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## A New Social Contract?

Global and Regional Agencies and the  
Making of Post-Communist Social Policy  
in Eastern Europe

BOB DEACON

RSC No. 96/45

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Deacon: *A New Social Contract?*  
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*Making of Post-Communist Social*  
*Policy in Eastern Europe*

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**EUROPEAN UNIVERSITY INSTITUTE, FLORENCE**

**ROBERT SCHUMAN CENTRE**

**A New Social Contract?**

**Global and Regional Agencies and the Making of Post-Communist Social Policy in Eastern Europe**

**BOB DEACON**

A Working Paper written for the Conference organised by the RSC on  
*A New Social Contract?* held at the EUI the 5-6 October 1995,  
directed by Yves Mény and Martin Rhodes

**EUI Working Paper RSC No. 96/45**

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Printed in Italy in July 1996  
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Italy

## Introduction and Overview: Globalisation and Welfare

The contribution this chapter makes to the theme of this book is that the future of welfare states in Europe cannot be understood without looking beyond the West European borders of Europe. Developments in social policy in Eastern Europe and the former Soviet Union<sup>1</sup> will clearly have an impact. More important, however, is the role of global agencies such as the World Bank, International Monetary Fund (IMF), International Labour Organisation (ILO) and others in influencing both national welfare systems and the social regulation of economic competition between welfare states.

Rhodes<sup>2</sup> has reviewed the literature that demonstrates that the globalisation of the economy pits different kinds of welfare state against each other. Choices are imposed upon governments as to whether they accept the low wage deregulation strategy and dump their welfare responsibilities in the pursuit of investments and markets and jobs or whether they attempt to benefit from the higher productivity associated with larger public investment in education, health and allied social expenditures. Scharpf<sup>3</sup> has indicated the problems of constructing a European wide defence of European welfare and speculated that one option still open to some states is to attempt to combine a strategy that lets business make its profits but continues to secure welfare spending on income transfers etc. at the cost of wages. Corporate deals with labour agreeing to trade wages for welfare are still possible if enterprise is not taxed.

One of the points of this chapter is to argue that much of the analysis of the impact of globalism on European welfare possibilities is surprisingly economically determinist and in consequence, pessimistic. There is little attempt to understand in order to influence the emerging globalised political processes that do address the question of the political regulation of global competition. Much of this global political discourse is, of course, hidden from view in the professional exchanges between human resource specialists in the World Bank, ILO, and the newly created World Trade Organisation (WTO). Nonetheless, as this chapter demonstrates, there is an emerging global discourse as to the best future for welfare in the light of the globalisation of the economy. This discourse embodies a contestation between the Bank and the ILO, for example, and within each agency in terms of disputed possibilities. The subject matter of the contestation embraces how the traditional European model of state wage related Bismarkean social security system might need to be reformed and what supranational social regulations might need to be put into place (social clauses in the World Trade agreements for example) to prevent the race to the deregulated welfare bottom.

The structure of this chapter is as follows. First some earlier findings about the role of the global agencies in influencing East European social policy are summarised. Secondly it sets out a conceptual framework for analysing the link between agency impact and national policy. Here a link between agency policy and welfare regime type is hypothesised. Thirdly the chapter focuses in detail on the policy advice offered Eastern Europe and the former Soviet Union by the World Bank in the area of social security and social assistance. Fourthly the conclusion is drawn that the present phase of globalisation is marked by an inter- and intra-agency discourse about social policy. This discourse embraces models of the future which are similar to the past: United States liberalism, German conservative corporatism, Swedish social democracy and, importantly, models of the future which, it is argued by their defenders, better match the new economic realities. These are a safety net, taxed based, targeted social liberalism, espoused by some in the World Bank and a radical unconditional citizenship income approach espoused by some in the ILO. Finally the chapter reviews recent developments in East European social policy and concludes that two types of tension are being played out in the region. One, where countries are reforming their social policy, is a tension between aspirations towards a European conservative, corporatist policy and a budget and World Bank-backed pull towards a safety net social liberal strategy. The other, where little social policy reform is happening, is a tension between a post-communist conservatism and an emerging reality of welfare neglect and collapse. The future of social policy in Eastern Europe and the former Soviet Union holds the key to understanding the future for welfare in the European Union (EU), unless a determined social protectionist strategy is the chosen future for the EU.

## **Global Actors and Post-Communism: the Struggle between Global Actors**

An initial pilot study of the role of supranational and global agencies in shaping social policy since 1989 in Eastern Europe (Deacon 1994) was based on a survey of the stated objectives and actual practice of the ILO, the European Commission and the IMF with regard to influencing the future of economic and social policy in a number of countries. An initial review of World Bank thinking and practice was also included. It was concluded that major international agencies are involved in shaping post-communist social policy; the advice of different agencies often pulls in opposite directions; banking agencies (IMF, World Bank, ERBD) differ in their emphasise; advice may depend on the particular consultant used by an agency; conflicts between agencies globally (eg. ILO and IMF) are reflected in internal conflicts within countries; an element of competition between agencies reflects a global



competition between different fractions of global capitalism (eg European Commission for Europe and the IMF for the United States).

