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Welfare state solidarity and support: the Czech Republic compared with the Netherlands

Tomáš Sirovátka, Wim van Oorschot and Ladislav Rabušic¹

Introduction

The problem of reconciling the demands on both the social and economic effectiveness of the social security systems in the transforming post-communist countries has often been pointed out, along with the importance attached to finding a solution (for example, Barr, 1994; Offe, 1996; Standing, 1996; Ferge, 1997; Kramer, 1997). Adequate reduction of poverty and social exclusion is essential for securing long-term public support for – and the legitimacy of – the political and economic changes, as well as for maintaining political stability. However, it is also necessary to reduce non-investment budgetary spending (including spending on social systems), and necessary to accumulate available resources to support investment and economic growth. In addition to these objective factors, political and ideological factors are of specific importance. Departure from collective arrangements commanded broad support, especially at the beginning of the transformation, and neoliberal ideology has had an exceptional influence on the reconstruction of social system strategies in the countries of Central Europe (in the Czech Republic, for example, it was reflected in the requirement of ‘teaching citizens self-responsibility’, which was also applied to the system of social security).

The tension that exists in this dilemma of conflicting expectations related to the increasing social security system. While the new political elite could take advantage of their strong political credit at the beginning of the transformation, and utilise it as a “political window of opportunity” (Kramer, 1997, p 50) to take radical steps affecting the social security area, for example, they have gradually been forced to pay increasing attention to the social and political costs of transitional measures. However, practical political considerations have often made the Czech government adhere to time serving solutions. With the vision of economic prosperity fading, it might be expected that Czech voters’ willingness to accept and tolerate new risks would also fade. However,

expectations and demands regarding compensation for such risks seem in fact to be growing among the population (IVVM, 1998). In this context, analyses of the legitimacy of social policy are important.

With regard to such analyses, there are at least two key distinctions that have to be pointed out.

- It is necessary to distinguish between ideology and concrete politics. Ideological views must not be mistaken for expressions of one's opinions on specific social policy. The latter are influenced much more by concrete and factual matters, and are not necessarily consistent with the ideological and political attitudes of the citizens (Ringen, 1987, p 55).
- The balance or possible tension between the two aspects of principle and implementation has an impact on both levels. This point concerns the distinction between a general support for solidarity and the legitimacy of the implemented arrangements which influence public perceptions of the present social security system (Ringen, 1987, p 69).

We discuss both aspects in this article. First, we are interested in what public support exists for solidarity in the present stage of social development. We will look especially at the entitlement criteria that condition this support, and at what this support encompasses. Our second concern is the legitimacy of the present social security system: what general feelings do people have about the system, how do they perceive its effects, and what do they think about the level of benefits? In dealing with these questions, we make use of survey data collected through a national representative sample in the Czech Republic in June 1998, and compare them with the results of a similarly focused public opinion survey carried out in the Netherlands in 1995².

The comparative perspective allows us to verify whether certain universal or similar attitudinal structures exist independent of the differences in (Czech and Dutch) social and cultural systems, the level of economic development, and the form of the existing social systems. Also, a comparison provides us with a useful benchmarking control. Since the Czech survey was the first of its kind concentrated on the legitimacy of solidarity and social security, it would be difficult to draw any meaningful conclusions without the opportunity to make cross-cultural comparisons.

Transformation of the social security systems in the Czech Republic and the Netherlands

The Czech Republic and the Netherlands are, of course, very different from one another, yet we have identified a range of similarities. Transformation of the social security systems is not only limited to post-communist countries. Advanced market democracies have been restructuring their social systems with varying intensity since the mid-1980s (cf George and Taylor-Gooby, 1996; Ploug and Kvist, 1996; Daly, 1997). The fact that overall social change in post-

communist countries is without doubt more complex and large-scale does not warrant the conclusion that the social security transformation in these countries is more profound. On the contrary, it is necessary to consider the gradual character of this change, and the strong links with the former social system, which have often been pointed out³. Also, a strong path dependency should be taken into account in those countries that made use of existing institutions, including social security schemes, and gradually adjusted them⁴. It is also useful to pay attention to certain similarities between the transformation of the Czech and the Dutch social security systems. The general tendency of the contemporary welfare state to “the individualisation of the social” (Ferge, 1997, p 23), the so-called welfare-state crisis, postmodernism, and other factors, such as the demographic ageing of society⁵, can be noticed in both countries. This tendency results in a reduction of social security spending, measured by the share of the GDP, accompanied by a simultaneous reduction in the volume of transfers and redistribution by the government. At the same time, the principle of individual responsibility is accentuated, and more importance is attached to the targeting and conditionality of the programmes and social transfers, and to individualised and means-tested and income-tested schemes of social support. Also, universal public and social services are diversified, and their extent reduced, while active labour market participation by the beneficiaries of such services is more strongly demanded and stimulated. With the extent of compensation for liabilities limited to the coverage of basic social insurance, the trend of ‘individualisation of the social’ also led to an expansion and growing popularity of supplementary non-governmental insurance schemes. The trend gained support, particularly owing to the growing influence of the conservative and neoliberal oriented political elite.

The social consequences of this general tendency probably have had a greater impact on Czech society than on Dutch society, due to its lower overall standard of living. In both cases, however, serious transformations along the lines just sketched have been taking place. We will briefly outline them here.

The Czech Republic

During the initial phase of the transformation, the system was enriched with an unemployment insurance scheme. Replacement rate of unemployment benefit was set at 60% and 50% of net wage (for the first three months of the unemployed period and for the three subsequent months respectively). Meanwhile, the replacement rate of benefit has been reduced from January 1998, from 60 and 50% to 50 and 40%⁶. However, this benefit was designed as a social assistance benefit; the ceiling was set at a mere 1.5 times the subsistence minimum and only in September 1999 was it increased up to 2.5 times the subsistence minimum.

The concepts of the subsistence minimum and of social need became the key instruments of social policy. At the beginning of the transformation they

allowed for supplementing social transfers with means-tested social assistance benefits as prevention against falling below the poverty line.

The subsistence minimum also became a chief factor in the construction of a new system which replaced previously universal benefits targeted at families. According to a new law passed in 1995, entitlement and level of income-tested child benefit⁷ and other benefits introduced in the 1990s – housing benefits, heating and rent benefits, transportation benefits for families with school-age children – derive from the comparison between the level of household income and the subsistence minimum. The subsistence minimum is indexed by the government, usually with a certain delay, when prices rise by at least 10%. All social benefits which are tied to the subsistence minimum thus gradually fall behind wage increases.

In 1995, retirement age was raised gradually from 60 to 62 years for men and from 53-57 to 57-61 years for women⁸. It will come into full effect in 2007. Pensions are also indexed with relation to increases in the cost of living. With the change of the pension calculation pattern, more weight was attached to the so-called basic flat-rate component. Overall, these changes contributed to a relative decrease in pension value relative to wage growth. Analyses which concentrated on the level of pensions showed that the entire pension system has become more levelled than it was before 1990 (Hiršl, 1997; Rabušic, 1998; Sirovátka, 1998).

In line with the neoliberal strategy of 'contracting out', an optional supplementary pension scheme, based on defined contributions, was introduced in 1994. Beneficiaries qualify for a direct financial contribution made by the government, which is limited, however, to a maximum of approximately 1.5% of the average net wage. The system does not include tax relief for employers, which would be enough to motivate their participation in the system. The scheme is therefore frequently used as a convenient form of short-term savings. However, it is not a powerful enough instrument to compensate for the decline in pensions in relation to wages.

The level of sickness benefits was reduced gradually, mainly due to the fact that the benefit ceiling was not raised between 1993 and 1998⁹.

