though it was expected that it would be further improved after 1990" (Igor TOMES *Reasoned Statement on the Draft Principles for the Introduction of a System of Valorization of Pensions* Internal Document of the Federal Ministry of Labour and Social Welfare (translated for the International Labour Office), Prague, 1990, pp.2-3).

480 Act No.100/1988 Sb. Up to then only a sum of 2,000 crowns was fully taken into account. The part from 2,000 crowns to 5,000 crowns was only included for one third. After 1988, the amount counted fully went up to 2,800 crowns, the part from 2,800 crowns to 6,000 crowns was counted for one third, and the part from 6,000 crowns to 10,000 crowns was counted for one tenth.

steps towards a more diversified housing policy. This relative stability of a regime that seemed to have consolidated itself allows for the making of a balance of the costs of housing under "normalised" Communism.

5.5.1. *The Persistence of Owner-Occupation.*

One of the surprising aspects about housing in Czechoslovakia is the persistence of owner-occupation. In 1966 still about half of the housing stock remained owner-occupied, and by 1980, still more than 46 per cent was of that tenure type (481). The 1966 share was substantially higher than the comparable figure for Sweden (36.0 per cent), and even slightly higher than that for Belgium (49.7 per cent). At first this seems to be surprising for a country which, with the exception of the Soviet Union, probably went the furthest in abolishing the private ownership of the means of production. However, Marxist-Leninist theory makes a distinction between private ownership of the means of production, and ownership of property for personal use. As was argued, throughout the 1950s private ownership of housing for the purpose of extracting profit was virtually made impossible. However, "personal ownership" of family houses continued to flourish. But what exactly "personal ownership" should mean remained a troublesome question. Ownership by the occupants of a family house for their own use was clearly permitted. But was this true even if the space was too large for the family? Could the house be sold for a profit? Could it be inherited? If so, could the heirs sell it to others? The authorities formulated answers to these questions which can be considered to be a combination of Marxist-Leninist logic and realistic pragmatism (482): the house could be inherited, and used by the heirs; it could be sold or even rented out -- however subject to a permission of the local National Committee, and for a price subject to their approval. As was argued, this was made unattractive through restrictive regulations and heavy taxation, so that little if any profits could be reaped.

Thus, owner-occupation was not simply a heritage from the past. After 1948 it became one of the two remaining tenure forms allowed for

481 *Major Long-Term Problems of government Housing and Related Policies 1966* (ST/ECE/HOU/20), table A.6 Annex II, volume 2; *Country Monograph of the Czechoslovak Socialist Republic*, 1987, p.19. Other East European countries even boasted higher shares for owner-occupation. In 1960 Hungary for instance, that share was 62 per cent and in Yugoslavia it even amounted to 78 per cent (Donnison, 1967, p.118), in 1981, in the GDR 54.3 per cent of all housing units were personally or privately owned. (See Lennart J. LUNDQVIST "Germany. And what now, when the twain have met" in Bengt TURNER and József HEGEDŰS, eds. *The Reform of Housing in Eastern Europe and the Soviet Union* London: Routledge, 1992, pp.71-143.

482 For a discussion on how these questions were resolved in the case of the GDR see Lundqvist, 1992, pp.82-90.

new construction, whereas cooperative schemes had been abolished. During the first half of the 1950s, the construction of owner-occupied family housing (483) amounted to almost 30 per cent of total housing construction. At the time, there were important regional differences. In Slovakia the share of family houses was as much as 45 per cent, whereas in the Czech lands it was a only 14 per cent. Peter Michalovic has related this difference to what he calls "the traditional value orientation of the Slovakian people, for whom ownership represents a basic status symbol." (484). However, the differences can also be explained in a less prejudiced way. As the construction of family houses was up to the middle of the 1960s largely concentrated outside the cities, both because of tenure regulations and planning restrictions, and as Slovakia was far less urbanised than Bohemia (and to a lesser extent Moravia), one could expect the share of family houses to be much lower in the Czech lands. When these regulations changed, from the 1960s onwards the share of owner-occupied family housing systematically increased in the Czech lands, while at the same time it went down in Slovakia (which can be related to the industrialisation and increased urbanisation). By 1981, the share of owner-occupied family houses was the same in the two parts of the country (485).

