Robert Schuman Centre

A New Social Contract?

In Defence of Welfare: Social Protection and Social Reform in Eastern Europe

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In Defence of Welfare: Social Protection and Social Reform in Eastern Europe

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1. Introduction[1]

The people of Central and Eastern Europe have experienced a sizeable deterioration in social welfare since the beginning of the transition. From 1989, open unemployment rapidly increased, poverty spread, and the problem of homelessness became more acute. Other social indicators, such as morbidity levels or mortality rates, generally worsened as well. Everywhere, the social costs of transition turned out to be considerable and much higher than expected. The picture looks rather better in the more advanced transition countries of Central Europe where the decline in employment and income has recently come to a halt. In South Eastern Europe and the Commonwealth of Independent States, however, social conditions have not yet stopped deteriorating. Unemployment and poverty are still on the rise, and the public service infrastructure is weakening further.

These changes in social conditions have fostered an image of post-communist welfare states coming under the knife of reformers. However, this is not what has happened in Central and Eastern Europe. An examination of actual policy developments suggests that the welfare state is an area of public policy where only few changes of note have occurred in recent years. While almost all political and economic institutions of the communist regime were fundamentally challenged during the first five years of transition, social protection systems were largely maintained and consolidated. Despite strong reformist ambitions at the beginning, post-communist governments did not bring about major shifts in social policy. Neither has the old welfare state been radically dismantled, as announced and repeatedly demanded by prominent economic liberals in the wake of the peaceful revolutions. Nor have post-communist social reformers succeeded in transforming it into some variant of "the strong" West European welfare state, as initially intended. Compared with other areas of reform (for example, liberalization of markets, external economic policy, industrial relations, constitution-making, change of government), welfare state institutions, on the whole, have remained notably stable.

The present paper aims to contribute to our understanding of what is actually happening in the post-communist welfare state. It goes on to explore the dynamics of welfare state rebuilding in six Central and East European (CEE) countries over the period 1989 to mid-1995, namely Bulgaria, the Czech

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Republic, Hungary, Poland, Romania, and Slovakia.[2] Section two begins by investigating institutional continuities and changes in the realm of social policy. On the whole, the policy review does not suggest that the old social protection systems have been substantially contracted or reformed. Section three turns to the politics of social policy to understand why, except may be for the Czech Republic, no comprehensive reform of the system of social guarantees has occurred up to now. The analysis points to the unpopularity of welfare state retrenchment and to the lack of political consolidation in post-communist societies. Section four goes on to examine the inadequacies of the social protection systems in place. The worsening of many welfare indicators, the paper argues, cannot be attributed to a "retreat of the state" in welfare provision, but should be related to mainly changes in the labour market. The final section briefly summarizes the evidence.

2. The Welfare State's Durability: a Review of Reform Policies

In all CEE countries, social policy transformation has turned out to be a protracted process. The first five years of the post-communist era provide only few indications that pre-existing welfare state institutions have undergone significant changes. This outcome is remarkable because all governments had strong reformist ambitions at the beginning and made considerable efforts to develop comprehensive plans for social reform.

Reform ambitions

After the demise of communism, a profound reform of existing social protection systems was considered an indispensable element of societal transformation. At that point of time, hardly anyone advocated maintaining the old welfare state institutions. The majority of the political forces envisaged major departures from the status quo. The economic liberals' reform programme was to radically reduce state social protection and give emphasis to private security-enhancing arrangements instead. They argued that the old social protection systems imposed too heavy a financial burden on the economy in general and the state budget in particular. Moreover, they viewed radical social reforms as a necessary step to break the "culture of dependency" cultivated over the long period of communist rule. They wanted to introduce, as Vaclav Klaus used to say, a "market economy

[2] If not indicated otherwise, the empirical findings and assessments presented are based upon a study of legislative material, press items, and interviews carried out with policymakers and consultants in four of the countries (Bulgaria, Hungary, and the Czech and Slovak Republics) during 1994. However, as the national social protection systems have been constantly under revision in the period considered, this outline cannot claim to be complete or up-to-date in every respect.

without an adjective": an economic regime that would not be encumbered with much social policy and would not smack of state *dirigisme* and paternalism. Therefore, economic liberals demanded that overall social expenditures should be curtailed, major welfare responsibilities be shifted to the private sector, and government support be strongly "targeted".

The main alternative approach that became increasingly popular in the region - in particular among social policy experts working in the respective administrative branches or involved in social policy research and advising the government - was a radical "Europeanization" of the social protection systems. Rather than giving up the idea of a strong welfare state, the ambitious plan was to introduce West European institutional arrangements and social security standards as soon as possible. The German-Austrian "social insurance model" or "social market economy" approach enjoyed great popularity and was regarded as the best model to meet concerns for both "economic efficiency" and "social justice".[3] Reform proposals that have been worked out in accordance with this approach included the following structural shifts in the welfare state in the medium run:

(a) A new public-private mix in benefit provision. Contrary to the old regime, social insurance was thought to be only one, though still the main source of income support. Public programmes should be supplemented by private welfare arrangements. Yet social insurance should continue to play the dominant role for virtually everyone, with benefits satisfying the criterion of "social adequacy".

(b) A reduction in the redistributive effects of state intervention. As in Germany, social insurance should help people to preserve their social status in case of lost earnings and not aim at reducing income inequalities which were (increasingly) generated in the market. Hence, the preference for strongly earnings-related benefit formulas.

(c) As in West European political economies, there should be a clear distinction between insurance benefits and non-insurance-type schemes. Social insurance was seen as cushioning those "standard risks" individuals were regularly exposed to in market economies; citizens could therefore be obliged to adequately provide for these in advance (such as sickness, invalidity, old age, unemployment). Other

[3] Note that all CEE countries have historical affinities to this model. It is not only the "golden West", but also their own "golden past" which has served as a point of reference (Offe 1993). Remarkably, the Scandinavian model only played a minor role in post-communist social policy discourse. It was taken into consideration mainly in the Baltic States. In Hungary, the Scandinavian approach was entered into the policy debate by academics, such as Zsuzsa Ferge and Júlia Szalai.

state support schemes (family benefits, housing subsidies, aid for the chronical handicapped, social assistance, etc.) were seen as instruments of inter-personal redistribution designed to meet particular needs and, thus, should be targeted.