The whole system has thus developed into an elaborate social assistance scheme, with regard to both the definition of entitlement to benefits and to their level. The prime function of benefits directed at families with children (child benefits and others), which are income tested, is above all to prevent low-income groups from falling below the poverty line into the area of substantial deprivation. In the pension system, the function has been reinforced as well, while the general level of pensions in relation to wages has decreased.

During the 1990s, total spending on social security tended to stagnate in relation to GDP, with retirement spending slightly increasing¹⁰. New expenditure was necessary for the social assistance and employment policy systems. Total social security spending (including healthcare) equals about 20-21% of GDP, and social transfers about 13%. New expenditures were counterbalanced by a reduction in the level of benefits relative to wages – and therefore also to tax

Table 6.1: The Czech Republic: social benefits as % of average net or gross wage

	Net average wage (CZK)	Min wage as % of GW	Min pension individual as % NAW	SM of individual as % NAW	SM of 4-member hsehold as % NAW	Average pension (as % NAW) really paid	Unemployment benefit (six months) as % NAW	Sickness benefit (one month) as % NAW
1990	2,691	x	49.8	x	x	64.3	x	88.0
1991	3,087	52.8	58.3	55.1	181.4	70.5	56.7	88.0
1992	3,715	47.1	53.3	45.8	150.7	65.0	37.8	87.9
1993	4,613	37.7	46.8	42.5	138.7	59.3	35.9	82.9
1994	5,598	31.9	45.6	40.0	130.8	56.7	29.4	85.8
1995	6,341	26.9	42.9	37.9	123.6	56.4	32.4	85.7
1996	7,538	25.8	38.3	38.3	120.9	55.9	30.6	72.1
1997	8,353	24.8	36.4	36.4	114.6	57.9	30.7	65.1

Notes: NAW = net average wage; GW = gross wages; SM = subsistence minimum.

Sources: RILSA bulletin no 11 (1998); authors' own calculations; net average wage according to the Ministry of Labour and Social Affairs, Czech Republic

payments and social insurance contributions (Table 6.1). The social security system was subject to budgetary cuts which made themselves felt, especially in 1997, when the government adopted restrictive measures in consequence of unexpected economic stagnation¹¹.

The trend demonstrated in Table 6.1 resulted in a decline in the ratio of social income to net financial income for an average working household. It dropped from 13.5% in 1989 to 10.7% in 1996. At the same time, the level of rent and energy prices rose in several successive steps. Since 1996, households with low incomes (up to 1.6 times the subsistence minimum per household member) have been partially compensated for this increase in living costs.

Despite the fact that the goals of social security changes have not been made explicit by the Czech government, reform of the social-policy system, especially after Slovakian separation in 1993, have apparently pursued the following goals:

- to increase the importance of wages and market-generated income in one's overall standard of living, therefore promoting individual self-responsibility;
- to decrease state expenditures within the social-protection system;
- to maintain the preventive function of the system against poverty.

Implementation of these goals has brought about a decrease in social benefit levels and allowances. It has also reduced the number of beneficiaries because of the introduction of means-tested principles.

Generally speaking, the social security system in the Czech Republic has met the objective of preventing broad segments of the population from falling below the poverty threshold. Although income inequalities have increased¹², the number of the poor, whether defined by the official subsistence minimum or by the EC poverty line, has been much lower than the level common in many advanced market economies¹³. However, as a result of the cuts in public spending and price liberalisation, the transformation has had a strong impact not only on the lower classes, but also on the middle classes, whose income in a highly levelled society does not greatly exceed the subsistence minimum. At the same time, the share of the middle classes in the social security system has been on the decline, while their financial contributions have remained basically the same, if not slightly increased. In light of these changes, it is not surprising that the issues of the present system's legitimacy and of the public attitude have become quite topical, as research suggests (Purkrábek, 1996; IVVM, 1998).

The Netherlands

Following the Second World War, a generous and universal system of social security was built up in the Netherlands. It had its heyday between the late 1960s and the early 1980s. Since then it has been under permanent reconstruction.

Of central importance to this has been the steady rise in the number of claims for workers' insurance and for social assistance in the course of the 1970s, followed by an alarmingly steep increase in unemployment and assistance dependency from 1978 to 1982. As Table 6.2 shows, the number of people claiming unemployment benefits doubled from 1970 to 1978, and doubled again between 1978 and 1982, while the number of social-assistance beneficiaries increased between 1970 and 1978 by 100,000, and by more than 250,000 in the next four years. The number of disability claims had a steadier, but by no means less meaningful, growth. Due to a broad definition of disability, based on postwar principles of universality and collective solidarity, the scheme had low access thresholds, and attracted many older workers who otherwise, and with more stringent entitlement criteria, would have been laid off and become unemployed. In other words, the number of beneficiaries of the disability scheme contains a large amount of 'hidden' unemployment. The number rose steadily, from 215,000 in 1970 to 707,000 in 1982.

The lesson from the economic crisis, therefore, was clear: the system could be overloaded, and would eventually collapse. The initial reaction was to try to keep social expenditures under control by lowering the duration and level of benefits. This reaction was known as 'price' policy, because it was mainly directed at keeping the system affordable. However, by 1990, the number of workers' insurance beneficiaries had increased by over 300,000 from 1982,

Table 6.2: Number of benefit recipients in the Netherlands (x 1,000)

	People's insurances			Workers' insurances			Social assistance
	Pension AOW	Survivor's AWW	Child benefit AKW	Unemp-loyment WW	Disability AAW/WAO	Sickness ZW	ABW RWV
1970	1,061	154	1,614	25	215	223	318
1974	1,171	162	1,734	56	313	261	423
1978	1,280	169	1,763	48	579	289	419
1982	1,376	172	2,185	112	707	261	684
1986	1,898	173	2,113	68	778	263	740
1990	2,043	195	1,812	163	881	348	530
1994	2,152	194	1,812	332	894	175	510

Notes: AOW = National Old Age Pension; AWW = National Survivors Pension; AKW = National Child Benefit; WW = Unemployment Insurance; AAW/WAO = Disability Insurance; ZW = Sickness Insurance; ABW = Social Assistance; RWV = Unemployment Assistance.

Source: CTSV (1995, p 12)

which more than offset the decline in the number of social-assistance beneficiaries during this period. Subsequently, the emphasis was put on 'volume' policies, aimed at reducing the accessibility of schemes and gaining control over the inflow of beneficiaries.

The reconstruction of the people's insurance was not only the result of economic developments. It also reflected changes in Dutch society and culture. Revisions aimed to 'modernise' the schemes by making them consistent with changing roles of men and women, particularly the increased participation of women in the labour force. This modernisation resulted in equal rights for men and women in all schemes. Where the modernisation of schemes implied a broadening of the entitled population, there was a conflict with the general aim of cutting back on social expenditures. The solution was that means tests were introduced to keep total expenditure under control.

The 'price', 'volume' and modernisation measures taken subsequently include:

- a reduction of the earnings replacement ratio from 80% to 70% in unemployment, sickness and disability insurance;
- a sharpening of work-history requirements for entitlement to unemployment insurance benefits;
- a limitation of the duration of earnings related disability and unemployment benefits, depending on age (disability) and work history (unemployment);

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- a restriction of the concept of 'disability', which in effect means that entitlement is reduced;
- a re-examination of the disability status of 400,000 disabled workers according to the new concept, resulting in 50% of them losing their benefits (and becoming entitled to unemployment benefit, which has a much shorter duration);
- a 'privatisation' of the first six weeks of sickness, implying that the employer had to pay 70% of the wage during these weeks instead of the national sickness fund, followed by an extension of these six weeks to a full year (which de facto meant the abolition of sickness insurance for almost all workers);
- excluding young people from the right to social assistance (instead, they have to be offered a job by the municipality);
- a lowering of the basic assistance benefit for single people and lone parents by 20% (a top up of 20% is possible if one can testify to not having a partner);
- the introduction of means tests for survivors and old-age pensions;
- a series of reductions in child benefit.