More generally on the basis of the initial investigation it was provisionally concluded that:

"It is evident that a major ideological struggle is taking place over the shape and content of the social security and income maintenance aspects of social policy in the newly emerging democracies of Eastern Europe. The struggle over what is to replace the social guarantees of forced but available employment for all between a USA style individualist social policy, a European style 'conservative' or 'social market economy' style social policy (with which social democracy is merging), and a futuristic citizenship entitlement to guaranteed income is being articulated and fought every bit as much at the level of the supranational agencies as it is being played out within the confines of intra state politics. The IMF, European Commission, and the ILO are as important actors as local politicians and local trade union and social movements. The arena of social and political struggle over these issues is now a global one (Deacon 1994)".

## **Global Agencies, Welfare Regimes and Policy Influence**

This chapter draws on a research project that is conceived and structured to test the hypothesis that different global and supranational agencies systematically promulgate advice in the sphere of social policy to countries of Eastern Europe and the former Soviet Union, and that this advice is agency specific (ie the ILO prescribing policy (a) and the EC policy (b)), and moreover, that this advice reflects policy typically associated with different welfare regimes (ie. the EC prescribes social policy typical of European welfare regime). Furthermore the hypothesis extends to include the proposition that different countries are likely to be systematically influenced in the making of their social policy more by one agency than another because of factors which affect the differential capacity of each agency to influence each country. In other words a version of this hypothesis would permit of the proposition that the IMF systematically promulgates social policy typical of a liberal welfare regime and that Poland is most likely to be especially influenced by the IMF because of the degree of indebtedness of Poland (the factor which increases the power of the IMF as an agency to influence policy).

Figure 1 outlines the hypothesis in more detail. It should be noted, here that the hypothesis includes the proposition that certain agencies cannot be characterised as typically promulgating one type of policy because of the extent to which policy prescription is known to be in flux. This particularly applies to the OECD and the World Bank. The study is focusing on four countries with

which to test the hypothesis. They are Hungary, Bulgaria, Lithuania and Ukraine.

The instruments available to the agencies under investigation are several and varied. They include 'Social Conditionality' (World Bank lending on condition of social policy change) and 'Economic Conditionality' (IMF lending on condition of economic policy change with social policy implications).

**Figure 1**

**Agency Policy and Welfare Regime Type (Hypothesis)**

<u>Agency</u>	<u>Policy advice Characteristic</u>	<u>Power to Influence Where</u>	<u>Countries in Sample More Open to Influence</u>
International Monetary fund	Residual	Indebted	All to varying degree
European Union	Conservative	Phare technical advice available and aim to join EU	Hungary Bulgaria?
International Labour Office	Social Democratic Or Conservative Corporatist	Government sympathetic to tripartism and workers protection	Bulgaria? Ukraine Lithuania?
World Bank	Variable & Shifting (Residual \ Conservative \ Post-Fordist)	Technical advice available and loans taken up	All to varying degree

- Note: a) The policy advice characteristic above is based on Esping - Anderson's (1990) typology but in the case of the World Bank it is hypothesised that future thinking within that agency is moving beyond the existing regime types to accommodate social policy appropriate to post-Fordist deconstruction and flexibility. This might also apply elsewhere (see concluding section of paper).
- b) Esping-Andersen did not include South-East Asian (New Tiger) regimes within his analysis. It is hypothesised that such a regime type (state capitalism with ed. and public health infrastructure) might provide a model for parts of the former Soviet Union but does not yet have major agency support (except OECD?).



- c) At the hypothesis stage it is not clear how to characterise the OECD, and the Council of Europe.

Additionality Incentive: EU provision of grant matched to local resources.

Legal Regulation: C of E powers to report shortcomings in member country social policy where party to C of E Social Charter

Technical Assistance: ILO, EU, World Bank, OECD etc provision of free technical advice.

Political Agreement: EU agreements with associated states.

Resource Redistribution: EU Structural fund (if extended to C and EE)

This differential array of instruments has given rise to comparative advantage competition between agencies. When asked why the countries of Eastern Europe and the former Soviet Union should take any notice of the policy prescriptions of their agency officials tend to reply in terms of the comparative advantage of their particular agency.

These are;

IMF Secrecy and speed. (6 month turn round of advice)

World Bank Exhaustive Sectoral Technical Analysis and Loans.

OECD Impartiality and absence of loans.

EU European aspirations / cultural affinity.

C of Europe Legal powers (esp. in Human Rights field)

ILO Sensitive to Social Costs and Social Agreements.

## The World Bank: Shifting Discourse of Social Policy

Our initial hypothesis that it might prove problematic to characterise the social policy prescriptions of the World Bank is proving justified. In this section we present our initial assessment of the technical advice and policy prescriptions offered by the Bank in the sphere of income maintenance for the countries in our sample. First, the instruments available to the Bank for influencing policy are described together with an account of the extent to which they have been used in the countries in this study. Second, a review of actual detailed policy prescriptions is presented. Thirdly, the extent to which there is internal debate and controversy within the Bank over appropriate policy advice is analyzed.