Table 26. Absolute and Relative Share of New housing Construction in Slovakia and in the Czech Lands.

<i>period</i>	<i>Slovakia</i>	<i>Czech Lands</i>
1951-1955	36,249 (44.8%)	15,950 (13.8%)
1956-1960	80,035 (60.6%)	37,142 (20.4%)
1966-1970	69,918 (43.8%)	39,472 (14.1%)
1971-1975	70,602 (33.8%)	96,429 (23.8%)
1976-1980	67,754 (29.1%)	117,981 (28.4%)
1981-1985	55,437 (30.1%)	91,625 (30.0%)

483 Until 1966 private ownership of newly built housing was restricted to single family houses. Family houses were defined as follows: maximum 5 rooms or a maximum surface of 120 square meters (excluding 12 square meters for a kitchen and excluding the surface of rooms with less than 8 square meters) (see Luby, 1966, p.205). In 1966, it also became possible to construct privately owned apartments. However, according to Act No.52/1966 Sb. all the apartments of one block had to be transferred onto personal ownership. During a traditionary period, i.e the period during which not all apartments of a block were transferred unto personal ownership, the tenants could already claim personal ownership rights, but were still required to pay the user fees to the state for utilities and for the management of common areas.

484 Michalovic, 1992, p.52.

485 Calculations based on data from TERPLAN, 1986. Relative share as a percentage of total housing construction in each region.

Owner occupation was flourishing in postwar Czechoslovakia, despite the fact that it remained financially less attractive than cooperative housing. This discrimination becomes evident in the following table (486):

Table 27. Comparison of Financing of Owner-Occupied and Cooperative Housing.

sector	Percentage of the cost per dwelling			interest on credits	repayment period in years
	down-paym. by private individuals	State credit	State grant		
Cooperatives	20-40%	30-50%	30%	1%	30 years
Owner-Occup.					
in 1966	50%+more	up to 50%	0%	4%	20 years
in 1979	50%+more	up to 50%	0%	2.7%	30 years

In some cases, the construction of owner-occupied family housing benefited from more advantageous conditions. If a private builder constructed a single-family house in a group of houses on a site selected by the National Committee, the state endowed the builder to use the site free of charge and would finance the basic infrastructure. Normally the right for personal utilization had to be reimbursed at a rate varying according to the size of the municipality (ranging from 4 crowns per square meter for a municipality with less than 2,000 inhabitants to 15 crowns per square meter for a municipality with more than 100,000 inhabitants). The area of these plots was limited to 400 square meters, they were leased for a period of 99 years and remained "socialist property" -- i.e. the lease only endowed the houseowner with a right to personal use for the stipulated period (487). Enterprises could grant a subsidy of 25,000 crowns to their employees. The National Committees granted extra loans of 10,000 crowns if the houses were built in a row, and of 25,000 crowns if the dwellings were built in certain regions. Young couples (up to the age of 30) with a net-income not exceeding 5,000 crowns were eligible for a loan from the State bank of 30,000 crowns at only 1 per cent to be repaid in 10 years. This loan could be used either to construct a family house, or to buy a share in a cooperative.

Finally, in order to attract Czech migrants to the former Sudetenland, which had become underpopulated because of the postwar policy of ethnic cleansing, the local government granted *interest-free* loans for the construction of groups of family houses. In general, these

486 Data from *Major long-term Problems of Government Housing and Related Policies*, 1966, volume 1, p.108; and Lerová, 1979, p.5.

487 Short, 1990, p.120; and Lerová, 1979, p.5.

loans were waived five years, if the builder did not sell the house or transferred it to another person (488).