(d) The introduction of off-budget financing of social security and cost sharing between employers and employees. This was to regain transparency and strengthen cost awareness and accountability among policymakers, programme administrators, and beneficiaries. More generally, the driving force of reforms was to limit the heavy burden which social policies imposed on the economy in general and the state budget in particular.

(e) A reduction in enterprises' social policy functions. It was intended to largely insulate the welfare state from the sphere of production. Key social benefits should no longer be channelled through the enterprise. In particular, the bulk of social assets and facilities owned by state enterprises should be transferred to local agents. This was to reduce the enterprises' non-wage labour costs and make the benefits available to all citizens.

(f) Finally, the old command mode of social policy-making was supposed to change. To account for a plurality of interests, post-communist elites wished to introduce intermediate bodies of interest coordination and associational self-regulation. Only the general issues of benefit regulation should remain in the realm of the government and/or parliament, while newly emerging collective actors were supposed to take on responsibility for routine scheme management.

These plans were demanding and implied a major overhaul of existing institutions. But to what extent have these ambitious plans been implemented? Which social reform strategies have post-communist governments actually pursued in the countries under study? Which major departures from the status quo have been accomplished so far?

Coping with unemployment and poverty

One clear example of institutional reform was the introduction of *unemployment insurance* right at the outset of transition. All CEE countries strived to set up insurance-type schemes: benefits should replace wages, payments should not be subject to a means-test and the scheme should be funded by earmarked contributions deducted from wages. Political actors strongly rejected the idea of introducing just a flat-rate scheme, as proposed by experts from the International Monetary Fund (IMF) and the World Bank who were concerned with the fiscal strains and the characteristics of unemployment in the transformation period. A flat-rate benefit at or above the minimum wage, some advisors argued, would be more targeted on the poorer strata than an earnings-graded scheme, as equal benefits replace a larger percentage of lower than higher incomes. If coupled with earnings-related contributions, the flat-rate scheme would have a distinct redistributive effect. It would also be much easier to implement and operate than an insurance programme.

For East European social policymakers, however, an insurance-type scheme appeared a much more attractive model. First, the concept of unemployment insurance was widespread in the West and such arrangements were apparently working quite well. Considering that there was no time for experimentation, political actors were inclined to copy the "well-tried" institutions of the West European welfare states. Second, the new risk of unemployment was put into the same category as sickness and old-age to be cushioned by income replacement benefits. Flat-rate payments were considered a deviation from the "philosophy" of social insurance and had the flavour of a statist emergency measure. Third, it was especially the high-wage sectors (heavy industry, mining) where massive labour shedding was expected to occur immediately. Yet workers with higher salaries were to receive less under a flat-rate scheme compared to an earnings-graded system. Governments were reluctant to demand additional sacrificies from these groups and feared the unions' resistance. Finally, long-term unemployment was not the primary concern and the difficulties in administering an insurance-type scheme in the transition economies were underestimated.

Consequently, the initial programmes have been frequently revised. All countries set up rather generous income support schemes at the beginning. Yet governments soon started to tighten eligibility criteria, to reduce the replacement rate and the duration of payments, to define upper limits to benefit levels, and the like. Today, all schemes provide only modest income support for the unemployed and operate *de facto* as flat-rate systems.[4] Average unemployment benefits are close to or even below minimum wages and subsistence minima. Moreover, only the minimum benefit is indexed for inflation. The result is that with the increasing duration of unemployment the "real" replacement rates have turned out to be much lower than the initial ratios stipulated by law.[5] In addition, due to

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[4] Only in Poland did the government give up its initial commitment to the insurance principle and opt for a flate-rate approach in early 1992. However, the re-introduction of an insurance-type scheme is presently under discussion.

[5] See Scarpetta/Reutersward (1994: 271f., 290) who have estimated real replacement rates. If wage inflation is taken into account, replacement rates are generally below those in OECD countries.

both changes in benefit regulation and the incidence of long-term unemployment, the coverage of the schemes has sharply declined. There is a growing number of persons who have exceeded the maximum duration of payments, but who have only slim chances to build up entitlements again through participation in the labour market. Retrenchment measures affecting access to benefits and the duration of payments have added to the decline in the share of the unemployed receiving benefits.[6]

Unemployment benefits have been supplemented by a diversified set of *active labour market policies*. All CEE countries established a network of public employment services and introduced a series of measures intended to foster the reintegration of displaced workers into the labour market, among them training and retraining programmes, job creation schemes, self-employment subsidies, public works, and - somewhat later - also programmes targeted to sub-groups of the unemployed (the youth, women, long-term unemployed, Gypsies, etc.). Initially, financial and administrative constaints abounded, seriously limiting the actual implementation of these policies. Nevertheless, many of the active measures have been significantly improved and extended since. In 1992, a remarkable three to four per cent of the labour force was, on a yearly average, involved in some kind of labour market programme in Poland and Czechoslovakia. The figure for Hungary was somewhat lower, whereas in Bulgaria and Romania active measures were only beginning to take effect (Scarpetta/Reutersward 1994: 284).

However, labour shedding only partly translated into unemployment. A significant decline in employment has been accomplished by squeezing workers out of the labour force, notably women[7] and the elderly. Over the period 1990 to 1992, a great many older workers agreed to end their employment contract and make use of *early retirement* offers or disability pensions. Among the countries investigated, early retirement has been used most extensively in Poland and the Czech Republic to cut back on the employment of older workers (Boeri 1994a: 21, 42f.). Roughly estimated, unemployment rates would have been about two percentage points higher in both countries by the end of 1993, if all early retirees had been registered unemployed instead. The impact of early retirement programmes in Hungary, Bulgaria, and Slovakia has been much more limited.[8] Both the rising number of unemployed persons and the growing number of pension recipients put strong upward pressure on social outlays. The most

[6] According to data provided by the Labour Ministries, the proportion of registered unemployed receiving unemployment benefits has fallen from 70-80 per cent to 40-50 per cent (in Poland, Hungary, the Czech Republic, and Romania) or even less than that (in Slovakia and Bulgaria) over the period 1990/91 to 1994.

[7] This issue is explored in greater detail below.

[8] Own calculation based on data provided by the Labour Ministries.

impressive (and often cited) figure is the development of pension entitlements in Poland. From 1989 to 1993, the number of Polish pensioners increased by 28 per cent, compared to the annual growth rates of between two and three per cent in previous years (Barbone/Marchetti 1995: 67; Sachs 1995: 3).