### *i) Bank instruments & activity*

Figure 2 sets out some of the instruments available to the Bank for shaping policy and the extent to which they have been employed so far in the countries being studied.

The Hungarian case represents the most complete story. The full cycle from an initial country economic assessment, through a social sector study with recommendations, and on to a Structural Adjustment loan tranchised so that part of it was conditional upon the government introducing national social assistance legislation social has been completed. The World Bank's Operation Evaluation Division (World Bank 1993) concluded that: 'The SAL conditions were satisfied on time... A social safety net that provides unemployment benefits and social assistance is now in place, but much more needs to be done to rationalize social expenditure in general to target them to the needy'.

How influential the Bank was in ensuring such a piece of legislation appeared on the statute book and how far the Bank did seek to and effect the details of this legislation is not yet clear. This is the subject of ongoing investigation. From the Bank's point of view, however, the Social Conditionality of the S.A.L. was further evidence of its commitment to reduce poverty in the context of its global operations. Its own publication (World Bank 1993b: xi) notes that: 'The share of adjustment lending that addresses social issues climbed from 5 per cent in Fiscal 1984-86 to 50 per cent in Fiscal 1990-92. In Fiscal 1992, eighteen out of thirty-two adjustment loans included an explicit poverty focus, and fourteen of these adjustment loans had tranche-release conditions.'

### *ii) Bank prescriptions*

An analysis of bank prescriptions in the field of income maintenance has earlier been undertaken for other countries by Milanovic (1992) for the Bank. Reviewing the recommendations in the reports on five countries of the former Soviet Union (Russia, Kazakstan, Kyrghyzstan Georgia, and Lithuania) he concluded that there were several policy areas where a consensus appeared to exist in Bank policy, some areas where difference in recommendations could be explained by the different circumstances of countries, and some key areas where diverse recommendations reflected implicit or explicit disagreements between Bank officials or between the officials and the consultants employed. Consensus appeared to exist in four areas: *old-age, disability and pensions* (statutory retirement age should be increased and made equal for both men and women; working pensioners should be discouraged, by obliging them to choose between wage and pension or by reducing pension by a given amount for each

additional rouble earned; and lowest pensions should be protected against erosion in real terms); *sick leave* (shift some costs to enterprises); unemployment (discontinue benefits for the new entrants); *social assistance* (redefine the poverty lines).

Figure 2

**World Bank Instruments for Shaping Social Policy**

	Hungary	Bulgaria	Lithuania	Ukraine
Initial Country Economic Memorandum with Social Sector comments	ü	ü	ü	ü
Social Sector study with recommendations	ü	(part of above)	ü	ü
Rehabilitation loans	X	X	probably	probably
Structural Adjustment Loan with Social Conditionality	Conditional on Social Assistance reforms.	-- Conditional upon Social Policy White paper.		
Loan Supervision	ü	ongoing	-----	-----
(Operation Evaluation)	Success	-----	-----	-----



Disagreements appeared to exist, however, in the following areas:

*pension levels* (should they be equal for all - a state flat rate minimum - or continue to be wage-related (continuing to fulfil the implicit past 'insurance' contract?); *family allowances* (should they be income tested or universal (the argument against means testing rests for some bank personnel on the grounds of the continuing narrow range of income differentials, the absence of administrative infrastructure, and the close association of children with family poverty?); *unemployment benefits* (should they be flat rate or wage related?); universal safety net (should there be such a strategy or not (in the sample of countries examined by Milanovic the case for a universal safety net/ minimum poverty line below which nobody should fall was put for Russia and Lithuania, not dealt with for Kazakhstan and Kyrgyzstan, and argued against for Georgia?); public work (work fare)(the concept of self-targeted public works programmes - as a substitute for means tested social assistance - is defended for some countries only.

Figure 3 indicates the results of a comparable analysis for the four countries of this study concentrating upon the potential areas of disagreement noted above. This can only be a snapshot of policy recommendations at a particular moment in time. The Bank staff and consultants working now in these countries are different from the ones working on the initial assessments. Changes in recommendations might follow. This point is discussed in more detail below.

In terms of pension policy while there are still differences of emphasis between reports that do not argue against wage related pensions and those that do and between those that explicitly encourage private pensions and those that do not, there is a discernible drift towards a crisis-driven, short-term, flat-rate strategy. This was also noted by Vodopivec (1992: 8) who continued the work of Milanovic for the Bank by reviewing more recent reports (Armenia, Estonia, Latvia, Ukraine) and concluded that 'all reports under current review also advocate flat-rate unemployment and pension benefit'. The congruence seems to be a fruit of concerted action on the part of the Bank - powerful arguments against a flat-rate benefit reported in Milanovic's note notwithstanding. In fact this issue is by no means settled in the Bank, a point returned to later below. In terms of family allowances there is variable advice which presumably partly reflects actual differences in country policy and differences in the inclinations of report authors and consultants.

