BORDER CROSSING

The Emergence of East Central Europe in a Welfare Regime Typology

Ágnes Orosz ±

Abstract

The paper contributes to the welfare state regime literature by assessing the existence of the East Central European welfare state regime. The article empirically tests whether East Central European countries constitute a distinct welfare regime or they can be classified into existing regimes by using hierarchical cluster analysis. The paper defines clusters for two distinct time periods, in order to shed light on the changes over time. The research provides two substantive contributions. First, welfare states in East Central Europe constitute a distinct welfare state regime only for the period of 2014-2016, and they might be subdivided into two groups: (1) Visegrad countries and (2) Balkan and Baltic countries together. Second, countries within the East Central European welfare regime has become more similar over time.

Keywords: *East Central Europe; welfare state; welfare regime; hierarchical cluster analysis.*

Introduction

Welfare state can be defined "as a shorthand for the state's role in education, health, housing, poor relief, social insurance and other social services" (Ginsburg, 1979: 3) mainly in developed capitalist states. Particular values together with particular programmes and policies constitute the welfare regimes (Goodin et al., 1999). Analysing welfare regimes tends to elicit regime-differences by using ideal-typical models therefore; a persuasive methodology in comparing welfare state regimes is required (Lange & Meadwell, 1991).

The overall aim of the paper is to assess whether a distinct East Central European (ECE) [1] welfare state regime exists or not. The relevant literature on the existence of the East Central European or post-communist welfare regime is inconclusive. The main research question is whether ECE countries indeed merit their own welfare state model, as certain scholars have claimed. The research focuses on the welfare state, the most important systemic element of capitalist models according to Sapir (2006). Research on welfare states is a highly relevant and important topic, since welfare expenditures are currently the largest public expenditure category in the countries of the European Union. The effects of the financial and economic crisis, the severe indebtedness problem in parts of the European Union and the lack of economic growth that has followed in the years since, combined with the already existing challenges of ageing population, has caused the major contradiction that on the one hand there is retrenchment pressure, while on the other hand due to the increased number of population in need there is increased demand for social policy expenditures.

± Ágnes Orosz, Assistant Professor at National University of Public Service, Budapest, Hungary and Research Fellow at Centre for Economic and Regional Studies, Budapest, Hungary. E-mail: oroszagnes@uni-nke.hu.

[1] Throughout the paper ECE is referred to as the examined new EU member states, namely: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia.

Since the early 1990s growing body of scholarly work has focused on the transformation of 'state socialist' welfare arrangements in East Central Europe. One significant theme of literature on welfare in the region concerns the question of how they relate to the wider literature on theories of welfare state regimes (Cox, 2018).

Following the core research aim outlined above, the study seeks to address and answer the following research questions. Does East Central Europe constitute a distinct welfare state regime? Have the countries of the ECE model become more similar over time?

The structure of the article is as follows. The next section comprises the conceptual framework of the analysis in order to introduce the main elements of welfare state regimes, their laws of motion and the hypotheses of the paper. There follows the collection of the historical-institutional features of East Central European welfare states. The empirical part of the paper builds upon Saint-Arnaud and Bernard's (2003) and Fenger's (2007) validations of Esping-Andersen's welfare regime typology. Their methodology of hierarchical cluster analysis is used but replacing their data with variables that are available for other countries than the traditional OECD coverage. To do so it is possible to show that East Central European welfare states differ significantly from the types those are distinguished by Esping-Andersen (1990). The article then re-clusters the given countries by using the most recent available data in order to shed light on the changes in cluster membership by time. The main findings are summarized in the conclusion part.

Conceptual framework

Typologies are widely used in social sciences to analyse complex phenomena (Midgley, 1997). They are method of comparative welfare state research in order to summarize the commonalities and differences among cases. Regime typologies of the welfare state are major tools of generalising across the advanced welfare states (Ferragina & Seeleib-Kaiser, 2011).

Several different combinations of programmes and policies can be understood as the welfare state. Within this diversity of welfare states there are a few clear clusters, which are broadly distinctive types of the welfare states. They represent prototypes or can be understood as ideal types, called welfare regimes or welfare state models. A key hypothesis in comparative welfare-state research is that the different welfare regimes create systematic variation of welfare state principles, policies or programmes (e.g., Korpi, 1980; Linos & West, 2003; Svallfors, 1997; Arts & Gelissen, 2001, 2002; Mischke, 2014). The different welfare regimes form different "worlds of welfare capitalism" described by Esping-Andersen (1990), representing totally different worlds being sharply differentiated from one another (Inglot, 2008: 4-5).

The seminal work of Esping-Andersen (1990) and his typology inspired social policy and welfare state research over the last two decades. Esping-Andersen's typology is rooted in Max Weber's ideas on the use of ideal types and deductive reasoning, as he highlighted "as regards the fundamental phenomena of economic life, the construction of a system of abstract and therefore purely formal propositions analogous to those of the exact natural sciences, is the only means of analysing and intellectually mastering the complexity of social life" (Weber, 1949|2011: 87).

The most influential and most frequently cited classification of the welfare state was constructed by Esping-Andersen (1990) attempting to "develop a model for analysing the emergence and divergence of welfare regimes that considers the family, as well as the labour market and the welfare state, as one of the three central arenas of distribution" (Pedersen, 1995: 8). The different welfare regimes form different "worlds of welfare capitalism", representing totally

different worlds being sharply differentiated from one another (Inglot, 2008, pp. 4-5). Esping-Andersen (1990) formulated a three-model typology, in which the concept of decommodification plays a key role. The degree of decommodification is, "the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation" (Esping-Andersen, 1990: 37). Esping-Andersen referred to political movements and their ideas to create the different models: Liberal (Anglophone countries), the Conservative/Corporatist (continental Europe and Japan) and the Social Democratic (Scandinavian) regimes (Ferragina & Seeleib-Kaiser, 2011).

His typology of welfare state has been confirmed, challenged, expanded and even widely criticized. The main argument of the critics was the misclassification of specific countries (Leibfried, 1992; Ferrera, 1996; Jones, 1993), while other stream of criticism is based on the limited nature of work and welfare nexus. Despite all the criticism, welfare state analyses have been strongly influenced by Esping-Andersen's (1990) welfare state regime typology[2]. There are different understandings of how welfare states are evolving. The next part of the paper discusses the 'laws of motion' of the welfare states and the different theoretical views on whether there is an East Central European version or not.