There is no doubt that these measures have contributed to halting the trend towards increasing numbers of beneficiaries and increasing expenditure. The system's collapse was prevented. On the other hand, figures show that, at present, there is no prospect for a substantial decrease in demand and expenditures. Table 6.2, for example, shows that, in 1994, only the number of claimants for sickness benefits and social assistance have dropped significantly since 1986. Table 6.3, showing social security expenditures as a percentage of the net domestic product, confirms that expenditures exploded in the late 1970s and early 1980s. It also shows, however, that the decrease of the percentage since then follows a slow pace.

Due in large part to these figures, the government has realised that its initial 'price' policy and the subsequent 'volume' policy were not enough to substantially reduce social security expenditures, nor to solve the problem of the economic inactivity of a large part of the population. Gradually, therefore, it has developed a new concept of social protection, the core of which seems to

Table 6.3: Social security expenditure in the Netherlands as % of net domestic product

1970	12
1975	16
1980	20
1983	22
1990	18
1994	18

Source: Ministry of Social Affairs (1996)

be a fundamental critique of the model of collective solidarity itself. It is no longer purely for budgetary and economic reasons that changes in the system are proposed and justified; more and more there is a wish to change its entire nature.

The main objection of politicians and policy makers to the model of collective solidarity is its anonymity. The national and collective nature of the system is supposed to undermine individual responsibility and to promote calculative behaviour by all actors involved, be they citizens, workers, employers, unions, or companies. Based on this diagnosis, market elements are introduced, such as freedom of choice (for employers, whether or not to take part in collective insurance) and risk differentiation (industries with higher levels of risk for disability paying higher contributions), which in essence are aimed at reintroducing individual responsibility, by way of confronting all actors more directly with the costs of social protection. The diagnosis is also the starting point for 'activation', which comprises extended policies aimed at the reinsertion of beneficiaries into paid and even unpaid work.

All in all, a shift has taken place, from inclusive solidarity towards exclusive selectivity, from collective responsibility towards individual responsibility. With this shift, the overall level of citizens' social protection has declined. This loss, however, does not affect everybody to the same degree. Those who have lost most of their social protection are people with weaker or no ties to the market for paid labour. These include workers on flexible contracts, young workers, workers with repeated unemployment spells, and beneficiaries who have little chance of returning to the labour market, such as pensioners, disabled workers, the long-term unemployed, and single parents. The total effect of the revisions has been recognised by the central government, and inspired it to declare "work, work, and again work" (a popular slogan often used by the former Prime Minister Kok and his cabinet members) as the central aim of its new socioeconomic policy. Social protection of citizens was believed to be best guaranteed by their participation in the labour market.

Conditionality of solidarity and the legitimacy of the social security system

Both countries share key features of the general trends that dominate the reconstruction of their social security systems. One of the most significant similarities is that social protection is targeted more strongly on 'the truly needy', instead of focusing universally on citizens' rights or on specific categories of citizens. This common trend raises with new urgency the question of entitlement, which addresses people's value orientations towards the rationing of welfare in general: who has the right to what level of collective protection, and why? A second question addressed here deals with the public's opinion on, and support for, more practical aspects of the social security system, its costs and complexity for instance, its effects, and the level of its benefits.

Conditionality of solidarity

In the post-communist countries, the strong political credit of the new political elite, and the strong credit of individualised social arrangements (as opposed to collective arrangements), provided great opportunities for change in the initial stages of transformation. The political elite were able to use this 'window of opportunity' to enforce measures oriented towards establishing a residual model of the welfare state. Despite the fact that this welfare-policy design curtails the rights of a greater part of the population, the middle classes in particular, it may still be acknowledged as legitimate, provided it is grounded on solid principles of conditionality of solidarity, and that such principles are accepted, or at least perceived as just, by a majority of the population. In the Netherlands, strong societal protest against the reconstruction policies has been almost non-existent. This raises the question about the principles of entitlement that are applied by the public at large.

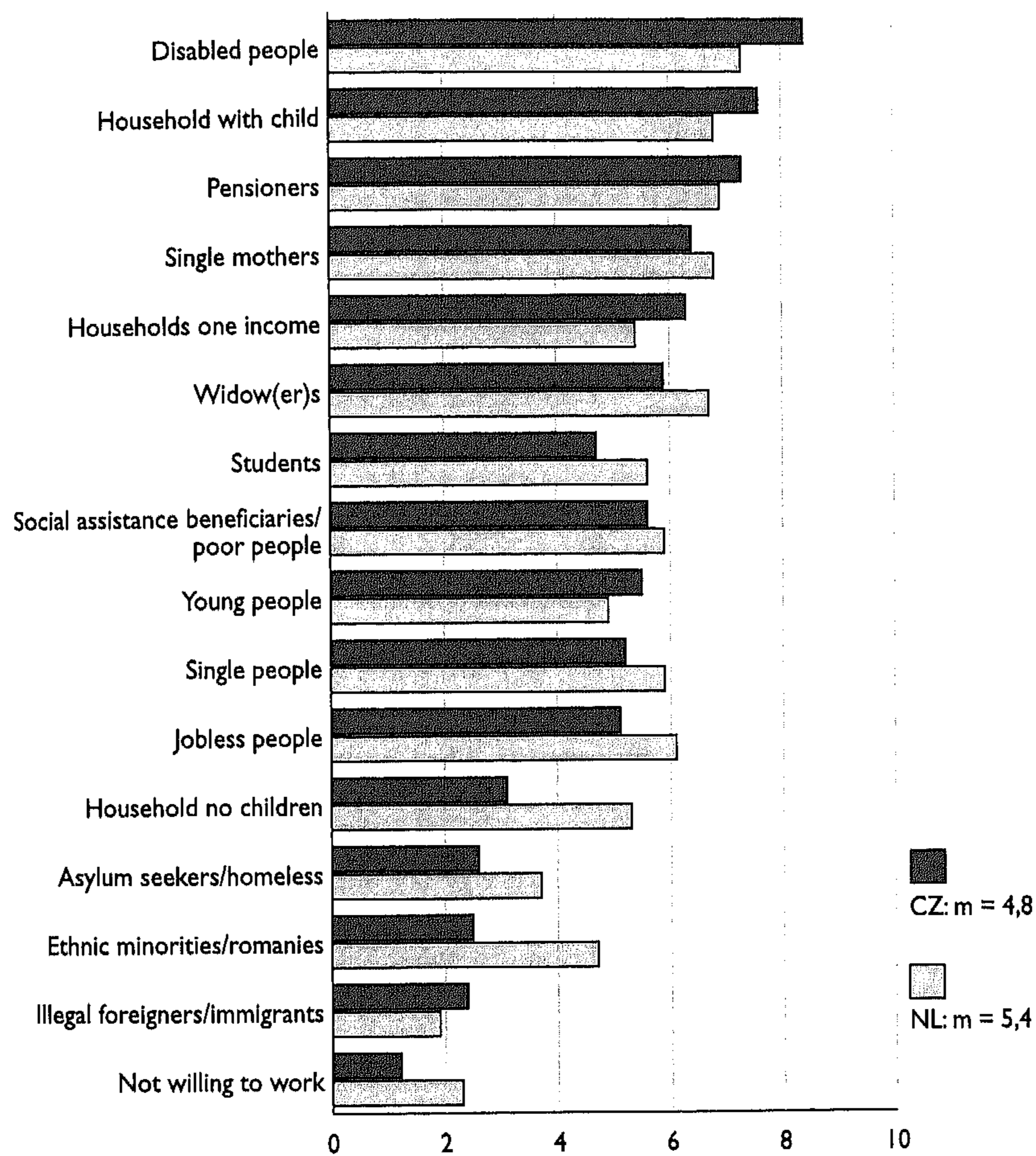
The public's views on entitlement and conditionality of solidarity in relation to social groups are quite similar in the Czech Republic and the Netherlands (see Figure 6.1), suggesting that conditions for solidarity or basic ideas of entitlement are universal elements in the public's approach to the rationing of social support and welfare.