In terms of safety net policy, these reports reveal that beyond the common lip service paid to the concept of safety net, the actual analysis and recommendations vary widely. Where the report for Hungary favoured a national means tested strategy (even though in the event a very locally variable

social assistance law has been passed), the report for Bulgaria esewed this idea in favour of categorial helps (even though in the event a national means tested system has been introduced). However for the 'less European' countries of the former Soviet Union there does seem to be an understanding now on the part of the Bank officials and consultants that continued partial food subsidy and universal entitlements to population categories known to be poor are preferable to unviable means tested strategies. This point is returned to later.



Figure 3

World Bank Prescription for Social Security and Social Assistance

Recommendation	Country	Bulgaria 2	Lithuania 3	Ukraine 4
Pensions	Hungary 1 Raise pension age Ceiling on benefit. Encourage private Retirement income test	Raise pension age Reduce scope of public pension. Encourage private.	Raise pension age Reduce replacement rate. Permit private. Maintain wage related but short term flat rate stop gap.	Raise pension age Retirement income test. Reduce average. Maintain min. pension and short term flat rate.
Family allowances	Differentiate by number of children. Means test portion of benefit.	Reduce the universal coverage. Need-based transfer to low-income families.	(Presumably retain means tested Family benefits)	See safety nets?
Unemployment Benefit	Shorten duration for phase II. Reduce benefits for some.	Flat-rate Restrict dismissed workers	Reduce flat rat Eliminate for new entrants.	Flat-rate Eliminate for new entrants.
Safety Net	Define nationwide eligibility criteria and means test.	An effective safety net to shield vulnerable groups. Provision in kind or food coupons to needy as alternative to cash benefits at local level.	Define poverty line differentiated between regions. Goal of means tested system but short-term targeting to groups. Benefit in cash and/or kind.	Pending income testing and poverty levels differentiated by region benefits to vulnerable groups only. Reduce general subsidy.

Sources: See notes at end of paper

The work fare idea mentioned in the earlier review by Milanovic seems to have fallen out of favour as World Bank policy. This, interestingly, is a strategy that is now put forward by the IMF (Ahmed 1993) and defended strongly by one of its leading advocates inside the Fund on the grounds that means testing in partially monetised and fluid economies are unviable and the dangers of discriminatory practice (such as disallowing access to benefit by prejudiced social workers) cannot happen in a work-test system. In defense of the work-fare strategy, IMF officials also point to the need for the urgent implementation of social protection rescue strategies while longer term problematic means tested administrative capacity is put in place.<sup>4</sup>

### *iii) Bank irresolution*

The proceeding review of World Bank policy prescription in the field of income maintenance has indicated at least two areas -pensions and safety nets - where there is clearly internal dissent and or confusion among Bank officials and consultants. These areas of dissent are now explored more fully because they lead to conclusions that are an important refinement to the conclusion of the earlier study.

Before exploring the substantive content of the dispute about pensions and the lack of clarity about safety nets, it is necessary to offer some contextualisation in terms of the Banks anti-poverty strategy. The World Bank and to lesser extent the International Monetary Fund had before the collapse of the state bureaucratic system in Eastern Europe, responded to the earlier criticisms of its policy and practice in developing countries by adopting an anti-poverty strategy. The World Development Report (1990) focused on poverty. In 1991 the policy paper 'Assistance Strategies to Reduce Poverty' was published. This was followed by the 1992 'Poverty Reduction Handbook'. However, the events of 1989 overtook this initiative and in a development that had not been foreseen, led to a major focus of the Bank's work on poverty alleviation being the countries of the CIS and Eastern Europe. This meant that the Bank was having to deal with and make recommendation for developed industrial economies on the mainland of continental Europe. It was ill equipped to do this, and in order to undertake the task needed to recruit a significant number of new officials and engage a new tranche of consultants more familiar with the income maintenance systems of developed economics and more sensitive to the social guarantees of the earlier regimes, the Human Resources Sector of the Europe and Central Asia Division of the Bank expanded rapidly.

Whereas the dominant tradition and practice in the Human Resources sectors of the Bank had been one influenced by United States liberalism at home and South American models of private welfare development abroad - combined with anti-poverty thinking appropriate to developing countries - the new influx of talent was engaged in a different discourse. Nicholas Barr, Sandor Sipos, Igor Tomes, John Micklewright, and many others brought an understanding of and commitment to the 'European' tradition of wage-related social security systems and a sensitivity to the guarantees of 'communism'. It is within this context that it can be argued that it is not simply that the World Bank is an important actor in shaping post-communist social policy but that the pre-existing social guarantees of 'communism' have and continue to bite back at the Bank and reshape its understanding and thinking about appropriate social policy. Of course the factors leading to internal Bank disputes are more complex than this. Also shaping Bank thinking are the 'little miracles' of South East Asia that have demonstrated the case for state infrastructural expenditure on education and health, thus denting the case for liberal fundamentalism. The election of Clinton and his recent off-the-cuff remark that 'I reckon the IMF policies have not been good for Russia. The US is going to try to relax them with more attention to job creation and the social grief that attend economic reform' (*The Guardian* 14 October 1993) is also a factor. A further complication is that European conservative corporatism and Scandinavian social democracy are under threat globally by economic competition and subject to severe questioning in terms of their capacity to respond to and handle, in income maintenance term, the consequences of post-Fordist restructuring of the economy (Jessop 1991).

