

TWENTY YEARS OF TRANSITION - POVERTY OUTCOMES OF INCOME REDISTRIBUTION SCHEMES IN EUROPEAN POST-SOCIALIST COUNTRIES

Research plan

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Research plan for Finnish graduate school for
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1 INTRODUCTION

There are several remarkable aspects of the changes in social development during transition from socialist system to market economies in Central and Eastern Europe (CEE) and the Former Soviet Union (FSU) (henceforth referred to as “post-socialist countries”)

First, transition had a dramatic effect on poverty and inequality in all of the countries: since the collapse of the Soviet Union the number of poor people increased from 14 million to nearly 150 million by the mid-1990. In the same period the countries with very equal income distribution experienced a dramatic rise in income inequality resulting in inequality levels similar to Latin American countries. (Milanovic 1998, 67–71.) Second, the changes were very diverse. When in Slovakia and Poland poverty gap was just half percent of the GDP, in Kyrgyzstan it was nearly 30 percent (Milanovic 1998, 76–77). In Moldova, the income inequality almost doubled over the first ten years of transition, whereas Belarus remained the most equal country in Europe regarding income distribution (IMF 2000, 2.) Third, not only were there greatly different social adjustments between countries due to inevitable system change, but especially with the path chosen regarding to institutional reforms and international and global cooperation. Czech Republic, Hungary, Poland and Slovakia were eagerly joining OECD, NATO, EU and other international organizations, whereas Russia, Ukraine and Moldova stayed reluctant to processes of Europeanization and globalization. These choices made, in political decision making and in institutional reforms, have had a great impact on the welfare state development in post-socialist countries, and will greatly affect the development and choices available in the future.

By any measure or historical reference, these were significant changes. Understanding the drivers of these changes is crucial for their own sake. These striking changes resulted in considerable adjustment for the people affected and therefore have important policy implications. It is also critical to understand why these changes are different from those in developed or western economies to derive general implications.

Studies on development of post-socialist welfare state

The majority of the studies on welfare state development of post-socialist countries have focused on welfare state institutions and magnitude and salience of the welfare state (Kovács 2002, Aidukaite 2004, Tomka 2006, Cerami 2006, Fuchs and Offe 2008, Aspalter et al. 2009), and very little attention has been given to the outcomes of the welfare states at the household level (with few exceptions: Rat 2006, Cerami 2003).

Many of the recent scholars have joined the findings of János Kovács (2002) influential paper, where he presented three possible alternatives for welfare state development in post-socialist European countries. First the prediction was widely shared by western social policy experts that the welfare state development would follow none of the continental European or Scandinavian models, but rather the liberal model of United Kingdom or United States with means tested benefits and a moderate system of social insurance targeted at low-income households (Esping-Andersen, 1990, 26).

The second scenario assumes that the long socialist past will block any consistent and sustained reform effort and as follow-up outcomes can be described by stagnation and strong path dependency. As Kovacs puts it “the few relics of the command economy with all its

dominant features such as the over-centralization, waste, rationing, shortage, paternalism, rent-seeking and corruption” (Kovács, 2002, 192)

The third alternative poses a mix of corporatist model with additional private elements, a mix of “great variety of small transformations” (Kovács, 2002, 193), rather than a result of a great and consistent reform. In this projection welfare states in the central and eastern European member states do not follow any consistent pattern that would converge with one of the three (or four) familiar “welfare regimes” from western and southern Europe; nor can the post-socialist countries be said to have developed a model or “post-socialist” regime of their own.

As Tomka sums it up “The newly emerging welfare regimes in East Central Europe do not conform to any of the regime types in Esping-Andersen's typology. Rather, the new welfare systems are a mixture of different elements of these regimes. As a rule there has been no marked convergence to the residual US-type welfare model. The East Central European welfare systems of the 1990s are not close receives of any Western European welfare regime, either. Rather, they mostly mix elements of the social democratic and the conservative regimes. Since there are signs indicating that the future European social model will be based on a merge of the social democratic and conservative welfare models, the welfare development of East Central Europe in the 1990s suggests that the welfare states of the region will converge on that newly formed European social policy model.” (Tomka 2006, 155–156)

This study will address the same question on the welfare state development and regime formation as the studies above, but approach it from a different perspective. The welfare state development will be looked from the perspective of *poverty outcomes* of income redistribution system. By closely examining the poverty outcomes of welfare states, this study will question the loose generalisation of Eastern European welfare state development and take a more detailed look at what is really going on in these countries compared to each other and to western counterparts.

