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Welfare State Development in Central and Eastern Europe: A State of the Art Literature Review

Dragos Adascalitei*

Abstract

The welfare states in Central and Eastern Europe (CEE) have undergone massive changes since the beginning of the 1990s. This paper reviews the literature on welfare state development in CEE in light of the theories that have been used to study advanced capitalist democracies. Its purpose is to critically assess the extent to which different theories can explain changes in the welfare state during and after transition. It argues that until now two strands of literature have crystallised: institutionalism and actor-centred explanations. Institutionalists agree that welfare reforms are limited by the path dependence of the national welfare state structures though this framework is biased towards explaining stability. Recent literature seeks to overcome this bias by adding variables that traditionally belong to the actor-centred paradigm. This essay will argue that the gains from such an approach are exceeded by losses in the accuracy and parsimony of explanations. Further, in the actor-centred camp the welfare state is seen as a product of bargaining between various national and international actors. Yet the debate about who is responsible for the present welfare state arrangements is far from over. Unanswered questions revolve around the impact of political parties and ideologies on welfare reforms, the role of bureaucracies, the efficiency of international financial institutions in advocating retrenchment and the precise mechanisms through which all the above actors defend their interests.

Keywords: Central and Eastern Europe, welfare, reform, post-communism.

Introduction

Twenty years after the collapse of communism, the literature studying Central and Eastern European (CEE) welfare states has not yet reached a conclusion on what explains their variation, their different trajectories or the extent of their transformation. This disagreement stems from two sources. First, as in the case of the analysis of advanced welfare states, there is disagreement about the object of study. Commonly known as the 'dependent variable problem' (Pierson 1994, 1996, 2001, Clasen 2007) this debate points to the conceptual fuzziness of the welfare state definition. In the narrow sense, the welfare state denotes the set of state measures that aim at providing key social protection services. From this point of view, the welfare state is a basic system of government driven benefits that seek to provide a minimum level of income, health and safety (Inglot 2008:22). Yet this definition obscures the political dimension of the welfare state. More comprehensively, following Esping Anderson's seminal work (1990) the welfare states are defined in terms of "how much they spend, what they do; their institutional properties or programmatic content and how they interact with the market and other private arrangements, formal or informal" (Cook 2007a: 9).

Second, the use of different definitions of the welfare state impacted the findings generated by different research traditions. For example, the comparative literature that tried to establish whether a type of CEE welfare state has emerged in the past two decades is mostly inconclusive. Aidukaite (2004,

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2011) argues that CEE welfare states exhibit a number of distinct institutional similarities (insurance-based programs that play a major part in the social protection system; high take-up of social security; relatively low social security benefits; increasing signs of liberalisation of social policy), which allows for their classification under a singular post-communist welfare type. On the contrary, others find that post-communist welfare states followed different reform trajectories coming to approximate Western models (Fenger 2007). At the same time, comparative research has been unsuccessful in establishing whether the post-communist countries are generous or not. A comparison with Western European countries reveals that, with the exception of Slovenia, CEE welfare states are less generous and less effective in addressing citizens' social needs. By contrast, a comparison with other regions that exhibit the same level of economic development shows that the post-communist welfare states maintained a high commitment to social policies (Haggard & Kaufman 2008). All in all, what emerges from this literature is that CEE welfare states do not easily lend themselves to classification into a pre-existent typology.

Such classifications do not add much to the understanding of the nuts and bolts of the Eastern European welfare states. Nor do they clarify the mechanisms that contributed to the emergence of the social policy configurations in CEE. More productive and theoretically insightful approaches to the understanding of CEE welfare states can be found in institutionalist and actor-centred explanations. The former take a *longue durée* perspective and derive the genealogy of the welfare state in the early introduction of social policies during the interwar period (Inglot 2008). The latter focus on more recent events and model the social policy development based on the interplay between different actors (parties, trade unions, governments, international agencies, and multinational corporations). In the following sections, I will review each of these two strands of literature and point to their most important findings.

Institutionalism

The institutionalist explanations, inspired by the Western historical institutionalist school (Skocpol 1985, Amenta 2003, Pierson 1994, 2004), argue that early developments of state structures limit the range of alternatives for future policies. From this point of view, social policy is 'locked in' on a particular path of development, which makes it difficult for various stakeholders to reform or retrench the already adopted programs. At best, what they can accomplish is a marginal reform of the core elements of the welfare state.