In both countries, certain groups are considered to be highly entitled to benefits (disabled people, pensioners, households with children, single mothers, widows), while other groups clearly are not (persons unwilling to work, immigrants, ethnic minorities, homeless people). The results confirm earlier findings (van Oorschot, 1997) about the type of underlying entitlement criteria that are applied by the public. That is, solidarity with the needy is conditioned by aspects of control, or the degree to which needy people themselves can influence the fulfilment of their needs. Such a pattern explains the high scores of disabled people, pensioners and widows, and the low scores of those who are not willing to work. Solidarity is also influenced by aspects of identity; that is, the degree to which needy people belong to the mainstream culture. This explains the low scores of immigrants, ethnic minorities and asylum seekers. Next to this, reciprocity plays a role; that is, the degree to which needy people have earned support or can do something in return, as well as the level of need, shown by the high scores where households contain children.

Figure 6.1 also reveals two obvious differences between the Czech Republic and the Netherlands. One of them is that the Czech public regards having children as an entitlement criterion more strongly than does the Dutch public. The group 'household with child' scores higher among the Czech public, and the group 'household without children' much lower. This difference can be interpreted by means of the aspect of need. Families with children in the Czech Republic have lost most during the transformation of the social system, and are therefore strongly considered to be needy¹⁴. In the Netherlands, the groups affected most by the retrenchment measures are single mothers, single female pensioners and the long-term unemployed.

Figure 6.1: Perceived right to financial support for specified groups (1-10 scale)

“If we cut back on benefits, the question of who has a greater or lesser right to financial support from society will become more important. Would you like to tell to what degree each group, on a scale from 1 (no right at all) to 10 (absolutely the most right), should have a right to financial support from society?”

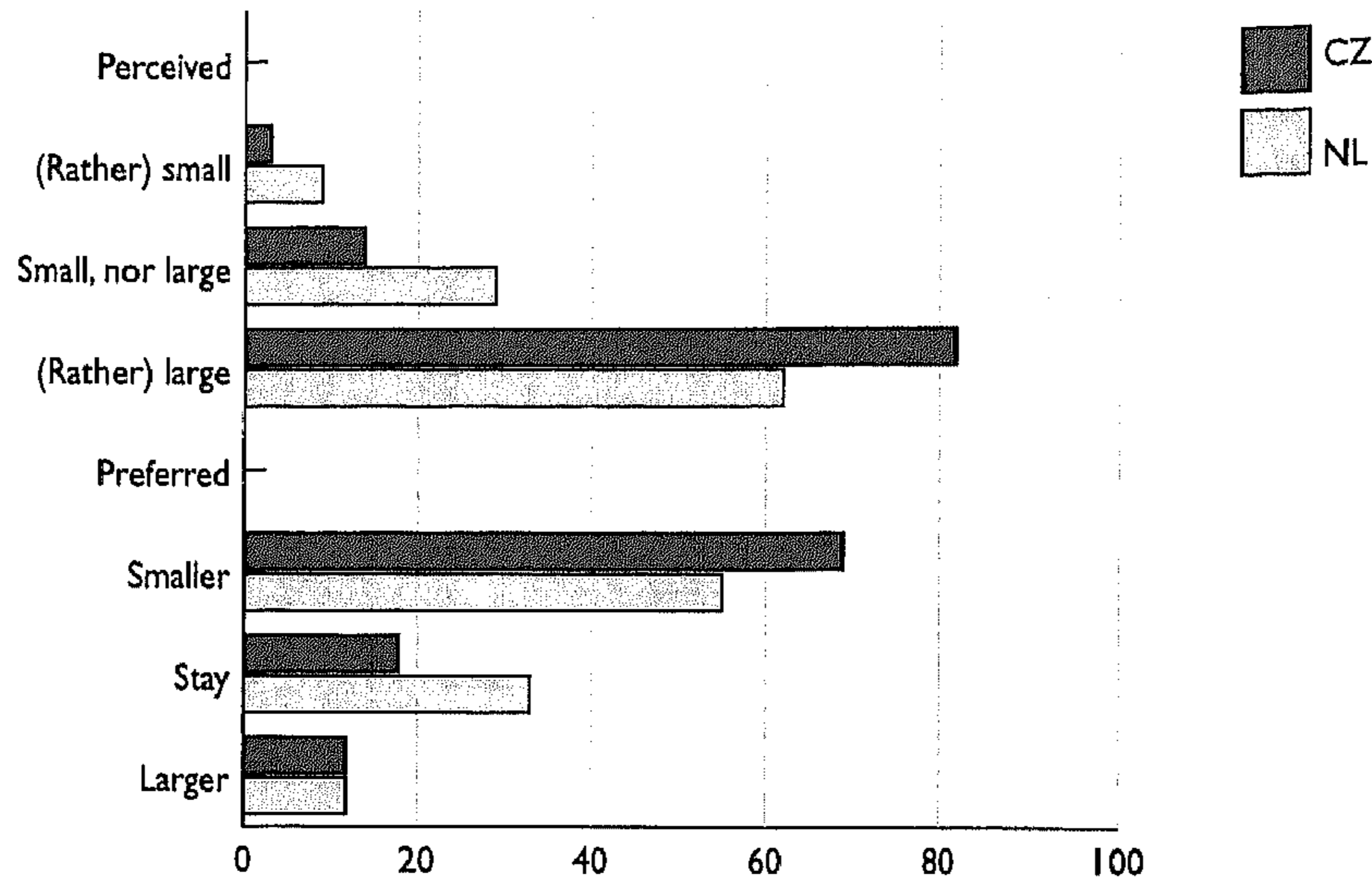


Source: TISSER – Solidarity study (1995) (N = 1,405)

The second and more significant difference between the countries is that the Czech public is more conditional than the Dutch. That is, high-ranking groups tend to have higher scores among the Czechs, and lower-ranking groups lower scores. Although the ordering of groups is the same, suggesting that the same basic value orientations and criteria are at work, the Czech public is more generous towards highly deserving categories but more reluctant towards less deserving categories.

Figure 6.2: Perceived and preferred income differences

Perceived: "Do you regard the present differences in income ...?"
Preferred: "Would you like these differences to be ...?"



Sources: Czech Republic = *Legitimacy of social security survey* (1998) (N = 1,351); Netherlands = *TISSER – Solidarity study* (1995) (N = 1,405)

This cannot be attributed to a smaller preference for egalitarianism among the Czechs. Figure 6.2 shows just the opposite. The Czech public perceives income differences as larger than the Dutch, and more strongly prefers them to be smaller.

Clearly, a strong preference for social equality and high conditionality of solidarity do not contradict each other. We suggest that social-system reconstruction, characterised by limiting universal rights and individualising the social system, combined with the social impact of the transformation, implies a strong need for social security and egalitarian preferences among the public, but at the same time also a stronger requirement for conditioning the solidarity. That is, the Czech public believes that there must be social protection, but that where resources are scarce they must be targeted effectively to the most deserving and needy and not be distributed loosely. In the Netherlands, where there is also a retrenchment of social protection, the situation differs in that resources are still on a relatively high level. The public's conditionality is less restricted there by economic and budgetary scarcity compared to the Czech Republic.

Perception of the present social security system and its legitimacy

Similarities along broad lines, with differences shaped by situational characteristics, also result from the comparison of the Czech and Dutch publics' opinions on practical features and the effects of their respective social security systems.