Need for comparative knowledge on the outcomes of national social policies

In EU the issues in social policy are coordinated under umbrella of Open Method of Coordination (OMC) which leaves the decision making for the member state. Still, at the same time, the social problems these policies are made to tackle do not follow the borders of the national states. From multiple perspectives, like migration of excluded minorities or work-related immigration, we need comparative information on living standards to understand the factors driving the phenomenon as well as we need comparative information on effectiveness of the national social policies tackling the problems on national level. As for the migration, it's often said in public debate that problems with low living standards and suppression should be dealt on national level, where they origin from. For constructing Union wide policy recommendations, we need knowledge on what is been done nationally and what are the outcomes.

Methodological challenges

The current official EU poverty analysis follows the mainstream methodology for poverty analysis that uses indirect and relative notion of poverty measured on national level (Atkinson et al. 2001). Even with the earlier enlargements the poverty measures have been found inadequate in drawing a reliable comparative picture on poverty between countries of different living standards (eg. Kangas and Ritakallio 2007). The latest enlargement in 2007,

with Romania and Bulgaria, widened the gap even more and calls for coherent, theoretically based measures capable of identifying changes in Union level as well as national and regional levels. Both, in countries with high living standard and equal income distribution (eg. Sweden) and in low income countries with high levels of inequality (eg. Romania). As, in this study, poverty will be studied from the viewpoint of policy analysis, the mainstream methods using relative poverty lines will be critically analyzed whether they are adequate in the context of policy evaluation. It will be stressed that it is a different thing to compare poverty rates than to use poverty rate as an indicator of success of social policy. Social policy is much more and income poverty is, to be honest, very trivial concept. On methodological level the main contribution will related to these issues.

2 THE RESEARCH DESIGN

The empirical knowledge about welfare state development in postsocialist European countries is so far limited. There is a need for detailed country-specific analysis as well as international comparisons. The overall analytical goal of for the study is to critically assess the development of welfare state from poverty outcomes perspective on post-socialist countries, using selected western countries as a reference point. Theories, approaches and typologies used to study affluent capitalist democracies will be applied, but in a different context and in well tailored applications.

The analysis will be based on extensive use of national and cross-national micro-economic household datasets. Basis of the theoretical framework is anchored in comparative welfare state research; in theoretical literature on welfare state and social policy models (Tittmuss 1974, Wilensky 1975, Korpi 1983, Esping-Andersen 1990) abundant research on transition and the innovative research on living standards by World Bank and IMF, from the global perspective, and the various Western cross-national household data projects eg. Canberra group, Luxemburg Income Study (LIS), European Community Household Panel (ECHP) and its successor, EU Statistics on Income and Living Conditions (EU SILC) from the western and industrial countries perspective (Ringen 1987, Mitchell 1991, Vleminck & Smeeding 2001, Ritakallio 2002, Marlier et al. 2007, Atkinson 2008). From theoretical viewpoint the study will combine the “Western” theoretical knowledge to the “Eastern” empirical evidence and provide a possibility to extend the theoretical framework for post-socialist societies.

In my master thesis (2008) on poverty in Moldova, that was honored with grade laudatur, I used a national household budget survey data from years 2001 and 2004, which I obtained from the national statistical office in Chisinau and was given a personal support during the project. I used methodology by World Bank and IMF as opposed to EU mainstream methods (Atkinson et al. 2001). In the analysis I applied the frameworks of western theoretic Rowntree (1901), Townsend (1979) and Beckermann (1979) and exposed the results for comparison with results from studies within OECD countries by Kangas and Palme (2000).

Research setting

This study focuses on income redistribution outcomes of the welfare states in post-socialist European countries. Due to multiple viewpoints of the study and the complexity and varying quality of data, the analysis will be carried out in three dimensions each of with distinct research questions, data and methods.

1) Choices and the unavoidable – role of social policy in welfare state development during the 20 year of transition

In first dimension, the aim is to study the effect of policy choices in the development on the welfare state through case studies of countries with different socialist legacy. Hypothesis derives from the Kovacs second scenario that the socialist legacy would determine the path for welfare state development leaving no space for policy choices. The policy choices will be linked with poverty outcomes and analyzed in broader context of transition to examine the role of choices in the irreversible process of transition. This will be studied using longitudinal national household data¹ that cover the greater part of the transition period, from the early 1990's until 2010.