Understood from this standpoint, post-communist welfare states consist of a combination of basic institutional layers that date back to the interwar period (Inglot 2003, 2008, 2009). These layers correspond to the periods of state building and rebuilding, during which politically motivated welfare measures were undertaken by elites. With time, these measures 'froze' into permanent structures, hence the hybrid nature of the post-communist welfare states. At their core, the systems of social protection share the (incomplete) Bismarkian legacy of work-related social insurance. Later, the socialist expansion period has added a new layer of institutions characterised by pay-as-you-go systems, full employment, national health service, affordable housing family programs and limited means tested benefit schemes (Inglot 2008). Over decades, the socialist welfare states became an intricate set of entitlements and benefits, which served as an instrument of control and differentiation.

Social privileges were used by planners to limit the autonomy of trade unions that developed into simple 'transmission belts'. Unions began to be recognised mainly through their administrative role in the delivery of workplace benefits, ranging from holiday tickets to subsidised heating and childcare services. On the other hand, during this period, social policies reinforced the hierarchical structure of society by delivering privileges to loyal groups, while denying it to others. Throughout transition,

the policies, which constituted the core of the socialist and interwar period, have been 'reconfigured' rather than fundamentally altered (Stark 1996). Hence, the beginning of the transition period was "a rare historic event of regime change that involved reproduction of the welfare state" (Inglot 2008: 296), during which reforms built upon previous welfare structures. Although reform blueprints have been made available both by domestic and international actors, the post-communist elites have failed to radically change the logic of social protection policies. The 'lock-in' was caused by several factors. First, the new elites lacked the necessary expertise in social policy, which made them dependent on the older bureaucrats. Second, soon after regimes collapsed, elites realised that a complete overhaul of social policies would be impossible due to the inherited legacies and patterns of policy making. As a result, the reforms that have been introduced since the 1990s depended on legacies that provided accessible solutions for the social problems created by the economic transition.

The backbone of the institutionalist legacy argument lies in its reliance on the path dependency explanation of social policy change. An important theoretical addition of this approach is its rejection of claims that the transition to capitalism took place in an 'institutional vacuum' (Karl & Schmitter 1991). Furthermore, this argument lends itself to the analysis of different evolutionary paths that CEE welfare states have undertaken since the adoption of their first social insurance systems. Considering their different histories of the timing and sequencing of social policy adoption, the CEE countries evolved into different welfare systems with various degrees of coverage and entitlements. For example, when comparing the Czech and Hungarian cases, Inglot (2008) underlines the importance of the early establishment of a strong welfare ministry and the involvement of trade unions combined with a strong social democratic orientation for the Czech system. By contrast, in Hungary the welfare state remained mostly underdeveloped prior to the socialist period, which made the expansion of entitlements slower and less consistent.

Furthermore, the institutionalist literature rightly points out that part of the variation in the welfare state development in CEE can be accounted for by the early responses to the systemic crisis that affected all the countries in the early 1990s. While the transitional recession affected all countries in the region, its intensity differed. Compared with the Former Soviet Union (FSU) countries in CEE, the transitional recession was much shallower and the recovery was faster, which allowed this group of countries to maintain the provision of welfare. However, the institutionalist argument does not convincingly argue why exactly some of the welfare legacies inherited from previous regimes had an enabling effect during transition, while others proved to have negative consequences. More specifically, the institutionalist literature needs to better operationalise the concept of path dependency in order to uncover its effects.

Moreover, the analytical lenses that are used in the institutionalist analyses do not catch entirely the short-term behaviour of the welfare states during transition. Both the CEE and FSU countries behaved differently during the transformational recession: Poland increased its welfare effort (Cook 2007b), Bulgaria chose to decrease expenditures, while Ukraine maintained previous levels. Also, the policies which have been used to respond to the downward economic pressures differed: Poland and Hungary increased early retirement benefits, Bulgaria and Romania reduced unemployment benefit levels and expanded the coverage of disability benefits, while FSU countries avoided massive unemployment through reliance on wage arrears.

