THE WELFARE STATE IN EASTERN AND SOUTH-EASTERN EUROPE – THE CASE OF ROMANIA

GHEORGHE MATEI, NICOLAE TUDOȘE *

ABSTRACT: After the collapse of communism, Eastern and Southeastern European counties have experienced significant changes, especially in terms of transition to market economy was achieved through efforts of liberalization and elimination of all forms of national control. As a consequence, some of the social welfare states in the region, still anchored to the old forms of organization, faced serious difficulty to accommodate the challenges that have resulted from the economic liberalization.

KEY WORDS: social welfare, welfare state, social policy.


1. INTRODUCTION

The first and most important consequence of the transition to the market economy has taken the form of unemployment, which saw an exponential growth compared to the previous period, when employment was mandatory for all citizens and done by state and when welfare was strictly a social responsibility of public institutions. In order to mitigate the shock-induced free-market economy shift, governments of many countries have prioritized their efforts to conserve the old social protection systems of Beveridgian influence.

However, the inevitable restructuring of the entire state apparatus generated changes for the welfare state, sometimes leading to greater social dysfunctions. The first attempt to address these problems gave rise to the „Declaration on Cooperation between the Czech and Slovak Federal Republic, the Republic of Poland and the Republic of Hungary in Striving for European Integration“ adopted on February 15, 1991 in Visegrad, when the signatories „agreed to initiate a process of creating a database and new forms of political, economic and cultural life cooperation of their
countries in the new Central Europe in order to ensure the full political, economic, legal and security related involvement” (http://www.parl2011.pl/prezydencja.nsf/lexi/md_DKUS-8EZCXL/$File/Grupa_wy_md.pdf).

This agreement was the first attempt to establish a common platform for the management of the uncertain future of the Eastern and South-eastern European counties.

Without denying the fact that „the social policy of the old communist states was, theoretically, the most appropriate expression of social solidarity” (De Frel, 2009, p. 17), some authors consider it to be „marked by shortages and overall inefficient” (De Frel, 2009, p. 17). Although the socialist welfare state was able to ensure, in theory at least, universal access to health insurance, education, social services and facilitated employment, housing acquisition while offering subsistence income for those who, due to objective reasons, could not be integrated into the socialist labor force, the lack of correspondence between theory and practice was obvious.

2. THE SPECIFIC FEATURES, ADVANTAGES AND DISADVANTAGES OF THE WELFARE STATE IN EASTERN AND SOUTH-EASTERN EUROPE

One of the original features common to all welfare states in Eastern and Southeastern Europe was the reduced concern for social policy reform and adjustment to the new challenges that had arisen from the changing economic situation. During the first few years after the change of the political regime, attention turned towards ensuring the essential viability of the economy, so policymakers often stated that „the transformation of the welfare state and social policy reform are not among the priorities of the reforms, especially at a time when economies are on the verge of collapse” (Manabu, 2003, p. 232).

For this reason, the governments of the former socialist countries have not implemented nor have they developed long-term strategies regarding the social policy, therefore any measures taken merely relied on on the spor tactics. However, since the mid-1990s, under the pressure deriving from mass layoffs, the need to maintain the sustainability of the fiscal systems brought about a reconsideration of the opportunity of existing enactments in the field of social protection. The state has gradually diminished its interventions, encouraging private initiative and non-governmental organizations.

Under these circumstances an inherent shift towards a social system that favoured to decentralization, efficient administration and collection of funds took place, through: the emergence of public - private partnerships; expansion of community services; management decentralization at regional and / or local level; appeal for financial support, logistics and know-how from international bodies/ organizations.

Shared by all countries in the region, the characteristics of welfare state development have led to what we now know to be common practice. Despite its recent emergence, the Eastern and South-eastern model of the welfare state in Europe, poses both advantages and disadvantages (Table 1).
Table 1. Advantages and disadvantages of Eastern and South-eastern model of the welfare state in Europe

<table>
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<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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<td>Addresses a complex set of social issues and challenges</td>
<td>It has a high dependence on public resources</td>
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<tr>
<td>Protects vulnerable social groups</td>
<td>Management is difficult, the system is highly bureaucratic</td>
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<tr>
<td>Reduces social inequalities and discrimination</td>
<td>Generates cost transfers borne by future generations</td>
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<td>Favours income redistribution to the benefit of disadvantaged social groups</td>
<td>Brings about advantages to certain social groups, nor does it impose obligations in exchange for the social benefits</td>
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<td>Mitigates social uncertainty</td>
<td>Reduces the resilience capacity of economies to external shocks</td>
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<tr>
<td>Helps create added value in the economy through human factor investments</td>
<td>Falls under the influence of political guidance</td>
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<td>Stimulates aggregate demand</td>
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Source: working of the author based on Schmidt, M., G. – The democratic welfare state, Democracy, reality and responsibility, Political Academy of Social Sciences, Acta 6, Vatican City, 2001, p. 266

Given the long history of centralization in the former socialist countries, the development of an appropriate insurance and social protection system, able to meet the continuously diversifying social needs, gives way to a number of challenges, which governments are often unable to address. Therefore, given the government’s limited response capacity, an appeal has been made towards public-private partnerships, particularly in the field of health insurance, health care, social services and professional conversion. Through the response of the public–private partnership a major contribution has been made to the development of the welfare state, who became more and more able adapt to the requirements of the transition to the market economy.

Given all this, the decentralization of the administration of the social protection systems has become a central element of welfare state development in Eastern and South-eastern European countries. The governments’ failure to manage the social problems of the often geographically dispersed communities prompted the need to shift responsibility in the direction of local or regional bodies. In addition to this, decentralization favour a more efficient allocation of resources, in full accordance to the specific needs of each area, and the locally collected resources could be used independently, according to the specific geographical priorities.