If this is the context and background to the disagreements within the Bank, which are reflected in the variable recommendations about social policy for Eastern Europe and the CIS, where have the disputes now reached? Has the issue been settled on pensions or on safety nets? On pensions the Bank is in the unusual position of seeing published at the same time by staff and consultants two differently orientated texts. One of these, a World Bank Policy Research Report on pensions produced under a team lead by Estelle James (1994) is based in part on a paper by Louise Fox entitled 'Old Age Security in Transition Economies'. Louise Fox had been the author of the Bulgarian social security chapter (World Bank 1992) within which she had encouraged the development of a private pension scheme and avoided arguing for a national social assistance scheme. Her recommendations for the countries of the region rely on severely reducing the public pension provision to either a subsistence contributory flat rate or means tested flat rate system funded by pay-role tax or general revenue. In addition a compulsory private pillar is proposed, disconnected from the occupational system.



Nicholas Barr, on the other hand, in his chapter on social insurance in a different World Bank volume (Barr 1994) sets out a set of policy options much more in keeping with existing practice in mainstream European systems. The common ground is the need to raise pension age, and the protection of minimum benefits. The differences are in the scope for state wage related pensions and their private alternatives. Barr argues that social insurance contributions should be shared between worker and employer and the relationship between benefits and contributions strengthened. Private pensions should not be introduced until the necessary regulations structure has been put in place. Beyond this he argues that 'policy makers have a choice about the form of public/private mix in pensions'. A mainstream western European system would have three tiers and would be very much a partnership between the public and private sectors. The foundation PAYG (pay-as-you-go) social insurance pension would have a wider role than mere subsistence and involve only appropriate maxima for contributions and benefits. In addition there would be mandatory regulated private pensions and voluntary additional schemes.

Within the Human Resources section of the relevant country divisions the issue is not settled. A recent internal meeting (November 1993), while perceived by the 'Europeans' to conclude in their favour, was also perceived by the supporters of the flat rate public pillar as laying the framework for further work demonstrating the relevance of that strategy. The report of the meeting concluded that 'one strategy may be to select a couple of representative countries on which to focus the regions energies and resources for pension reform' (World Bank 1994). Subsequently an internal conference was convened to take a rain check on policy advice in this area (and that of social assistance). The convenor is strongly of the opinion that it would be unwise to lock Eastern Europe in to the 'costly mistakes' of West European social security commitments and sees instead, the opportunity for 'institutional leap frogging', whereby Eastern Europe might fashion schemes more appropriate to post-Fordist flexible production. He has in mind only minimum means and asset-tested state pensions. The policy debate is likely to be unfolded through case examples on the horizon (eg. Lithuania) so that the choice of bank staff and consultants is important.

However, while apparently unresolved within the Human Resources section of the relevant country divisions, the separate Education and Social policy arm of the Bank responsible for the Poverty Strategy was recently commissioned to produce a paper for the joint Development Committee of the World Bank and IMF on Social Security Reforms and Safety Nets. It argues that 'Chile made a dramatic break with the past when it switched to (a pension system) operated by the private sector' but continues to point out that 'reforms of pension system

along the Chilean lines may be an unrealistic goal for ..... countries of Eastern Europe and the FSU. An intermediate approach might be a two or three tiered system, including a public scheme providing only the minimum subsistence pension' (Development Committee 1993: 71). This approach is endorsed by the paper of the chair of the particular joint development committee meeting at which the issue was discussed (27 September 1993). Thus, despite the continued dispute and the significance of Nicholas Barr's work, Bank policy on pensions might be in danger of hardening in the direction of a residual minimum state pension. The issue is not, however, settled. The World Bank Annual Report for 1996 is to be on Transition Economies and it is interesting to note that Barr has been charged with the task of writing the pensions and public expenditure section instead of Louise Fox who had been another contender for the job. Spokespeople for both 'camps' now (June 1995) suggest the initial disagreements have softened. On the one hand there is recognition by all that the infrastructure for a fully-fledged privatisation of pensions is far from existing. On the other, the commitment to social solidarity in the state scheme is now seen as embodied in only the first tier which could give for everybody a 30 % of average wage replacement rate. A second state tier based on a 2% pay roll tax could give a further 20% replacement in 20 years. Over and above this there is agreed scope for private provision.

Policy on safety nets remains, however, even at the official level of the Joint Development Committee, unresolved and experimental. The chair concluded that 'there is no general consensus on the correct approach to these (safety net) problems or the detailed solutions appropriate in each case' (Joint Development Committee 1993: 6). The joint paper does, however, in its discussion of the administrative obstacles to means tested safety nets, comment that 'public works programs paying low wages may provide a cost-effective, if more limited, alternative with admin-costs reduced through self-selection' (*ibid.* 79). This clearly reflects the influence of IMF thinking mentioned earlier. The Education and Social Policy Dept of the Bank has been commissioned to produce a report on *The Effectiveness of Social Safety Nets in 1995* which will focus on best practice. At the same time there are bids for funds to undertake an evaluation of social assistance strategies in the region from staff associated with the European 'camp'. Both reports are awaited with interest.