There are two basic ideas how welfare states can change. The first wave of literature explains that welfare states develop path-dependently, and that they are characterized by a great immobility (Esping-Andersen, 1996). Studies show that the way in which the welfare state is organized contributes to public support for the welfare state, especially in the large, universalistic ones (Achterberg & Yerkes, 2009). The high public support helps to preserve welfare state in their original form (Brooks & Manza, 2006). "Welfare systems display path-dependency" (Taylor-Gooby, 2001: 136), however this thesis does not exclude the opportunity of gradual changes of the welfare state. They are merely developing according to specified paths. The path-dependency thesis predicts that changes are gradual; it does not exclude changes at all. "The second idea concerning welfare state 'laws of motion' is that with modernization, countries are becoming increasingly similar" (Achterberg & Yerkes, 2009: 190), which is known as the convergence thesis (Wilensky, 1975; Inkeles, 1998). The convergence thesis argues that welfare states gradually tend to converge upon each other (Brooks & Manza, 2006). Convergence is driven by neo-liberalization according to the literature. If this neo-liberalization argument is correct, those countries with universal, expensive welfare states will continue to develop in the direction of a more unadorned liberal welfare state. Liberal welfare states, which are already less costly and more ''neo-liberal'', will not change much (Achterberg & Yerkes, 2009: 190).

The empirical evidence is not that extensive as the theoretical foundation of this argument, welfare states are not necessarily converging towards the most liberal end of the welfare spectrum. In sum, although the first idea of path-dependency and the second idea of convergence may contradict each other, welfare states are most certainly on a path of convergence. The question is whether welfare states really converge and whether this means that universal welfare states are becoming increasingly liberal (Achterberg & Yerkes, 2009).

Large, universal welfare states are expected to go through retrenchment because of the effects of domestic pressures, globalization and Europeanization. Internal factors which make generous, universal welfare states unaffordable are the aging population and increasing unemployment and social inequality (Taylor-Gooby, 2001). Globalization is an often cited source of retrenchment, ''pressures associated with global economic change create a new context where the generous social

---

[2] An extensive review of Esping-Andersen's typology, the modifications and the critics can be read in the article of Fenger (2007).

provision characteristic of advanced industrial societies represents an unaffordable luxury" (Pierson, 2001: 85), leading to convergence in the direction of a liberal welfare state, with growing emphasis on markets and individuals with less interference by the central government (Achterberg & Yerkes, 2009). Policy harmonization of the European Union is another driving force of convergence; it is assumed that institutional differences between countries will disappear as countries move in the direction of one social Europe (Cornelisse & Goudswaard, 2002).

Testing the convergence thesis, Achterberg and Yerkes (2009) concluded that convergence is mostly a result of convergence between countries within welfare regimes. Countries are converging towards the middle, with social democratic countries becoming more liberal and liberal countries becoming more generous.

Analysing the scenarios of convergence, on the one hand, one wave of the literature predicts a downward convergence in welfare provisions due to unfettered market forces and increased economic competition. To fit the challenges of post industrialisation, spending on education, as well as technologically advanced and well-functioning infrastructure, cannot be the target of major cuts; thus social policy, welfare state services may have to carry the burden of austerity (Paetzold, 2013).

On the other hand, different authors predict a trend that is known as the "compensation hypothesis" (Rodrik, 1998; Cameron, 1978; Katzenstein, 1985; Ruggie, 1982). Contrarily to downward adjustment, this hypothesis stresses convergence at the top, due to the emergence of new social risks. As a consequence of deepening economic integration and an ever-growing competitiveness pressure, the people have to face rising uncertainty and insecurity with respect to their jobs, their economic status. These changes increase the demand for more social protection and welfare state efforts.

A third stream of the existing convergence literature expects a "natural process of saturation, best described as convergence to an upper-limit welfare state equilibrium" (Kittel & Obinger, 2003: 22). The convergence can be understood as a catching-up process, i.e. a growth to limits. Therefore, elementary welfare systems are expected to stretch out their social provisions to public policy fields that are not yet covered. These processes result in a situation in which welfare state laggards (such as the Mediterranean and CEE model, even the Anglo-Saxon) experience above average growth in social spending, whereas welfare frontrunners (Nordic and Continental) cut their social spending. Consequently, social provisions should become more similar over time (Paetzold, 2013).

From a more institutional aspect, the fourth strand of the convergence theory of the welfare states argues for persistent divergence caused by institutional rigidity (Pierson, 2001). Country-specific specialities and the assumed path dependency of state institutions will continuously produce different welfare state outcomes, even when challenges are similar. Radical shifts within the welfare system cannot be expected due to institutional stickiness. Moreover, the institutional divergence argument assumes that once a welfare programme is installed, it is difficult to remove it. There are ongoing divergent welfare efforts resulting in a conservation of the existing varieties in welfare capitalism (Paetzold, 2013).

Finally, a fifth argument states that the divergence of different welfare systems will persist due to a continuance of the "old partisan politics" paradigm (Korpi & Palme, 2003). "According to this old politics approach, socio-economic problems do not necessarily lead to convergence, since pressures always require political mediation" (Starke et al., 2008: 979). Consequently a general "race to the bottom" scenario is rejected; instead, ongoing divergent responses depending on the different involved political powerbrokers are expected (Paetzold, 2013).

"In sum, although the first idea of path-dependency and the second idea of convergence may appear to be at odds with each other, they are most certainly not" (Achterberg & Yerkes, 2009: 190). Welfare states are on a path of convergence, they cannot resist change, but historical and institutional factor influence these processes.

In case of East Central European countries both path dependency and convergence might shape welfare state development. Several studies consider the foundational question of the existence of the East Central European welfare state regime. Some of them claim that post-communist welfare states do not follow a single pattern (Cerami, 2005). Deacon (1992), for instance, predicted that Eastern Central European countries will develop their social policies in the future into distinct regimes that may even lie outside the three worlds of welfare capitalism described by Esping-Andersen (1990). However, Esping-Andersen (1996) rejected the idea of a new welfare state model in this region, claiming that all differences are results of the transition and they are likely to disappear. The question of whether or not a specific ECE (CEEC or post-communist) model exists has been on the agenda for a long time. The transformation of the post-communist welfare states involves communist legacies and strong elements of path-dependency as well as innovations and path-departing changes (Cook, 2010).

Inglot (2008) pointed out that the welfare states of East Central Europe are dynamic historical entities, "works in progress", rather than static, finished models (p. 8). Common feature of the countries of the model that due to delayed and obstructed political and socio-economic development, no consolidated "regime types" may appear among the late-developers. These countries are more likely to remain "permanent construction sites or layered structuring of social policy institutions, which often incorporate highly inventive combinations of old and new benefit programmes" (Inglot, 2008: 307).

André (2006) emphasized that the countries of this region has been in a transitional state with a wide diversity of situations, whose definitive characteristics are not yet clearly specified. However Aidukaite (2004, 2011) argues that post-communist European countries form a singular welfare state type because of their distinct institutional similarities, the debate on the emergence of the post-communist (or ECE, CEE) type of welfare state has been inconclusive (Adascalitei, 2012). The inconclusiveness of whether the East Central European (post-communist) welfare state regime exists or does not make it relevant and important to examine how the countries of the region fit into the existing typology.

Taking into account the conceptual framework outlined above and the key research questions, we can formulate two hypotheses. First, the welfare states in East Central Europe constitute a distinct welfare state regime and they might be subdivided into two groups: (1) Visegrad countries and (2) Balkan and Baltic countries together. Second, countries within the ECE welfare regime have become more and more similar over time. To operationalize our hypotheses, we use welfare state regime framework to highlight the different social policy patterns. To understand the complex phenomena of welfare state developments, we use welfare state typologies to summarize the commonalities and differences among the cases.