Though „still facing the process of economic transition” (Manabu, 2003, p. 231), social welfare states in the Eastern and South-eastern Europe have undergone extensive changes over the last two decades not only for the purpose of adapting to the new conditions, but also to gain on the gap with Western European counties. Located at the confluence of the already established Bismarck and Beveridge models, the welfare states in this region find it difficult to distance themselves from their recent socialist that still influences both the practice and line of thought.
3. SOCIAL WELFARE IN ROMANIA

With a much more recent welfare history than that of other European countries, the Romanian welfare state set ground for social protection initiatives as far back as the eighteenth century, when the very first approaches to “institutional poverty assistance” (Orchard-Cadeschi, 2002, p. 11) consisted of efforts focused on “granting financial aid to the impoverished individual who has lost his means of living but chooses not to publicly display poverty” (Orchard-Cadeschi, 2002, p. 23). Later, vision expanded to include other social groups, but the number of individuals who actually benefited from the services provided by the designated institutions was extremely low.

Under these circumstances, the actual development of the welfare state in Romania, centered at the time only on social issues, only began in the early nineteenth century, when a coherent social protection system was created. Later, during the interwar period, Romania also designed and implemented a compulsory social insurance system, designated for employees and tradesmen only, leaving other professional and social in charge of their own welfare.

The true fundamental changes of the previously inchoate social protection schemes took place between 1945 and 1989, completely changing the previous system by redirecting the focus towards welfare, though from a centralized perspective. The scope of social insurance was limited, encompassing employees of state enterprises and, exceptionally, other individuals undertaking productive activities for the benefit of state enterprises and who were thus considered to be employees. The self-employed and farmers were excluded from the centralized system state and their only social benefit, if any, came from the autonomous security systems created in the interwar period.

After 1989, the welfare state has moved, together with the entire economy, to a transition period during which the ideology shifted towards the concept of “welfare state” as dogma of the 1991 Constitution who stated that „the state shall take imposed measures for economic development and social protection, so that be provided with enough financial means for living standard” (1991 Romanian Constitution, Chapter II, art. 22 sec. 1 - http://www.cdep.com/pls/dic/act_show?ida=1). However, the development of the welfare state in Romania during the years 1990 - 2000 was not optimal, creating an obvious discrepancy between its objectives and the practical reality.

Despite the ongoing regulations, both during 1990 - 2000 and afterwards, the welfare state knew a less than optimum reality which eventually worsened over time. In this regard, as can be seen from Figure 1, the number of employees decreased from approx. 8 million persons in 1990 to 5 million in 2012, while the unemployment rate experienced a spectacular development (Figure 2).
Figure 1. The evolution of the number of employees and pensioners in Romania between 1990 - 2012 (thousands)

Source: working of the author based on the data from the National Statistics Institute, www.insse.ro, accessed on 30.06.2014

Figure 2. Unemployment in Romania between 1900 – 2012 (%)

Source: working of the author based on the data from the National Statistics Institute, www.insse.ro, accessed on 30.06.2014
In addition to this aspect, of tremendous relevance is also the evolution of the number of retired persons (Figure 1), which followed an inverse trend compared to that of the number of employees. According to the Figure 1, in January 2012, there were around 4.77 million employees in Romania and around 5.49 million pensioners, which leads us to say that throughout the period under review, the steps undertaken by the welfare state did not lead to the expected effects, as the difference between the two socio-professional groups highlights the obvious subsequent financial difficulties deriving from the need of a higher than expected fiscal pressure.

In addition to these issues, we consider it appropriate to turn our attention to another aspect, that of the number of people who are considered by the World Bank to be living below the poverty line, with a daily income of 5 dollars (Figure 3).

In comparison to the situation recorded in 1989, when the number of individuals living below the poverty line was insignificant, after 1990 the numbers changed dramatically, reaching almost 2 million in 1994, mainly due to the massive collective layoffs that took place in the mid-1990s. Although this adverse effect could be considered to be generated by the hyperinflation of the time, despite having had the issue addressed in a successful manner, no improvement was recorded, not even during 2004-2008 when the economy knew a decade of positive growth.

Figure 3. The number of persons living below poverty line in Romania (1989 – 2011)

Therefore, we will have to bring into discussion the effectiveness and overall convenience of the welfare reform of the last 25 years, given the fact that all future social policy measures are needed to focus on the aspects concerning employment and
income level. While as the situation of the labor market needs to be addressed through active measures tailored to each socio-economic group, the issues regarding living standards and poverty gaps are needed to be seen as the main objective of all social protection policies, since human investment is the outmost important source of future economic growth.

4. CONCLUSIONS

Emerging through experimentation, directly correlated with the new constraints introduced by aging and the raise of the average age of populations, as well as the decline in birth rates, welfare state in Eastern and Southeastern Europe were confronted with significant challenges calling for constant remodeling and new ideologies that eventually brought about a new shift in the line of thought which now considers welfare to be a productive factor, while social policy is perceived as a long-term investment with delayed results.

Considering Romanian welfare in retrospect, we believe that the reason behind the delayed adjustment of national social policies has profound political influences. Despite the obvious negative macroeconomic signals which pointed out the threats to the sustainability of the social protection system, political actors chose to avoid as much as possible the social conflicts could erupt in case benefit reduction. However, although the negative financial consequences, it should be noted that, unlike the rest of the European countries, Romania has opted for the challenge, namely a new welfare model, at a time of a world wide focus on economic competitivness not of social welfare.

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