General feelings about the system of social security

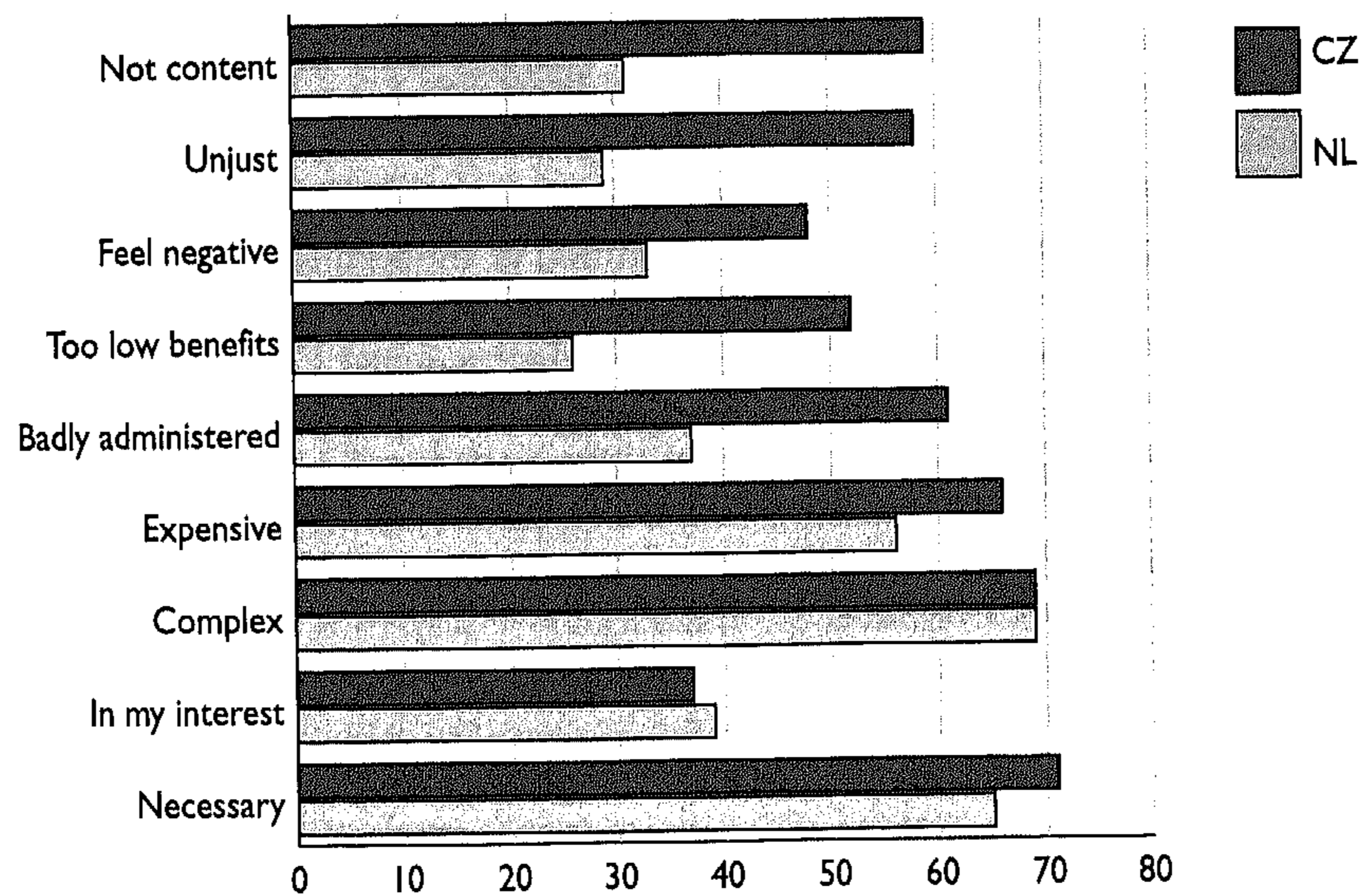
If we look at the public's general beliefs about the social security system presented in Figure 6.3, there are three striking similarities between the Czech Republic and the Netherlands.

First, there is a relatively strong and universal belief about the necessity of the social security system. It is even somewhat stronger in the Czech Republic than in the Netherlands. Further analyses have shown that this belief applies equally to all social groups and categories.

Second, a relatively large portion of both the Czech and the Dutch populations, believe that social security is in their personal interest. This, and the widespread belief about the necessity of the social security system, suggests that the system has become a part of both the population's expectations,

Figure 6.3: Feelings about the system of social security

"What are your feelings about the present system of social security? (indicate your position on a 5-point scale)"



Sources: Czech Republic = *Legitimacy of social security survey* (1998) (N = 1,351); Netherlands = *TISSER – Solidarity study* (1995) (N = 1,405)

irrespective of class, gender, age or dependence on social benefits. This type of support for the social security system might be based on two demands, which are implicit in the concept of social rights, and which have motivated the very genesis of the welfare state – the demand for greater collectively guaranteed safety (security) and the demand for greater equality (see Flora and Heidenheimer, 1984). People appear to be aware of the complex risks inherent in modern market society, and they consider the system of collective protection a suitable form of risk management. This interpretation links up with the finding that a greater part of both the populations believes that present differences in income are too large (over 80% in the Czech Republic) and that they should be smaller (over 70% in the Czech Republic; compare Figure 6.2).

A third resemblance is that both populations regard their present national system of social policy as being very complex. This might not be surprising if we recognise that, because of processes of path dependency and the diverging interests involved in shaping social security, it seems to be impossible to design a system that is genuinely simple and transparent for citizens. In particular the new system of income-tested benefits implemented in the Czech Republic includes very complicated benefit formulas.

With regard to other features of the social security system, the Czech public is evidently much more negative. Many Dutch regard their present system as expensive, but the Czech public do so even more. The Czechs are also more negative about the way in which the present system is administered: they regard benefits as too low more strongly, they are less content with the system, find it more unjust and feel more negatively about it generally. Here again, the differences between the countries might be explained by the fact that the general level of social protection in the Netherlands, despite the retrenchment policies of the last decade, is much higher than in the Czech Republic. The Czech system offers lower protection, and is therefore subjected more to general discontent.

Evidently, the system of social security has a strong legitimacy base, in the sense that it is felt to be a necessary institution in modern society. However, according to the public, social security's main problems are its complexity and expensiveness, while its overall quality has to be improved.