Apart from unemployment insurance, *social assistance* now provides a safety net for the unemployed in transition countries, just as it does for other population groups. Hitherto, social assistance in cash or in kind had been provided mainly for the destitute handicapped and frail elderly. These programmes were not designed to support people solely lacking an adequate income. Nor did the population under communist rule have an actionable right to government support. All CEE countries have reshaped and extended these patchy schemes since.

Poland reformed its social assistance scheme as early as late 1990 and has enacted several minor amendments since. The program now provides various benefits in cash or in kind for subgroups of the population demonstrating financial need. The Federal Parliament of Czechoslovakia passed a bill in 1991 which determines a living minimum income to be guaranteed by the state. Social assistance in cash and/or in kind is provided up to this nation-wide benchmark defined (other social transfers deducted), if the claimants pass a tight means-test. Likewise, Bulgaria adopted a new scheme in March 1991 to flank economic reforms, which grants social aid according to age and household size. Romania also reformed its welfare scheme and enacted a special support allowance for unemployment benefit exhaustees in mid-1992. The Social Welfare Bill finally adopted in Hungary in late 1992 was to systematize eligibility criteria and to introduce new kinds of benefits in order to protect large families, pensioners, and the long-term unemployed from marginalization. In sum, everywhere throughout the region, efforts made to protect the poor are noteworthy, although another striking similarity is that none of the countries has so far decided on an unconditional minimum income to protect the poorest strata effectively.

Social security reform

The review of reform efforts in other social policy subfields provides a more mixed picture. There is more national variation both in the overall state of reform and in the priorities set. In all six countries, hundreds of bills, decrees, and regulations have been devised to compensate for the failures of the existing welfare systems. However, most of those measures adopted were emergency solutions, aiming to ensure the basic functioning of the existing arrangements rather than to radically alter the programmes in place. Contrary to initial proclamations, post-communist governments decided not to basically challenge the institutions inherited, but to largely adhere to pre-1989 programmes and try to consolidate them over the long term. Reform goals have became much less ambitious and, compared with other policy areas, the pace of reform has been decidedly slow. As the following outline aims to indicate, in fact, only a few long-term structural modifications in financing and benefit provision have been enacted. Altogether, the Czech reformers' record seems the most successful so far, though even in this case the reform process is proceeding only slowly and is being carried out in a very pragmatic way.

One of the instances of institutional reform deserving mention is the shift towards the *off-budget financing* of social security which has been realized in Hungary and Slovakia to date. The Hungarian Social Insurance Fund was established as an independent body to finance the core programmes of the welfare state as early as in 1989. In March 1990, a reform of financial responsibilities was adopted. The Social Insurance Fund was assigned the task of covering expenditures on health care, pension, and sick pay, while family allowances were to be paid from the central budget from then on. The institutional autonomy of this body was achieved in May 1993, when the general elections to the pension and health care insurance boards were held.[9] These two bodies now have a major saying in pension and health care reform, yet final budget decisions have remained the responsibility of the parliament. In contrast, the Hungarian government has been less successful in limiting the payroll tax burden. Contribution rates which were traditionally divided into employees' and employers' parts in that country have been repeatedly increased and reached an extraordinarily high level[10] in 1993 (see table 1). Nevertheless, the funds have to be regularly supported by transfers from the central budget.

In the wake of the tax reform which took effect in both successor states of Czechoslovakia in 1993, social security financing was divided between the employer and the individual worker. The reform reduced the companies' financial burden and shifted a large part of the financial responsibilities on to the employees (see table 1). In Slovakia, the shift towards contribution-based financing was supplemented by efforts to set up an autonomous National Insurance Company in charge of the pension, health care, and sickness funds.

[9] The General Assembly of the Pension Insurance has 60 members, two thirds of whom represent insurees' and one third employers' interests; in the case of the National Health Insurance, insurees and employers are represented by 30 persons each.

[10] Note that, for the time being, low wages partly offset the high payroll tax burden. Notwithstanding the high social insurance contributions, total labour costs are still much lower in CEE countries than in the Western part of Europe, and even lower than in the low wage countries of the European Union, such as Portugal, or in East Asia (Salowsky 1993). Adequate measures of cost competitiveness, however, are still difficult to construct for Eastern Europe, given the problems of assessing labour productivity. For an intra-regional comparison see OECD 1993.

The institution is governed by a tripartite board of representatives nominated by the Slovak parliament. However, the initial problems of the off-budgeting financing were tremendous, in particular, as the state started to cut down regular transfers to the funds. Today, the funds continue to record huge deficits, and transparency in financing has not yet increased.

In contrast, the Czech government has retained state control over the social insurance funds. The reason is quite obvious. In the past years, contribution revenues repeatedly exceeded expenditures, especially in the case of the Employment Fund. Thus the state could use the surplus for other (social policy) purposes without consulting anyone else.[11] In the other transition countries, too, governments have not been inclined to give up control over payroll tax revenues, given the growing financial imbalances in their own budgets. Therefore, they have repeatedly postponed the project to separate the funds from the general budget and to grant these institutions any financial and organizational autonomy.
Nor is the outcome of reform efforts very impressive, if we examine changes to entitlements. *Pension reform*, in particular, has proceeded very slowly. Everywhere, major reform bills were still pending or not yet fully drafted in the period considered.[12] There were only very few institutional changes in this core area of the welfare state up to now, and that in Poland, Hungary, and the Czech Republic. In Poland, a series of proposals for comprehensive pension reform have been worked out since the beginning of transition. Yet the only major reform adopted up to now was a modification of the pension formula in October 1991. The change in the formula was to strenghten the link between individual contributions and benefit levels, that is the insurance element of the scheme.[13]

The Hungarian parliament passed a bill on private pension and health care funds in November 1993. The law offers tax privileges to companies and employees that launch so-called "voluntary mutual benefit funds" to provide pensions, medical services, or short-term cash benefits. Efforts to reform the existing pension system have failed, however. Certainly, the level of benefits has been repeatedly adjusted to the rising cost of living. Yet basic features of the

[11] This has been a very controversial point among the coalition partners. Recently, Prime Minister Klaus and his Civic Democratic Party have been forced to comply with the establishment of a special pension fund, albeit as part of the state budget and not as a separate body (Rys 1995: 11).

[12] Experts from the World Bank and the IMF express growing concern about the sluggishness of pension reform in CEE countries. A way out of the impasse, they argue, is suggested by the Chilean model of pension reform. That is, to shift, at least partly, from a pay-as-you-go to a funded financing system, while changing the basic features of the pension system. Resistance against reform would become smaller, it is argued, and the capital accumulated would promote economic recovery in the transition countries (cf., with different emphasis, Holzmann 1994; Barr 1994: 208-220; Sachs 1995; de Fougerolles 1995).