In an effort to understand these changes, recent literature relies on more recent neo-institutionalist accounts (Mahoney & Thelen 2010) to uncover the motives for the variation in welfare policies. Variation is not necessarily linked to 'critical junctures' but can be produced by incremental changes or even more by path-departing, path-creating or path-breaking transformations (Cerami & Vanhuysse 2009: 3-4). Building on this framework, variation in welfare policies is explained by a combination of historical and political factors that condition the functioning of the welfare state. However, the

introduction of politics in the institutional paradigm alters the meaning of the very concepts that institutionalists use. Ultimately, the use of 'politics' as an explanatory variable by the East European neo-institutionalists serves more as a way of avoiding to grasp the determinants of welfare state transformation in CEE rather than a productive research tradition. If parsimony is a virtue, then this direction of welfare state research is sure to avoid it.

The inevitable conclusion reached by researchers working in the neo-institutionalist paradigm is that over the past two decades CEE welfare states became hybrid models (Cerami & Vanhuysse 2009, Keune 2008). This label is in itself a tautological product of the mixed pedigree that characterises the neo-institutional paradigm. It is also a way to circumvent the need to theorise based on the empirical realities that characterise the institutional transformations in the region.

A more promising research avenue should take into account not only the national histories of welfare reform and retrenchment but also their links with the capitalist systems, which developed concomitantly. This will allow for a less rigid classification of the CEE welfare systems, as well as for a substantive understanding of the expansion and retrenchment patterns, while avoiding the pitfalls of contradicting the assumptions of historical institutionalism. A first step in this direction was taken by Bohle and Greskovits (2007), who include a social dimension together with an economic development, macroeconomic stability and marketisation dimensions in their taxonomy of capitalist systems in Eastern Europe. Despite the fact that there is no explicit causal mechanism put forward by the authors that connects the institutional welfare settings with the level of economic growth and industrial upgrading, it is implicitly suggested that they co-vary. The Baltic States are characterised by high inequalities, low social expenditure and low social inclusiveness, while relying on resource intensive or unskilled-labour intensive traditional industries. In contrast, the Visegrad states score fairly well in terms of addressing inequalities and promoting social inclusiveness while relying on capital and skill intensive industries. The immediate implication of a capitalist welfare framework is that besides the institutional legacies, what matters for the welfare state transformation are the trajectories of national industrial development. These different trajectories that have been followed by the CEE states have enabled the creation of "self-reinforcing patterns of developmental and social policies and performances" (Bohle & Greskovits 2007: 30).

What remains to be spelled out is how these institutional and industrial legacies interact with each other and limit the strategies of political actors. Such a challenge can be undertaken by extending the focus of research to the entire post-communist region and avoiding the pitfalls of generalising from one or few cases. In other words, instead of taking the conclusions of Western institutionalist literature for granted, Eastern Europeanists should ask their own questions. In the following section, I review the actor-centred explanations of welfare state transformations in CEE. I focus on the main theories that have been used to explain actors' influence on the post-communist welfare pathways and identify their most important claims.

Actor-centred explanations

Those in favour of actor-centred explanations of social policy change in CEE start their analysis with the fall of the communist regime in the beginning of the 1990s. While they do not explicitly reject the claims made by historical institutionalists, they construct the transformation of social policies based on the tactical actions in which political and economic stakeholders have engaged. These stakeholders can be: national actors (political parties, trade unions, business groups, statist bureaucracies) or international organisations.

National actors

In an early attempt to analyse the position of left parties towards social policy reforms, Cook et al. (1999) find that parties can be divided into three main groups, depending on their policy preferences and genealogical roots: the unreformed left is the direct successor of the communist party and seeks to preserve the socialist values or to fully reinstate the socialist system, the reformed social democrats who advocate for a slow transition to market with the state assuming its role in the provision of social benefits, and the historically-based social democrats who also advocate a social market approach. Further, the authors find that when in power, left parties assume a pro-welfare discourse "seeking to defend or re-establish the welfare state values in the new political context" (Cook et al. 1999: 241). An interesting finding of the study is that left parties in CEE do not pursue broadly social democratic welfare state policies as described in Esping Anderson's *Three Worlds of Welfare Capitalism* (1990). Instead they either defend the welfare state against neo-liberal or ad-hoc full dismantling or they adopt a centrist position, speaking more to the median voter rather than to a purely left constituency. On the other hand, communist successor parties have been successful in the electoral arena only when they had a credible pro-reform and pro-European orientation, and if they benefited from strong institutional links with nomenklatura elites, trade unions or other economically-based interest groups (Orenstein 1998: 473-474). This meant that in order to be successful, left wing parties had to move to the centre, which made them have an ambiguous position towards social policy reforms.