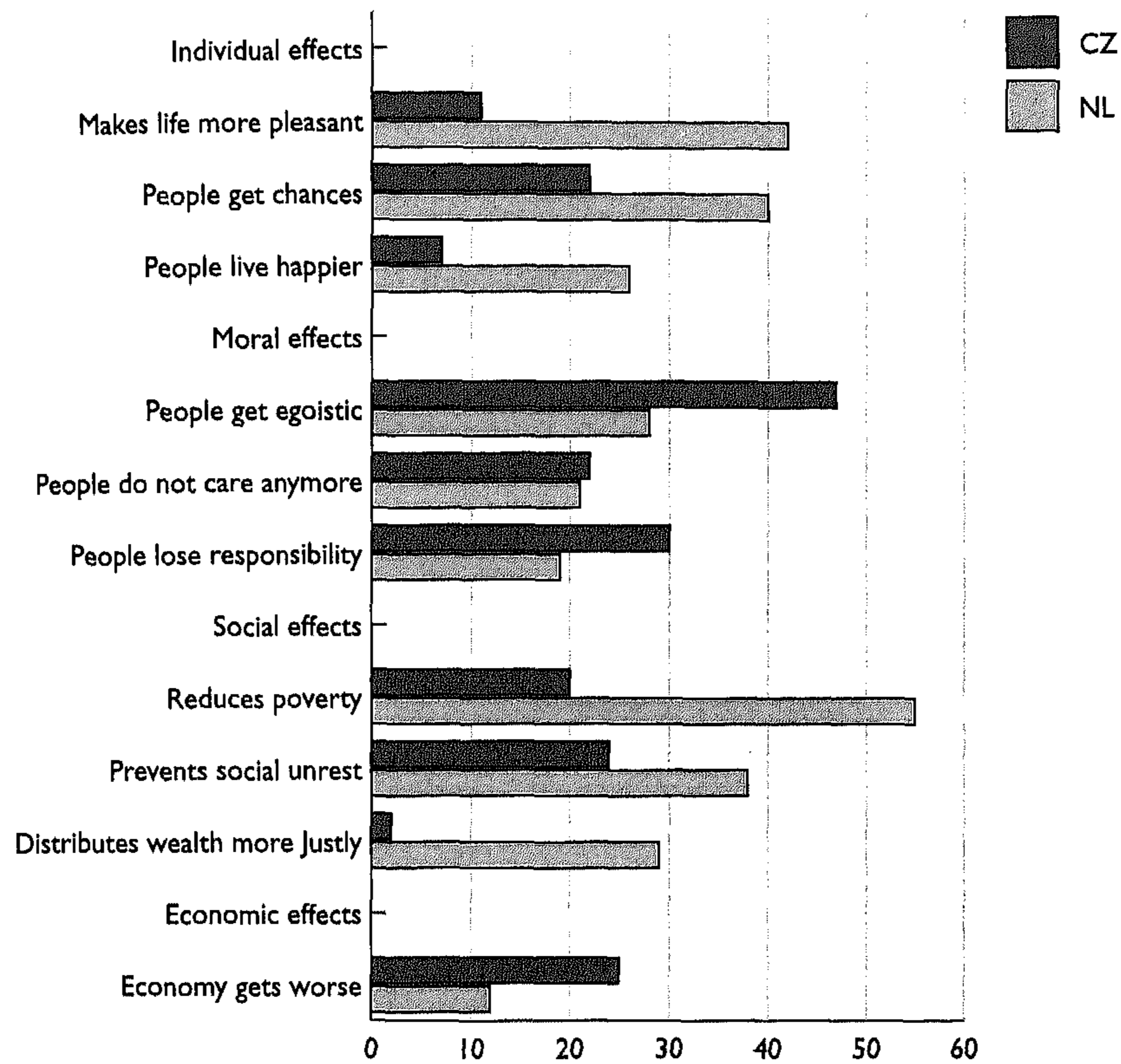
Perceptions of the effects of social security

The way in which the Czech and Dutch populations perceive the effects of social security for the individual, the cultural and social systems, and the economy, differs quite strongly.

Figure 6.4 shows that the Czech public does not believe in the positive effects that social security might have for individuals. Only a very small proportion think that, because of social security, life for people is more pleasant or that people get better chances in life or live a happier life. In the Netherlands, quite large proportions do see such positive effects. With regard to the effects on the cultural system, the Czechs are again more negative than the Dutch.

Figure 6.4: Perceived effects of social security

“The present system of social security could have positive and negative consequences. To your opinion, is the following a consequence of the system?” (3-point scale: yes).



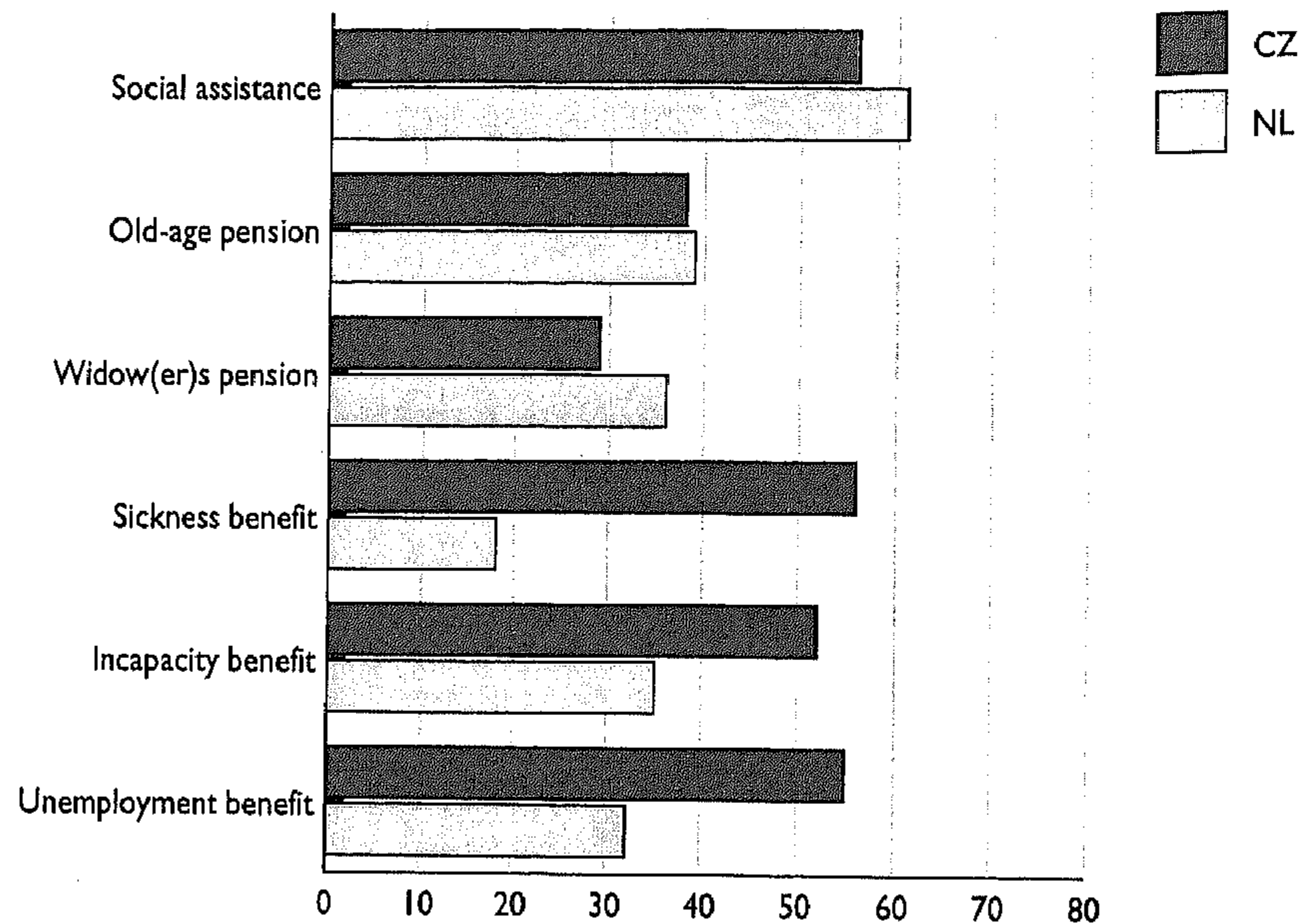
Sources: Czech Republic = *Legitimacy of social security survey* (1998) (N = 1,351); Netherlands = *TISSER – Solidarity study* (1995) (N = 1,405)

About one fifth to one quarter of the Dutch believe that social security makes people more egoistic, less caring for each other, and lacking in responsibility, while among the Czechs these proportions vary between one fifth and about one half. It is striking that the Dutch believe in the positive social effects of social security (that it reduces poverty, prevents social unrest and distributes wealth more justly), in contrast to the Czechs’ disbelief in these matters. Almost nobody in the Czech Republic believes that the system of social security distributes wealth more justly. Finally, the Czechs are more pessimistic about the economic effects of social security. About one quarter of them think that the economy suffers from the system of social benefits, while this is the case among only one tenth of the Dutch.