[13] On Polish pension reform, see for example, Inglot 1995 and Zukowski 1995.

Hungarian pension system, such as the pension formula or the standard retirement age, have not been altered.[14]

Only the Czech government has engineered more far-reaching reforms in pension provision. As in Hungary, it took the government a long time to work out the principles of the pension system's future design. Again, the first reform realized was the bill on complementary pensions passed in early 1994. The Klaus government rejected the idea of introducing an occupational pension regime, as Hungary did, and opted for an individual approach instead, encouraging citizens to contribute to private pension funds. The law roughly regulates the statutes of the funds and stipulates that the state will subsidize each participant's contributions directly (rather than granting tax allowances).[15] The second initiative which aimed to reform the existing basic pension programme was pending until very recently. In particular, the new design of the pension formula (a strong reduction of the replacement rate in line with the neo-liberal reform agenda) and an envisaged increase in the standard retirement age over a period of twelve years met strong parliamentary resistance. As it happened, the bill passed in parliament with a bare majority in mid-1995. In short, the Czech government actually managed to scale back one of the core social programmes inherited from the past regime.

On the whole, CEE countries' *health care systems* have undergone more dramatic changes than the pension schemes. Here, it is the Czech Republic, Hungary, and Slovakia that took the first steps towards establishing a new public-private mix in health service provision and introducing a contributory health insurance arrangement. In the other three cases, the adjustments made have not basically challenged the existing "public service model" to date.[16] Everywhere, physicians and medical personnel are now allowed to set up private practices, and patients are granted the right to consult doctors of their own choice. Beyond that, the reform outcome appears more mixed. The privatization of health care services has generally been limited to pharmacies, except for the Czech Republic where the government has vigorously pursued the privatization of medical facilities since 1992.

[14] In February 1993, the Hungarian parliament decided slowly to raise the retirement age for women, beginning in 1995, while a decision affecting the retirement age of men was postponed. Shortly before the 1994 general elections, the Antall government suspended the project on the grounds that it should be made more tolerable for the elder cohorts affected.

[15] The scheme has become an important instrument of capital formation. The Czech Republic's 41 private pension funds have one million participants and expect assets of US$ 100 million by the end of 1995. Hungary's 39 funds have less than 200,000 participants and expect assets of US$ 30 million by that time (de Fougerolles 1995: 7).

[16] On health care reform in CEE countries, see for example, the special issue of RFE/RL Research Report 1993 and Schoukens 1994 as well as the country reports of Orosz 1994, Filer et al. 1995, and Krizan et al. 1995.

Both in Hungary and Slovakia, one statutory, semi-autonomous health insurance body has been created. Only the Czech government abolished the state monopoly in the health insurance market in the course of 1993, yet enrolment has remained mandatory. There are presently 27 health insurance companies in the Czech Republic which serve different population groups, but operate under the same legislative framework. These companies heavily compete for "attractive" members (young people, high wage earners), despite a system of revenue redistribution introduced to avoid adverse selection. However, many of the newly founded companies have strongly miscalculated their premiums; some are even said to be on the brink of insolvency. In view of this situation, a number of hospitals no longer accept their insurance cards and refuse to treat policy holders who cannot pay cash in advance.

In all three cases, a very delicate issue of health care reform has been the design of performance-based reimbursement regimes for medical providers under contract with the health insurances. Policy makers had great difficulties in assessing the incentive effects of payment systems on providers' behaviour and, thus, the financial implications of the reform.[17] Both the Czech and Slovak health care reforms provide ample indication of the adverse effects of hasty policy-borrowing. Both countries introduced, one after another, the German fee-for-service method of reimbursing medical suppliers. It turned out that the German list of medical procedures - and the point values attached to them on which reimbursement was based - did not really suit the national conditions. Moreover, fee-for-service payments were introduced without a sufficient regulatory mechanism of price fixing or budget limiting. These "technical mistakes" have exacerbated the problem of cost containment. The laws had to be revised frequently, and further revisions are on the agenda. Unsurprisingly, policy makers began to view the introduction of market forces into the health sector as an expensive enterprise and one to be pursued more cautiously.

Changes in other programme areas have been rare, even in the Czech case. Although constituting a significant expenditure item, *sick pay provisions* are still generous and the financial burden is still carried by the social security funds in most CEE countries. These schemes offer manifold opportunities for "abuse": Employers can temporarily reduce their wage bill at the public expense, "sick" employees may go moonlighting, and doctors can increase their salaries by prescribing long periods of home rest. Only Hungary and Poland - which already had special regulations under the old regime - amended these programmes until

[17] Especially given that there is no ideal Western model to follow in Eastern Europe. For many Western countries also have problems in building an appropriate incentive environment for the health care sector.

mid-1995. Already under communist rule, Hungarian employers had to pay for the first three days of sick leave; from the beginning of 1992, they had to bear the financial burden for the first ten days of sick leave. In Poland prior to the regime change, sickness benefits were paid out of the enterprise wage funds in the state sector, whereas private sector employees on sick leave were paid out of the Social Insurance Fund. Only recently, after years of debate, a new legislation has been adopted. Since March 1995, the rules for financing are harmonized and employers have to bear the costs for the first 35 days of sick leave per year. In the other four countries, reforms are still pending.

Likewise, post-communist governments have refrained from scaling back existing *family benefit schemes*. Hungary, for instance, had a quite generous family benefit system under the old regime, and there were serious debates concerning the design of the scheme after 1989. However, the Antall government, with the Ministry of Social Welfare headed by a Christian Democrat, resisted pressure from external advisors to give up universalism in order to contain costs. But the thrust of policy has changed since the socialist-liberal cabinet headed by Gyula Horn took over in mid-1994. Facing severe budgetary pressures, the government has made the family benefit scheme a target of reform, so as to limit social expenditures. The government's austerity package of March 1995 included substantial cuts in family benefits. Unsurprisingly, the plan was highly unpopular and led to the resignation of both the Minister of Social Welfare and the Minister of Health. In July 1995, the Hungarian Constitutional Court quashed the bill. The judges argued that the cutback was not reasonable without giving young couples the opportunity to reconsider their family planning. To date, it is uncertain whether the reform will be actually implemented.