Similarly, right wing parties had an interest in re-forming the welfare state. During the early period of transition, liberalising parties in government pursued strategies of liberalisation through the decentralisation of services, shifting responsibilities, legalisation of private providers and reduction of state subsidies and broad entitlements. However, these reforms took place in a chaotic environment, which left room for ad hoc policy reversal (Cook 2007b). In the Baltics as well as in Bulgaria, centre right coalitions have dominated in most of the post-communist governments, which steered the welfare reforms towards a liberal path. In Romania, where the political landscape has been in a constant flux during transition, despite a balance between centre right and left governments in power, the welfare state remained minimal and has been used as a tool to win elections.

Frameworks stressing the role of historical-structural factors for the development of early patterns of party competition stress that where social support for communism was weak, creating 'national accommodationist' regimes, successor parties embraced economic reform after 1990, which blurred the division between left and right on the socio-economic dimension (Kitschelt et al. 1999). Haggard & Kauffman (2008) reach a similar conclusion for the CEE region. They contend that "fiscal constraint and the legacy of earlier welfare systems has made the role of strong left parties more ambiguous and varied" (Haggard & Kaufman 2008: 360). Moreover, partisan differences in respect to social policy positions have converged in environments characterised by "wide entitlements and strong public expectations" (Haggard & Kaufman 2008: 360).

Tavits and Letki (2009) reach a different conclusion about the influence of parties on government spending. They find that leftist parties had stronger incentives and better opportunities to pursue welfare reforms. The task of carrying out welfare reforms was undertaken by leftist parties because they needed to prove their commitment to democratic values. Further, they could count on a more loyal electorate and, therefore, did not fear substantial electoral swings in the face of policy reversals. However, the imaginative argument put forward by the two authors does not hold for the entire region. The Romanian social democrats largely avoided welfare reforms both in the beginning of the transition and when in power between 2000 and 2004. Similarly, the Bulgarian left avoided any major welfare reforms during their stay in power until the mid-1990s. After 2005, when they came back to power as part of the grand coalition government, they defended the generosity of the pay-as-you-go pension system against attacks form the right.

What can be said about this literature is that it produced contradictory findings about the impact of political parties on social policy reforms. The findings are mostly influenced by the sample of countries, which is used in the analysis and the method (quantitative studies support the transposition of roles hypothesis, while qualitative studies reach the conclusion that the parties have a mixed role in the economic reforms). However, one point of agreement between the qualitative and quantitative analyses is that Eastern European party politics are at odds with their Western counterparts.

Other authors have paid more attention to the manner in which social policy reforms have been used by elites to achieve social peace. Vanhuysse (2006, 2009) has argued that in anticipation of the distributive conflicts determined by the transition to a market economy, elites have used welfare reforms to pacify the groups which had the capacity to organise through division. The argument rests on the assumptions that a) the working class has been accustomed to a system that guaranteed employment security, in which b) the level of real income was a matter of political decision making, and that c) with the transition to political democracy, the workers acquired extensive political resources and d) had every reason to use them, given the economic vagaries created by the transformational recession. The political elite understood these threats and reacted by using welfare policies to split the interests of groups with the potential to organise and make collective action difficult. This resulted in the creation of 'abnormal' groups of pensioners and the unemployed, besides the regular pensioners and workers. Vanhuysse's argument rests on the powerful assumption that indeed there was elite agency in the planning and using of social policies to diffuse the protest potential of different groups. Here, the author provides no evidence that in light of protests that took place in the early 1990s, the elite *decided* to demobilise protesters. Nor it is clear from the argument why specifically social policies and no other measures have been chosen to ensure social peace.

While the above argument seems to fit the politics of pension reforms in Poland and Hungary well, its wider applicability is questionable. Romania and Bulgaria, two countries that also saw a dramatic increase in absolute numbers of pensioners during transition, did not have the capable governments or the welfare resources that the Visegrad countries had. Thus, in light of the comparison between the two countries and the Visegrad group it is doubtful to what extent the abnormal groups have been the result of purposive action by capable governments or a result of the economic restructuring, which all the countries in the region witnessed. On the other hand, it is not obvious why workers accepted to go on early retirement and unemployment, given that these programs have not been generous enough to entirely 'decommodify' their living or stable enough to be trusted.