5.5.2. *Towards a More Diversified Housing Policy?*

The 1960s saw the return of housing cooperatives and of enterprise-based housing. Even if the 1975 unification of the relatively small new cooperatives into large district conglomerates had been a set-back, the Government seemed to move increasingly towards reinstating a more diversified housing policy. Owner-occupation was made financially more attractive, and the framework for the establishment of a new type of cooperative was created: the so-called District Housing Construction Cooperatives (*družstva pro vy'stavbu rodinny'ch domků*, or DVRD). The DVRD cooperatives were set up for the construction of series of family houses. Once the dwellings were completed, they were transferred into private ownership, and the cooperative was dissolved. In 1986, there were 9 of such cooperatives in the Czech Republic, with a total of 2,001 members (489).

Until the 1980s, new detached family houses were almost only constructed in the country side or in what were the more prosperous suburbs of larger towns. However, the year 1988 saw the return of a type of large detached house, divided into flats, the so-called *vila-domy*. These "villa houses" were first built in the Písnice estate in Prague (490). Since 1987, the State also started to restitute some properties that had been confiscated after 1948. In the beginning of 1989, a fundamental amendment of the housing legislation was being prepared. The amendment would have re-defined the eligibility criteria for communal housing, increasing the weight of such factors as low-income and number of children. Other changes would have included the abolishing of stabilization cooperative construction, the increase to 150 square meters of the maximum allowed floor space for one-family houses, the extension of the rights of private proprietors to buildings containing three dwellings. A report written in September 1989 for the Economic Commission for Europe summarized the goals of the amendments under preparation as follows:

"The mentioned changes should help to achieve a better use of the housing stock while at the same creating the preconditions for a better differentiation of housing quality and costs according to income

488 Lerová, 1973, p.6.

489 Česky' Svaz Bytovy'ch Družstev Bytové Družstevnictví, 1987. In 1983 there were 436 dwellings in the Czech Republic completed under such a scheme, in 1984, 536, and in 1986, 235 (p.14)

490 Jan Novotný' "Podle mého názoru" in *Tvorba* November 23, 1988.

differentials. Instead of general subsidies, help should only be granted to those who really need it" (491)

The new regulations also were to create the preconditions for the construction of more luxurious housing. However, a month later the Velvet Revolution would end the four decades of Communist rule, and far more radical reforms of the housing system would come on the political agenda (492).

5.5.3. *The Cost of Housing under Normalised Communism.*

Even if the 1960s saw a partial return of tenure pluralism, one cannot speak about a policy of tenure equality, as the costs involved and the extent to which the State subsidised the various forms of tenure remained strongly biased in favour of the communal and the cooperative sector. In 1973, these differences were estimated as follows (493).

Table 28. *A Comparison of the Costs Involved in Different Forms of Tenure in 1973, in crowns.*

type of ownership	paid by the user		paid by the State	
	construction	use	construction	use
average communal	0	950	0	2,050
new communal flat	0	1,600	116,000	1,400
cooperative flat	21,000	1,700	71,000	0
private house	80,000	1,300	35,000	0

The favourable treatment of the two preferred forms of tenure is also illustrated by the following breakdown of total state expenditure on housing in 1970 (494):

491 *Distributional Aspects of Housing and Taxation Policies*, 1989, p.30.

492 See for example Vojtěch CEPL "Housing Problems and Social Compensation. Others have achieved it why shouldn't we?" in *Economic News* May 25, 1991 (originally in Czech, translation provided by the author).

493 The table is based on data for the year 1973, according the regulations prevailing since 1969. It represents absolute figures in crowns. The construction costs were only paid once, the column "use" refers to estimates on how much the user had to pay each year. De-facto, enterprises housing involved the same costs for the tenants as the state controlled communal sector, except of course that the tenant was required to remain employed with the enterprise. The category "new communal" only refers to new *panalak* construction, whereas "average communal" all buildings controlled by the National Committees (data from Lerová, 1973, p.8).