With the use of regime typologies of the welfare state generalisation across the advanced welfare states becomes possible. Comparative welfare state research is usually based on macro-typologies of institutional configurations, by using "regime" approach it is possible to conceptualize distinct typologies and to classify empirical similarities and differences. While welfare state theory provides us the main features of ideal-type regimes, comparative analyses of the welfare states use

real cases (Ebbinghaus, 2012). Welfare state typology provides comparable cases, which are matched on many variables, and differ in the key variables that are the focus of the study (Lijphart, 1971).

Methodology and variables

Hierarchical cluster analysis is proven to be the most appropriate because it allows creating homogenous empirical groups of countries that have similar characteristics across a set of variables (Rapkin & Luke, 1993). "It is called hierarchical because it divides a set of cases (the countries) into ever more numerous and specific subsets, according to the distance measured among all pairs of cases, taking into account their position across the whole set of variables under analysis" (Saint-Arnaud & Bernard 2003, p. 510). Given the fact that the applied methodology is based exclusively on similarities among the cases, the results are highly dependent on the choice of cases and variables. The methodology developed by Saint-Arnaud and Bernard (2003) was based upon quantitative data available only for OECD countries. Most studies have been based upon data there are only available for OECD countries but in case of East Central European countries it would exclude several countries. There is a theoretical argument that welfare states within the European Union have become more similar, since the European Union promotes closer social policy coordination, the need to "reinforce", "improve" and "preserve" the "European Social Model" (Büchs, 2009).

Fenger (2007) modified the methodology developed by Saint-Arnaud and Bernard (2003) in order to extend this approach for a broader and different set of countries. The selection of the variables is a crucial step. The variables applied in Saint-Arnaud and Bernard's (2003) and Fenger's (2007) papers cover three causally interrelated components of welfare regimes: social situations, public policies and political participation (among others trust). Similar set of variables has been selected that more or less resembles these two analyses. Since it is not possible to perform hierarchical cluster analysis within SPSS with missing values in order to cover the whole EU for a longer time period some variables have been replaced and excluded. This modification has led to a dataset consisting of 18 variables on EU level. In case of political participation, the 'level of trust' is only available for 2013 for all countries, there are no data for the first examined period; consequently trust variable is omitted in this paper. Table 1 presents the variables of the analysis along with their sources and time frame.

Based on these dimensions, hierarchical cluster analysis groups observations into a series of clusters. The following technical decisions were made. First, because of different ranges all variables were standardized on a scale from 0 to 1. Standardisation allows us to use data irrespective of the scale upon they were measured. Second, a criterion for determining distance among cases were determined. Squared Euclidean distance were used, since it is "the most straightforward and generally accepted way of computing distances between objects in a multi-dimensional space" (Burns & Burns, 2008: 556). For ensuring homogeneity within clusters Ward's Method was applied, which minimizes the variance within groups. Cluster formation is based on the total sum of squared deviations from the mean of a cluster.

Table 1. Variables used in hierarchical cluster analysis

Variable	Period 1	Period 2	Source
Characteristics of governmental programmes			
Total general government expenditure (% of GDP)	Average 1995-1997 (earliest available data for Croatia)	Average 2014-2016	Eurostat
Government health expenditures (% of total government expenditures)	Average 1995-1997 (earliest available data for Bulgaria, Croatia, and Slovenia)	Average 2014-2016	Eurostat
Government education expenditures (% of total government expenditures)	Average 1995-1997 (earliest available data for Bulgaria, Croatia, and Slovenia)	Average 2014-2016	Eurostat
Physicians (per 1,000 people)	Average 1995-1997 (earliest available data for the Netherlands, and Slovakia)	Average 2014-2016	WHO Global Health Workforce Statistics
Social protection benefits (% of GDP)	Average 1995-1997 (earliest available data for Bulgaria, Croatia, and Slovenia)	Average 2014-2016	Eurostat
Net social contributions (% of GDP)	Average 1995-1997 (earliest available data for Croatia)	Average 2014-2016	Eurostat
Total tax receipts (% of GDP)	Average 1995-1997 (earliest available data for Croatia)	Average 2014-2016	Eurostat
Taxes on income (% of GDP)	Average 1995-1997 (earliest available data for Croatia)	Average 2014-2016	Eurostat
Payments to public employees (% of GDP; 2002 or latest available year	Average 1995-1997 (earliest available data for Croatia)	Average 2014-2016	Eurostat
Total general government revenue (% of GDP)	Average 1995-1997 (earliest available data for Croatia)	Average 2014-2016	Eurostat
Social situation variables			
Gini coefficient of equivalised disposable income	Average 1995-1997 (earliest available data for each ECE)	Average 2014-2016	Eurostat
Female participation (% of women in total employment)	Average 1995-1997 (earliest available data for Bulgaria, Czech Republic, Croatia, Poland and Romania)	Average 2014-2016	Eurostat
Real GDP growth rate	Average 1995-1997 (earliest available data for Malta)	Average 2014-2016	Eurostat
Fertility rate, total (births per woman)	Average 1995-1997 (earliest available data for Germany, France, Croatia, and Latvia)	Average 2014-2016	Eurostat
Inflation (All-items HICP)	Average 1996-1998 (earliest available data for Croatia)	Average 2014-2016	Eurostat
Life expectancy at birth, total (years)	Average 1995-1997 (earliest available data for France, Croatia, and Latvia)	Average 2014-2016	Eurostat
Infant mortality rate (Per 1000 live births)	Average 1995-1997	Average 2014-2016	Eurostat
Total Unemployment rate (% of active population)	Average 1995-1997 (earliest available data for Bulgaria, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Malta, and Slovakia)	Average 2014-2016	Eurostat

The number of clusters in hierarchical cluster analysis is determined not only by statistical techniques, but also by theoretical considerations. Sapir (2006) analysed European welfare states

and defined the following four different clusters for Europe highlighting different social policy models. (1) The Nordic countries: Denmark, Finland, Sweden and the Netherlands represent the highest levels of social protection expenditures and universal welfare provision with active labour market policy instruments (social democratic model in Esping-Andersen's typology). (2) Anglo-Saxon countries: Ireland and the United Kingdom feature relatively large social assistance of the last resort and salient activation measures (liberal model in Esping-Andersen's typology). (3) Continental countries: Austria, Belgium, France, Germany and Luxembourg rely extensively on insurance-based, non-employment benefits and old-age pensions (corporatist-statist or conservative model in Esping-Andersen's typology). (4) Mediterranean countries: Greece, Italy, Portugal and Spain concentrate mainly on old-age pension and allow high segmentation of welfare entitlements. East Central Europe might constitute one or two separate clusters or these countries might belong to one or several already existing models since the countries of this region have been in a transitional state with a wide diversity, whose definitive characteristics are not yet clearly specified (André, 2006). The next part discusses the main results of the analysis for the periods of 1995-1997 and 2014-2016.