Furthermore, looking at other countries such as Russia, Ukraine and Belarus, politically capable groups have exercised threats to the stability of the system, but the response went along different lines. The elites sought to preserve employment by delaying economic restructuring, rather than using early retirement schemes to preserve social peace. Thus, the politics of welfare seems to be connected with the success or failure of the industrial reform, rather than with elite agency. Indeed as Gimpelson (2001) notes, despite the fact that the transformational recession in Russia has been much longer and deeper than initially expected, massive unemployment came only after a delay. This happened because politicians viewed unemployment as a major threat to political stability and sought to avoid it. Unemployment has been kept at moderate levels by using stop-and-go monetary policies, insider privatisation, and open and hidden subsidies to producers. For workers, this has translated to underemployment and mounting wage arrears. These policies have been facilitated by an institutional inheritance from the Soviet era, during which factories were hubs for the provision of important welfare benefits (health care, housing, holidays, kindergartens, heating subsidies, etc.). The post-communist governments in Russia and Ukraine continued to keep workers practically tied to their enterprises through the provision of fringe benefits. This resulted in limited industrial restructuring and in the keeping of sizeable workforces at the plant level (Gimpelson 2001, Boeri & Terrell 2002, Varga 2011).

Yet other authors (Aidukaite 2004, Cook 2007a, 2010) have emphasised the role played by statist bureaucracies in preserving the Soviet era entitlements. From this perspective, social policies have not been a direct response to the political demands made by social classes but a system of privileges that the bureaucratic elites used in political exchanges. Cook (2007a) makes this point clear for the case of Belarus. She argues that even when reforms took place, they were vulnerable to significant compromises between political actors and the bureaucracy. In a context of limited privatisation and weak civil society, elites remained dependent on state subsidies and administrative positions. These stable elites formed the foundation for Lukashenka's power. In turn, the President relied on this arrangement "to deliver compliance and votes of their subordinates" (Cook 2007a: 205). The social policies have been a central part in maintaining this self-reinforcing formula in which the bureaucracy preserved its access to privileges, while Lukashenka held control over the country. This setting left very little space for welfare state restructuring in Belarus. Besides preventing reform, the capturing of social protection systems by bureaucratic and statist elites made them more polarised. They became systems of provision of special privileges to certain groups, while the rest of the population relied on the informal delivery of welfare services. The socialist system of benefits was mostly kept in place, and the state continued to finance and administer education, pensions and health sectors. As in Russia and Ukraine, enterprises in Belarus kept their social facilities and continued the delivery of fringe benefits. Unemployment remained very low, which delayed the introduction of an unemployment benefit system until 1999. The unemployment benefits remained generally below the subsistence level.

Similarly, statist bureaucrats played an important role in the early development of social policies in other CEE countries. In dealing with these groups, CEE governments in democratic polities that sought to reduce entitlements did it *selectively* by compensating politically influential bureaucrats for lost benefits (the compensation hypothesis). This partially explains the variation in the timing and scope of welfare reforms across CEE.

By comparison, the influence of civil society and, in particular, of trade unions on social policy making has been painted in much darker colours. Eastern European trade unions have been generally qualified as weak and as "having a low capacity to shape public policy or to win material benefits on behalf of their members" (Crowley & Ost 2001: 214). Two arguments have been put forward to explaining the quiescence and general weakness of trade unions in CEE: the ideological legacy argument and the structural conditions argument. The ideological legacy argument claims that unions in CEE are generally weak because their roots in the socialist system led to legitimacy problems during post-communism. Unions faced the double task of restructuring in order to respond to the demands of the new economy and building a credible ideological alternative to the free market discourse. However, they failed in both tasks as they did not understand their new role (Crowley & Ost 2001), nor did they manage to present a credible alternative to the free market ideology. On the other hand, workers saw trade unions as relics of the past. They perceived the unions as organisations subordinated to management and incapable of effectively representing their demands. In addition, unions themselves gave up on organising workers' interests. In a discussion of the Polish case, David Ost (2000, 2006) argues that the Solidarity trade union ignored the needs of workers and ended up embracing a catholic nationalist discourse. Instead of incorporating workers' demands and developing class-based identities, the elites gave up on labor, which when left alone was captured by illiberal parties. As a result, trade unions registered significant losses in their membership, their capacity to organise strikes and participate in collective bargaining agreements.