## A Global Inter- and Intra-Agency Discourse

This chapter has reported a detailed analysis of the work of the World Bank in the region. Similar detailed accounts of the work of the EU, ILO, IMF, OECD, and Council of Europe will be provided in Deacon (1996). On the basis of this research it is concluded that there is no strong evidence that each agency is systematically identified with agency specific social policy prescriptions and that these agency specific prescriptions are identifiable with a particular welfare regime type approach to policy. Rather it has been demonstrated that the international discourse about desirable inter- and intra-governmental social policy is shifting and cross-cuts agencies. In other words, for each agency examined we have identified internal disagreements about policy prescription, variability in policy prescription and shifting policy thinking over time. The global discourse or, global ideological struggle over the appropriate social policy in Eastern Europe and the former Soviet Union, is continuing apace; but different positions, so to speak, cannot always be equated tidily with different agencies.

The advice flowing from the EU to the East is not systematically European conservative corporatist advice. The struggle between Euro-liberals and Euro-corporatists is reflected in the failure of DG V (Social Affairs) to control advice flowing from DG I which handles the Phare Programme. The competitive tendering in Phare, combined with the power of recipient governments to influence tender outcomes, leads to Phare activity in the social policy sphere sometimes being undertaken by the World Bank, sometimes by the ILO, sometimes by consultants of other policy persuasion. The social policy thinking of the OECD appears to be undergoing a paradigm shift from American liberalism to some form of commitment to socially regulated capitalism. Within the Council of Europe, the Social Affairs Directorate appears to wish to rethink the charter or legal rights approach in the social policy field to engage in a discourse which involves breaking the distinction between income from work and income from benefits. Within the World Bank it is perhaps most evident that a heated and hard fought struggle of ideas and policy prescriptions is under way. Here we identified a 'camp' associated with European wage-related, state-funded social security systems and a 'camp' associated with a flat rate - possibly means and asset-tested -residual pensions policy. Within the ILO, it does appear there is a conflict of opinion between those in the central and East European Team who favour a traditional European conservative approach, combining state social security with safety net means-tested social assistance, buttressed by tripartite forms of governance and those in the team who have advocated something more like a citizens income approach to replace the guaranteed income from work under the old regimes.<sup>5</sup>



Within this cross cutting global discourse we have demonstrated that the classic worlds of Western welfare capitalism are present (liberalism, conservatism, social democracy) but we have also begun to show that the existing paradigms of welfare policy and strategy are breaking down in the face of the Post-Fordist deconstruction of work and security. Within the World Bank there is clearly an attempt by some, that may not be successful, to leap frog beyond what is conceived of as the doomed and now unsustainable social security structures of Europe to a residual means tested safety net for parts of Eastern Europe and the former Soviet Union. This strategy - which we are inclined to call 'Social Liberalism' - is not yet clearly articulated. The exact meaning of a universal safety net is not defined and the problems of means testing are not clearly thought through. The IMF inclination towards a work test/food for work kind of safety net is not shared by the Bank. Perhaps the IMF thinking reported in this paper is a work-fare variant of 'Social Liberalism'. This contrasts with the parallel leap frogging, but in a different direction, that was identified in the thinking of some individuals in the ILO. Here it has been suggested that the social security policy appropriate to a post-industrialist situation in the former Soviet Union should embody a citizen's income, available to all without test of means, which would facilitate the flexible economic participation required. This thinking is not shared by the main body of the ILO which is still strongly conservative corporatist.<sup>6</sup>

In other words we remain convinced that social policy making in Eastern Europe and the former Soviet Union is a testing ground for different western social policy strategies; but that this competition between ideas and strategies now embraces a radical citizenship income and a 'Social Liberal' version of post-Fordist social policy, which sometimes find reflection in agency thinking. Very tentatively we suggest the following typology of social policy advice flowing eastwards and the association of particular agencies with the different types of advice.

**Figure 5 Global Discourse on the future of Social Policy**

Type of Social Policy Prescription	Agency sometimes promulgating
Liberalism (USA historically)	IMF?
Conservative Corporatism (German historically)	EU, World Bank, ILO, OECD?
Social Democratic (Sweden historically)	-
Post-Fordist Social Liberalism	
Version (a) Universal (Means Test) Safety Nets	EU, World Bank
Version (b) Universal Work Fare Safety Nets	IMF
Post-Fordist Radicalism Citizenship Income	Individuals associated with ILO, Council of Europe.

### Emerging Tendencies in Post-Communist Social Policy

It is not possible at this stage to demonstrate systematically the impact of different agencies on post-communist social policy making. At a later stage (Deacon 1996) four case studies (Bulgaria, Hungary, Lithuania, and the Ukraine) will be used to indicate something of the pattern of impact.