The issue of targeting family allowances has been a major issue in the other countries as well. As in Hungary, the Polish Ministry of Labour remained reluctant to impose sizeable restrictions on family benefits in the early years of transition, but continued to use the programme as an instrument for supplementing low household incomes and reducing poverty among children. In view of the budgetary situation, the government has recently decided for some streamlining of the programme. In early 1995, the family allowance was turned into a universal scheme, but targeted towards low-income households.

In the Czech Republic and Slovakia, too, family allowance (and related compensations for price increases) became means-tested, but cuts have not been substantial. For the time being, the income limit is set at a fairly high level which excludes only a small segment of the population from benefit provision. Moreover in the Czech case, the cutback was more than offset by an extension of the period of paid child-care leave from three to four years.[18] Thus in the case of family benefits, the Czech government did not pursue a strategy of residualization. However, it has succeeded in installing a mechanism for trimming benefits in the future: the income-test.[19]

Comparative assessment

The general pattern we can observe is that political actors in CEE countries have been reluctant to pursue comprehensive social reforms. Table 2 offers a brief summary of policy development in the post-communist era. As argued above, the most important changes have occurred in the area of unemployment compensation, labour market policies, and social assistance. Despite strong reformist ambitions at the outset of transition, a great many of the other programmes in place have seen only minor adjustments (cf. also Cichon 1995a; ILO-CEET 1994). However, reform outcomes have varied both across countries and policy areas. The health care sector has experienced more dramatic changes in all countries than pension provisions. Housing programmes, one of the areas not considered above, quickly came under attack in some countries, while other programmes, such as sick leave provisions, have been left untouched. In the Czech Republic, the existing social programmes have undergone more radical reform than in the other cases. Hungary, Slovakia, and recently also Poland have implemented important changes, too. Nevertheless, even in those cases, social reforms have not been pursued vigorously. While at the outset of transition an overhaul of the welfare state structure was considered an indispensable element of the transformation agenda, the perception and goals of policy makers seem to have changed in the meantime. As Rys (1995: 6) notes, the critical question is no longer *how* to reform the welfare state in place, but *whether* social reform is necessary at all: "how far can the existing patched up system continue to perform its basic social protection functions before breaking down?"

[18] Everywhere in the region, child-care leave has provided an important cushion for redundant female workers, though the statistical data available are insufficient to assess precisely its impact on employment patterns. Survey-based measures of labour force trends at least provide indication that the activity rate of women has declined more strongly in most CEE countries from 1989 to 1992 than the activity rate of men (CEC 1993: 16). This pattern was most pronounced in Czechoslovakia which can be attributed partly to the fact that, in mid-1990, the government had extended the period of paid child-care leave from two to three years to reduce the female labour supply.

[19] Noticeably, the Labour Ministry stressed the "political" rather than the financial implications of the reform during the parliamentary debate. Even if we can not expect to save much money by this step, means-testing is necessary, Czech reformers argued, to "change the people's mind" and cure them of their "claim-attitudes" aquired over the long period of communist rule.

3. The politics of social reform: the problem of agency

What accounts for the welfare state's remarkable degree of stability? Why did post-communist governments not embark on sweeping social reforms right after the fall of communism as they did in other areas of societal transformation? And how can we explain the national variations sketched above? This section addresses these questions by briefly examining the political context of social policy-making in CEE countries.

The reasons for the slow pace of social reforms are manifold. First of all, it doubtless took reformers some time to study foreign models and develop distinct reform plans. They had to acquaint themselves with social policy techniques and modes of social protection governance applied in the West before they could formulate reform plans for their own countries. However, this is not peculiar to the welfare state; it holds true for many other areas of public policy as well. Competence may explain the delay of reforms in, say, the first two years, yet it does not provide a sufficient explanation. The reason for the present inactivity is certainly not that policy makers lack insight into the problems or possible solutions.

Initially, the idea of sequencing may also have played a role. Except for the area of unemployment compensation, a significant reform of social security was clearly not the first priority of post-communist governments when taking power. Major social reforms could be launched, so the initial schedule went, after the most pressing tasks of stabilization and restructuring had been accomplished. Skillful sequencing, however, cannot account for the fact that there has been no increase in parliamentary activity in the field of social policy has anything over the last two years, nor for the fact that major reform projects have not been passed by parliament. Even in the more advanced transition countries, such as Hungary and Poland, it has become highly unlikely that major reforms will be brought about in the near future.

Political explanations seem to be more important. Given the fiscal strains post-communist governments are facing, welfare state reform is a highly unpopular and politically risky undertaking. In mature welfare states, in the East as in the West, changes in core programmes affect entitlements of large segments of the population. None of the transition countries has the financial resources to cure the failures of the old welfare regime by merely topping up what is already in place. Rather, social policy transformation will impose losses on various groups: to make some income groups, occupations, or cohorts worse-off in relative or absolute terms compared with the situation under the old regime. In short, there is a zero-sum-game in which governments have to pursue reforms very cautiously, if they want to be reelected.

Up to this point, the story must sound very familiar to students of Western welfare states. To implement structural changes in the social protection systems in place, in essence, turns out to be a case of welfare state retrenchment.[20] This does not only apply to the neo-liberal reform scenario, but also to the strategy of "welfare state Europeanization" sketched in the previous section, though to a minor extent. As we know from Western countries, welfare state retrenchment is politically difficult to pursue; so we should not be surprised by the sluggishness of social security reform in the Eastern part of Europe. Jeffrey Sachs (1995) has recently argued this point, referring particularly to the politics of pension reform in Poland. He claims that social reforms have not yet progressed far because of the electoral considerations of populist politicians. He maintains that the welfare state enjoys strong support throughout the region. Left-wing parties have succeeded in winning the recent elections almost everywhere precisely because they promised the electorate the maintenance of an extensive system of social guarantees.

However, this is much too simple a story. To understand why post-communist governments have been reluctant to embark on sweeping social reforms, we have to fully acknowledge the particularities of the political context in transition countries. Three factors -which Sachs fails to mention - should be stressed:

(a) The *social costs of transition*: by maintaining the status quo, political actors are responding to actual needs arising from the process of economic restructuring. To curtail social benefits and diminish expenditures, means to impose losses on those who have little and may be on the brink of poverty. Inflationary waves brought average benefit levels in real terms down close to the poverty line, thus giving political actors little room to manoeuvre. The defence of the welfare state is not simply a case of populist politics. Ultimately, it reflects the attempt of post-communist governments to prevent poverty and to cope with rising unemployment, while trading-off other policy goals for the time being.[21]

(b) The *weakness of the post-communist state*: one must recall that, to launch reforms, political actors have to be "strong" enough to carry out their policy intentions. "Strength" means, first of all, that post-communist

[20] See, in particular, Pierson (1994, 1995) who has outlined the distinctive qualities of retrenchment politics in Western welfare states.