Empirical analysis

The results of the hierarchical cluster analysis for the period 1995-1997 are shown in the first dendrogram (Figure 1). The first dendrogram clearly highlights the existence of traditional European welfare state models. Based on these variables Austria, Belgium, France, Germany and Slovenia constitute the Continental cluster and the Czech and the Slovak Republic plus the Netherlands are members as well with a slightly greater distance. Slovenia's Continental features are not surprising since Slovenia has been rated the most developed during the whole transition period (Kouba & Grochova, 2013). The Czech and the Slovak Republic's presence in the Continental cluster means that for the first examined period these countries resemble the Continental socio-economic model. A major characteristic of the Continental model is, inter alia, the relatively generous earnings-related welfare benefit system, financed through employment-based social insurance schemes, often administrated by the social partners themselves, with a more limited role for public service provision (Zeitlin, 2003). The countries of the Continental regime (Austria, Germany, France, and Belgium) have maintained their commitments to both budgetary restraint and earnings equality, but only at the cost of low levels of employment in both public and private services. Social insurance benefits are financed closely tied to stable jobs, leading to confrontation between labour market insiders and outsiders, but also to a vicious spiral of increasing payroll charges, rising indirect costs, and declining employment, undermining the financial sustainability of the continental welfare states themselves (Hemerijck & Marx, 2006). Continental countries witnessed economic recession in the early 1990s, so retrenchment of the social protection system[3] was enforced. Reforms were introduced which aimed at reducing the level of social benefits while preserving the main features of the welfare system.

The Mediterranean cluster except Portugal stands out clearly. The countries of the Mediterranean model belong to a single welfare model, not only because of similarities of the given variables or their geographic proximity, but also due to historical and cultural legacies. "Their history of relatively recent non-democratic rule (particularly in cases of Spain, Portugal and

---

[3] One can refer here to the so-called consolidation reforms implemented in Germany at the end of the 1980s and during the early 1990s (Palier, 2006), or to the French sectoral reforms (new medical agreements in health care, a new benefit in unemployment insurance and new modes of calculating retirement pensions) (Palier, 2000).

Figure 1. Hierarchical cluster analysis dendrogram 1995-1997 for EU28
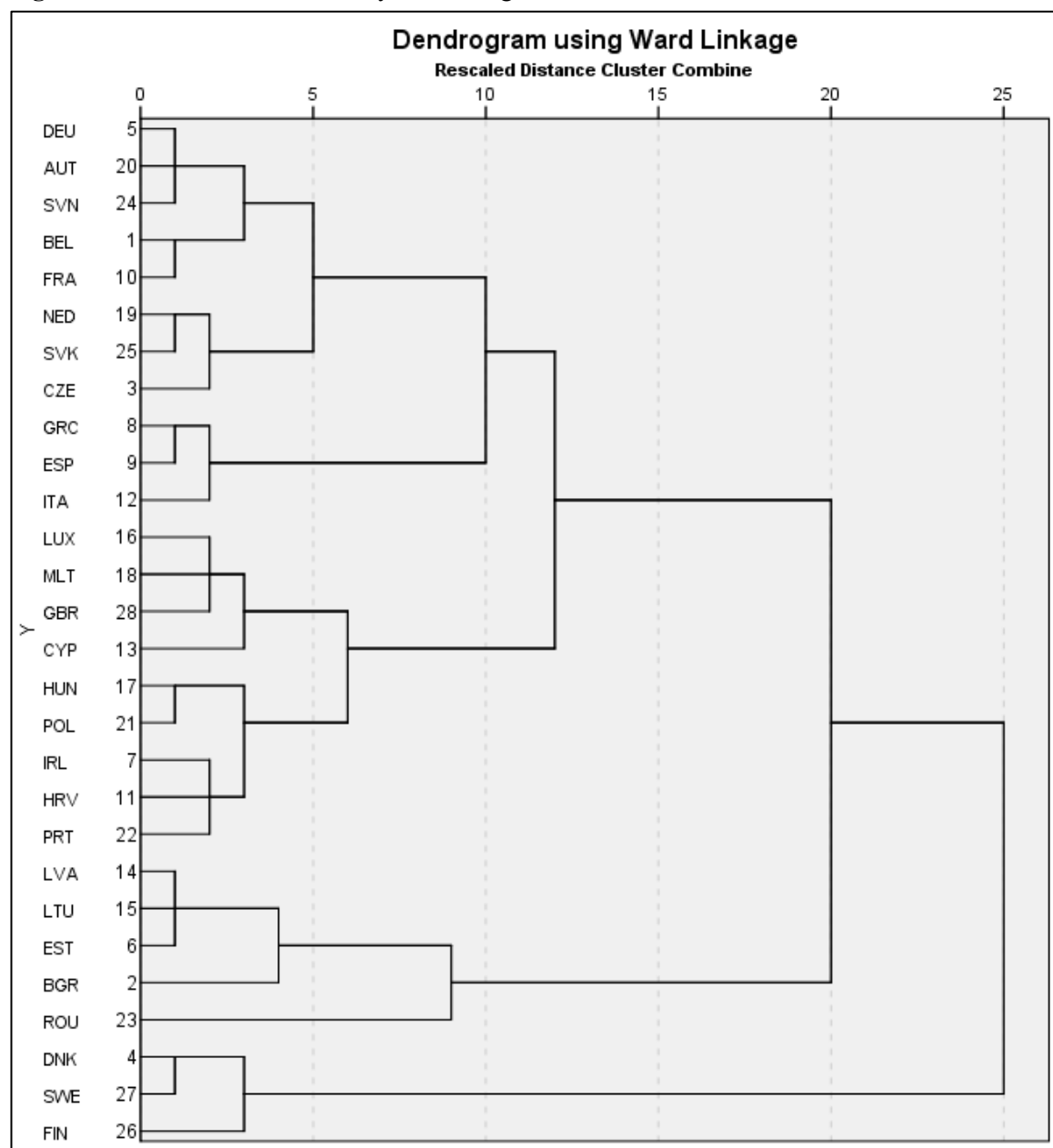
Source: own compilation

Greece), the influence of religion (in particular Catholicism) upon diverse aspects of life, not least the family and the provision of welfare, and their seemingly 'rudimentary' welfare state systems" (Gal, 2010: 283) were the reasons for their differentiation from other models. Expenditure side of the Mediterranean welfare state model is characterised by low levels of social expenditures combined with an adherence to the Bismarckian tendency to prefer contribution-funded and

income-related benefits over the use of tax funded flat-rated transfer programmes (Bonoli, 1997), placing this cluster closest to the Continental model for the first examined period. The countries of the Mediterranean model were shaped by an enduring social backwardness and economic dualism between industrialized and non-industrialized regions (Rangone & Solari, 2010).