Some tentative generalisations are as follows:

- i) The more indebted a country the more IMF budget balancing requirements will lead towards liberal, or social liberal outcomes. This is clearly evident in Poland initially and in Hungary in 1995 where the ex-communist party again in power has embarked on a welfare austerity package including the means testing of child benefits. The Czech republic has been relatively immune from this pressure.
- ii) The more a country has aspirations towards European Union membership, the more internal policy making is undertaken against a backcloth of reference to EU, or Council of Europe 'standards'.
- iii) The greater sympathy shown by governments towards tripartite forms of governance, the more ILO prescriptions are likely to be taken seriously. With the recent return of ex-communist governments, in Bulgaria, Hungary, Poland, Lithuania, and their effective influence in Romania and elsewhere, this is an important consideration. The extent to which the ex-communist party has gone

through a radical reform process will however modify this influence. Relatively unreconstructed Bulgarian socialists' will listen more to the ILO than the Hungarian party.

iv) The larger a country and the greater the capacity and political will for independence from the west, the smaller will be the influence of all of the agencies. Russia, and, despite its debt, the Ukraine, seem relatively immune at this point.

At a general level it can be concluded that the global policy discourse identified earlier shapes the thinking of social policy makers as they engage in internal policy making. The Ministry of Finance appeals to IMF and World Bank language of targeting, means testing, and safety nets. The Ministry of Social Welfare (Labour and Social Affairs) appeals to the ILO, EU, or Council of Europe's concern with social protection, social inclusion, and social solidarity.

Welfare regimes in the West - towards which we might have expected Central and Eastern Europe to move - have been identified as residualism or liberalism (USA), conservatism (Germany), and social democracy (Sweden) (Esping Andersen 1990). There has been much discussion concerning the usefulness of these categories from the stand point of women's interests. Lewis (1992) has identified dual breadwinner and single breadwinner regimes. Women's independence has been argued to be a separate consideration from 'decommodification' (Shaver and Bradshaw 1993). However, Siaroff (1994) has demonstrated that if countries are measured on three criteria - the family welfare orientation of policy, the desirability of female work, and which parent receives benefits for children - there is quite a close fit between the Esping Anderson three-fold typology and the proposed four-fold typology. The clusters of countries in Siaroff's analysis fit into a four fold typology: protestant, social democratic, welfare states (Sweden), advanced christian democratic welfare states (Germany), protestant liberal welfare states (UK), and late female mobilization welfare states (Spain)

Earlier (1992) I argued that we might expect the emergence of welfare regimes of these kinds in Central and Eastern Europe. Hungary, I suggested for example was likely to move towards liberalism. In addition I suggested that a further variant was likely to be observed called post-communist conservatism within which old social obligations would be retained. Bulgaria would be one such country. Figure 6, below, captures the key distinctions between Esping-Andersen's three worlds of welfare capitalism (modified in the light of Siaroff), the pre-existing world of state bureaucratic collectivism, and suggests the available futures for welfare in post-communism.



Fig 6

**Whither Post-Communist Social Policy?**

<b>Welfare Regime</b>	<b>Entitlement basis of benefit</b>	<b>Distributional Aspects</b>	<b>Women's Interests*</b>
Liberalism	Commodified (markets)	Inequality	2
Conservatism	Semi-decommodified (insurance)	Status differential	2
Social democratic	Decommodified (citizenship)	Redistribution	3
State bureaucratic collectivism	Decommodified (work-loyalty)	Proletarianised but privileges	3
Post-communism	pressures towards liberalism unviability of social democracy logic of conservatism either as reform towards insurance systems or as post-communist conservatism (but doesn't fit women's interests?)		

[\* Siaroff uses 3 criteria (see text). The score 1,2,3 indicates how many of these criteria are positive to women in the regime type]

The import of the analysis of global agency discourse has been to suggest that the available worlds of welfare capitalism have moved on since projections of the above kind were made a few years ago. The globalised capitalist economy has entered a Post-Fordist phase of flexible production and intensified economic competition. Associated with this and worked out by the World Bank partly in its dealings with Central and Eastern Europe is the emerging world of social liberalism/safety net welfare. The alternative radical scenarios of citizenship income entitlement have yet to be implemented anywhere.



What can be said at this moment at this level of generality about the emerging world(s) of post-communist welfare? There has not yet been undertaken a systematic comparative description and analysis of post-communist social policy. Götting has usefully compared developments in Bulgaria, Hungary, Czechoslovakia. Individual country reports have appeared on Poland (Ksiezopolski 1993), and the Baltics (Simpura 1995). A recent account of Russian social policy have been made by Shapiro (1995). The International Social Security Association has monitored developments (1994). The Child Development Centre of UNICEF in Florence have provided an excellent service in monitoring outcomes of policy in two Regional Monitoring Reports (UNICEF 1993 and 1994). The outcome of the SOCO project into the Social consequences of Transition under the leadership of ZsuzsaFerge is awaited at the time of writing.