[21] See the replies by Cichon (1995b) and Kabaj/Kowalik (1995) to Sachs's article. This issue is treated more thoroughly in the next section of this paper.

coalition governments must have the ability to reconcile conflicting interests and actually come to a decision. On the contrary, political instability invites political actors to adopt short-term, "trial-and-error" policies. Unfortunately, it is the latter scenario that has become the reality in most post-communist societies. Frequent changes of government and instable parliamentary majorities, most notably in Bulgaria, Poland, and Slovakia, have rendered major social reforms very unlikely. Adding to political instability, post-communist governments do not usually possess sufficient financial and administrative resources to implement policies.[22]

(c) The *lack of intermediary powers*: the problem is not only that the state itself is generally rather weak. In addition, social reformers generally work independently in bringing about reforms. Neither business, nor the majority of the trade unions support radical changes. Almost everywhere, the employers' side is still very weakly organized[23] and has hardly any impact on political decision-making; thus, they have not exerted pressure for dismantling of the welfare state. In contrast, the trade unions have regained considerable power in many CEE countries and do their best to prevent a sizeable deterioration in social conditions. This situation also impedes the process of decentralization of welfare state functions. Governments still lack strong, reliable societal partners, organized interests outside the realm of the parliamentary system, which could be used to overcome resistance, launch reforms, and assume welfare responsibilities.

Together, these variables may help to explain the cross-country variations outlined in the previous section. Compared with its neighbouring countries, the Czech Republic clearly has the strongest government in the region, providing political stability for the country's transformation process. The parliamentary opposition is fragmented and cannot hope to come to power after the next elections, despite growing dissatification among the population with the policies of the ruling coalition. The unions substitute to some extent for the weak parliamentary opposition. Despite his strong anti-union opinion, Prime Minister Klaus has so far accepted the unions as "social partners" and has chosen a very

[22] One major constraint is large-scale tax evasion. In Bulgaria, for instance, where the deficiences of the contribution collection system are said to be particularly bad, the Ministry of Finance estimated that about 75-80 per cent of the self-employed and 25-30 per cent of enterprises did not pay social insurance contributions in 1993.

[23] The state sector, which is still quite large in most CEE countries due to the slow pace of privatization, is originally represented by the government. Business associations, newly found to represent the growing private sector, still suffer from a low degree of organizational density and from being highly fragmented into competing organizations (cf., for example, Wiesenthal/Stykow 1994).

pragmatic course towards capitalism to ensure social peace.[24] Moreover, due to the smoothness of economic reforms, far fewer people have become dependent on the social safety net and the revenue base of the state has not shrunk as dramatically as in the other cases. With sufficient financial and administrative resources and backed by parliament, political actors were able to implement a number of far-reaching and probably irreversible changes in the welfare state. This is why social policy transformation has proceeded further in the Czech Republic than elsewhere.

4. The creeping erosion of social protection: a glance at outcomes

To recognize the welfare state's durability, however, does not mean that everything is fine with the social protection systems in place. The case for institutional continuity should not be mistaken for a proposition about the social adequacy and financial viability of the existing programmes. This qualification is extremely important for societies in transition, though basically it holds true for Western welfare states as well (cf. Pierson 1994). Three points have to be considered:

First of all, the *status quo ante* already had many deficiencies and was widely regarded as "inadequate". Formerly, the social protection systems were broad and universal, but guaranteed only a relatively low standard of living. The quality of services was often very poor and the health sector, in particular, was heavily underfinanced in many CEE countries in the 1980s. Poverty, too, did exist, though it had been a taboo subject for most of the time. Institutional inertia merely perpetuates these deficiencies.

What is more, the welfare state institutions that survived the regime change largely unchallenged have to perform their tasks in a fundamentally new socioeconomic environment. Formerly, the social protection systems operated under the conditions of a full employment economy, that is a labour market regime which minimized citizens' dependence on the welfare state, while providing a broad revenue base. Moreover, social insurance benefits were supplemented by extensive subsidies on staple consumer items (such as foodstuff, housing, energy, transport, and drugs) and by a developed system of fringe benefits, mostly benefits in kind. As economic reform proceeds, these other components of the state socialist approach to social policy are gradually becoming much less important. Unemployment has increased markedly, most prices have been liberalized, and enterprises are reducing, albeit slowly, their

[24] On "Czech-style Thatcherism" and the unions' impact, see Rutland 1992/93; Orenstein 1994.

social benefit provision.[25] The remaining institutions, the social protection systems, are heavily overburdened. They were not designed to meet these tremendous demands and challenges. Thus, preserving them as they are does not suffice. Rather, if the protection systems in place were to prevent a sizeable deterioration in social welfare during the period of transition, governments would have to significantly expand and improve them. In contrast, the non-adjustment of institutions - the politics of merely defending the status quo - is likely to create serious problems, especially when the economic conditions are changing as profoundly as they are in post-communist societies.

Thirdly, in stressing the welfare state's overall durability we should not trivialize the importance of minor changes. Small cuts and slight tax increases, a gradual tightening of eligibility criteria and the phasing out of support may well have significant redistributional effects overall. The cumulative outcome of minor changes may hit some segments of the population particularly hard, and the long-term consequences of small alterations are often difficult to assess.

Indeed, there is a strong indication that many welfare indicators have worsened in the region since 1989. To begin with, both registration data and survey-based measures of joblessness indicate the incidence of *mass unemployment* (Boeri 1994b: 16f.). The unemployment rate remained low in 1990 in all CEE countries, but far exceeded the threshold of ten per cent in the following years, except for the Czech Republic where the total number of registered unemployed in the labour force has remained strikingly low (see table 3). Large-scale unemployment means a sharp break with the state commitment to full employment to which people had become accustomed in the previous forty years. From the very beginning, when the problem was still insignificant in quantitiative terms, the populations of these countries reacted with anxiety and nervousness to the looming threat. Their fear of unemployment was exacerbated by the risk of losing access to the extensive system of fringe benefits.