Anglo-Saxon countries are placed in two regimes, first the liberal ones: the United Kingdom, and the smallest countries of the EU (Luxembourg, Malta and Cyprus). In general these countries can be characterised by relatively low level of total government expenditures, high level of inequality and a low level of spending on social protection. Welfare regime of the UK is based on the core principles of equality of opportunity and self-reliant individualism, grounded in the belief that freely operating markets are inherently welfare maximizing (Hemerijck, 2013). The main idea behind is that "policies interfering with the free operation of markets, with the exception of a few important public goods such as law and order, threaten the pursuit of individual liberty" (Iversen & Wren, 1998: 514). The main characteristic of welfare production in the UK is the reliance on market mechanisms, for instance, citizens without sufficient income are supposed to reach a certain level of welfare through self-help or through support within the family (Hemerijck, 2013).

Ireland is grouped together with Portugal and three East Central European countries, such as Hungary, Poland and Croatia. After 1994 these countries introduced welfare state retrenchment and privatization (Hemerijck, 2013). The creation of this mixed group can be the similar trends in economic developments but not much regime specific features can be defined. The remaining East Central European welfare states can be clearly distinguished from the traditional Continental welfare states.

Clustering shows that Baltic States (Estonia, Latvia and Lithuania) compile a separate cluster, Bulgaria can be added to this group, as well. However Romania share similarities with this cluster, it seems to be an outlier based on the greater the distance from the other cluster members. Welfare state in the Baltic countries functions as tools to reduce poverty and to enhance employment. In general the focus is on protection against old social risks by combining neoliberal and post-communist principles, resulting in a relatively good fiscal balance of the public budgets and a stable level of poverty risk in general (Toots & Bachmann, 2010). Unlike other European countries, Bulgaria and Romania did not embark on retrenchment policies until the mid- or even late 1990s. Welfare regime formation in both countries started belatedly, which can be characterised as a "two-step transition to democracy" (Sotiropoulos et al., 2003).

Denmark, Sweden and Finland form the Nordic cluster, having totally different government programs and social policy outcomes than the other examined countries. The major constitutive elements of the Nordic welfare model are the comprehensive state responsibility, universal coverage, individualism, high employment, equality of opportunities and results, high quality public services, high generosity, a decentralised organisation, strong social partners, a tradition of social dialogue, and some corporatism (Kvist & Greve, 2011). The Nordic welfare model is characterised inter alia by mobilisation of workers and women, a political commitment to full employment and reduction of inequalities on several fronts (e.g. gender, income, family situation, and region). The Nordic model is associated with high social expenditure, public financing and high taxes. In addition to a universal and generous income transfer system, the Nordic model has featured local and publicly funded social and health care service provision (Kautto et al., 2001). Analysing the Nordic welfare state model, the early 1990s play a central role, when along with the economic crisis at that time; changes were introduced both in Nordic social policy and in Nordic labour market policy (Kuvalainen & Nelson, 2010). These processes were most apparent in Finland and Sweden, where

the economic downturn of the early 1990s was particularly manifested. There are some differences in the development of the Nordic countries, but it is worth to shed light on the general features. The economic crisis of the early 1990s induced re-organization of social policy, so it is crucial to examine the economic performance of the Nordic countries, there was deterioration in Sweden's economy and an even sharper downturn in case of Finland, which led to austerity packages introduced by the government. The recession of the early 1990s severely strained the public finances of the countries of the regime, and the welfare state came in for scrutiny with the rise of globalization as well. At this time the financing of the welfare state was in jeopardy, the resulting deficits created a lot of anxiety about the sustainability of welfare service provisions. The welfare state was challenged from within and outside. The complex problems the Scandinavian welfare states had to face were the rapidly growing budget deficit, severe bank crisis, increasing foreign debt, depressed domestic demand, tightening taxation, and dramatically increasing unemployment. Beside all of these challenges, no fundamental changes in the main welfare schemes were made but there were a wide variety of minor adjustments and retrenchment in welfare benefits and services (Alestalo et al., 2009).

Hierarchical cluster analysis for the period 2014-2016 (Figure 2) provides insights into development of welfare policies over time. Figure 2 shows the results for the whole European Union. Based on the most recent data, an East Central European cluster emerges with two sub-groups: (1) Baltic and Balkan (Bulgaria, Romania) states and (2) the Visegrad group except the Czech Republic (Hungary, Poland and Slovakia) plus Croatia. The East Central European cluster significantly differ from the other country groups. The financial and economic crisis have caused marked decline in economic activity, sharp increase in unemployment, fiscal constraints to public budgets and increasing indebtedness. Despite the serious effects of the global recession recovery has been faster and more pronounced for the East Central European welfare states than in several other EU member states (e.g. Mediterranean countries). However in the mid-1990s there was no single East Central European cluster (except the cluster of the Baltic States and the salient similarity between Hungary and Poland), more than two decades after the transition, a distinct ECE welfare regime can be observed.

The dendrogram also shows very clearly the existence of the complete Mediterranean cluster, compared to the initial period Portugal and Cyprus joined this group. The global financial and economic crisis triggered the deepest recession since the 1930s at the end of 2008. The recession has been the deepest in the countries of the Mediterranean model. The contraction in social spending is due to the implemented austerity measures in the countries of the model. The governments have lost much control over national budgetary decisions. Mediterranean countries witnessed a dramatic increase of their share of population being dependent on welfare services due to the salient rise of the unemployment rate. Since 2009 all countries of the model have increased aggregated public social spending, but all these welfare efforts have been not able to smooth the harmful effects of the rise in the unemployment rate and the number of people in need. The shrinking of the welfare state in the countries of the Mediterranean model is directly linked to the implemented austerity measures, at varying degrees of harshness. There is a huge challenge in front of the welfare states of the Mediterranean model, to design social policies that meet the needs of the traditional groups (old, unemployed, sick, poor) of social protection as well as the new needs of needs of youth, women, immigrants, non-standard workers and others.