The second argument that seeks to explain the weakness of trade unions in CEE focuses on the factors outside of labour's immediate control (Varga 2011). This literature focuses on the room to manoeuver, which labour had during transition, and on the interaction between labour and political parties, management and business. The managerial elite created in the early years of transition had a stake in keeping the union power at bay because it sought to preserve its control of the plants. Furthermore, the governments that had control over the strike legislation and workers' representation

bodies sought to limit the political influence of the trade unions. This made David Ost conclude that in Eastern Europe a form of 'illusory corporatism' has emerged, in which institutions of labour representation are merely formal bodies with no real influence over the policy making process. Meardi (2011) also concludes that employment relations in the New Member States are heading in a neo-liberal direction characterised by weak institutions for employee participation and employee representation.

The gist of both arguments about labour weakness presented above is that trade unions are generally weak and did little to influence the social policy making. As Meardi (2011) shows, the weakness of the trade unions resulted in poor social rights altogether and minimal welfare states which are unbalanced in favour of the older generations. New generations receive little in terms of employment security due to the liberalisation of labour law, receive expensive and unsecure contribution based pensions, and are faced with increasingly privatised systems of education and healthcare and receive little close to no benefits in kind from their employers. The implications of this minimalist welfare regime are that younger generations that entered the labour market during the 90s or those who are entering now have no power to control their work-related benefits and are forced to accept any job. On the other hand, trade unions completely lost their capacity to monitor working conditions and negotiate collective agreements, which leaves workers in a defenceless situation.

More recent and fine-grained accounts of labour activity in CEE reach slightly different conclusions. Varga analyses the trade union strategies in Romania and Ukraine, arguing that "labour is no monolith in sharing the same characteristics irrespective of time and space"(Varga 2011: 33), and that there is *variation* in labour weakness outcome. Both Romanian and Ukrainian unions have been capable of successfully organising workers' anger, despite the structural difficulties posed by the transition phase. Evidence from the Ukrainian trade union activism during the recent economic crisis suggests that unions have not been at all quiescent, as the legacy or structuralist arguments would expect, but mobilised against plant closures, and they have managed to cancel layoffs and have wage arrears returned (Varga 2011). Further, Bernaciak et al. (2011) find that trade unions in sheltered sectors in Poland and Serbia have managed to successfully organise and prevent restructuring while defending employment-related privileges in their constituencies. Similarly, in the Baltics a series of strikes by trade unions in the public sector during the recent economic crisis led to the resignation of the Latvian Education Minister in 2008 and allowed trade unions to have a say in the negotiation of public sector cuts.

Hence, contextual evidence shows that the legacy and structuralist arguments cannot fully account for union activism in CEE. While they can capture the general trend of union decline, which is supported by macro-data, they are wrong in concluding that trade unions are doomed to remain weak. This misrepresentation of union activism and influence in CEE stems from the fact that macro-comparative studies tend to analyse only what Silver (2003) and Wright (2000) call *associational power* – the various forms of power that result from the collective organisation of workers, while ignoring workers' *structural power* – "the power that accrues to workers simply from their location in the economic system" (Silver 2003: 13). Structural power can result either from tight labour markets or from the strategic location of groups of workers in key industrial sectors. Further analyses of union behaviour should account both for the macro dynamics as well as for the sectoral dynamics of union organisation and influence.

International organisations

The influence of international actors on domestic policy making in CEE is widely recognised. The International Monetary Fund (IMF) and World Bank (WB) have been of key importance in shaping the timing and content of social policy reforms. World Bank promoted the restructuring of the old welfare structures and provided governments with technical and financial assistance. Deacon and Stubbs (2007) note that although the impact of international financial institutions (IFIs) is variable, they are

relevant and any analysis of social policy change should understand their role. Furthermore, Deacon and Hulse (1997) find that CEE provided a testing ground for social policy making in the industrialised world. They argue that policy advice from the IMF and the conditionalities attached to the loans given by IMF to the countries in need were associated with expenditure cuts and significant reductions in entitlements, such as unemployment benefits. Analysing the influence of international actors on the pension reforms, Orenstein (2009) claims that pension reforms in the late 1990s and 2000s have been under heavy influence of a World Bank policy campaign that started in the 1990s. The adoption of the pillar system advocated by the WB throughout CEE stands as evidence that the transnational actors played a crucial role in pension reform decisions.