High levels of unemployment may well become a persistent feature of labour markets in transition countries. As Boeri (1994a; 1994b) has revealed, "transitional unemployment" appears to take the form of a *stagnant pool*. Exit rates from unemployment to jobs have so far been extremely low in CEE countries (except for the Czech Republic), while job-to-job mobility has been higher than labour market experts initially expected. Most workers directly moved from the state to the private sector without an intervening spell of unemployment or left the labour force altogether. As the private sector hardly recruited from the unemployment pool, it has been very difficult for the

[25] On the latter issue, see the collection of articles in Schaffer et al. (1995).

unemployed to find a new job. The result has been a rapid increase in the average duration of unemployment, which apparantly perpetuates itself (due to the disqualification, stigmatization, and discouragement effects of long-term unemployment). Hence, there are only slim chances to reduce the large stock of unemployment built up in the near future.

In all of the countries, except for Hungary, more women were registered as unemployed than men in the period considered. A further marked feature of unemployment throughout the region is the rapid growth of youth unemployment. The jobless rate among the young was much higher than the average rate for the workforce as a whole. The risk of becoming jobless was also higher for unskilled than for skilled workers. Minority groups, especially the less skilled Gypsy population living in rural areas far from the capital, were suffering disproportionately from employment adjustment (CEC 1993: 5-8). Finally, there were marked regional disparities in the incidence of unemployment. Apart from the importance of on-the-job search mentioned above, it is the increasing mismatch between the regional distribution of unemployment and vacancies that accounts for the low outflow from unemployment in transition countries (Boeri 1994b: 9-11).

Rising unemployment has sustained high *social spending* even as the real value of many social benefits has declined. As table 4 indicates, social outlays as a percentage of GDP substantially increased in most CEE countries in the first years of transition. In Poland and Hungary social spending sharply increased from 1989 through 1993, followed by Slovakia and Bulgaria which also experienced high increases, by contrast with only modest changes in the Czech Republic. In Romania, social security expenditures slightly decreased over the period, but price controls remained in force for many food products and other staple consumer items which may explain the growing share of explicit subsidies in the government budget. Hence, soaring expenditures not only mirror the emergence of open unemployment. They also reflect the state's assumption of responsibilities for health services and many other welfare facilities previously provided by enterprises.[26]

On the whole, the picture that emerges is of declining *benefit levels* in real terms. However, there seems to be considerable variation across countries and programmes.[27] Unemployment compensation has been cut down close to the

[26] A third reason why social expenditure-GDP ratios are an inadequate indicator for what is happening in the welfare state in Central and Eastern Europe is that (measured) GDP has sharply declined - by up to 30 per cent since 1989. The state has not only more tasks to fulfill; there is also much less to be distributed. If GDP declines strongly, an increasing *share* of social expenditure in GDP may well go along with a reduction of social spending in *absolute* terms.
[27] Unfortunately, comprehensive cross-national data on this point have not been available.

subsistence level everywhere (see above). Yet as the average wage level is still rather low throughout the region, average benefits come also very close to the wages that job-seekers, in particular the unskilled, are facing in the market. For many unskilled workers unemployment benefits presently turn out to be too low to avoid deprivation, but too high to accept job offers (Scarpetta/Reutersward 1994: 270). Family allowances also usually figure among those social benefits which have lost a considerable part of their purchasing power since 1989, and this decline has only partly been offset by price compensations attached to wages (UNICEF 1993: 64). By contrast, most CEE countries have made sizeable efforts to preserve the living standards of pensioners. In Hungary, for instance, the average pension-average wage ratio remained fairly unchanged over the period 1989 through 1992. In Poland, the ratio between pensions and wages became much more favorable (increasing by more than 30 per cent), whereas it fell by roughly 14 per cent in Bulgaria throughout this period (UNICEF 1993: 79).

Minimum wage policy has been an important mechanism for reducing benefit levels. Minimum wages have only infrequently been adjusted to inflation in CEE countries and have declined much more than average wages over the period 1990 to 1993. While minimum wages represented up to 70 per cent of national average wages at the outset of transition, the ratio declined to between 30 and 40 per cent before the end of 1993. This pattern of minimum wage erosion emerged regardless of whether inflation was high or not. In fact, as Vaughan-Whitehead (1993) indicates, post-communist governments have used the minimum wage as an instrument for controlling labour costs and limiting public expenditure. Because the minimum wage served as an anchor of the social protection system[28] and public sector wages were tied to the minimum wage as well, any increase had enormous financial implications. Governments tried their best to keep that benchmark at a constant level, the price of this policy being a creeping erosion of social protection standards during the early years of transition.[29]

Poverty data provide a good indication of social welfare systems failing to meet need. There is ample evidence that standards of living have deterioriated and that poverty has spread enormously since the beginning of transition. This holds true for all countries studied, but most of all for Bulgaria and Romania. In 1992, approximately a quarter of all Bulgarian households were living in poverty, if the poverty line is taken as only 35 per cent of the 1989 average wage - the lowest

[28] Minimum wages serve as a reference wage for calculating social benefits, in particular for defining the lower and upper bounds of benefit provision. If the minimum wage was regularly adjusted, it was thought, transfer levels would be kept in line with wage growth.

[29] The Polish story reads slightly differently. In contrast to the other countries, Poland improved the purchasing power of the minimum wage (from 19 per cent in 1989 to roughly 40 per cent of the average wage in 1993). This was possible because unemployment benefits were disconnected from the minimum wage (Vaughan-Whitehead 1993: 7f.)

officially calculated poverty threshold. The poverty rate rises to more than 60 per cent if a wider poverty definition is used.[30] In Romania, anti-poverty measures, such as food subsidies, reduced the proportion of the poor in 1990. Yet that policy could not be sustained, leading to a rapid rise in the number of the poor in the subsequent period. A high level of poverty is also recorded in Poland, while the incidence of poverty has so far been contained at much more tolerable levels in the other three cases (see table 5). This development is mainly related to a sharp contraction in real average earnings. Price liberalization supported by strict wage controls led to a steep decline in real wages in CEE countries over recent years. On average, people earned less in real terms in 1993 than in 1989 and a considerable number of them lost their jobs in the regular economy. While poverty was highest among pensioners in the past, it spread particularly among large and single-parent families between 1989 and 1992 as well as among the long-term unemployed and the "working poor" (UNICEF 1993: 5-14).