Figure 2. Hierarchical cluster analysis dendrogram 2014-2016 for EU28
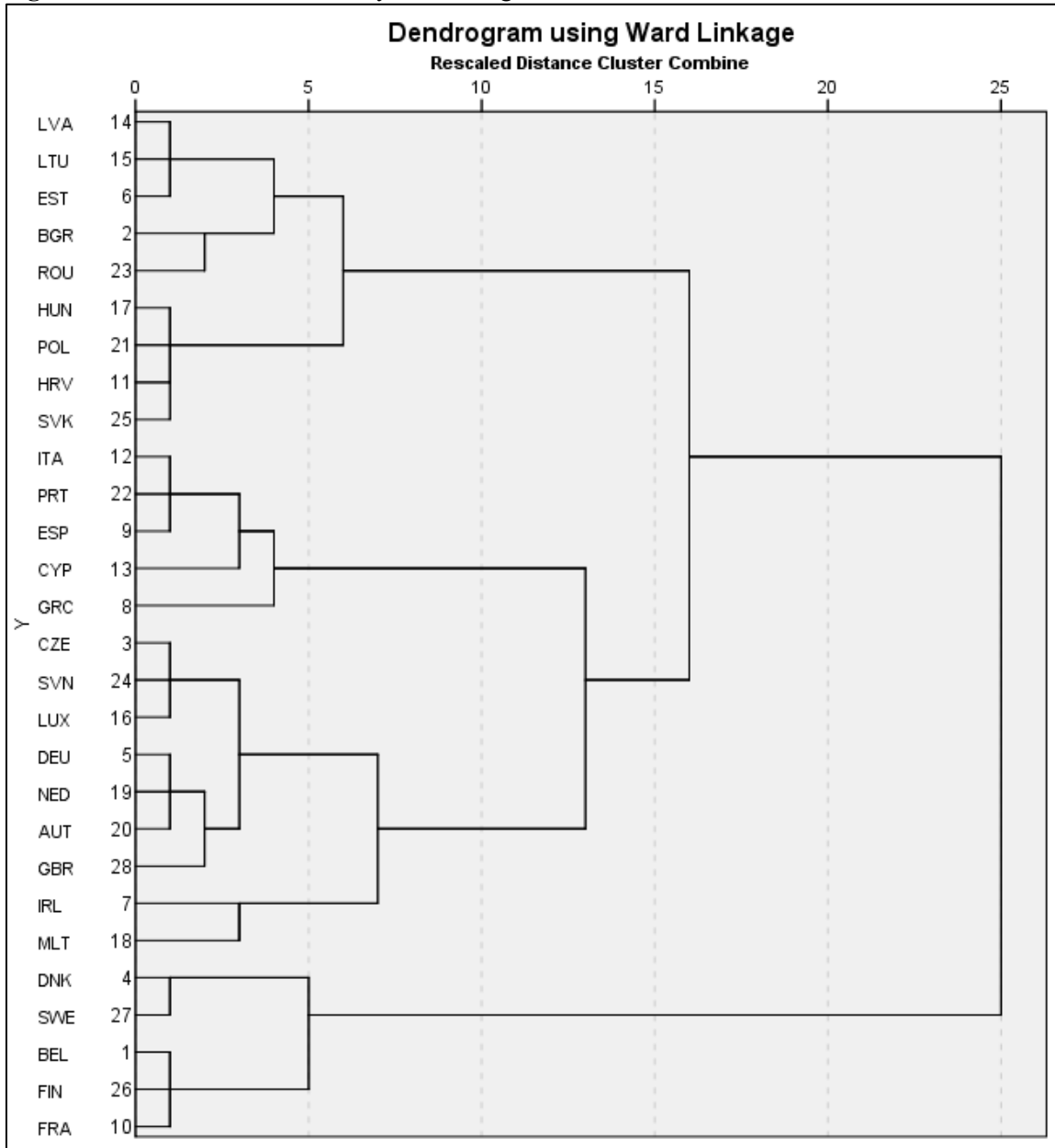
Source: own compilation

The third cluster consists of the Continental countries (Austria, Germany, the Netherlands and Luxembourg) plus the Continental East Central European ones (the Czech Republic and Slovenia) and the United Kingdom. Ireland and Malta are relatively similar to this group, however at a greater distance. After 2008 Continental countries were able to sustain employment and stabilise public finances simultaneously. In general the share of population being dependent on welfare state in the

Continental countries are relatively stable, partly due to the favourable unemployment situation, especially in Germany and Austria. Crisis management in the UK and Ireland has led to retrenchment of welfare services. The UK responded to the crisis with the deepest and most precipitate cuts ever made in social provision in this country, plus a massive restructuring programme affecting nearly every area of public provision (Taylor-Gooby, 2013). The extreme severity of the crisis in Ireland and greater spill-over of the financial crisis to the broader economy and the governments unfavourable fiscal position have led to a significant drop of welfare state expenditures (Barnes & Wren, 2012).

The Nordic countries (Denmark, Sweden, and Finland) plus the francophone (Belgium, France) continental countries constitute the fourth cluster. However Nordic countries can be characterised by expansive and extensive welfare states, Sweden, Finland and Denmark, had succeeded in consolidating public finances prior to the crisis of 2008/2009, and they have also addressed the ageing problem. It is proven by the examples of the Nordic countries that a prudent fiscal policy is not detrimental to a well-functioning welfare state; rather it widens the scope for the welfare state in a crisis situation. These countries thus have not faced a debt crisis, and they have had some degree of economic policy freedom to counteract effects of the financial crisis. The francophone continental countries cluster membership is due to high levels of government expenditures and revenues, social situation variables significantly differ from the Nordic levels.

Concluding remarks

The paper analyses the evolution of welfare state regimes since the mid-1990s. The topic is relevant as welfare states have been considerably reformed over the last two and half decades throughout the world. Retrenchment has been accompanied by comprehensive reforms, which is labelled in comparative welfare state literature as a "recalibration phase". Besides recalibration, the effects of the crises are of great importance. Most countries experienced (especially the Nordic) a deep crisis during the early 1990s, while the countries of the ECE region suffered from the transformational recession during that time. In the late 2000s, all examined welfare states of the European Union experienced severe crisis which has affected the welfare systems, as well.

However, literature provides us with limited evidence to convergence among welfare states in advanced industrial societies in general, convergence among EU welfare states seems feasible. One explanation for these contrasting findings is that convergence is not a general phenomenon among the rich societies of the world, but instead a place-specific phenomenon among societies undergoing regional integration. The converging trend of public social expenditure has continued in European countries and over time (Caminada et al., 2001; Starke et al., 2008; Schmitt & Starke, 2011, Paetzold, 2013).

The main research questions of the paper are whether there is an East Central European welfare state regimes and whether these countries have become more similar over the last two and a half decades. In order to answer these questions the article empirically tests whether East Central European countries constitute a distinct welfare regime or they can be classified into existing regimes by using hierarchical cluster analysis. Hierarchical cluster analysis has proven there is a clear distinction between East Central European and the traditional European welfare states. Based on the most recent data, an East Central European cluster emerges with two sub-groups: (1) Baltic and Balkan (Bulgaria, Romania) states and (2) the Visegrad group except the Czech Republic (Hungary, Poland and Slovakia) plus Croatia. The East Central European cluster significantly differ from the other country groups.

Research presented in this article demonstrates that welfare states in East Central Europe constitute a distinct welfare state regime only for the period of 2014-2016, and they might be subdivided into two groups: (1) Visegrad countries and (2) Balkan and Baltic countries together. Clustering shows that for the initial time period only Baltic States (Estonia, Latvia and Lithuania) compile a separate cluster, Bulgaria can be added to this group, as well. However Romania share similarities with this cluster, it seems to be an outlier based on the greater the distance from the other cluster members. Countries within the East Central European welfare regime has become more similar over time. Only Slovenia and the Czech Republic as the most developed countries of this region have been converged to the already existing Continental welfare state regime..

References

Achterberg, P. & Yerkes, M. (2009). One welfare state emerging? Convergence versus divergence in 16 western countries. J. of Comparative Social Welfare. 25(3), 189-201. https://doi.org/10.1080/17486830903189931

Adascalitei, D. (2012). Welfare State Development in Central and Eastern Europe: A State of the Art Literature Review. Studies of Transition States and Societies. 4(2), 59-70.