The literature that focuses on FSU countries argues that while international pressure for welfare reforms existed, this pressure has been mediated by domestic actors (Cook 2007a). IFIs relied on cooperation with governments and reformist elites to have access to domestic polities and endorse their agendas. Thus, the IFI efforts to promote means for testing social assistance, pension privatisation and medical insurance have been conditioned by the outcomes of national political struggles. This led to the variable success of programs for privatisation and means testing in FSU countries. Similarly, in a comparison of three CEE countries Orenstein and Haas (2005) show that in the first years of transition the IFIs paid little attention to the domestic social policies, which allowed national elites to freely enact their ideas. However, towards the mid-1990s a more coherent international social policy agenda began to be implemented with the support of WB and in cooperation with local elites. Evidence from the recent economic downturn suggests that a shift in the policy advice by IFIs took place. Unlike during previous crises when IMF pushed for pension privatisation, during the recent crisis the institution did not push for further privatisation reforms even in countries where such reforms were planned (Orenstein 2011). It remains to be seen whether this is just an emergency response or a more long lasting shift in policy ideas at the international level.

A specific role in the literature is occupied by the studies that aim at capturing the influence of the European Union (EU) on the national social policy agendas. Traditionally these studies have been concerned with the question of *convergence* of the new member states (NMS) with the European Social Model (Vaughan-Whitehead 2003, Draxler & Van Vliet 2010, Vural 2011, Whyman et al. 2012). Most of these studies found that the convergence hypothesis is not supported by empirical evidence. Moreover, findings suggest that the liberal reform agenda promoted by the EU, which was focused on labour market deregulation and flexibilisation, exacerbated the already high inequalities in the NMS. This tendency is the result of the increased importance of atypical employment, especially part-time and fixed term contracts (Whyman et al. 2012: 40).

By and large, the Europeanisation literature seems to agree on the negative impact of the EU on the national social policy system. It seems that the old lesson provided by the Washington Consensus – that one size does not fit all has not been fully comprehended by the European policy makers. However, as it is clear by now, the impact of the recent economic crisis has reinforced the calls for more flexibility and deregulation. With the exception of a short private pension reversal intermezzo (Drahokoupil & Domonkos 2012), it seems that neo-liberal solutions prevailed across CEE.

Conclusion

The literature that discusses the factors underlying welfare state change in CEE is still evolving. However, by now at least two agendas of research are crystallised, and I have tried to outline them above. The institutionalists put their faith in the endurance of institutions and their ability to constrain the choices that actors have. More recent developments of institutionalist explanations make use of ideas and discourses to provide more fine-grained accounts of welfare state change. Yet this effort to

break with the bias towards explaining stability that characterises institutionalist explanations might prove counterproductive if the mechanisms that allow the interplay between institutions and ideas are not properly specified.

The actor-centred explanations make use of the political science literature and condition welfare state reforms on the different power constellations that exist both at the national and international levels. However, with few exceptions (Cook et al. 1999, Cook 2007a), this literature focuses mostly on the Visegrad countries, while leaving aside the other CEE and CIS countries. From this point of view, we need better descriptions and explanations of the politics of welfare states outside these cases. This will bring a much needed test for the theories of welfare state change that are used nowadays. Further, expanding the pool of countries that are analysed would provide a better understanding of the specificities of the region and allow for better theorising of the causal mechanisms that contribute to the welfare state change.

If anything, it is clear that the debate around the welfare state is far from being over. But more systematic tests and better empirical evidence are needed. Simply borrowing the theories and frameworks that have been used for explaining welfare state change in the West proved to be counterproductive. Understanding what is really driving welfare state transformations in the East calls for more qualitative as well as quantitative work. The former should strive for a more theoretical understanding of the cases and not stop with the inherent idiosyncrasies provided by case studies. The latter should get out of trying to fit the Eastern countries into predetermined typologies and rely more on the evidence provided by small-N studies.

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