One can conclude that the Dutch population evidently reflects and balances the trade-off between the economic and moral ‘costs’ of the social system and

Figure 6.5: Perception of how beneficiaries can make ends meet with specified benefit (% difficult/very difficult)

“How do you believe beneficiaries can make ends meet with...?” (5-point-scale: (very) easy, just possible, (very) difficult).

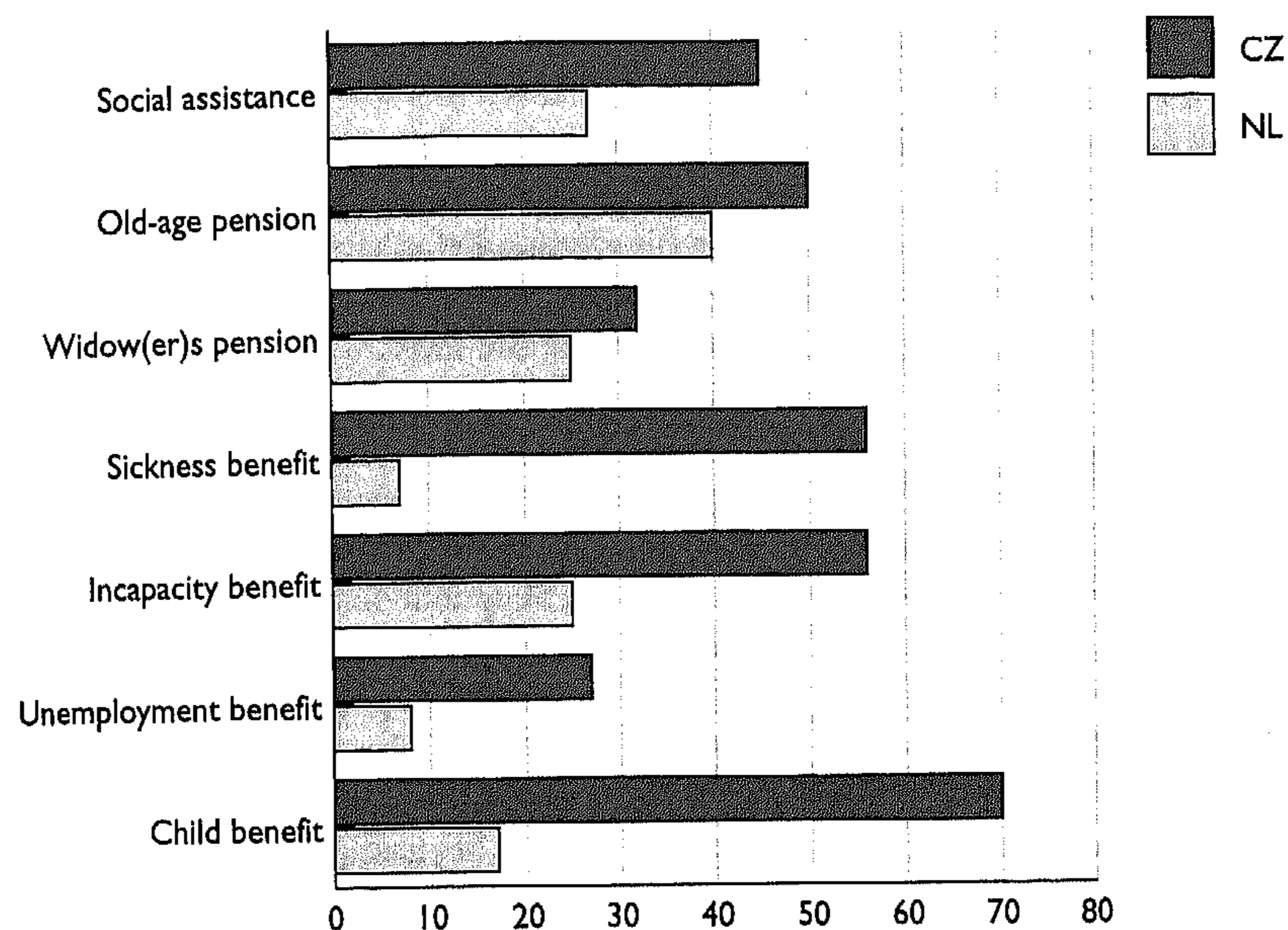


Sources: Czech Republic = *Legitimacy of social security survey* (1998) (N = 1,351); Netherlands = *TISSER – Solidarity study* (1995) (N = 1,405)

the positive effects resulting from these costs. All in all, the Dutch agree more on the positive effects than on the negative ones. Among the Czechs, the negative views are dominant. The negative cultural effects are seen as more significant than the negative economic effects. However, the belief that people get more egoistic because of the system of social security might be influenced by ideas about the ‘morality’ of the capitalist economy that has entered Czech society. All in all, the Czech population acknowledges limited positive effects of the existing system; it largely admits only its legitimising function (that is prevention of social unrest) and the chance it grants to individuals to do something with their lives. A strongly negative evaluation by the Czech population applies to the functions of the just distribution of wealth and the elimination of poverty. We consider these findings an important message to the politicians and authors of the system, since the decision to target social benefits is governed by the intention to prevent and eliminate poverty and assist ‘the needy’. On one hand, Czech society strongly supports redistribution aimed at greater equality, but at the same time it believes the existing social system to be unjust and ineffective regarding the elimination of poverty.

Figure 6.6: Preferred level of specified benefit (% increase/strongly increase)

"If you had the authority, would you decrease the level of benefits mentioned here, let them stay as they are, or would you increase them? Mark that if you increase the level of a benefit the matching contributions or taxes would increase too." (5-point-scale: (strongly) decrease, let them as they are, (strongly) increase)



Sources: Czech Republic = *Legitimacy of social security survey* (1998) (N = 1,351); Netherlands = *TISSER – Solidarity study* (1995) (N = 1,405)

Opinions on the level of benefits

The Czechs' negative views on the system of social security and its effects on society, morality, and the economy, as compared to the views of the Dutch, is reflected also in their opinions on the level of benefits (see Figure 6.5).

While social assistance is the only benefit in the Dutch sample which is considered insufficient to live on by more than 50% of the respondents, the majority of Czech respondents regard as insufficient also sickness benefits, disability benefits, and unemployment benefits. The exceptions, however, are old-age pensions and widow(er) pensions, which both are seen as less insufficient by the Czechs than by the Dutch.

The fact that the benefits are mostly thought to be too low is reflected in the respondents' suggestions regarding adjustment of the level of benefits (see Figure 6.6).

The general assertion (for example, Taylor-Gooby, 1985; Cook and Barrett, 1992) that coverage of 'widely shared risks' with benefits, such as old-age and disability pensions and sickness benefits, is universally preferred and supported,

while 'marginal' schemes, such as social assistance and unemployment benefits, are supported less by the public, is verified only partially in the Czech Republic as well as in the Netherlands. In both countries, there is only a small preference for increasing unemployment benefits, but a relatively high preference for increasing social assistance. The difference between both countries lies in the fact that, in the Czech Republic, there is a much higher demand for increasing the level of benefits than in the Netherlands. This is especially true for child benefits, disability benefits and sickness benefits. It is likely that this is a result of the fact that, besides general entitlement criteria, the perception of the present social security system and its legitimacy also reflects the current level of benefits and the quality of the system. If there is a strong belief about an entitlement to certain benefits by certain groups of citizens, yet the benefits are not provided to a sufficient extent, the pressure to increase the level of benefits intensifies.