2) Different choices – diverged outcomes. The cross-sectional profile of poverty outcomes of income redistribution schemes in selected EU countries

The second dimension brings the first dimension to a comparative setting asking the question of can the cross-sectional differences in poverty outcomes of post-socialist countries and European regime ideals (Esping-Andersen 1990) be explained by differences in welfare state origins and choices made in social policy? The Kovacs third scenario of diverging and country specific welfare state development will be empirically tested. This cross-sectional setting in year 2011 (suggestive) can be studied using LIS data² between selected EU10 and FSU countries with “regime ideals” as a point of comparison.

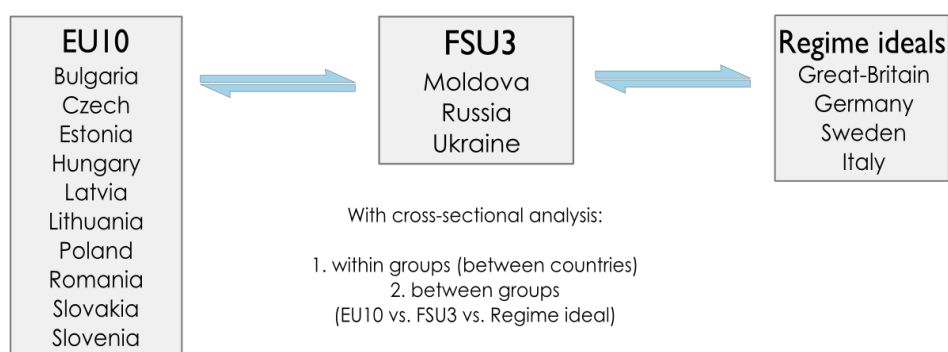


Figure 1 Illustration of the cross-sectional comparative study between selected EU10, FSU3 and EU15 countries on year 2012 (country names only suggestive)

3) Different choices – common Union. Effects of Europeanization on welfare state development

In third dimension the temporal first and cross-sectional second dimensions will combined to providing a *comparative longitudinal* perspective to welfare state development. The main emphasis will be on effect of Europeanization and on the methodological challenges. Has the membership of EU affected the welfare state development? Are EU welfare states coming closer to each other and to theoretical model known as European Social Model (see Tomka 2006, 155–156)? What methodological challenges enlarged EU sets for poverty comparisons and social policy analysis? Study will be conducted within countries of EU10 and “regime ideals” using EU SILC -data³. The time span will extend from the year 2007 until year 2011. This dimension will also allow the analysis of the impact of the current financial crisis, which is believed to have serious social effects on the post-socialist countries.

¹ For the list of National surveys World Banks Living Standards and Measurement Study (LSMS) website

² Many post-socialist countries have been involved in LIS since the turn of the Millenium

³ All the EU27 member states will be included in the EU SILC –data from 2007 onwards

3 IMPLEMENTATION

Results of the dissertation project will be published in international peer-review journals. Publications will be prepared as the study proceeds not only in the end of the project. The final thesis will consist of four published articles and the summary of the central results of the study. In addition, results of the study will be presented in various national and international conferences and seminars.

Duration of employment of the dissertation study is thus a total four years. The project will start 1.1.2010 and will end the 31.12.2013. The table below presents a preliminary annual description of the research tasks in the project.

Table 1 Schedule for implementation of the study

	2010	2011	2012	2013	Outcome
Dimension 1					
access the data	X				1 article
Data Analysis	X	X			1 conference paper
Writing the article		X			
Dimension 2					
access the data	X	X			1 article
Data Analysis		X	X		1 conference paper
Writing the article		X	X		
Dimension 3					
Data Analysis		X	X		2 articles
Writing the article			X	X	1 conference paper
Research exchange	X		X		New perspectives and skills New personal contacts
Dissertation					
Writing the final thesis				X	1 dissertation thesis
Dissertation				X	
Outcome	1 conferen ce paper	1 article 1 conference paper	2 articles 2 conference papers	1 article 1 thesis	4 articles 4 conference papers 1 dissertation thesis

Research exchange and additional courses

Over the four year period I have planned to spend minimum of two half year period abroad in a research exchange, one period in the “target region” and the other either in University of Sheffield or York in United Kingdom.

In addition to the activities of both graduate schools I will deepen my expertise in various post-graduate theoretical and methodological workshops, which include summer workshop of Luxemburg Income Study, PhD-courses within the Reassessing the Nordic Welfare Model (REASSES) and European Social Policy Analysis Network (ESPANET) research collaborations.

Tutorial arrangements

Professor Veli-Matti Ritakallio from the department of Social Policy in the University the Turku will work as my tutor from my home department. Additional guidance to graduate schools operations I will gain from experts I worked with in my thesis, eg. Simo Mannila (THL), Paolo Verme (University of Torino).

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