Aidukaite, J. (2004). The Emergence of the Post-Socialist Welfare State: The Case of the Baltic States: Estonia, Latvia and Lithuania. Södertörn Doctoral Dissertations No. 1, Stockholm, Huddinge: Elanders Gotab, Södertörns Högskola.

Aidukaite, J. (2011). Welfare reforms and socio-economic trends in the 10 new EU member states of Central and Eastern Europe. Communist and Post-Communist Studies. 44(3), 211-219. https://doi.org/10.1016/j.postcomstud.2011.07.005

Alestalo, M. & Hort, S. E.O. & Kuhnle, S. (2009): The Nordic Model: Conditions, Origins, Outcomes, Lessons. Hertie School of Governance Working Paper No. 41. Berlin: Hertie School of Governance

André, C. (2006): Welfare regimes and A. Sapir's paper: "Globalisation and the Reform of European Social Models". Proceedings from 2006 workshop: Concepts of the European Social Model. Vienna

Arts, W.A. & Gelissen, J. (2001). Welfare States, Solidarity and Justice Principles: Does the Type Really Matter? Acta Sociologica. 44(4), 283-300. https://doi.org/10.1080/00016990152696385

Arts, W.A. & Gelissen, J. (2002). Three worlds of welfare capitalism or more? A state-of-the-art report. Journal of European Social Policy. 12(2), 137-158. https://doi.org/10.1177/0952872002012002114

Barnes, L. & Wren, A. (2012). The Liberal Model in (the) Crisis: Continuity and change in Great Britain and Ireland. In Bermeo, N. & Pontusson, J. (Eds.). Coping with Crisis: Government Reactions to the Great Recession. (pp. 287-324.) New York: Russel Sage Foundation

Bonoli, G. (1997). Classifying welfare states: a two-dimension approach. Journal of Social Policy. 26(3), 351-372. https://doi.org/10.1017/S0047279497005059

Brooks, C. & Manza, J. (2006). Why do welfare states persist? The Journal of Politics. 68(4), 816-827. https://doi.org/10.1111/j.1468-2508.2006.00472.x

Büchs, M. (2009). The Open Method of Coordination - Effectively preventing welfare state retrenchment? European Integration online Papers (EIoP). Special Issue 1, Vol. 13, Art. 11. Retrieved from http://eprints.soton.ac.uk/71180/1/EIoP_2009.pdf

Burns, R. B. & Burns, R. A. (2008). Business research methods and statistics using SPSS. Los Angeles: Sage Publications

Cameron, D. R. (1978). The Expansion of the Public Economy. American Political Science Review. 72(4), 1243-1261. https://doi.org/10.2307/1954537

Caminada, K. & Goudswaard, K. & Van Vliet, O. (2010). Patterns of Welfare State Indicators in the EU: Is there Convergence? Journal of Common Market Studies, 48(3), 529-556. https://doi.org/10.1111/j.1468-5965.2010.02063.x

Cerami, A. (2005). Social Policy in Central and Eastern Europe. The Emerge of a New European Model of Solidarity. Erfurt: Erfurt University.

Cook, L. J. (2010). Emerging Welfare States: Eastern Europe and Russia. In Castles, F. C. & Leibfried, S. & Lewis, J. c Pierson, C. (Eds.). The Oxford Handbook of the Welfare State. (pp. 671-688.) Oxford: Oxford University Press.

Cornelisse, P. A. & Goudswaard, K. P. (2002). On the convergence of social protection systems in the European Union. International Social Security Review. 55(3), 3-17. https://doi.org/10.1111/1468-246X.00129

Cox, T. (2018). Bifurcation, stratification and informality in post-socialist welfare regimes. Intersections: East European journal of society and politics. 4(1), 24-44. https://doi.org/10.17356/ieejsp.v4i1.404

Deacon, B. (1992). The Future of Social Policy in Eastern Europe. In Deacon, B. (Ed.). The New Eastern Europe Social Policy Past, Present and Future. (pp. 167-192.) London: Sage Publications

Ebbinghaus, B. (2012). Comparing welfare state regimes: Are typologies an ideal or realistic strategy? European Social Policy Analysis Network ESPAnet Conference: Edinburgh, UK

Esping-Andersen, G. (1990). The three worlds of welfare capitalism. Princeton, NJ: Princeton University Press. https://doi.org/10.1177/095892879100100108

Esping-Andersen, G. (1996). Occupational welfare in the social policy nexus. In Shalev, M. (Ed.). The privatization of social policy? (pp. 327-338.) New York: Macmillan Press

Fenger, H. (2007). Welfare Regimes in Central and Eastern Europe: Incorporating Post-Communist Countries in a Welfare Regime Typology. Contemporary Issues and Ideas in Social Sciences. 3(2), 1-30.

Ferragina, E. & Seeleib-Kaiser, M. (2011). Thematic Review: Welfare regime debate: past, present, futures? Policy & Politics 39(4), 583-611. https://doi.org/10.1332/030557311X603592

Ferrera, M. (1996). The "Southern" Model of Welfare State in Social Europe. Journal of European Social Policy. 6(1), 17-37. https://doi.org/10.1177/095892879600600102

Gal, J. (2010). Is there an extended family of Mediterranean welfare states? Journal of European Social Policy. 20(4), 283-300. https://doi.org/10.1177/0958928710374374

Ginsburg, N. (1979). Class, Capital and Social Policy. London: Macmillan. https://doi.org/10.1007/978-1-349-16169-0

Goodin, R. E. & Headey, B. & Muffels, R. & Dirven, H.-J. (1999). The Real Worlds of Welfare Capitalism. Cambridge: Cambridge University Press. https://doi.org/10.1017/CBO9780511490927

Hemerijck, A. C. & Marx, I. (2006). Redirecting Continental Welfare in Belgium and the Netherlands. Paper presented at "A Long Goodbye to Bismarck? The Politics of Welfare Reforms in Continental Europe" Harvard University. Retrieved from http://www.people.fas.harvard.edu/~ces/conferences/bismarck/ docs/pdf/ hemerijck.pdf

Hemerijck, A. C. (2013). Changing Welfare States. Oxford: Oxford University Press

Inglot, T. (2008). Welfare states in East Central Europe, 1919-2004. Cambridge, MA: Cambridge University Press. https://doi.org/10.1017/CBO9780511510175

Inkeles, A. (1998). One world emerging: Convergence and divergence in industrial societies. Boulder, CO: Westview Press.