494 data from Lerová, 1973, pp.3-4. It seems to be the case that most of the non-JZD enterprise housing is subsidised via the communal sector (which partly explains the very large share of this sector in the total state expenditure).

Table 29. Breakdown of Total State Expenditure on Housing According to Tenure.

	share of total construction	share of total state expenditure	ratio
communal sector	17%	68%	4.00
cooperative sector	41%	18.6%	0.45
enterprise and JZD coops	17%	7.0%	0.41
owner-occupied family houses	25%	6.4%	0.26

Within the communal sector there existed important differences in the level of rent paid. In 1980, the average monthly declared income of a working-class family was 4,556 crowns per month. The average size of such a family was 3.5 persons. The average rent such a family paid amounted to 5.6 per cent of the combined household income. The tenants of dwellings administered by the local governments paid the following rents in 1985 (495).

Table 30. Rent Paid in 1985 for Communal Housing.

up to 100 Kčs per month:	15.6%
100-149 Kčs per month:	20.0%
150-199 Kčs per month:	19.5%
200-299 Kčs per month:	27.5%
300-399 Kčs per month:	15.0%
400-699 Kčs per month:	2.4%
255 Kcs per month	average

The regime was quite successful in keeping rents low in the communal sector. However, as was argued, from the 1960s onwards the communal sector became increasingly a residual sector catering either for poor or large families, or for politically loyal segments of the population: the military, party cadres, etc.

495 Raban, 1986, p.42.

Conclusion

Policy-making is a historical process in which actors consciously build upon or react against, previous governmental efforts dealing with the same sort of problems. In traditional policy analysis, policy outcome is normally considered to be the dependent variable. However, previous policy outcomes become independent variables in the overall "equation" which determines current policy outcomes, as it is generally modelled in a standard kind of time-series analysis: the decisions which were made in previous periods have an important effect on the decisions which are made in the present period.

"once social policies are enacted and implemented they change the public agendas and the pattern of group conflict through which subsequent policy agendas occur." (496)

This paper has tried to interpret the Czechoslovak postwar social policy developments in terms of such a model of path dependency. The First and Second Republic, and the years of the Nazi-occupation left both an organisational and an ideological legacy which largely determined both what was objectively possible and what the political actors favouring a reform considered to be feasible and/or desirable. However, postwar developments were certainly not simply a mere refinement of the social insurance system of the inter-war years. Rather, because of the occupation, the entire political power structure of the country was overturned. Territorial shifts and war-induced inflation had upset the social insurance system in its very foundations. Compared to the First World War, the Second World War had resulted in far more important distortions of the economic and social structure of the country.

Because of the changed international geo-political constellation the Communists were empowered with a hegemonic position in the first postwar governments. However, this capacity was not immediately translated into a reform of the social insurance system along Marxist-Leninist lines. Rather, the initiative for the first postwar grand reforms came from social insurance experts close to the Social Democratic home resistance, and from the London-based government in exile around the former President Edward Benes⁴⁹⁶. The first wave of postwar reforms culminated in the adoption of the National Insurance Act. Even if the new system of National Insurance still bore some of the traces of the prewar social insurance system, its basic principles had much more in common with what in the literature generally is referred to as a Social

⁴⁹⁶ Edwin AMENTA and Theda SKOCPOL "States and Social Policies" in *Annual Review of Sociology* Vol. 12, 1986, pp.131-57.

Democratic social policy regime. The first postwar years were also characterised by a policy of tenure pluralism, if not tenure equality. This Social Democratic hegemony in the social policy formation was the result of the combined effect of a general swing of the political system to the left, of the involvement of Social Democratic trade unionists in the labour institutions of the Protectorate, and of the fact that Soviet Union still tolerated a "Czechoslovak Path to Socialism". As the Czechoslovak Communists and their Red Unions, in contrast to their Social Democratic and Socialist comrades, never participated in the administration of the prewar social insurance system, they lacked the expertise to develop a new system adopted to the needs and the realities of the country.