Conclusions

Policies of retrenchment of social security and the trend towards its individualisation adopted both in the Czech Republic and in the Netherlands during the 1990s have halted uncontrolled growth of social security costs. At the same time, it has also managed to protect both populations against the threat of subsistence poverty. However, such policies have also brought about some negative effects. In the Czech Republic, higher taxes and higher contributions to the social security system have been imposed on the middle class, at the same time as its gains from the system have decreased. Also, while the system of social protection has been changed into an elaborate social safety net, the relative living standard of households close to poverty has decreased. Similarly, in the Netherlands, changes in the social security system have negatively affected the groups of people with low ties to the labour market.

The effects of reductions in the generosity of social-policy schemes are tougher in the Czech Republic than in the Netherlands, because Czech GDP per capita in parity of purchasing power is about half of the level of developed countries (the Netherlands included), while at the same time the system of social protection provides poorer coverage.

Comparison of Czech and Dutch public opinion on social security reveals several main patterns. In both countries, the system of social protection has strong public support, in the sense that they are convinced of its necessity. We believe that this attitude is not just an expression of inertia stemming from the social security system having been a strong element in the everyday life of citizens of both the Czech Republic and the Netherlands during the 1970s and 1980s. We believe that public support for social protection reflects current economic developments, with their strong emphasis on market mechanisms, which have brought about higher social inequalities and the danger of social exclusion. These, in turn, have produced more demands for social protection and for decreased levels of inequality.

Trends in current social policy to increase the means-testing mechanisms,

thus making social-policy measures more selective, could be seen as contradicting the high public support for the social-policy system so strongly seen as 'necessary'. However, what we also found is that, in many instances, both publics are supportive of the idea that solidarity should be conditional to a certain degree. This pattern is more pronounced in the Czech Republic than in the Netherlands, because of the effects of social transformation. Demand for higher equality goes hand-in-hand with conditional solidarity. Therefore, the entitlement to support of families with children is regarded as high by the Czech public ('families deserve our support') while, for instance, the entitlement of the unemployed is neglected, because in many instances unemployment is reckoned to be 'one's own fault', and also because the unemployed are suspected to earn, or at least to have an option to earn, alternative (often undeclared) income.

We believe that the legitimacy of social-policy schemes consists of several aspects:

- the legitimacy of principles of solidarity and equality that underlie them (which seems to be high in both countries);
- the legitimacy of the criteria of entitlement that are implied by them (which seem to be quite similar in both countries);
- the perceived quality of the system and personal experience with it.

It seems to us that the 'personal experience' aspect is especially important for social policy evaluation. It can help explain the relatively high recorded differences in evaluation of Czech and Dutch social policy. In the Netherlands, the public reflects the trade-off between economic efficiency and social justice. Despite the fact that the Dutch think their system to be very expensive and complicated, they recognise its positive contribution to the quality of life, elimination of poverty, prevention of social tensions and equitable distribution of resources. The Czechs also regard their system as costly and very complex; however, at the same time, they find almost no positive aspects in it. Moreover, they also accentuate – and much more strongly than the Dutch – its negative economic and even moral effects. Such a finding is alarming, and should be taken very seriously by Czech politicians.

Another conclusion is that, while the Czechs ask for less inequality, they do not believe that the existing means-tested system (whose main aim is to eliminate the risk of poverty, and therefore lower inequality), can protect them against poverty, or that it can provide more equitable income distribution. Apparently, reasons for such a strict view of the social-policy system can be found partially in the public's evaluation of its characteristics; the level of most benefits and allowances is regarded as too low and not sufficient to meet the needs of clients, and the administration of the system is assessed as bad. However, we reckon that the main reason for the Czechs' high discontent with the quality of their social-policy system is the general feeling of high subjective poverty. Forty-two per cent of Czechs were under the subjective poverty line (as defined by van Kapteyn) in 1995 (see Mareš and Rabušic, 1997) and about the same

proportion of older people (41% and 30% in 1995 and 1996 respectively) were under the subjective poverty lines (Rabušic, 1998)¹⁵.

The present system of social protection and its very legitimacy have been important phenomena in transitional countries of Central and Eastern Europe. Their importance can be expected to increase further in the near future, and they will become, in our understanding, the crucial element of the legitimacy of the whole transformation. Deeper establishment of market mechanisms will necessarily dissolve social homogeneity and egalitarianism, and it will bring new social risks. In the environment of higher economic and social insecurity, new (state) schemes of social protection and their dependency will thus be a logical move. Public expectations of social policy will become high, and it is clear from our analysis that the public expects better-quality provision. If such expectations are not met, they could seriously hamper the process of transformation.

Notes

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² The *Legitimacy of social security* survey included 1,351 respondents, aged 16 years and older. Similarly, in the Dutch TISSER – *Solidarity study*, which was carried out in 1995, 1,405 respondents were polled (see van Oorschot, 1997, 1998). Some of the questions in the Czech questionnaire were inspired by the Dutch survey.

³ Offe (1993) identifies three stages of a social system reform: emergency measures, institution building and reform, and adjustment within established social-policy institutions.

⁴ Due to this link-up with the former systems, which were based on a highly decommodifying welfare state type, János Kórnai labelled the post-communist social policy systems as "pre-mature welfare states" (1992).

⁵ The economic crisis was quite persistent in Czechoslovakia during the 1970s and 1980s. However, in the early 1990s it resulted in a transitional decline in production and real incomes. Similarly, the crisis of legitimacy was intrinsic to the entire social and political system prior to 1989. With the democratisation of society, it made itself felt in all societal spheres, including social security. In the Netherlands, as in other parts of Europe, the economic crisis burst out in the first half of the 1980s and again in the early 1990s and was typified by growing unemployment, welfare spending cuts, and reinterpretation of the welfare state's social functions. Demographic ageing, which intensifies economic pressures, is more or less similar in both countries.

⁶ The benefit is provided for a short period of time (six months), and the real average benefit is permanently below the level of social assistance benefit (about 30% of the average net wage).

⁷ There exist essentially two types of child benefit in the Czech Republic. One of them resembles child benefit common in other countries (prídavek na dítě). The other was initially introduced as a state compensatory premium designed to eliminate inflationary effects; since 1996, it has been known as an income-tested benefit called 'the complementary social benefit' (socialní příplatek).

⁸ Female retirement age is related to the number of children a woman bears. Childless women will retire at the age of 61 in 2007.

⁹ Replacement rate of sickness benefit was changed from 90% to 69% of wage (but, at the same time, the gross wage became a calculation base instead of net wage). This applies to the fourth and the following days of illness; during the first three days it decreased from 70% to 50%.

¹⁰ As a consequence of allowing for early retirement, and of a decrease in the volume of payments resulting from non-payment by employers and lower economic activity (including unemployment).

¹¹ In the first place, social benefits indexation was associated with a 10% increase in the cost of living (instead of the former increase of 5%) and entitlement to a child allowance was limited to families with income lower than 2.2 times the subsistence minimum per household member and replacement rate of unemployment benefit was decreased.

¹² The Gini coefficient increased from 0.20 in 1992 to 0.26 in 1996 per household consumer unit and from 0.29 to 0.36 in terms of total household income (Vecerník, 1998).

¹³ Poverty as defined by the official subsistence minimum concerns 3.7% of the population in 1996, and as defined by the EU poverty line 3.9% according to Vecerník (1998), or 7.8% according to the Czech Statistical Office (ČSÚ, 1998), which used a different equivalence scale. However, this is partly due to the control imposed on the pace of the economic transformation and the low unemployment rate.

¹⁴ While real net incomes of households of employees without children, as well as households of retired people, were basically the same in 1997 as in 1989, these 1997 incomes fell in households of employees with children to 89% of the 1989 level. In the households with lowest incomes they fell even more – to only 69% of the 1989 level.

¹⁵ Despite the fact that the 'objective' poverty rate is not high in the Czech Republic, the middle classes find themselves to be close to the poverty line; for example 16.2% of

World poverty

the population have income under the level of 60% of average income per capita in the household (ČSÚ, 1998).

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