Cichon (1994) claims that there is a general pattern of development in the income maintenance sector leading to the establishment of a three pillared system of social insurance (for pensions, short term benefits), social support from taxes (for child benefits), and social assistance for those exhausting entitlement to benefit or not otherwise covered. To the extent that this is true - and certainly Polish, Hungarian, Czech, Slovak, Slovene, Lithuanian and Bulgarian policy is moving partly in this direction - then the logic of the transformation of state bureaucratic collectivism to conservative corporatism is being followed through. At issue, of course, is the level of benefits, the extent to which state pensions are wage related or only minimum, flat-rate guarantees, the adequacy at a local level of nominal state commitments to social assistance, and the extent to which the state support system is universal or targeted. Because, in many cases, it is only the minimum pension that is being guaranteed, and because support systems are increasingly means tested, the reality begins to look much more like the new world of social liberalism rather than the old world of conservative corporatism. The struggle between the two tendencies continues.

There is a distinction between those countries that have more readily embraced the Bismarkian social insurance system with independent funds and those that have dragged their feet on this and continue to see a closer link between the state budget and benefit funds. It is the latter type of country that is also more concerned to conserve industrial enterprises, and to temporarily lay off workers without pay rather than establish adequate unemployment benefits. This predicted post-communist conservatism (of Bulgaria, Romania, the Ukraine?) is however being encircled within its own borders by a new unregulated private, semi-legal capitalism that refuses to be taxed. In these countries the

tension is not so much between a conservative corporatism and social liberalism but between post-communist conservatism and extreme liberalism.

The extreme version of this tension is being played out in Russia and some other countries of the former Soviet Union. Shapiro (1995) has demonstrated that the trajectory of Russia in terms of income inequality and in terms of effective social policy making is much more towards a Latin-American scenario of welfare collapse rather than any of the variants of western welfare capitalism. This gloomy picture in Russia in the income maintenance sphere is reinforced by a comparative analysis of health policy and mortality outcomes (Shapiro 1995). The life expectancy for males in Russia is now (1994) 57.3 years (Field 1995). Even the World Bank's strategy is not working in Russia. As one World Bank official put it 'I would add another item to your classification [of welfare futures]. It is actually a system of social neglect [or disregard] in countries at middling levels where the poor are not a very important constituency [they don't vote or their votes are stolen], the middle class is not big enough [and it has definitely shrunk in Russia], and the role of the state is highly uncertain [meaning that the state can expropriate all contributions, or inflate them away or simply cease to exist]'.

In sum, therefore, we can conclude that diverse welfare regimes can now be found in Eastern Europe and the former Soviet Union. These include the existing western welfare model of conservatism and the new post-communist conservatism which is always in danger of giving way to welfare collapse. A new 'Social Liberalism' (liberalism with safety nets) is also evident and is the World Bank's preferred solution. The implications of this emerging trend for Western Europe in the context of global competition are, as we suggested at the beginning, not unimportant. Any new social contract in the welfare field will have to be struck at a global level between agencies and social movements.

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## Endnotes

<sup>1</sup> See Ulrike Götting, "A New Social Contract ? In Defence of Welfare: Social Protection and Social Reform in Eastern Europe", Working Paper Robert Schuman Centre, European University Institute, Firenze, 1996.

<sup>2</sup> Martin Rhodes, "A New Social Contract ? Globalization and West European Welfare States", Working Paper Robert Schuman Centre, European University Institute, Firenze, 1996.

<sup>3</sup> Fritz Scharpf, "A new Social Contract ? Negative and Positive Integration in the Political Economy of European Welfare States", Working Paper Robert Schuman Centre, European University Institute, Firenze, 1996.

<sup>4</sup> The analysis of IMF policy will be the subject of a subsequent paper. It is interesting to note, however, at this stage that Fiscal Affairs thinking within the Fund seems to favour practice more appropriate to Southern developing economies and defends these on the basis of their implementability and sustainability. Developed wage related state pensions structures, for example, of Northern Europe are regarded as unsupportable.

<sup>5</sup> Sources for World Bank Prescriptions for Social Security and Social Assistance (Figure 3):

1. World Bank (1992), *Hungary, Reform of Social Policy and Expenditures*. [Mission included Robert Holzmann (pensions), John Micklewright (unemployment, family benefit, social assistance)].

2. World Bank (1991), *Bulgaria, Crisis and Transition to a Market Economy* (Vol II). [Mission included Louise Fox (social security)].

3. World Bank (1993), *Lithuania: The Transition to a Market Economy*. [Mission included Robert Holzmann (social safety net)].

4. World Bank (1993), *Ukraine: The Social Sector during Transition*. [Mission included Teri Bergman (unemployment and cash benefits)].

<sup>6</sup> The latest ILO publication - M. Cichon and L. Samuel (eds), *Making Social Protection Work* (1995), combines the sentiments articulated by Michael Cichon that are positive about the emerging trend in Central and Eastern Europe to re-establish 'social protection systems [that] follow generally the Central European models which already existed [...] until the late 1940's' (p. 45), with those of Guy Standing that, if policy makers wished to maximise social protection (rather than employment), then the realities of high unemployment and unstable work histories for a growing minority of the population must point in the direction of reducing the link between employment and transfer payments (p. 40).



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