Iversen, T. & Wren, A. (1998). Equality, Employment, and Budgetary Restraint: Trilemma of the Service Economy. World Politics. 50(4), 507-546. https://doi.org/10.1017/S0043887100007358

Jones, C. J. (1993). The pacific challenge: Confucian welfare states. In: Jones, C. (ed.): New Perspectives on the Welfare State in Europe. (pp.198-217.) London: Routledge

Katzenstein, P. (1985). Small States in World Markets: Industrial Policy in Europe. Ithaca NY: Cornell University Press

Kautto, M. & Fritzell, J. & Hvinden, B. & Kvist, J. & Uusitalo, H. (2001). Introduction: How distinct are the Nordic Welfare States? In Kautto, M. et al (Eds.). Nordic Welfare States in the European Context. (pp. 1-17.) London: Routledge

Korpi, W. (1980). Social Policy and Distributional Conflict in the Capitalist democracies. West European Politics. 3(3), 296-316. https://doi.org/10.1080/01402388008424288

Kouba, L. & Grochova, L. (2013). The European Welfare State from the Prospect of New EU Member States. MENDELU Working Papers in Business and Economics 2013-38. Mendel University in Brno, Faculty of Business and Economics. https://doi.org/10.11118/actaun201361072327

Kuivalainen, S. & Nelson, K. (2010). The Nordic welfare model in a European perspective. Institutet för Framtidsstudier/Institute for Futures Studies Arbetsrapport/Working Paper 2010:11.

Kvist, J. & Greve, B. (2011). Has the Nordic Welfare Model Been Transformed? Social Policy & Administration. 45(2), 146-160. https://doi.org/10.1111/j.1467-9515.2010.00761.x

Lange, P. & Meadwell, H. (1991). Typologies of Democratic Systems: Form Political Inputs to Political Economy. In Wiarda, H. J. (Ed.). New Directions in Comparative Politics. (pp. 82-117). Boulder, CO: Westview

Leibfried, S. (1992). Towards a European welfare state? On integrating Poverty. Regimes into the European Community. In Ferge, Z. - Kolberg, J. E. (Eds.). Social Policy in a Changing Europe. Frankfurt: Campus Verlag

Lijphart, A. (1971). Comparative Politics and the Comparative Method. The American Political Science Review. 65(3), 682-693. https://doi.org/10.2307/1955513

Linos, K. & West, M. (2003). Self-interest, Social Beliefs, and Attitudes to Redistribution. Re-addressing the Issue of Cross-national Variation. European Sociological Review. 19(4), 393-409. https://doi.org/10.1093/esr/19.4.393

Midgley, J. (1997). Social Welfare in Global Context. Thousand Oaks, London: Sage Publications. https://doi.org/10.4135/9781483327945

Mischke, M. (2014). Theoretical background and literature review. In Mischke, M. (Ed.). Public Attitudes towards Family Policies in Europe. Linking Institutional Context and Public Opinion. (pp. 25-74.) Wiesbaden: Springer Fachmedien. https://doi.org/10.1007/978-3-658-03577-8_2

Kittel, B. & Obinger, H. (2003). Political parties, institutions, and the dynamics of social expenditure in times of austerity. Journal of European Public Policy. 10(1), 20-45. https://doi.org/10.1080/1350176032000046912

Paetzold, J. (2013). The Convergence of Welfare State Indicators in Europe: Evidence from Panel Data. European Journal of Social Security. 15(1), 28-54. https://doi.org/10.1177/138826271301500104

Palier, B. (2006): The Politics of Reforms in Bismarckian Welfare Systems. Revue française des affaires sociales special issue, Social Welfare Reforms in Europe. Challenges and Strategies in Continental and Southern Europe. 47-72.

Palier, B. (2010). Ordering change: Understanding the 'Bismarckian' Welfare Reform Trajectory. In Palier, B. (Ed.): A Long Goodbye to Bismarck? The Politics of Welfare Reform in Continental Europe. (pp. 19-44.) Amsterdam: Amsterdam University Press. https://doi.org/10.5117/9789089642349

Pedersen, S. (1995). Family, Dependence, and the Origins of the Welfare State: Britain and France, 1914-1945. Cambridge: Cambridge University Press.

Pierson, P. (2001). The new politics of the welfare state. Oxford: Oxford University Press. https://doi.org/10.1093/0198297564.001.0001

Rangone, M. & Solari, S. (2010). Southern Europe's Social Model of Economic Growth in an Age of Financialisation and Crisis. ICaTSEM (Institutional Change and Trajectories of Socio-Economic Models) Working Paper No. 2010-01. University of Padova

Rapkin, B. D. & Luke, D. A. (1993). Cluster Analysis in Community Research: Epistemology and Practice. American Journal of Community Psychology. 21(2), 247-277. https://doi.org/10.1007/BF00941623

Rodrik, D. (1998). Why Do More Open Economies Have Bigger Governments? Journal of Political Economy. 106(5), 997-1032. https://doi.org/10.1086/250038

Ruggie, J. G. (1982). International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order. International Organization. 36(2), 379-415. https://doi.org/10.1017/S0020818300018993

Saint-Arnaud, S. & Bernard, P. (2003). Convergence or Resilience? A Hierarchical Cluster Analysis of the Welfare Regimes in Advanced Countries. Current Sociology. 51(5), 499-527. https://doi.org/10.1177/00113921030515004

Sapir, A. (2006). Globalization and the Reform of European Social Models. Journal of Common Market Studies, 44(2), 369-390. https://doi.org/10.1111/j.1468-5965.2006.00627.x

Schmitt, C. & Starke, P. (2011). Explaining convergence of OECD welfare states: a conditional approach. Journal of European Social Policy. 21(2), 120-135. https://doi.org/10.1177/0958928710395049

Sotiropoulos, D. A. & Neamtu, I. & Stoyanova, M. (2003). The Trajectory of Post-communist Welfare State Development: The Cases of Bulgaria and Romania. Social Policy & Administration. 37(6), 656-673. https://doi.org/10.1111/1467-9515.00364

Starke, P. & Obinger, H. & Castles, F. (2008). Convergence towards where: in what ways, if any, are welfare states becoming more similar? Journal of European Public Policy. 15(7), 975-1000. https://doi.org/10.1080/13501760802310397

Svallfors, S. (1997). Worlds of Welfare and Attitudes to Redistribution: A Comparison of Eight Western Nations. European Sociological Review. 13(3), 283-304. https://doi.org/10.1093/oxfordjournals.esr.a018219

Taylor-Gooby, P. (2001). Sustaining the welfare state in hard times: Who will foot the bill? Journal of European Social Policy. 11(2), 133-147. https://doi.org/10.1177/095892870101100203

Taylor-Gooby, P. (2013). The Double Crisis of the Welfare State and What We Can Do About It. Basingstoke: Palgrave Macmillan. https://doi.org/10.1057/9781137328113

Toots, A. & Bachmann, J. (2010). Contemporary Welfare Regimes in Baltic States: Adapting Post-communist Conditions to Post-modern Challenges. Journal of Transition States and Societies. 2(2), 31−44.

Weber, M. (1949|2011). Methodology of social sciences. Illinois: The Free Press of Glencoe. Reprint of 2011 published by New Brunswick, New Jersey: Transaction Publishers

Wilensky, H. (1975). The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure. Berkeley: University of California Press

Zeitlin, J. H. (2003). Introduction: Governing Work and Welfare in a New Economy: European and American Experiments. In Zeitlin, J. H. & Trubek, D. (Eds.). Governing Work and Welfare in a New Economy: European and American Experiments. (pp. 1-30). Oxford: Oxford University Press.