An analysis of non-income-based welfare indicators also points to a significant deterioration in social conditions. For instance, life expectancy for men has significantly diminshed in most countries since the beginning of transition and mortality rates also increased, in particular among the adult elderly. However, infant mortality rates mostly reveal a downward trend between 1989 and 1992, with the exception of Bulgaria and Romania where the negative trend can be mainly attributed to a weakening of health systems. As investments in the health sector have been negligible for two decades or more, health facilities, expecially hospital buildings, are generally in a derelict state. Revenue shortfalls and the spread of corruption have exacerbated the crisis of the health care sector. In addition, the proportion of children attending kindergarten has steeply declined since 1989. Only in Hungary has the pre-school enrolment rate remained unchanged. Bulgaria and, even more markedly, Romania both also saw a sharp drop in secondary enrolment rates over the period 1989 to 1992 (UNICEF 1993: 15-31).

Nevertheless, the structure of poverty in CEE countries still differs crucially from the situation in Latin America, as Milanovic (1994: 4) has stressed. Up to now, the poor have not represented a distinct underclass in post-communist societies. The gap between the poverty threshold and the income of the average poor is still quite narrow. Moreover, the educational and skill levels of the majority of the poor are quite high, and most of them have access to durable goods and dwellings. This suggests, as Milanovic goes on to argue, that if economic

[30] Under the old regime, "subsistence minima" and "social minima" were regularly calculated for various prototypical families, but were not used as a base for setting minimum wages and social benefits. The "subsistence minimum" typically oscillated between 25 and 35 per cent and the "social minimum" between 35 and 50 per cent of the national average wage (Cornia 1994: 297).

recovery is soon resumed and trickles down, a large number of the poor may escape poverty relatively easily. If income growth comes too late and/or only higher income groups enjoy the benefits of economic revival, the picture of poverty in Central and Eastern Europe may worsen dramatically.

5. Conclusion

Post-communist welfare states have shown a remarkable degree of durability so far. Most changes of note in the old regime occurred in the field of labour market policies and social assistance, while other core social programmes did not experience significant reform. Policymakers' hesitation in committing themselves to comprehensive welfare state reform was mainly due to the particularities of the societal context. Action on poverty relief had to take precedence over any structural reform of the social security system. Moreover, political instability combined with limited financial and administrative capacities generally created a considerable barrier to institutional reform. As in the industrialized West, the dominant picture is one of a "frozen landscape" (cf. Esping-Andersen 1994: 23): in contrast to other more central arenas of transformation politics, on the whole, welfare state institutions have remained relatively stable. The existing structure of social protection, however, is hopelessly overburdened with the demands and challenges of transition. The public welfare system, semi-reformed as it is, still has many structural deficiencies in the allocation of scarce resources and presently safeguards but the barely minimum standard of living.

The defence of the welfare state has been a key instrument for ensuring social peace and securing economic reforms against a political backlash. However, difficult discussions on the future financial liabilities and the structure of benefit provision are to be expected. In this situation, national consensus-building is a *sine qua non*. Already at the beginning of transition, most CEE countries have created national tripartite bodies of consultation and interest reconciliation to alleviate social tensions and ease the implementation of economic reforms. These institutions may now play an important role in reaching a social consensus on the future shape of the post-communist welfare state.

The interpretation suggested by the development of welfare states in Central and Eastern Europe diverges from the standard questions raised in "transitology". Usually, students of transition countries are concerned with the difficulties of transplanting Western-type institutions to a different societal context. The sociological research question is: how do the new institutions of capitalism and modern democracy work on the basis of preexisting organizational structures and social ties? How much of "the old" can we still discover in the new social order? (for example, Stark 1995; Offe 1994) Regarding the welfare state, this paper suggests a different research agenda. In this area of societal transformation, the critical issue rather appears to be the persistence of inadequate institutional arrangements. Hence, we should ask: to what extent, if at all, do the old welfare state institutions accomplish their tasks, given the new socioeconomic environment of the post-communist era?

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Table 1: Social insurance contributions as a percentage of wages (1993)

Country	*Social insurance funds*[a]		*Employment fund*	
	Employer[b]	Employee	Employer[b]	Employee
Bulgaria	35[c]	0	7	0
Czech Republic	35	135	3	1
Hungary	44	10	7	2
Poland	45[d]	0	3	0
Romania	27.5[c]	1	5	1
Slovakia	35	13.5	3	1

a) including health care
b) computation base differs a little from conventional methods used in OECD countries
c) average payroll burden
d) lower rates for the agricultural sector

Table 2: Social reform outcomes (as of mid-1995)

Policy area	*Country*					
	Bulgaria	Czech Rep.	Hungary	Poland	Romania	Slovakia
labor market policies	x	x	x	x	x	x
pensions	-	x	(x)	-	-	-
health care	-	x	x	-	-	x
sick pay	-	-	(x)	-	-	-
family support	-	x	-	-	-	(x)
social assistance	(x)	x	(x)	(x)	(x)	x
financing	-	(x)	x	-	-	x

x important structural shifts
(x) few changes
- practically nothing happened

Table 3: Registered unemployment as a percentage of the labor force (1990-1994, end of year)

Country	*1990*	*1991*	*1992*	*1993*	*1994*[a]
Bulgaria	1.5	11.1	15.3	16.4	17
Czech Republic	0.8	4.1	2.6	3.5	5
Hungary	2.5	8.0	12.3	12.1	11
Slovakia	1.5	11.8	10.4	14.4	16
Poland	6.1	11.8	13.6	15.7	16
Romania	n.a.	3	8.4	10.2	13

a) OECD estimates
Sources: EBRD 1994: App. 101; OECD 1994: 118

Table 4: Government outlays and social expenditures as a percentage of GDP (1989/1995)

Country	*Total expenditure*[a]		*Social outlays*[b]		*Subsidies*[c]	
	1989	*1993*	*1989*	*1993*	*1989*	*1993*
Bulgaria	61.4	45.7	10.4	12.9	15.5	3.9
Czech Rep.[d]	64.5	48.5	13.2	14.6	16.6	-
Hungary	49.3	54.5	15.8	22.5	10.7	3.1
Poland	48.8	50.7[e]	10.0	21.0	12.9	3.3
Romania	42.7	31.0	9.5	8.9	0.4	5.5
Slovakia[d]	64.5	55.5	13.2	17.0	16.6	4.8

a) including extra-budgetary funds
b) social security and social service expenditures
c) explicit subsidies on energy, housing, food, etc.
d) 1989 figures are for Czechoslovakia
e) figure is for 1992

Sources: EBRD 1994: 87; Sachs 1995: 2

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