A1.1 Weathering the Crisis? Adjusting Welfare States in Eastern Europe after the Crisis of 2008

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Objectives

The project focuses on the key features of capitalist diversity in Eastern Europe: the differences in the systems of social protection and their political and economic determinants. In particular, it investigates the welfare-state adjustments that followed the crisis of 2008. The main research question is: How have the welfare regimes in Eastern Europe responded to the economic crisis and what explains variations in welfare state adjustments?

The underlying expectations are that there will be varieties of adjustment, conditional upon the national production systems, on the one hand, and the actor coalitions (or, more broadly, the political constituency for welfare), on the other hand. Therefore, two sub-questions are put forward, each of them focusing on the role of one of the two key determinants (causal clusters) in conditioning the outcomes:

- To what extent did the political constituencies for public welfare condition the forms of welfare-state restructuring?
- How was the crisis impact conditioned by the varieties of production systems?

Research Design

- Regional focus on Central and Eastern Europe
- Small-N comparative historical investigations
- Within-case study analysis and theory-testing process tracing
- Analysis of survey data using quantitative methods
- Multinomial logistic regression and multi-level multinomial logistic regression

Data Sources

- Semi-structured interviews with policy-makers, social partners and policy experts
- Survey data collected within several Eurobarometer and European Social Survey waves
- Macro-economic data on welfare-state expenditure and generosity from national statistical institutes and international databases (World Bank Data, IMF data, OECD statistics)
- Data from the Interstate Statistical Committee of the CIS
- Historical evidence gathered through process tracing

E.g. 1: Pension Privatization

- The Central and Eastern European countries (CEECs) underwent considerable changes in their pension systems between the late 1990s and mid-2000s.
- The majority of the CEECs introduced mandatory private pension schemes.
- the financial crisis of the late 2000s forced policy-makers to reconsider their past reform choices.
- Under these conditions, the CEECs embarked on vastly differing pension policies.
- The origins of this divergence are to be found in domestic politics, and to a lesser extent in an attitudinal shift within the International Financial Organizations.
- We expect that funded schemes in the CEECs will be considerably smaller in the future, with a gradual shift to voluntary membership motivated by tax deductions.

Pension reforms in Eastern Europe - country focus

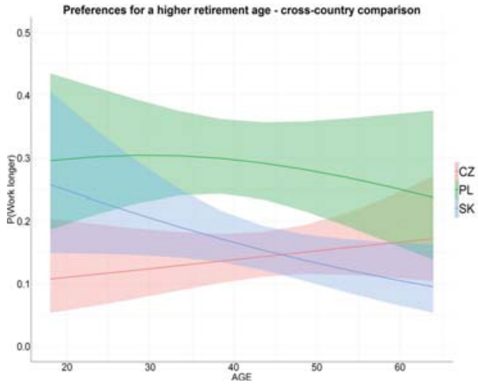
E.g. 2: Pension Reforms

- Pay-as-you-go (PAYG) pension systems are the most important social policy items in these countries both in terms of coverage and expenditure, therefore changes in their parameters have major consequences for large number of workers.
- During the first decade of transition economic crises coupled with adverse demographics created pressures for reform of the public pension systems.
- Bulgaria, Belarus and Ukraine responded to pressures in different ways. Divergence in responses was shaped by a mix of political and economic factors.
- Different forms of international integration impacted the capacity of governments to sustain payroll taxes. In particular, integration through light sectors pushed governments to decrease contribution rates. By comparison, reliance on steel or machinery and transport equipment as main export industries was coupled with higher levels of payroll taxes.
- The regime type shaped how each country responded to external shocks and what reform solutions were considered as viable alternatives. In Belarus the privatization agenda was ruled out by the regime since the early 1990's. Further, authoritarian regimes are just as dependent on popular expectations about social security as democracies.
- The level of fractionalization conditioned whether governments were able to pass reforms and encouraged electoral competition through pension promises. Higher levels of fractionalization were coupled with failed or no paradigmatic reforms and reliance on changes in the indexation mechanism as a tool for both expansion and retrenchment.

E.g. 3: Preferences for pension reforms

- A hitherto unexplored facet of pension reforms is the impact of the institutional environment on the pension-reform preferences of the public.
- Defined-contribution schemes appear to be highly conducive in attenuating opposition against increases in the statutory retirement age.
- Cohorts from the Czech Republic, Poland and Slovakia that are enrolled in defined-contribution schemes are significantly more likely to accept prospective increases in the retirement age.

Preferences for a higher retirement age - cross-country comparison



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