After the Communist coup of 1948, the Czechoslovak Road to Socialism was abandoned, and the regime was gradually amended as to make it conform to the prescriptions of Marxism-Leninism, and to meet the requirements of Stalinist industrialisation. Ironically these revolutionary politics of abandoning social rights for a more "merits-based" social security system in fact meant a partial return to the prewar tradition of Central European social insurance. The "increased class struggle" of the 1950s intensified the particularization of the social security system. Instead of a further unification of legal arrangements and schemes, there was a deepening of the differences between social security of individual groups of workers, even if within individual systems there was a tendency to equalise the members of the same groups. The new differences reflected a marked preference for heavy manual labour over mental labour, and the "merit" aspect became to be not a matter of free activity of the individual, but of the social position which the state ascribed to him. The 1956 Social Security Act was built upon the erroneous assumption that under socialism work can resolve all social problems. Whereas the system of National Insurance had de-facto introduced citizenship-based social rights, the new system led to a fetishisation of distribution according to work. It effectively narrowed down the basic universe of solidarity to "workers" as defined by the regime. This basically meant that eligibility became conditional upon an employment career in the "socialised" sector of the economy. Non-working citizens were excluded or only covered on a second rate basis. These reforms were the result of a transplantation of the Soviet model, and were to "advance" the country "under the banner of Lenin and Stalin to socialism and achievement".

The deficiencies of the Stalinist model became apparent first in the housing sector, where the policy of selectively favouring growth in military and heavy industries led to acute shortages of housing. In order to overcome this, the Government decided to mobilise the savings of the population by re-introducing cooperative housing construction schemes. The reform of the pension system which was prepared during the period

of the Prague Spring was not implemented. However some of its proposals were partially realised during the 1970s. Even if no real fundamental changes occurred, these partial amendments removed some of the more blatant injustices of the system. The 1975 reform even saw a move back towards unification of the pension system, as the discriminatory measures against self-employed and individual farmers basically had achieved their goal. Even if the inferior social security coverage of these groups was not unique to the Communist regime in Czechoslovakia, the simultaneous blocking of all alternative self-help or individual arrangements, and the confiscation of personnel savings, contributed to the liquidation of the class of self-employed persons and individual farmers.

However, such a contextualisation of the regime also speaks to the advantage of the Czechoslovak regime, as the right to work as a wage-earner in the socialised sector of the economy, generally was a constitutional right, and was indeed available for the vast majority of the population. The heavily subsidized foods and rents, the provision of free or inexpensive health-care, education and cultural services formed an important functional equivalent of the redistributive efforts of West European welfare states. This redistribution in the sphere of production in a way represented a sort of "welfare contract" between the party-state and the population which was marred only by its inefficiency and by the known, but not officially acknowledged privileges of the nomenklatura. Even if technically the Czechoslovak social security regime more resembled social insurance systems aimed at disciplining labour, one can argue that the guarantee of full employment -- probably more than any West European form of "politics against markets" -- led to a drastic decommodification of labour (497). This decommodification in part explains why the regime had to devote so many resources to the stabilization of its labour force, by reserving a very large part of its housing stock for rewarding workers who relinquished their right to change employer.

⁴⁹⁷ This decommodification is exemplified by the shop-floor bargaining power of workers employed in a system of central planning. In this context, David Stark and Charles Sabel have demonstrated how the system of central planning by its very nature creates the preconditions for a partial empowering of workers because it is characterised by permanently tight labour markets (Charles F. SABEL & David STARK "Planning, Politics and Shop-Floor Power: Hidden Forms of Bargaining in Soviet-Imposed State Socialist Societies" in *Politics and Society* Vol.11, No. 4, 1982, pp.439-75).

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